Canada Post Corporation 2025 Annual Report

For the period ended December 31, 2025

2025

Table of contents

President's message	3
Executive summary	6
Delivery reach and letter mail data	13
Our financial picture	15
Powering future growth and innovation	20
Aligning our network with a modern Canada	25
A strong foundation to build on	32
A vital national infrastructure	34
Chair's message	39
Corporate governance	42
Board of Directors	45
Officers of the Corporation	48
Ombudsman's report	49
Canadian Postal Service Charter	51
Other public policy programs	58
Our size and scope	60
Financial section	62

President's message

President's message

Canada Post has been guided by the same mandate for more than 40 years – serve all Canadians and pay for it with the revenues generated by fulfilling this important role. In other words, connecting the country is crucial, but someone has to pay for it.

In our case, that's not meant to be the government, but those who use the system – to send a letter, ship online orders or deliver flyers.

This approach still resonates today because it's designed to keep us focused on serving the changing needs of our country, as everyone is a customer. However, the problem is that as the needs of Canadians changed, the regulatory and policy restrictions placed on the postal system did not.

A transformation plan that meets the moment

Over time, as Canadians sent less mail and as parcel deliveries became more competitive with online shopping, we were severely limited in what we could do to keep pace, reduce costs and make money.

With declining revenues and rising expenses, our financial situation deteriorated to the point where taxpayers had to top up our bottom line with repayable funding just so we could maintain operations. The status quo was beyond unsustainable.

That's why I am incredibly proud to share that the transformation to restore and renew Canada's postal service is underway.

With the government's announcement to lift long-standing barriers and provide the flexibility needed to reform, the path forward to re-establish this vital institution is clear. The turning point we have spent years preparing for is finally here, and we are ready to make the changes necessary to seize this historical moment.

Canadians deserve a strong, stable Canada Post that fits their needs, and we will work hard to meet their expectations.

Creating a Canada Post that Canadians want to choose

While Canadians still value Canada Post, we need to provide them with more reasons to see the value in choosing Canada Post for their delivery needs.

Our proposed transformation plan, therefore, balances the need for greater productivity and structural change with a profound understanding that Canadians and Canadian businesses need to see us providing a better service that they want to use and pay for.

Our plan is built for the modern Canada we serve. It includes long-overdue changes to align our network to how it's used, while powering new revenue growth and innovation.

It will take time, but I'm confident it's the right plan focused on the bold changes needed to meet the moment. It's an investment in the future of Canada that respects our role as a public good.

A balanced plan to return to self-sustainability

We will convert the remaining door-to-door delivery addresses to community mailboxes, providing a consistent, centralized service across the country. Our Delivery Accommodation Program will ensure everyone can access their mail.

We'll modernize and optimize our retail post office network, understanding the importance of maintaining service in rural, remote and Indigenous communities.

Mail delivery standards will also be adjusted to align with today's expectations. Our goal is to strengthen our network by constantly focusing on core productivity. For Canadians, productivity means better reliability.

On the revenue side, we'll grow our parcel volumes by becoming a more relevant player in the online shopping market. We'll work with the government to eliminate the red tape in our pricing structure to provide flexibility and align letter mail pricing to international standards. We'll also diversify and innovate to find new revenue streams that complement our existing services.

The foundation is in place

My confidence in our proposed plan is supported by work we have done in the past few years to prepare for this moment.

We've invested in new state-of-the-art parcel sorting and delivery capacity, including the Albert Jackson Processing Centre in Toronto. We also upgraded our information technology operations to streamline processes, provide better service to customers and fuel future growth.

Most importantly, we have the most experienced and incredible team of people in the business and an unparalleled network that touches every corner of the country.

Change is necessary, but never easy

We understand that change is never easy, especially at Canada Post. It's largely the reason many of the restrictions we faced remained in place long after their due date. It also means that while Canadians respect the need to secure the postal service, some changes will raise concerns.

That's why our first step was to assure Canadians we understand the responsibility that comes with the flexibility the government is providing. Last October, we shared our guiding principles that will frame our approach. As we move forward, we'll prioritize service, proceed thoughtfully, treat our employees with respect, engage Canadians and keep them informed, and be flexible.

Improving our value proposition

Our goal is to first ensure we provide a trusted, reliable service that Canadians and Canadian businesses want to use.

This means providing a service that Canadians trust with their purchases, that small businesses can count on to help them compete against global giants and that strengthens connections between Canadians. Our proposed transformation plan will get us there, but change will be a constant going forward as we bring innovations to market, improve our operations and enhance our services.

Our mandate has always been our North Star and that's important to remember as we transform.

Some things will have to change in order to protect those that are most valuable to the country. We will be leaner, but our potential to support Canadians and the economy will be much greater, as will our ability to reinvest in finding new ways to earn our customers' business. Above all, Canadians have to see the value in using the postal service so that it can return to financial self-sustainability.

I look forward to the year ahead and encourage you to read further details on our proposed plan in this annual report.

Doug Ettinger
President and Chief Executive Officer

Executive summary

Canada Post has reached a historic turning point. For decades, we've navigated an evolving delivery landscape as the needs of Canadians have changed. Traditional letter mail has been steadily declining for 20 years, while ecommerce has grown exponentially and accelerated demand for parcel delivery services. Canada Post initially benefitted from early-mover status in the ecommerce economy and became the country's top parcel delivery company. But competition in ecommerce delivery has intensified significantly over the last several years, eroding the company's parcel volumes and revenue.

This seismic upheaval in our business environment reflects dramatic changes in the delivery expectations of Canadians. These market shifts have precipitated unsustainable financial losses for Canada Post and highlight the significant reforms needed to secure the future of the postal service. For many years, Canada Post operated under legacy rules and frameworks – built for an era of letter mail – that contributed to its losses and prevented the postal service from fully adapting to modern realities and the dynamic needs of Canadians. That is now changing.

Building a modern and financially sustainable postal service

We have new tentative labour agreements with our largest union that will provide stability and greater flexibility, and the federal government is lifting long-standing barriers to reform. **The pathway to renewing and revitalizing the postal service is now clear.**

Canada Post is transforming to build a modern postal service that meets the evolving needs of all Canadians and can stand on its own financially – without burdening taxpayers. Our multi-year transformation will make our company and country stronger. At a time of significant global economic uncertainty, a strong Canadian-made, Canadian-run delivery provider that reaches every community is essential for our country's prosperity.

As we build our plans, we understand that the last year of labour uncertainty was difficult for customers and we need to earn back their trust. We are committed to doing better for them. **Our transformation will help us be the delivery provider they want to do business with – boosting our revenues, reducing the need for repayable government cash injections and putting us on a path to financial self-sustainability.**

A financial imperative to transform

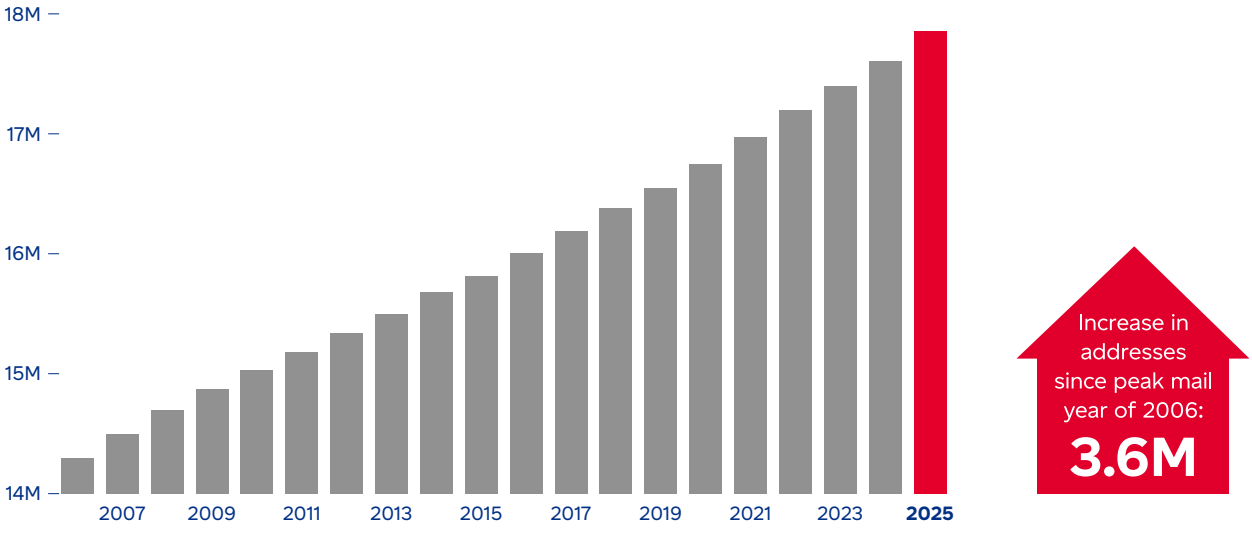
Canada Post's deteriorating financial situation has reinforced the urgent need to transform:

- Canada Post recorded a loss before tax of $1.57 billion in 2025 – the largest in the company's history – compared to a loss before tax of $841 million in 2024.
- From 2018 to 2025, the Corporation lost nearly $5.4 billion before taxes (factoring in one-time gains from 2024 divestitures), while cumulative losses from operations are more than $6.1 billion.
- In 2025, Canada Post began receiving repayable funding from the Government of Canada to remain solvent and continue operating. The approved funding of $1.034 billion was intended to sustain operations through the government's fiscal year ending March 31, 2026. However, the funding was insufficient due to continued labour uncertainty and disruption throughout 2025.
- In early 2026, the government approved up to $1.008 billion in additional repayable funding.
- Until the multi-year transformation and financial benefits can be realized, further government funding is expected to be required to support operations, maintain solvency and invest in modernizing the postal system.
- The company continues to find ways to operate more efficiently and control costs, without impacting service – including reducing management headcount by 10 per cent in 2025.

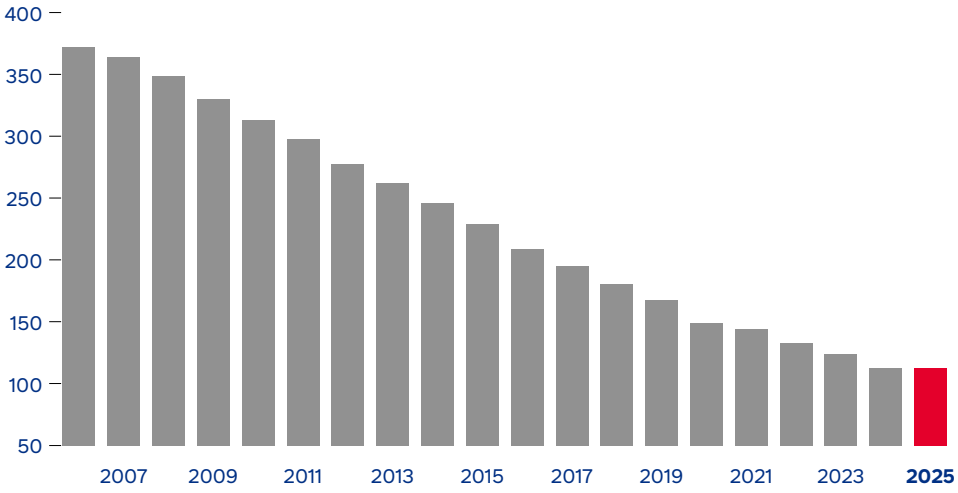
The changing delivery needs of Canadians

Canada Post's financial trajectory has been driven in large part by the sharp decline in domestic letter mail volumes and revenue. In 2006, our peak mail year, we delivered approximately 5.5 billion letters. In 2025, we delivered about 2 billion. As mail revenue declines, our delivery costs keep increasing, with more than 200,000 new addresses added annually. Since 2006, the number of addresses we serve has increased by nearly 3.6 million, while the amount of letter mail per address has declined by 70 per cent.

The number of addresses grows each year...



... as letter mail per address declines



Decline in letter mail per address since peak mail year of 2006:
70%

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

While letter mail continues to play an important role, the Canadian ecommerce market is projected to double over the next decade – making parcel delivery the company's key area for growth. However, fierce competition in ecommerce parcel delivery, combined with labour uncertainty, has significantly eroded Canada Post's market share in recent years. Low-cost "gig" delivery services and well-established global companies have collectively gained a majority share of the market, as customers seek carriers that can deliver their items more quickly and conveniently, including on evenings and weekends.

For years, Canada Post has largely delivered parcels from Monday to Friday, whereas many competitors deliver seven days a week. Our ability to offer customers affordable weekend delivery was challenged by the collective agreements with our largest union. Through the negotiations process, both parties were able to agree on an approach to provide additional flexibility and a weekend delivery model. These changes – which are built into the new tentative agreements, pending ratification – will help Canada Post capitalize on the continued growth in the Canadian ecommerce market.

Providing customers with more certainty and convenience

In December 2025, Canada Post reached tentative agreements with the Canadian Union of Postal Workers (CUPW) that, if ratified, will begin to provide more of the stability, certainty and convenience that customers need. These new tentative agreements with CUPW's Urban Postal Operations (UPO) and Rural and Suburban Mail Carriers (RSMC) bargaining units followed two years of difficult negotiations. The agreements – if ratified by union members in a vote scheduled for April 20 to May 30, 2026 – would be in effect until January 31, 2029.

Canada Post will work closely with its bargaining agents as the company modernizes and transforms the postal service, while preserving good Canadian jobs. We will continue to be fair and respectful to our employees as we implement changes, in full accordance with our collective agreements and the *Canada Labour Code*.

If ratified, the new collective agreements with CUPW will allow us to better serve Canadians and businesses today and in the future, with a new operating model to support affordable weekend parcel delivery. Weekend delivery will help us compete for a larger share of the ecommerce delivery market, including on weekdays, which will boost our parcel business and increase revenue. These changes will be important as we continue working with the government on our proposed transformation plan.

Canada Post's transformation plan

Guided by the *Canada Post Corporation Act*, Canada Post's mandate is to provide a high-quality postal service at a reasonable price to all Canadians – rural and urban, individuals and businesses – in a secure and financially self-sustaining manner. But in September 2025, our shareholder, the Government of Canada, acknowledged that this mandate was not achievable under the existing policies.

The government therefore announced that it would be lifting long-standing regulatory and policy restrictions and directed Canada Post to begin transforming the postal service. In November 2025, the Corporation submitted a comprehensive transformation plan. **The proposed plan aims to return Canada Post to financial self-sustainability, while preserving its role as a vital public service.**

Our proposed plan is an investment in the future to ensure every Canadian – living in urban, rural, remote and Indigenous communities – has access to affordable, reliable and high-quality postal services that align with their changing needs. Canada Post's transformation will strengthen the postal service, better support businesses and enable national commerce, while helping the Corporation meet its dual mandate of delivering for all Canadians in a way that is financially self-sustainable.

Powering future growth and innovation

Our proposed transformation plan includes several initiatives that will grow the business, increase revenue and help put us on a path to financial self-sustainability:

Parcel growth

- Grow parcel volumes and revenue by leveraging existing sort-and-delivery capacity, our proposed new weekend delivery model and targeted pricing strategies.
- Focus on improving ecommerce returns services, enhancing local next-day delivery options and tailoring offerings for small and mid-sized businesses.

Letter mail pricing

- Establish a sustainable pricing strategy for letter mail to better align with international standards, current market realities and operational costs.
- Create flexibility to implement letter mail price increases in a more timely manner. Proposed amendments to the *Canada Post Corporation Act* announced in the Government of Canada's Budget 2025 will update the time-consuming approval process for postage increases.

Diversification and other income sources

- Pursue new sources of revenue – such as expanded roles in financial services, multi-channel advertising and the ecommerce value chain – that align with our core business and build on our network, assets and brand.
- Continue to look for ways to grow revenue from our direct marketing services – which help Canadian businesses, institutions and charities reach people across the country.

Aligning our network with a modern Canada

The proposed transformation plan will evolve Canada Post's network to align with how Canadians and businesses use the postal service today, while continuing to support the needs of all communities. With the proposed changes, we will:

Centralized delivery

- Convert remaining door-to-door delivery to community mailboxes to sustain cost-effective delivery and provide a similar service level across Canadian addresses.
- Continue to offer and enhance the Delivery Accommodation Program to ensure all Canadians have appropriate access to mail service in a way that matches their needs.

Retail modernization

- Modernize and optimize our retail network to better align services with how Canadians shop and use the postal service. We'll begin with areas that were once rural and are now urban and well served with other post offices nearby.
- Ensure the maintenance of service to rural, remote and Indigenous communities, and provide comparable service standards to those in urban and suburban areas.

Updating letter mail service standards

- Work with the government to adjust letter mail delivery standards in the *Canadian Postal Service Charter* to adapt to lower mail volumes and the profound shift in how Canadians communicate. This updated approach will enable more efficient processing, greater use of ground transportation, and additional flexibility to increase productivity across our network.
- Continue to provide reliable service. For most Canadians, it is anticipated that these service standard changes will increase letter mail delivery times by one to two days. For those sending letters coast to coast, delivery times could increase by about three days.

Continuous improvement and other savings opportunities

- Enhance core productivity through a continuous improvement program that helps operations run more efficiently and effectively.
- Reduce the size of our overall workforce by leveraging our projected high levels of natural attrition – including retirements and voluntary turnover – while minimizing people impacts.

A strong foundation to build on

We're not starting our transformation from scratch. Canada Post is building on significant strengths already in place and has taken decisive steps to lay the foundation for transformation and improve service. For example, we have:

- Invested in new sort-and-delivery capacity – including the Albert Jackson Processing Centre in Toronto – which positions us to compete and capture growth in an ecommerce market that's expected to double over the next decade.
- Built an unparalleled delivery network that touches every corner of the country, and the most experienced team in the delivery business.
- Launched a new pricing platform that will enable us to better compete for business and grow our revenue. It will help give us greater precision and flexibility in how we price and promote our services, and provide a modern foundation that will support future pricing and product innovations.
- Enhanced information technology (IT) operations to deliver new digital products and services to customers faster, and help position the company for growth.
- Modernized our enterprise resource planning (ERP) platform, which streamlines core financial, procurement and operational processes – and will provide an improved experience for customers.

A vital national infrastructure

Canada, like many countries around the world, is navigating enormous economic instability and uncertainty. The foundation is shifting on decades-old trading alliances. This rapidly changing environment is presenting significant challenges to Canadians, businesses and communities. Our country needs a modern and thriving national postal service that continues to deliver for all Canadians, meets their ecommerce and mailing needs, and operates as a public good.

Canada Post is the only delivery company serving all of the more than 17.8 million addresses from coast to coast to coast. We provide a vital national infrastructure that reaches Canadians, businesses and communities no matter where they're located. We give small and mid-sized businesses a more affordable delivery option with a truly national reach. We're a lifeline for rural, remote and Indigenous communities. We go further to bring Canadians closer.

Our commitment to all Canadians

As we begin our transformation journey – and navigate the path to financial self-sustainability – we will remain grounded in our guiding principles that we shared with Canadians in October 2025.

We are committed to working with the Government of Canada, our bargaining agents, employees and communities to renew and modernize the postal service. Our goal is to provide a reliable, affordable and financially sustainable service that strengthens our country and meets the evolving needs of all Canadians for years to come.

Delivery reach and letter mail data

Delivery reach and letter mail data

The following data was conveyed via an infographic on the Executive summary page of the 2025 Canada Post Annual Report.

Address growth data table

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

Year	Number of addresses delivered to (in millions)
2006	14.293
2007	14.493
2008	14.696
2009	14.874
2010	15.028
2011	15.178
2012	15.338
2013	15.495
2014	15.677
2015	15.814
2016	16.006
2017	16.185
2018	16.379
2019	16.547
2020	16.750
2021	16.976
2022	17.194
2023	17.397
2024	17.609
2025	17.855

Letter mail decline data table

Statistical data illustrating the decline in letter mail per address.

Year	Number of pieces of letter mail delivered per household
2006	372
2007	364
2008	349
2009	330
2010	313
2011	298
2012	278
2013	262
2014	246
2015	229
2016	209
2017	195
2018	181
2019	168
2020	149
2021	144
2022	133
2023	124
2024	113
2025	113

Our financial picture

Canada Post's financial situation deteriorated significantly in 2025 as labour uncertainty weighed on the business, and decades-old rules and frameworks continued to impede the company's evolution and ability to compete. The Corporation posted a 2025 loss before tax of $1.57 billion – expanding by $728 million compared to a loss before tax of $841 million in 2024. It was the company's largest loss on record.

The Corporation's serious financial situation underscores the imperative to transform and the urgency of its proposed reforms. Building on new tentative agreements with the Canadian Union of Postal Workers (CUPW), and the federal government lifting long-standing policy and regulatory restrictions, Canada Post needs to transform to return to financial sustainability and build a modern postal service for Canadians.

Transparency and global standards in our financial reporting

Canada Post prepares its financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board – the global standard for financial reporting. Our statements are jointly audited by independent third parties, including one of the Big Four accounting firms and the Office of the Auditor General of Canada. Auditors receive full, unrestricted access to our data. They are required to demonstrate independence and professional conduct and follow other requirements of Canadian generally accepted auditing standards.

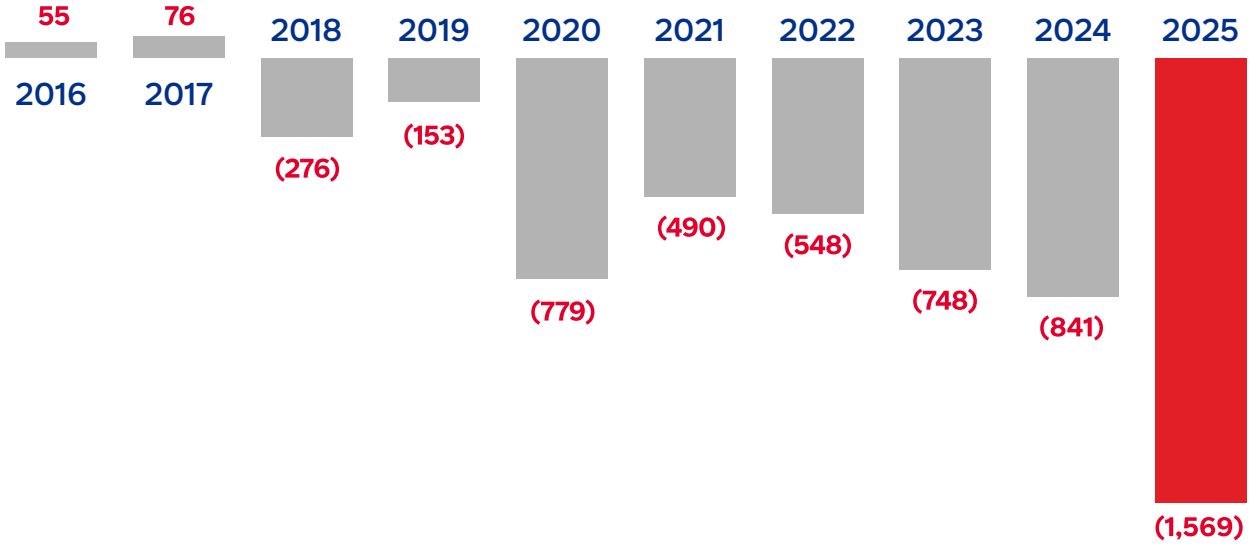
Losses driven by rapid changes in the postal landscape

Canada Post recorded cumulative losses before tax of $5.4 billion from 2018 to 2025. These losses have been driven by rapid changes in the postal and parcel delivery sectors, along with legacy restrictions that have impeded the company's modernization and competitiveness.

The Corporation's 2025 loss from operations was $1.62 billion, widening by $334 million compared to a loss from operations of $1.29 billion in 2024. Since 2018, cumulative losses from operations amount to more than $6.1 billion. For comparison periods, the loss from operations excludes income received from Canada Post's divestitures of SCI Group Inc. and Innovapost Inc. in 2024.

Canada Post segment profit (loss) before tax

(in millions of dollars)



Labour uncertainty weighed heavily on 2025 results

Total revenue declined $315 million, or 4.7 per cent, compared to 2024. Strike activity and labour uncertainty weighed heavily on the 2025 results for Parcels and Direct Marketing, while Transaction Mail benefitted from a postage rate increase and temporary volume bump. Below are the 2025 lines of business results compared to the prior year.

- **Parcels** revenue and volumes fell sharply, by 30.1 per cent and 32.6 per cent, respectively. The drop was mainly due to the lasting impacts of the 2024 labour disruption and continued labour uncertainty through 2025, which pushed customers to other delivery providers. Decades-old rules and frameworks also limited the company's ability to compete. Given the impact on customers, the lost parcel volumes will be challenging to win back – emphasizing how critical it is for Canada Post to modernize in a competitive market.
- **Transaction Mail** revenue and volumes rose by 26.2 per cent and 2.4 per cent, respectively. The line of business benefitted from a postage rate increase in January 2025 as well as a volume increase related to election mailings and a temporary surge following the national strike in the fourth quarter of 2024. Despite the increase in volumes, the line of business will continue to erode as fewer Canadians rely on the service.
- **Direct Marketing** revenue and volumes declined by 4.5 per cent and 9.8 per cent, respectively. Revenue fell due to labour uncertainty and labour disruptions, including a ban on the delivery of Canada Post Neighbourhood Mail™ items in the second half of 2025.

Repayable funding from the Government of Canada

To prevent insolvency and ensure Canada Post could continue operating, in early 2025 the Government of Canada announced funding of up to $1.034 billion for the Corporation through the government's 2025-26 fiscal year. The cash injections were used to cover operating expenses, which ensured continuity of postal services and stability for the workers who depend on their pay and benefits.

Canada Post started receiving these government cash injections in the third quarter of 2025. While the $1.034 billion was intended to carry the company through the government's fiscal year ending March 31, 2026, the funding was insufficient due to the impacts of the prolonged labour uncertainty. In early 2026, the government approved up to $1.008 billion in additional repayable funding.

Transformation necessary to move away from government funding

Canada Post's proposed transformation plan aims to position the Corporation for financial self-sustainability in the long term, incorporating several initiatives including revenue growth and measures to increase operational efficiencies.

As Canada Post improves its profitability and gets back on a path to financial self-sustainability, it projects a need for further government funding in the interim to enable transformation and sustain operations. Until the multi-year transformation and financial benefits can be realized, supplementary amounts will be requested, as required, to ensure the Corporation remains solvent.

Financial pressures of the Great Mail Decline

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

Letter mail volumes have declined from 5.5 billion pieces in 2006 to 2.0 billion in 2025

5.5B letters
in 2006

2.0B letters
in 2025

Since then, domestic letter mail volumes for the Transaction Mail line of business have plummeted by 62 per cent. Canadians can see this sharp decline in their mailboxes. In 2006, the average Canadian household received seven letters per week; in 2025, it was two per week.

As our mail revenue falls, the cost of delivering keeps rising. We deliver to more locations each year, with over 200,000 new addresses added annually. In our peak mail year of 2006, we delivered to 14.3 million addresses. In 2025, we delivered to more than 17.8 million – a 25-per-cent increase compared to 2006. In today's economy, a postal service built for letters cannot sustainably deliver for Canadians.

In 2006, Canadian households received an average of seven letters per week – in 2025, it was two per week

7 letters
per week in 2006

2 letters
per week in 2025

Focusing on growth and the modern needs of Canadians

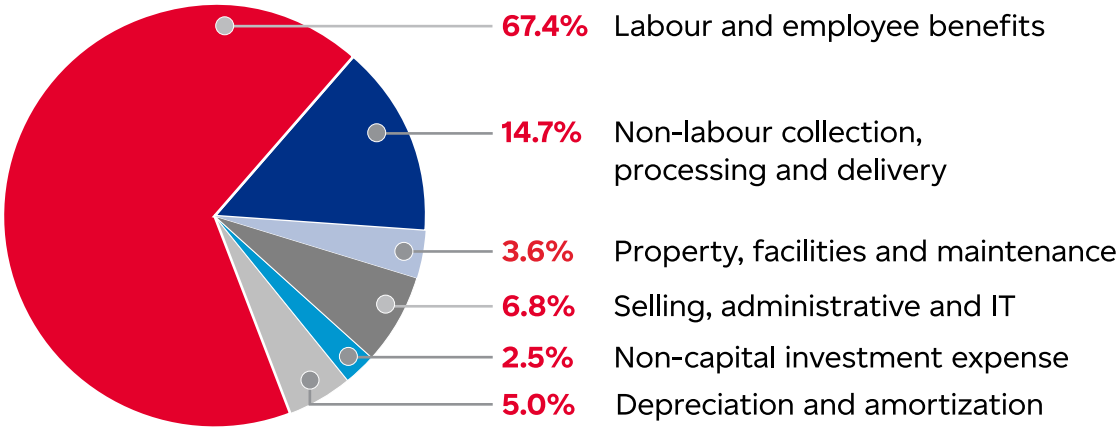
Canada Post's transformation addresses the shift in how Canadians and businesses use the postal service today. With the Canadian ecommerce market projected to double over the next decade, we are refocusing our business on growth. Our proposed transformation aims to deliver a modern postal service designed for parcel delivery – one that meets the needs of Canadians and businesses today and into the future.

Implementing this critical and proposed transformation will strengthen the postal service, better support businesses and enable national commerce – while helping the Corporation meet its dual mandate of delivering for all Canadians in a way that's financially self-sustainable.

Cost of operations

Canada Post's cost of operations increased slightly in 2025, rising by $19 million, or 0.6 per cent, compared to the prior year. Despite labour cost savings from lower volumes, labour costs increased $212 million, or 6.1 per cent, due to wage increases and an inefficient labour structure. Other operating costs fell by $175 million, or 7.5 per cent, compared to 2024, as falling parcel volumes led to lower expenditures such as transportation costs. Non-capital investment costs declined as the company continued to refocus its strategic investment priorities.

Breakdown of operating expenses – 2025



The Corporation continued to look for efficiencies and to control costs without impacting service. This included reducing management headcount by 10 per cent in 2025, a freeze on external hiring, and cutting back spending in areas such as travel, consulting, contracted services and non-essential investments.

Our business is very labour-intensive, with labour and employee benefit costs comprising 67.4 per cent of the total cost of operations in 2025. Long-standing restrictions on the business – through collective agreements and legacy policy and regulatory frameworks – impact the company's ability to transform and effectively manage costs related to an inefficient, labour-intensive operating model.

Improving competitiveness and enabling more productivity in operations

The Corporation's tentative agreements with CUPW, if ratified, will support the company's revenue and profitability. The tentative agreements provide more flexibility to compete on price, quality and performance, while driving the company's ability to rebuild business with customers. They will also enable greater efficiency in operations, with more staffing flexibility using part-time roles, a reduction in overtime and increased labour cost productivity.

Building on the Government of Canada's decision to lift policy and regulatory restrictions, the company's proposed transformation measures will also increase efficiencies and help control operational costs. Initiatives such as converting remaining door delivery to centralized delivery (e.g., community mailboxes), adjusting letter mail service standards, continuous improvement and resizing our workforce through attrition will contribute additional savings (see Aligning our network with a modern Canada).

Powering future growth and innovation

Powering future growth and innovation

Canada Post's transformation will help build a modern, future-ready postal system that delivers the services Canadians and businesses want and need. We understand that we must innovate our operations and bolster our service offerings so that we can go the extra mile for customers. Elements of the proposed transformation plan are contingent on Canada Post's tentative agreements with the Canadian Union of Postal Workers (CUPW) being ratified by members in a vote scheduled from April 20 to May 30, 2026.

Our proposed plan will see us strategically invest in growing services that improve the customer experience and support our financial self-sustainability, while leveraging the company's core network, assets and brand. These measures include growing our parcel business, establishing a sustainable pricing strategy for letter mail, and diversifying our revenue streams.

Parcel growth

Parcel revenue growth is crucial to sustaining the financial viability of the postal network as mail volumes continue to steadily erode. While letter mail remains an important revenue generator, parcel delivery presents the greatest opportunity – with the Canadian ecommerce market projected to double over the next decade.

Canada Post remains a parcel market leader for small and mid-sized merchants, delivery to rural, remote and Indigenous communities, and for ecommerce returns. However, our industry-leading role in many parcel segments has diminished since 2019 due to rapidly rising competition that emerged during the pandemic-driven ecommerce boom.

While our market share has significantly declined, our unrivalled network and processing capacity position us for success in ecommerce. Guided by our proposed transformation plan, we aim to defend and grow our parcel business in several ways:

- **Offering regular weekend delivery:** We plan to initially launch it in select major markets to meet evolving customer expectations. Offering weekend delivery keeps Canada Post services competitive and allows the company to serve and win a larger market to achieve its growth targets.
- **Improving our offerings to small and mid-sized businesses:** We'll help entrepreneurs launch, grow and operate their business with a fully integrated range of our shipping and marketing services. We want to become a one-stop shop for merchants.
- **Improving our ecommerce returns services:** We will continue to improve our returns solutions by broadening the services offered to merchants and enhancing the consumer experience.
- **Enhancing local next-day delivery:** This is a growing market segment where Canada Post can be competitive and win new business.

Targeted growth segments

Weekend delivery – which is now built into our tentative collective agreements with CUPW – is a critical capability for our future success. Monday-to-Friday, five-day-per-week service is no longer enough to meet Canadians' ecommerce expectations. Rather, weekend delivery has become table stakes to win volumes.

We hope to launch weekend delivery in Toronto, Montréal and Ottawa in late 2026, and gradually expand it to other viable markets across Canada. Weekend delivery is essential to our broader parcel growth strategy and is designed to meet evolving customer expectations and remain competitive in the parcel delivery market.

Canada Post is focused on market segments that it can serve better and more efficiently than its competitors, while leveraging the company's competitive advantages. This growth fits within our existing capacity and includes the following:

- Weekend delivery for urban and rural-destined parcels;
- Parcels originating from small businesses;
- Regional and national shipments;
- Packets co-delivered with mail to centralized delivery points; and
- Returns that leverage our retail locations, street letter boxes and delivery network.

Letter mail pricing

Letter mail has long been the bedrock of the postal system, but it has been steadily declining for two decades. Domestic letter mail volumes have fallen by more than 60 per cent since the peak mail year of 2006, driven by digital alternatives in banking, billing and communications. This ongoing decline is eroding an important source of revenue for Canada Post, at the same time that delivery costs keep increasing – with more than 200,000 new delivery points added annually.

Canada Post's letter mail pricing initiative included in the proposed transformation plan aims to address this secular decline in letter mail volumes and revenue. Our goal is to establish a sustainable pricing strategy for letter mail, which would help ensure the organization's financial stability and support reinvestment in infrastructure and service improvements.

Our approach includes a strategic review of pricing models to better align with current market realities and operational costs. Canada's letter mail rates remain underpriced in comparison with other western postal administrations, many of which have already undergone transformations. Our rates are among the lowest in the OECD (Organisation for Economic Co-operation and Development), even though Canada faces unique cost pressures from vast geography and low population density.

Other postal administrations have modernized their pricing frameworks to reflect these realities and maintain financial sustainability. Canada Post's current approach leaves it increasingly out of step with global peers and unable to fully meet its legislative mandate to operate on a self-sustaining basis.

Proceeding carefully

Canada Post fully understands that Canadians and businesses have faced rising costs on the goods and services they need. Whenever there is a regulated postage rate increase, we take care to ensure the increases are fair and reasonable and that our prices continue to provide good value for consumers and small businesses.

Our research shows that modest price increases to letter mail currently have minimal impact on volume. This presents an important opportunity to generate additional revenue that can support rising delivery costs without accelerating volume decline, while also minimizing future reliance on taxpayer funding.

Going forward, rate increases would aim to normalize prices to international standards, keep up with inflation and respond to the rising costs of delivery on an ongoing basis.

Updated process for setting postage rates

Proposed amendments to the *Canada Post Corporation Act*, included in Budget 2025, will create a more flexible process for implementing letter mail price increases in a timely manner.

Currently, it can take up to nine months from the date Canada Post proposes a price increase to the date it takes effect. The proposed updated process will allow Canada Post to more quickly align its postage rates with a changing economic environment. The Corporation will continue to engage with the government on this matter.

Diversification and other income sources

Canada Post is planning to leverage its network, assets and brand to diversify its lines of business and tap into new revenue streams. We plan to expand our service offerings beyond the physical delivery of mail and parcels. We're examining ways to utilize our size and resources to address the unmet needs of Canadians, businesses and communities we serve. This includes opening up new revenue streams that will support our financial self-sustainability and strengthen the postal service for the future.

We're exploring and prioritizing several areas for diversification, including financial services, an ecommerce platform called Canada Shops, multi-channel advertising and new adjacent services, among others:

- **Financial services:** Build partnerships with financial service providers to offer selective retail banking services.
- **Canada Shops:** Host an ecommerce platform to connect Canadian consumers with Canadian-owned and operated businesses.
- **Multi-channel advertising:** Offer advertisers multi-channel advertising opportunities that reach physical and digital audiences.
- **New adjacent services:** New potential adjacent services within our existing network include government services, support for peer-to-peer marketplaces, and products and services for small businesses. Additional opportunities will be identified, assessed and pursued where appropriate.

Canada Post is open to new opportunities that require low capital expenditure, carry low and manageable risk, and fit well with its existing network, assets and brand. The company is exploring initiatives that align with its core business and strengths, and are complementary to maintaining universal service for Canadians.

Direct marketing remains important revenue generator for Canada Post

Canada Post's direct marketing services continue to provide businesses, institutions and charities with an effective way to reach Canadians across the country. In an increasingly complex and competitive advertising environment, direct mail offers a tangible channel that complements digital marketing and helps organizations connect with customers in meaningful ways.

Direct marketing represents one of the Corporation's largest commercial lines of business, generating hundreds of millions of dollars in annual revenue and contributing significantly to Canada Post's path toward financial self-sufficiency. Products such as coupons, flyers and brochures place messages directly into households, helping drive traffic to local businesses and online channels.

These services are particularly important for small and mid-sized businesses, charities and public institutions that rely on direct mail to reach local communities at scale. Canada Post's national delivery network and trusted brand continue to underpin the resilience of this channel.

The Corporation will sustain and evolve its direct marketing services by improving efficiency, enhancing targeting capabilities, and strengthening integration with digital marketing channels, while also exploring opportunities across other complementary media assets, including out of home.

These efforts are intended to attract new customers, support existing ones and maintain the long-term value of this important line of business.

Aligning our network with a modern Canada

Aligning our network with a modern Canada

Canada Post's proposed transformation plan will evolve the company's network to match with how Canadians and businesses connect, transact and use the postal service today. We are building on our strengths, including our unmatched national reach and last-mile delivery that extends to every corner of the country – especially rural, remote and Indigenous communities.

We plan to optimize our network to deliver services that align with a modern Canada and meet the needs of Canadians in today's economy, while understanding that we must get the balance right. By reconfiguring our network and modernizing our offerings, we can strengthen our ability to be fast, efficient and present in all communities.

Centralized delivery

A key part of Canada Post's proposed transformation plan is to convert remaining door-to-door delivery to community mailboxes. This change – made possible after the government announced in September 2025 it's lifting the moratorium on community mailbox conversions – will sustain cost-effective delivery and provide a similar service level across Canadian addresses.

For more than 40 years, homes built in new developments in Canada have received centralized delivery. Today, nearly three out of every four Canadian addresses have some form of centralized mail and parcel delivery, such as community mailboxes, apartment lobby lockboxes, group mailboxes or postal boxes. Meanwhile, less than a quarter of Canadian addresses currently receive letter mail at their door, while the remaining addresses are served by rural mailboxes.

Door-to-door delivery is the most expensive delivery method per address. It costs 75 per cent more to deliver to the door than to a community mailbox: $284 a year per address to the door, compared to $162 per address at a community mailbox.

Canada Post is spending a disproportionate amount on service for door-to-door delivery in established urban neighbourhoods – dollars which could be used to better serve the rest of the country. Almost 40 per cent of the annual cost of serving all Canadian addresses is spent on door-to-door service for less than a quarter of them.

This imbalance is eroding our ability to properly serve rural, remote and northern communities as well as their small and mid-sized businesses that depend on us.

Scope, timeline and savings

Canada Post plans to convert close to four million addresses that still receive door-to-door delivery to community mailboxes. These addresses are overwhelmingly residential and may include a small percentage of businesses with door-to-door delivery. The changeover is expected to begin in 2026 and take approximately five years to complete.

Once completed, these new urban door-to-door conversions are expected to save hundreds of millions of dollars annually – which will help sustain delivery to all corners of the country.

Centralization of some rural mailboxes is also envisioned under the proposed transformation plan, which would generate additional efficiencies and improve productivity. Like door-to-door delivery, rural mailbox delivery ($281 a year per address) costs significantly more than centralized delivery through community mailboxes. Centralization of rural mailbox delivery is at an early stage of assessment.

Conversion process

When converting addresses in an area from door-to-door delivery to community mailboxes, Canada Post follows a structured process that includes municipal engagement, customer notification, installation and service start up. The process from start to finish typically takes 14 to 16 months, although timelines may vary by community, depending on municipal approvals, site readiness and installation sequencing.

We will work with local officials to determine suitable locations for community mailboxes based on factors such as safety, accessibility, proximity to the addresses they serve and input from residents. We will also engage with our bargaining agents during the conversion process.

Delivery Accommodation Program

As centralized delivery expands, Canada Post is enhancing its Delivery Accommodation Program, which helps residential customers with functional limitations access their parcels and mail.

More than 17,500 households across the country currently benefit from some form of accommodation. The program offers accommodations that make mailboxes easier to use, such as sliding trays, Braille features or assigning a compartment that is more accessible. In some cases, weekly home delivery may be provided on a seasonal, temporary or permanent basis.

In October 2025, we completed a major upgrade to the Delivery Accommodation Program that provides consumers with an online portal to simplify and expedite the request process.

Retail modernization

In September 2025, the federal government announced that it was lifting a moratorium – established in 1994 – that prohibited Canada Post from closing or franchising corporate post offices designated as being in rural areas at that time. The rural moratorium created a list of specific retail locations (more than 3,400 active locations) that were prohibited from being closed.

Changes to post offices in these communities have only occurred in cases of natural vacancies, such as retirements or resignations, and where we were unsuccessful in finding replacement personnel. Despite urbanization and changes in many of these communities (e.g., Richmond Hill, Ontario and Gatineau, Quebec), this policy effectively froze the corporate post office network for more than 30 years. As a result, Canada Post has been unable to adapt to shifting population patterns or optimize its retail footprint.

Additionally, Canada Post's collective agreements with the Canadian Union of Postal Workers have protected hundreds of urban post offices from being closed. In December 2025, the parties announced new tentative deals that will reduce the number of corporate post offices protected in the Urban agreement from 493 to 393, which will further enable the proposed retail modernization.

A network designed for an era of letter mail

Canada Post has the largest, most extensive retail network in Canada, with close to 5,800 post offices (including full-service and light-service models) serving communities in every corner of the country. Our post offices play a vital role in connecting Canadians and fulfilling our public service mandate. However, the network was designed in an era dominated by letter mail, where service was defined by the presence of a post office in virtually every community.

The network currently includes more than 2,200 dealer-operated post offices (full- and light-service), which are profitable. Meanwhile, the more than 3,500 corporate post offices, many of which serve rural, remote and Indigenous communities, have together incurred significant annual losses.

Our expansive network varies from urban leased and owned facilities to dealer-run outlets in pharmacies as well as those in Indigenous band offices and rural postmasters' homes. In urban areas, corporate post offices with limited hours often operate alongside dealer-operated locations that offer extended hours and greater convenience. This overlap creates inefficiencies and does not reflect modern consumer behaviour. In rural regions, many small towns are served by multiple underutilized post offices, often open fewer than 35 hours per week.

Canada Post remains committed to ensuring that all Canadians, regardless of where they live, have access to affordable, efficient and reliable postal services. In fulfilling our social mandate, we continue to expand services tailored to better support Indigenous and northern communities. The future of the retail network must also reflect our dual mandate: ensuring service accessibility for all Canadians while achieving financial self-sustainability.

Aligning services with the needs of Canadians

In announcing it's lifting the rural moratorium, the government directed Canada Post to provide a plan to transform and "right-size" the retail postal network to better reflect Canada's demographic changes – while maintaining services and protecting access in rural, remote and Indigenous communities, and underserved areas.

Based on direction from the government, Canada Post plans to modernize and optimize its retail network of post offices to better align services with how Canadians shop and use the postal service. The Corporation will engage with its bargaining agents and municipalities during this retail transformation.

Canadians increasingly seek fast, convenient and self-directed service. The rise of prepaid parcel drop-offs, returns and online transactions has reduced the need for traditional, full-service post office visits. This shift supports a move toward consolidated locations and expanded self-serve options.

Our multi-year retail transformation will not be based on a one-size-fits-all approach. It will involve a careful and thorough review of our network. We will proceed thoughtfully and take into account the needs of each community, working closely with municipalities. Vital postal services in rural, remote and Indigenous communities will be protected. We'll begin with areas that were once rural and are now urban and are well served with other post offices nearby.

We will also keep local communities, stakeholders and employees well informed throughout this initiative.

Foundation of our retail transformation

Guided by direction from the Minister, the retail component of the proposed transformation will be anchored in three commitments:

- **Maintaining comparable access for all Canadians:** Canada Post remains committed to delivering essential services that are affordable, efficient and accessible to all Canadians and businesses, regardless of geography.
- **Ensuring service continuity in rural, remote and Indigenous communities:** We will uphold our commitment to these communities by maintaining service continuity and expanding access where needs are identified, recognizing the vital role Canada Post plays as a public good in these areas.
- **Flexibility to evolve the network:** Canada Post requires flexibility to adapt its retail and delivery network to respond to changing customer needs and market conditions, while continuing to protect service standards and ensure comparative service levels across all regions.

Guided by clear parameters and guardrails

Our proposed changes to the retail network will be guided by clear parameters and guardrails to protect service in vulnerable communities and underserved areas, while addressing redundancies and underutilized locations. Clear criteria will define which post offices will be excluded from the transformation. Post offices will be reviewed using consistent national decision-making factors to identify transformation opportunities.

Canada Post's retail network will continue to serve as a reliable connector for people, commerce and communication across the country. We will ensure service continuity as well as comparative service standards between urban and rural areas, as included in the government's direction. Our goal is to modernize the network to better reflect current usage patterns, while safeguarding universal service and ensuring we have the flexibility necessary to meet future needs.

Updating letter mail service standards

Recognizing the profound shift in how Canadians communicate – and the ongoing decline in letter mail volumes – we are adapting our letter mail delivery to reflect modern realities. Following direction from the federal government, Canada Post is planning to modernize its letter mail network while continuing to provide reliable service:

- We will work with the government on proposed amendments to letter mail delivery standards in the *Canadian Postal Service Charter*.
- For most Canadians, it is anticipated that changes to service standards will increase letter mail delivery times by one to two days. For those sending letters coast to coast, delivery times could increase by about three days.

Amending the letter mail service standards will provide the company with flexibility to adjust letter mail delivery based on operational demands and volume fluctuations. These changes are consistent with reforms that other international postal organizations have introduced to their letter mail service standards to better reflect their geography.

More efficient letter mail processing and transportation

The flexibility from these adjusted service standards will provide Canada Post with the additional time to deliver letter mail from coast to coast to coast at a viable cost. With the new letter mail standards, Canada Post will be able to do the following:

- Increase productivity in its facilities by processing items more efficiently.
- Realize network efficiencies including transitioning a large portion of letter mail from air transport to less expensive ground transportation.
- Reduce the company's environmental impact.

Canada Post anticipates that the change in letter mail delivery standards will not further accelerate letter mail volume decline.

Continuous improvement and other savings opportunities

Canada Post's continuous improvement program will focus on cost-effective spending and improving core productivity, while minimizing the impact on employees. The changes are about managing existing internal operations more efficiently, allowing the company to provide more sustainable postal services and focus resources where they're needed most.

We're targeting efficiencies that will not impact our service standards, access points or the experience of Canadians, consumers and commercial customers.

Reducing overhead costs

Canada Post is also undertaking a comprehensive expenditure review that will allow the company to meet its commitment to responsible spending that delivers for Canadians – while supporting the goal of balancing the operating budget. The review is focused on finding efficiencies within our overhead costs while preserving the capabilities required to support transformation and growth.

Significant cost savings from attrition

As Canada Post transforms, the company has identified significant savings opportunities through projected high levels of attrition over the next decade. We need to capitalize on this generational opportunity in front of us to achieve necessary savings and secure the future of the postal service.

- Overall, the total Canada Post workforce will experience natural attrition – through retirements and voluntary departures – of approximately 16,000 employees by 2030, and then by another roughly 14,000 employees from 2031 to 2035.
- Achieving savings through natural attrition minimizes the impact on our employees and service to Canadians, while supporting the goal of making the postal service financially self-sustainable.
- With the projected high levels of natural attrition, Canada Post will still be hiring thousands of new employees in the coming years to continue serving Canadians, including for weekend delivery.

Principles guiding our transformation

In October 2025, Canada Post shared the five overarching principles that will guide its transformation. These guiding principles represent Canada Post's commitments to Canadians, customers and employees.

Prioritize service

We will provide **reliable and affordable delivery** for all Canadians while protecting access to vital postal services in **rural, remote and Indigenous communities**.

Proceed thoughtfully

While there's a need to move with urgency, we will **proceed thoughtfully to get it right** and minimize how the changes affect Canadians.

Treat employees with respect

We will continue to be **fair and respectful to our employees and prioritize their safety** as we implement changes.

Keep Canadians informed

We will provide **regular updates on our transformation** to Canadians, customers, employees and other stakeholders, and **give them as much notice as possible** of any changes affecting them.

Be flexible

We will **adjust our approach** based on the evolving needs of Canadians.

A strong foundation to build on

A strong foundation to build on

Canada Post has already taken decisive steps to lay the foundation for transformation, improve service to Canadians and return to financial self-sufficiency. We're building on significant strengths that have prepared us to capture the growth opportunity in front of us at this critical moment in our history.

The measures we've implemented – combined with the largest retail network in Canada and a national team of dedicated employees – will help us build a modern postal service that meets the dynamic needs of Canadians and Canadian businesses:

Expanded capacity and improved parcel delivery

- We've invested in significant new sort-and-delivery capacity across the country over the past few years to grow parcel volumes and serve Canadians with speed and reliability.
- The Albert Jackson Processing Centre in Toronto is Canada Post's largest and most advanced parcel facility. This state-of-the-art parcel processing hub dramatically expands capacity and accelerates processing speeds, positioning Canada Post to compete effectively in the fast-growing ecommerce delivery market. Equipped with cutting-edge automation and designed for scalability, the facility strengthens our ability to provide parcel service seven days a week, including weekend delivery – a capability that is now table stakes in the ecommerce delivery market.
- While competition has intensified in the parcel delivery market, we remain a leader for small and mid-sized merchants, for delivery to rural, remote and Indigenous communities, and for ecommerce returns.

Enhancing competitiveness with updated technology

- We've launched a new pricing platform that will enable us to better compete for business and grow our revenue. It will help give us greater precision and flexibility in how we price and promote our services, and provide a modern foundation that will support future pricing and product innovations.
- Over the last few years, we have launched a new enterprise resource planning (ERP) platform that replaces legacy systems and will improve the customer experience. The new ERP platform streamlines core financial, procurement and operational processes. It's the foundation that will help us achieve real-time visibility into performance, improve efficiency and productivity, and enable data-driven decision-making across the Corporation.
- We have enhanced our information technology (IT) operations, creating a modern technology backbone aligned with the demands of consumers and businesses. These investments enable Canada Post to deliver new digital products and services to customers faster and position the company for growth, while driving efficiencies across the network.

Operating prudently

We continue to take steps to operate more prudently, control costs and help stabilize our financial position, without impacting service. In 2025, these measures included:

- Reducing management headcount by 10 per cent.
- Imposing strict limits on external hiring and discretionary spending – such as travel, consulting and contracted services.
- Enhancing productivity and efficiency across the organization.
- Aligning staffing levels to volume wherever possible, by working with our unions and as allowed by our collective bargaining agreements.
- Rebuilding and strengthening customer relationships.

While there's still more to do, these important initiatives strengthen our ability to transform, deliver modern services, thrive in competitive markets and return to financial self-sustainability. We'll continue to look for ways to grow revenue and operate more efficiently, building on the strong foundation already in place.

A vital national infrastructure

Canada Post is the country's delivery infrastructure. Canadians, businesses and organizations across the country rely on this infrastructure through vital postal services for all. As Canada navigates economic instability and shifting global trade alliances, a Canadian-made, Canadian-owned delivery partner is essential for our country's prosperity. With an unrivalled network that reaches all of Canada's more than 17.8 million addresses, we keep Canadians connected.

We are a lifeline for those who rely on it most – small and mid-sized businesses, charities and Canadians in rural, remote and Indigenous communities. Without the national postal service, many Canadians would not have access to essential goods and affordable delivery services connecting them to the rest of the country and world. We go further to bring Canadians closer.

Connecting the country and supporting the national economy

Canada Post is a feature of the country's economic resilience. At a time when the country is navigating significant economic uncertainty, Canadians and Canadian businesses need a national, publicly owned delivery partner that's on their side. As private delivery companies seek large volumes with a focus on urban centres, Canada Post provides Canadian entrepreneurs and consumers with affordable service to every Canadian address.

Our country needs a modern and thriving national postal service that continues to deliver for all Canadians, meets their ecommerce and mailing needs, and operates as a public good.

Our nation-building role

We recognize the significant impacts that service disruptions in late 2024 and in 2025 had on Canadians, businesses and charities. While the labour uncertainty was very challenging, it also underscored the importance of a strong, national postal service to our country.

This sentiment was shared by individuals, businesses and organizations that made submissions in early 2025 to the Industrial Inquiry Commission (IIC) led by William Kaplan. The Commission examined the key issues in Canada Post's bargaining dispute with the Canadian Union of Postal Workers, as well as the company's financial situation and competitiveness.

> "The Commission received almost one thousand submissions from individuals and organizations. They overwhelmingly agreed that Canada Post was a vital national institution with a continuing nation-building role to play."
>
> – **IIC report** (page 23)

Rebuilding the business

We understand that we need to earn back the trust of Canadians and businesses across the country following the extended period of labour uncertainty. With new tentative collective agreements with our largest union, we are committed to moving forward with a focus on high-quality service that will help rebuild trust. Canadians and Canadian businesses have our commitment to do better.

Our proposed transformation plan will help us get there. A modern Canada Post will provide the kind of national, publicly owned delivery partner that Canadians and Canadian businesses want and expect. With a focus on parcel delivery and affordable, high-quality service, the transformation will build a Canada Post that better meets the evolving needs of Canadians in today's economy, while putting the company on a path to financial self-sustainability.

A national growth platform for Canadian small businesses

Canada Post is critical to small businesses – the backbone of the Canadian economy. We open their sales to every Canadian address and help them compete in a market dominated by multinational ecommerce giants:

- As a publicly owned company whose interests are not just profitability, we provide small businesses with a more affordable delivery option.
- Small businesses struggle to compete on large ecommerce platforms dominated by global products. Canada Post's delivery network allows small businesses to sell locally, nationally and globally using their own online presence.
- Private delivery companies are not universal service providers – many focus on large urban markets where deliveries are more profitable. Canada Post provides small businesses with a truly national reach and access to all addresses – urban, rural and remote.

With affordable service and national and international reach, Canada Post acts as a growth platform for small businesses. We open their sales to every address and help level the playing field so they can compete:

- Over the last few years, we have supported over half a million unique small businesses in Canada.
- A majority of our small business customers are micro-businesses with less than $1 million in revenue and fewer than 10 employees.

- More than 20 per cent of our small business customers are in rural Canada.
- More than 60 per cent of small business customers transact at one of our retail outlets.

> "As a small business owner, I rely on Canada Post to provide affordable and uniform shipping across the country. Accessible and reasonably priced shipping options are essential for small businesses like mine to compete in the marketplace and serve customers efficiently. Canada Post's role as a public service ensures that businesses of all sizes, regardless of location, have access to consistent and fair shipping rates."
>
> – **Alisha Anderson, Dioné Cosmetics**, Saint John, New Brunswick (IIC submission)

A lifeline for rural, remote and Indigenous communities

Canada Post is a lifeline to rural, remote and Indigenous communities in all corners of the country and often one of their only delivery options.

While many privately owned carriers target major centres, Canada Post ensures every community has access to critical goods, medical supplies, ecommerce merchants and government services – regardless of distance or profitability.

We have more than 300 flights per week to northern and remote communities through contracted air service providers.

Rural, remote and northern communities, with their lower population densities and distance from major cities, tend to be viewed as costly from a delivery perspective. But Canada Post has always been there to serve them. We go where many other delivery companies don't. It's how we connect all Canadians and bridge the vastness of the country, ensuring comparable service levels between urban and rural areas.

We're proud to deliver to remote communities that are only accessible by air for a large portion of the year:

- We serve about 150 remote and northern communities that can only be reached by air, with more than 300 flights per week through contracted air service providers.
- The proportion of ecommerce parcels we deliver to rural and remote areas is three to four times higher than in urban centres.
- Many large delivery companies rely on Canada Post to make their last-mile deliveries in these smaller communities.

A critical partner to charities

Canada Post is a critical partner to charities, big and small, to help them appeal directly to supporters and solicit vital donations. Despite the rise of digital fundraising, mail continues to be an essential and far-reaching tool for donor communications and fundraising across the country.

> "The service provided to us by Canada Post is invaluable and irreplaceable. Through your service, we receive over 30,000 donations annually! Not only do our donors send cheques but letters and photos to their sponsored children. When the children and seniors receive them, the donation takes on a face and a very valued relationship is formed. Your service does this!"
>
> – **Chalice Canada** (IIC submission)

In several different ways, Canada Post helps keep many charities funded, connected and operational.

- Many seniors and older donors, who make up a large portion of Canada's charitable donor base, continue to rely on mail for their donations.
- Charitable organizations depend on direct mail and consider it as their most effective fundraising method in Canada. Direct mail accounted for 61 per cent of Canadian fundraising revenue in 2024, far surpassing digital channels, according to an analysis by Charity Village, a Canadian resource platform for non-profit organizations.
- We also support charitable organizations across the country through the Canada Post Community Foundation. Grants distributed by the Community Foundation make a direct and positive impact on the people and communities Canada Post proudly serves.

Conclusion

Canada Post provides a vital national infrastructure to Canadians. Throughout our long history, we've served all Canadians with universal service, no matter where they live. We are an affordable, critical delivery partner for Canadians, businesses and charities. We are also the only delivery company with the people, network and commitment to reach every corner of the country.

> "The conclusion is readily reached that the promise to deliver to every Canadian address – this commitment to our far-flung population – is worth preserving. It is in the national interest."
>
> – **IIC report** (page 64)

However, the delivery needs of Canadians have been changing and Canada Post must change with them. While letter mail volumes have steadily declined for 20 years, online shopping continues to grow. The Canadian ecommerce market is expected to double over the next decade, making parcel delivery Canada Post's leading growth opportunity. At the same time, customers now have heightened expectations. They want affordable parcel delivery seven days a week, and increasingly seek fast, convenient and self-directed service.

With long-standing government restrictions being removed, and new tentative agreements with Canada Post's largest union providing additional flexibility, the conditions are in place to renew this vital national infrastructure.

That's why Canada Post is transforming – to build a modern and financially sustainable postal service that meets the evolving needs of the country it proudly serves. Our transformation will align our services and network with how Canadians and Canadian businesses use it today, while continuing to support the needs of all communities.

Chair's message

With my closing words in last year's Annual Report message, I noted that Canada Post, its bargaining agents and the Government of Canada faced a historic opportunity to reposition the postal service and secure its future.

It was part of an urgent call to action as the Corporation hovered on the brink of insolvency.

This year, I am beginning with that same message. But it is no longer a call to action – it is the path ahead.

After the federal government announced in September 2025 that it was lifting decades-old barriers to reform, the fate of the national postal service instantly changed.

With long-standing regulatory and policy restrictions being lifted – and the Corporation reaching tentative collective agreements with its largest union – Canada Post finally has a viable pathway to transform. With it comes a new call to action: Now is the time.

Now is the time for the Corporation, its bargaining agents and the Government of Canada to fully seize this historic opportunity to modernize the postal service and secure its future. We cannot delay.

The proposed transformation plan to modernize Canada Post

It is this need for significant and urgent reform that grounds Canada Post's proposed transformation plan for the future.

The proposed plan focuses on bold action that will enable the Corporation to achieve its dual mandate to serve all Canadians and operate in a financially sustainable manner.

It leverages flexibility, efficiency and stability to overcome the company's financial challenges and better serve Canadians. It recognizes the importance of exploring new revenue growth initiatives and embracing innovation, while supporting the ongoing efforts to win back customers – which begins with earning back their trust.

The proposed plan also reaffirms the Corporation's commitment of being fair and respectful to employees as it implements the key reforms.

Though transformation will usher in major changes, it is built on Canada Post's strength and honours its role as a public good.

Preserving a vital national institution

Since its inception, the postal service has always evolved alongside the world around it. Even in the era of ecommerce, it endeavoured to evolve within the confines of its legacy rules and frameworks.

Through every change, Canada Post has never lost sight of its strengths – its dedicated employees and the expansive reach of an unrivalled delivery network. The postal service does what no other delivery company can. It serves every community and household in our country.

That includes serving rural, remote and Indigenous communities, and supporting small businesses as well as charities by offering affordable delivery to all Canadians, regardless of geography.

Canada is the second-largest country in the world with one of the lowest population densities. Serving all Canadians and every community is not only an incredible feat, but a duty worth protecting.

The commitment to preserving Canada Post as a public good will be proudly upheld across all transformation efforts. It is a key tenet unifying all stakeholders who will have a role to play in the transformation of the postal service, including the Board of Directors.

The Board is confident in management's ability to lead transformation measures

The Board fully supports management's efforts to transform Canada Post and, together, we are aligned on the measures needed to preserve this nation's postal service.

In its oversight role, the Board will continue to work closely with the shareholder to enable transformation so that Canada Post can once again achieve its dual mandate.

The Board has full confidence in management's ability to lead this change in a thoughtful way that respects customers, employees and all Canadians.

Working together will be critical to secure the future of the postal service

Though the path forward for Canada Post has opened, it's important to state that the task ahead will not be easy.

Transforming a postal system that's more than 260 years old will be a monumental undertaking. Overcoming the company's significant financial challenges will take time.

Clear and open communication with Canadians, businesses and communities will be central to this multi-year endeavour. And success will hinge on the ability of all parties – the Corporation, its bargaining agents, its employees and the Government of Canada – to work together.

The recent tentative agreements with the Canadian Union of Postal Workers are a positive sign that collaboration is possible.

After all, we want to achieve the same goal – a strong and financially stable Canada Post that can provide every Canadian with access to affordable, reliable and high-quality services, no matter where they live.

This goal is within our reach. But we must act now.

I look forward to the year ahead and to the transformational changes that will help preserve this vital national institution for all Canadians, for generations to come.

André Hudon
Chair of the Board of Directors

Corporate governance

Strong oversight for transforming the postal service

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

The Board holds management accountable for its business performance and strategic objectives, with a particular focus on the Corporation's future viability and financial self-sustainability. As of March 26, 2026, the Board has nine members, including the President and Chief Executive Officer (CEO), all of whom are appointed by the Governor in Council. The Board or its committees met 26 times in 2025.

The Board exercises due diligence over:

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

Providing strategic guidance on Canada Post's priorities

In 2025, the Board provided oversight and direction on key initiatives that included:

- Approving the next five-year corporate plan, as is required of Crown corporations;
- Endorsing a comprehensive transformation plan aligned with the Minister's direction from September 25, 2025;

- Providing active stewardship of labour negotiations, recognizing the critical role our collective agreements have in enabling the organization's transformation and long-term financial sustainability; and
- Approving the new Acceptable Use of Artificial Intelligence in the Workplace Policy.

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

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

Board composition and renewal

2025 saw four major changes for the Board of Directors:

- Melissa Sonberg stepped down as the Board's Vice-Chair and also as Chair of the Human Resources and Compensation Committee, while continuing to serve as a director and member of select board committees;
- Ron Cuthbertson was appointed as the Chair of the Human Resources and Compensation Committee;
- Krista Collinson resigned from her position on the Board of Directors effective July 1, 2025; and
- Ricky Fontaine was appointed Chair of the Environmental, Social and Governance (ESG) Committee, following Krista Collinson's resignation.

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

Independence of the Board

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

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

Committees of the Board

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

Board effectiveness

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

Subsidiaries

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

Governance in principle

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

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

Board of Directors

André Hudon

Notre-Dame-de-l'Île-Perrot, Quebec

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

Member since July 2021

Doug Ettinger

Ottawa, Ontario

- President and CEO

Member since March 2019

Louise Champoux-Paillé

C.M., C.Q.
Montréal, Quebec

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

Member since October 2022

Ron Cuthbertson

Chesley, Ontario

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

Member since March 2022

Ricky Fontaine

Québec, Quebec

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

Member since April 2023

Claude Germain

Oakville, Ontario

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

Member since May 2018

Ann MacKenzie

Halifax, Nova Scotia

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

Member since July 2021

Tom Ruth

Kelowna, British Columbia

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

Member since April 2023

Melissa Sonberg

Montréal, Quebec

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

Member since April 2023

As of March 26, 2026

Officers of the Corporation

Doug Ettinger

President and Chief Executive Officer

Alexandre Brisson

Chief Operating Officer

Franco Chirichella

Chief Information Officer

François Couture

Chief People and Safety Officer

Nathalie Delisle

Chief Legal and Corporate Affairs Officer

Rindala El-Hage

Chief Financial Officer

Rod Hart

Chief Customer and Marketing Officer

Nish Anjaria

Vice-President, Technology, Innovation Strategy and Architecture

Mike Badour

Vice-President, Commercial Sales and Service

Michael Butera

Vice-President, Pension Fund and Chief Investment Officer

Carrie Chisholm

Vice-President, Product Management and Customer Experience

Dan Gilbert

Vice-President, Engineering and Continuous Improvement

Jon Hamilton

Vice-President, Communications and Stakeholder Engagement

Alice Lafferty

Vice-President, Operations Excellence

Dan Michelone

Vice-President, Applications and IT Delivery

Mike Shearon

Vice-President, Operations

Ian Stephenson

Vice-President, Corporate Strategy

Michael Yee

Vice-President, Retail Network and Services

As of March 26, 2026

Ombudsman's report

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

In many ways, 2025 was an unprecedented year. The Corporation experienced labour uncertainty and disruption throughout the year, including product-specific delivery bans, a national strike and local rotating strikes. Many businesses moved their deliveries to other carriers or switched to alternative forms of communication during the disruptions. This impacted the volume of mail and parcels handled by Canada Post and, as a result, the number of appeals our office received.

In 2025, the total number of appeals received by our office decreased by 19 per cent compared to the previous year. We received a total of 3,411 appeals in 2025, compared to 4,229 in 2024. Historically, a significant portion of customer appeals have been tied to parcel deliveries. In 2025, Canada Post's parcel volumes declined by more than 30 per cent, which directly contributed to a corresponding reduction in related customer appeals.

In-depth investigations

In 2025, we executed in-depth investigations on 1,786 appeals compared to 2,420 in 2024, a decrease of about 26 per cent. Two complaint categories represented 38 per cent of all completed investigations:

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

What we heard from consumers

During the national strike, consumers had items stuck in the mail stream and they appealed to our office to request a search or extraction. The majority of these items contained important

documents like passports, health cards and credit cards. When the national strike ended, consumers requested refunds for services such as Mail Forwarding, Hold Mail and postal boxes.

In addition, during the rotating strikes, delivery guarantees were cancelled and consumers appealed to our office because their items were delivered late.

What we heard from businesses

During the labour disruptions, multiple small to mid-sized businesses that had inducted Neighbourhood Mail™ items appealed to us because they wanted it stopped, intercepted and returned to them. We also heard complaints about how the national strike had further negatively impacted the health of their business when they were still recovering from the 2024 national strike.

Mailing to the United States

The United States changed its tariff policy in 2025 when importing goods from abroad, including from Canada. These rules, in turn, impacted international mail requirements before products could enter the U.S. Our office handled many appeals for United States-bound parcels held at U.S. customs that were subsequently either returned to sender, held for a long time or kept. This was a result of the United States imposing stricter regulations for goods entering the U.S., including the suspension of its duty-free de minimis threshold of US$800 for all countries, including Canada. The types of items held were usually of higher value, like jewellery, designer goods (mostly handbags), precious metals (coins), and high-value electronics like smartphones.

Appeals related to the Canadian Postal Service Charter

The number of appeals related to the *Canadian Postal Service Charter* decreased by about 18 per cent compared to the previous year. The top reported issues were missing or damaged items, and difficulty reaching customer service. Together, they represented 80 per cent of all appeals relating to the Charter.

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

Jean-Marc Nantais

Canada Post • Postes Canada
Ombudsman

Canadian Postal Service Charter

Canadian Postal Service Charter

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

Our compliance to the Charter for 2025 is presented after each clause.

Preamble

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

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

Universal service

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

Our compliance:

All 17.8 million Canadian residential and business addresses were served, and international inbound and outbound services were offered to 192 countries.

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

Our compliance:

More than 8,100 rural and suburban delivery routes served approximately 5.7 million addresses. Of the nearly 5,800 post offices located across Canada, more than half were in rural areas.

Affordable rates

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

Our compliance:

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

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

Our compliance:

On January 13, 2025, Canada Post's rate for a stamp purchased in a booklet, coil or pane increased to $1.24 (up from $0.99), while the price of a single stamp increased to $1.44 (up from $1.15).

The secular decline in letter mail continues as we deliver to more addresses each year. Stamp rate increases are a critical lever to help mitigate the financial impact of declining volumes and rising delivery costs. Stamp rate increases help Canada Post continue to meet its universal service obligation to offer an accessible, affordable and cost-effective postal service for all Canadians no matter where they live, and to operate on a self-sustaining financial basis.

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

Our compliance:

All changes to regulated postage rates were published in the *Canada Gazette* on September 7, 2024, to allow for consideration of public input prior to final Governor-in-Council approval.

Frequent and reliable delivery

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

Our compliance:

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

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

Our compliance:

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

8. Canada Post will deliver letter mail:

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

Our compliance:

Overall on-time service performance for Domestic Lettermail delivery in 2025 was 83.1 per cent, a significant decrease from 2024 due in part to labour disruptions in 2025.

Convenient access to postal services

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

Our compliance:

In addition to nearly 5,800 post offices and thousands of places to buy stamps, Canada Post offered access to online services anytime through its website and its apps, such as tracking a package, registering a change of address, purchasing postage, paying for duties and taxes, and obtaining photo confirmation of delivery.

Canada Post also provided nearly 979,000 collection points where postal items could be deposited. This includes approximately 702,500 rural mailboxes, 228,200 community mailbox sites, 19,700 street letter boxes, and 21,900 indoor parcel lockers, along with our postal outlets and other locations.

The Corporation's network of post offices includes 167 light-service locations where customers can receive and induct parcels (including returns) and purchase prepaid shipping solutions such as flat rate boxes, prepaid envelopes and stamps.

10. Canada Post will provide retail postal outlets, including both corporate post offices and private dealer-operated outlets, which are conveniently located and operated, so that:

- 98 per cent of consumers will have a postal outlet within 15 km;
- 88 per cent of consumers will have a postal outlet within 5 km; and
- 78 per cent of consumers will have a postal outlet within 2.5 km.

Our compliance:

In 2025, 98.7 per cent of Canadians lived within 15 km of a postal outlet, 90.2 per cent within 5 km, and 77.3 per cent within 2.5 km.

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

Our compliance:

In 2025, personnel or infrastructure issues affected 192 post offices covered by the moratorium. In 60 cases, retail services to the community were maintained through the staffing of vacancies, and in 12 cases, retail services were provided in a neighbouring community. Remaining cases are undergoing staffing actions or being reviewed through further community consultation. In all cases, delivery services for the community were maintained without disruption.

Secure delivery

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

Our compliance:

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

Community outreach and consultation

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

Our compliance:

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

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

Our compliance:

In 2025, no urban corporate post offices came under review, so there was no requirement to notify and consult with customers and communities.

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

Our compliance:

Canada Post held its Annual Public Meeting by live webcast on November 18, 2025.

Responding to complaints

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

Our compliance:

In 2025, Customer Service answered 2.1 million customer calls and responded to 2 million customer inquiries created through online channels such as web, chat and email. In addition, customers were able to self-serve using Canada Post's online and voice virtual assistants, which handled a combined 4.4 million conversations.

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

Our compliance:

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

Reporting on performance

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

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

Our compliance:

Delivery method	Number of addresses[1]	Percentage of total addresses	Average annual cost per address
Door to door	4,194,369	23%	$284
Centralized point (e.g., apt. lobby lockbox)	5,110,549	29%	$126
Group mailbox, community mailbox, kiosk	6,203,294	35%	$162
Delivery facility (postal box, general delivery)	1,644,206	9%	$64
Rural mailbox	702,511	4%	$281
All methods	17,854,929	100%	$176

1. As at December 31, 2025.

Reviewing the Charter

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

Our compliance:

In 2018, the Government of Canada affirmed that Canada Post is expected to continue to meet the expectations laid out in the Charter. On September 25, 2025, the Minister responsible for Canada Post announced a series of measures to stabilize the Corporation's finances and enable its modernization. The following measures announced may impact the Service Charter in future years:

- **Adjusting letter mail delivery standards.**
- **Lifting the moratorium on community mailbox conversions.**
- **Modernizing the postal network to reflect changing demographics and usage patterns.**
- **Reviewing the process for increasing stamp rates to modernize and shorten it.**

Other public policy programs

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

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

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

Canada Post received a government appropriation of approximately $22 million in 2025 to help offset the financial impact of government mail and materials for the use of people who are blind or partially sighted.

Library materials

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

Canadian Forces Postal Service

We also offer free delivery of letters and Regular Parcel™ items to members of the Canadian Armed Forces deployed overseas during the holiday season. Since the inception of this service in 2006, we have delivered over 199,000 parcels, and in 2021, expanded the program to deliver letters for military families for free.

Environmental protection policy

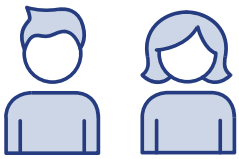
Canada Post is committed to environmental protection in its operations. To the best of the Corporation's knowledge, there are no projects that fall under sections 66 and 67 of the *Canadian Environmental Assessment Act, 2012*. More information about Canada Post's efforts to protect the environment can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

Our size and scope

Our size and scope

The following numbers are for the Canada Post segment.

Employees

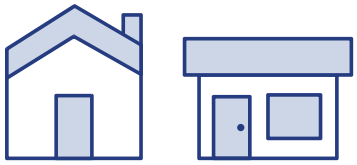


Nearly

60,400

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

Addresses served

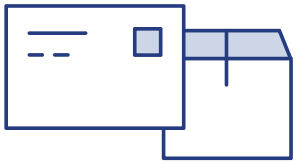


More than

17.8 million

addresses in urban, rural and remote locations across Canada

Pieces delivered



Nearly

5.9 billion

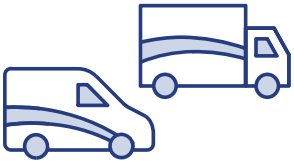
pieces of mail, parcels and messages

Plants and depots

22
processing plants

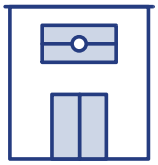
423
letter carrier depots

Fleet



Nearly
14,900
vehicles

Retail post offices

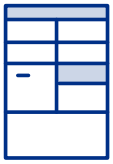


Nearly
5,800
full-service and light-service post offices, corporately owned or managed by authorized dealers

Delivery routes

More than
21,400
urban, rural and mail service carrier delivery routes

Indoor parcel lockers



Nearly
22,000
lockers in apartment and condominium buildings, serving over four million Canadians

Community mailbox sites

More than
6.1 million addresses
serviced by community mailboxes, providing secure, convenient, 24/7 access to mail and parcels for approximately 13.5 million Canadians

Canada Post Corporation
2025 Annual Report

Financial section

For the period ended December 31, 2025

2025

Financial Performance

CONTENTS

Forward-looking statements	65
1. Executive Summary	66
2. Core Businesses and Strategy	81
3. Key Performance Indicators	92
4. Capabilities	93
5. Discussion of Operations	104
6. Liquidity and Capital Resources	115
7. Changes in Financial Position	124
8. Risks and Risk Management	126
9. Critical Accounting Policies, Estimates and Judgments	140
10. Outlook for 2026	141

Supplementary Information

Historical Financial Information	146
Independent Practitioner's Assurance Report on Annual Cost Study Contribution Analysis	149
Annual Cost Study Contribution Analysis	152
Notes to Annual Cost Study Contribution Analysis	153

Consolidated Financial Statements

Management's Responsibility for Financial Reporting	155
Independent Auditors' Report	156
Consolidated Statement of Financial Position	160
Consolidated Statement of Comprehensive Income (Loss)	162
Consolidated Statement of Changes in Equity	163
Consolidated Statement of Cash Flows	164
Notes to Consolidated Financial Statements	165

Management's Discussion and Analysis

This Management's Discussion and Analysis (MD&A) of financial condition and operating results is prepared for the year ended December 31, 2025, for Canada Post Corporation (the Corporation or Canada Post) and its subsidiary, Purolator Holdings Ltd. (Purolator). Collectively, these entities are referred to as the Canada Post Group of Companies, the Group of Companies or the Group. References to "the Corporation," "Canada Post" or "Canada Post segment" refer specifically to Canada Post Corporation, excluding its subsidiary. The Corporation manages its consolidated operations and defines its operating segments based on how senior leadership reviews performance, allocates resources and evaluates results.

As of December 31, 2025, only two reportable operating segments have been identified: Canada Post and Purolator. Consolidation entries, intersegment eliminations and support services provided by the information technology business unit – under a shared services agreement between Canada Post, Purolator and Innovapost (effective until April 15, 2024) – are presented separately. The Corporation ceased consolidating results for SCI as of March 1, 2024, and for Innovapost as of April 15, 2024, following the completion of their respective divestitures. Details of the Corporation's material subsidiaries are outlined below.

Name of subsidiary	Principal activity	Place of incorporation	Place of operation	As at Dec. 31, 2025	Date of divestiture
Purolator Holdings Ltd.[1]	Courier and parcel delivery, freight and logistics, customs brokerage and global trade consulting services	Canada	Canada and United States	91%	–
SCI Group Inc.	Logistics and transportation services	Canada	Canada	–	March 1, 2024
Innovapost Inc.	IS/IT services	Canada	Canada	–	April 15, 2024

1. Inclusive of its 100% ownership of Livingston International Inc. (Livingston). Livingston is a material subsidiary of Purolator Holdings Ltd.

This MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes. Unless otherwise indicated, all financial information in this report was prepared using IFRS Accounting Standards as issued by the IASB (IFRS Accounting Standards). Amounts are presented in Canadian dollars, rounded to the nearest million, while related percentages are based on numbers rounded to the nearest thousand. Percentage changes for revenue, volume and cost of operations in this report are adjusted for differences in business or paid days in 2025 compared to 2024. Fewer business days and paid days result in decreased revenue and volume, and decreased cost of operations, respectively, while the opposite is true for additional days. These days varied by reporting entity, as follows.

Company	2025 business days	2025 paid days
Canada Post Group of Companies and Canada Post	(1)	(1)
Purolator	(1)	(1)

Management is responsible for the information presented in the Annual Report. All references to "our" or "we" mean, as the context may require, either Canada Post or, collectively, Canada Post and its subsidiaries. The Board of Directors, on the recommendation of its Audit Committee, approved the content of this MD&A and the audited consolidated financial statements March 26, 2026.

Forward-looking statements

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

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

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

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

The forward-looking statements included in this report were made as of March 26, 2026. The Corporation does not undertake to publicly update these statements to reflect new information, future events or changes in circumstances or for any other reason after this date.

1. Executive Summary

An overview of the Group and summary of the 2025 financial results.

Canada Post segment

Canada Post is an essential lifeline for Canadians, businesses, organizations and communities from coast to coast to coast. Canada Post is one of the country's largest employers, with nearly 60,400 employees across Canada, including full-time, part-time, temporary, casual and term employees. In 2025, our employees delivered nearly 5.9 billion pieces of mail, parcels and messages to more than 17.8 million addresses across Canada. With a network of close to 5,800 retail post offices, Canada Post is very proud to serve Canadians with the country's largest retail network, ensuring communities across the country stay connected. We are the only delivery company with the network, the people and a commitment to serve the entire country. Our country depends on Canada Post because it delivers everywhere, not just where business is profitable.

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

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

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

Canada Post is an integral member of the global postal industry, which includes foreign postal administrations (posts) worldwide. Traditionally, we have funded our USO by holding a legislated exclusive privilege, or monopoly, over letter mail. However, over the last two decades, Canadians and Canadian businesses have witnessed an accelerated shift from peak mail volumes to digital commerce. Despite the shift, Canada Post remains responsible for

funding all costs of a letter mail delivery service. Letter mail erosion has been a universal challenge that all or most foreign posts have faced for many years; the size of our country compounds this challenge.

Financial and business highlights

Market update: Our competitive limitations

Canada Post's postal system, which was designed to handle 5.5 billion letters a year, cannot remain viable with a volume of just two billion. While letter mail continues to play an important role in Canada and Canada Post is committed to continuing to serve all Canadians, the national ecommerce market is projected to double over the next decade – making parcel delivery the key area for growth. With the reach and network to serve all Canadians, Canada Post was initially successful in helping enable the country's emerging ecommerce market and captured a high market share of online parcels. However, in just the last few years, the competitive delivery landscape, fuelled by Canadians' appetite for online shopping, has undergone a generational shift.

As the demand for faster deliveries has increased, competitors have capitalized on weekend and evening deliveries, capturing an increasing weekday and weekend market share. Customers now seek carriers that can serve their demand for speed and greater convenience, seven days a week. The market is moving toward lower-cost, last-mile delivery models that often rely on contract drivers hired without pensions, benefits or job security.

Other competitive gaps are impeding Canada Post's ability to match industry delivery times and standards. Gig-based companies benefit from highly flexible delivery routing logistics. They can deploy multiple waves of delivery drivers throughout the day, giving them much more flexible "cut-off" times for next-day and same-day delivery. In contrast, Canada Post operates under a collective agreement that enforces rigid routing structures, where each driver "owns" a route regardless of daily volume fluctuations and where the driver is paid a whole day even if volumes are low. Canada Post must staff every route daily, regardless of volume, and maintain dedicated personnel to cover absences. These competitive shifts have and will continue to significantly impact Canada Post's position in the ecommerce parcel delivery market.

Empowering change: Government of Canada's support for transformation

To better serve Canadians and remain competitive in today's parcel-driven market, Canada Post must evolve into a seven-day-a-week parcel business that continues to deliver mail. Achieving this transformation requires urgent changes to its delivery model and labour agreements.

The national strike in late 2024 and successive labour actions - including overtime bans in Q2 2025, Neighbourhood Mail™ delivery bans as well as full national and local rotating strikes in late Q3 and into Q4 2025, weighed heavily on financial performance. In 2025, the Corporation reported its most severe and challenging financial results in its history.

The report of the Industrial Inquiry Commission (IIC), issued by Commissioner William Kaplan on May 15, 2025, detailed significant issues facing Canada Post and the Canadian Union of Postal Workers (CUPW). The report highlighted a way to preserve Canada Post as a vital national institution and included recommendations to address the changing postal needs of the country and respond to the Corporation's present problem: arrest then reverse growing financial losses by putting into place necessary structural changes within and outside the collective agreements.

The IIC report called for key actions:

- Revise the collective agreement of Urban Postal Operations (UPO) to allow the flexible use of part-time employees during the week and on weekends.
- Revise the UPO agreement to permit the assignment of work during paid hours without requiring voluntary overtime.
- Finalize collective agreements by including all pre-dispute and mediation-based tentative agreements (Rural and Suburban Mail Carriers [RSMC] agreement and Short-Term Disability Program [STDP]). Narrow differences on partially agreed items.
- Introduce dynamic routing by piloting and implementing route adjustments based on daily mail volumes to reduce inefficiencies and overtime.
- Amend the *Canadian Postal Service Charter* to adjust delivery standards and phase out door-to-door letter mail delivery for individual addresses; daily delivery to businesses should be maintained.
- End the moratorium on rural post office closures to reflect that once rural – now urban – post offices should not be covered by the moratorium.
- End the moratorium on community mailbox conversions, which should be established wherever practicable.
- Amend the time-consuming approval process for changes to postage rates.

On September 25, 2025, the Government of Canada announced a series of measures to stabilize the Corporation's finances and enable its modernization, in line with IIC report recommendations:

- **Revising letter mail delivery standards** and introducing flexibility to reflect today's lower volumes. Adjusting standards in order to transport non-urgent mail by ground rather than air will generate cost savings and reduce greenhouse gas emissions.
- **Lifting the 2015 moratorium on community mailbox conversions.** Three quarters of Canadians already receive mail through community, apartment or rural mailboxes, while

one quarter of them still receive door-to-door delivery. Canada Post has been authorized to convert the remaining four million addresses to community mailboxes and will continue to promote the Delivery Accommodation Program for Canadians who have functional limitations that make it difficult to use standard community mailboxes.

- **Modernizing the postal network by** lifting the 1994 moratorium on rural post offices, which has frozen the network for more than 30 years. Many post offices that were once designated as rural are now in bustling urban or suburban areas, with the population already well served by post offices in nearby stores and pharmacies. Canada Post would be able to tailor service to each area's current needs, and not the needs of a generation ago.

Additionally, as part of the 2025 Budget, the federal government announced a review of the stamp rate adjustment process.

Canada Post has not had the regulatory and policy framework to restructure in a way that meets Canadians' needs and enables the Corporation to be financially self-sustainable. Removing and reducing these constraints would allow Canada Post to align its services with the changing needs of Canadians and chart a path to financial self-sustainability. Further details are found in Section 2.3.

With tentative labour agreements to provide stability and the federal government's decisive action to lift long-standing regulatory and policy restrictions, the pathway to transformation is becoming clear.

Until the multi-year transformation and financial benefits can be realized, federal government funding is expected to be required. However, the shareholder has reiterated that repeated bailouts through the use of taxpayer funds are not the long-term solution.

Canada Post and CUPW reach tentative agreements

Our ability to execute and realize benefits from transformation is contingent upon securing changes to collective agreements that enable flexibility. Shareholder alignment is also critical. In late November 2025, following two years of negotiations, mediation and the exchange of multiple formal and informal offers, Canada Post and CUPW reached collective agreements in principle, marking a major step forward in the bargaining process. In January 2026, both parties finalized contractual language for the new UPO and RSMC agreements, which include higher wage increases, enhanced benefits and a weekend parcel delivery model. Both agreements are for five years and would be in effect until January 31, 2029.

While the agreements are still subject to ratification, the parties have agreed not to engage in any strike or lockout activity. This achievement underscores the shared commitment of Canada Post and its unions to working collaboratively toward a fair and balanced outcome – one that supports employees and sets Canada Post on a path to long-term success.

2026-30 Corporate Plan includes transformational measures and continued government funding

Corporate Plan

Recognizing that the Corporation's situation is unsustainable and that transformation is required to ensure the survival of Canada Post and protect the services Canadians rely on, the Minister of Government Transformation, Public Works and Procurement announced a series of measures to help stabilize the Corporation's finances and enable its modernization. These measures, built on the IIC report, were incorporated into the Corporation's 2026-30 Corporate Plan (Plan), which included additional government funding to maintain solvency and invest in transformation. On November 5, 2025, Canada Post submitted the Plan to its sole shareholder, the Government of Canada.

The Corporation's 2026-30 Corporate Plan was forwarded to the Treasury Board for approval. Operational components of the first year of the Plan, the 2026 fiscal year, were approved. The Corporation is working with the shareholder to align on transformational measures.

Government funding allowed the Corporation to maintain solvency and continue operating as a going concern

The Corporation's ability to continue as a going concern remains subject to significant uncertainty. Had it not been for government funding received in the second half of 2025, the Canada Post segment would have been effectively insolvent and the Corporation would have been required to seek authorization for additional borrowing to remain operational.

Canada Post has long cautioned that its financial position would become unsustainable by mid-2025. Since 2018, the organization has accumulated operating losses of more than $6.1 billion, while total pre-tax losses – despite one-time gains from 2024 divestitures – total nearly $5.4 billion. In the third quarter of 2025, Canada Post repaid $500 million in maturing debt, further underscoring the urgent need for financial support from its sole shareholder.

In accordance with section 31 of the *Canada Post Corporation Act* (Act), the Corporation also began to receive government funding in 2025 to cover operating and income charges not sufficiently supported by projected revenues. Although the approved funding of $1.034 billion was intended to sustain operations through the Government of Canada's fiscal year ending March 31, 2026, the full amount was received by December 1, 2025, due to continued labour uncertainty and disruption through 2025. Additional funding of up to $1.008 billion was approved in January 2026. Additional amounts will continue to be requested through the

Government of Canada's Supplementary Estimates process, in due course and as required, to ensure the Corporation remains solvent.

The Corporation has access to short-term financing facilities to maintain solvency and support operations. Access to continued government funding and other short-term financing facilities are needed for the Corporation to maintain solvency over the next 12 months. Without such support, the Corporation would face liquidity constraints and may be unable to meet its obligations as they come due.

The Corporation's consolidated financial statements have been prepared on a going-concern basis in accordance with IFRS Accounting Standards, which assumes Canada Post will continue to operate for the foreseeable future. In making this assessment, management considered several critical factors: capital management strategies, available borrowing capacity, liquidity risk management and – most importantly – the receipt of repayable government funding. These evaluations require significant judgment and are subject to inherent uncertainty.

Segment results

Divestiture of SCI and Innovapost

In the comparative period of 2024, Canada Post and Purolator divested 100% of the shares of SCI, a leading Canadian third-party logistics provider, and Innovapost, the Corporation's shared-services provider in information technology. A summary of the divestitures follows:

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

Purolator's acquisition of Livingston International

On January 31, 2025, Purolator Holdings Ltd. acquired 100% of the shares of PE Longitude Holding Limited, PE Longitude II Limited, and Longitude Holding Limited (the acquirees). The acquirees operate under Livingston International (Livingston), an international trade-service firm specializing in customs brokerage, global freight forwarding and trade consulting headquartered in Toronto, Ontario. The acquired entity is now a wholly owned subsidiary of Purolator and will operate as a standalone business led by its existing leadership team managing its day-to-day operations. The acquisition is in support of Purolator's strategy to expand its international capabilities, enhance competitiveness and position Purolator as a Canadian-owned leader in the domestic and international freight, package and logistics market.

Profit (loss) from operations

(in millions of dollars)

	2025	2024	$ change	% change
Canada Post	(1,621)	(1,287)	(334)	(26.0)%
Purolator	324	287	37	12.9 %
SCI	–	1	(1)	(100.0)%
Consolidation entries and eliminations	–	12	(12)	(99.8)%
Canada Post Group of Companies	**(1,297)**	**(987)**	**(310)**	**(31.5)%**

The Canada Post segment reported unprecedented operating losses, which were partially offset by operating profits in the Purolator segment, now including Livingston results. The Group's operating loss increased in 2025, primarily due to revenue declines and higher labour costs in the Canada Post segment. This was partially offset by stronger performance in Purolator in 2025, due to the acquisition of Livingston and increased parcel revenue.

Profit (loss) before tax

(in millions of dollars)

	2025	2024	$ change	% change
Canada Post	(1,569)	(841)	(728)	(86.7)%
Purolator	256	294	(38)	(12.9)%
Consolidation entries and eliminations	(79)	(118)	39	32.6%
Canada Post Group of Companies	**(1,392)**	**(665)**	**(727)**	**(109.5)%**

The Group's loss before tax worsened in 2025 compared to 2024, partially due to the non-recurring gain on sale of SCI and Innovapost in 2024. Purolator's profit before tax in 2025 declined compared to 2024 due to additional costs to finance the Livingston acquisition.

Canada Post segment

Summary of results

(in millions of dollars)

	2025	2024	$ change	% change
Revenue from operations	5,827	6,142	(315)	(4.7)%
Cost of operations	7,448	7,429	19	0.6 %
Loss from operations	**(1,621)**	(1,287)	**(334)**	**(26.0)%**
Investing and financing income, net	52	446	(394)	(88.4)%
Loss before tax	**(1,569)**	**(841)**	**(728)**	**(86.7)%**

Canada Post posted a loss before tax; 2025 losses are the most significant of any annual losses in Canada Post's history, largely due to continued labour uncertainty and disruption, which negatively impacted revenue in the Parcels and Direct Marketing lines of business. Despite some mail revenue gains from regulated rate increases, elections and backlogs processed following the late 2024 labour disruption, revenue overall for 2025 declined compared to 2024. The cost of operations was relatively flat as higher labour costs due to wage increases were mostly offset by decreased transportation costs from falling parcel volumes and a continued re-prioritization of investments.

Revenue by line of business

	Revenue (in millions of dollars)				Volume (in millions of pieces)			
	2025	**2024**	**$ change**	**% change**	**2025**	**2024**	**Change**	**% change**
Parcels	1,949	2,799	(850)	(30.1)%	161	240	(79)	(32.6)%
Transaction Mail	2,757	2,193	564	26.2 %	2,048	2,009	39	2.4 %
Direct Marketing	884	930	(46)	(4.5)%	3,687	4,104	(417)	(9.8)%
Consumer products and services	237	220	17	7.8 %	–	–	–	–
Total	**5,827**	**6,142**	**(315)**	**(4.7)%**	**5,896**	**6,353**	**(457)**	**(6.8)%**

Parcels revenue and volumes declined drastically as labour uncertainty and disruption drove volumes to other carriers offering stability

Total Parcels revenue and volumes decreased sharply, mainly due to lasting impacts of the 2024 labour disruption, continued labour uncertainty and disruption through 2025 and decades-old restrictions that have limited our ability to compete. While Canada Post was pleased to reach tentative agreements with CUPW in late 2025, the uncertainty caused many customers to secure longer-term contracts with other delivery providers offering flexibility and stability through peak periods, and many more competitive offerings such as weekend delivery. Even with the stability of the tentative agreements, Parcels volumes will be challenging to win back, emphasizing the criticality of Canada Post's modernization in a competitive market. Inbound Parcels volumes and revenue were negatively impacted by the growing shift toward competitive commercial consolidators instead of the conventional inbound postal network, while outbound volumes declined due to the removal of the *de minimis* exemption for parcels and packets to be shipped free of customs duties, taxes and fees, destined to the U.S.

We need to adapt parcel delivery services to be competitive. Evening and weekend ecommerce delivery is now a consumer expectation. Private sector competitors have almost completely taken over in Canada, especially in lucrative high-density urban and suburban

areas. International and local courier companies offer easy-to-access, quick, inexpensive and reliable daily and overnight delivery services.

While our market share has declined, our network, delivery economics and capacity – the ability to sort more than 400 million parcels per year – position us for success in ecommerce. To compete on price, quality and performance in this rapidly changing market, the following key pillars, enabled by our transformation and tentative collective agreements, will drive our ability to win back customers and grow the business:

- expand into weekend delivery;
- improve our ecommerce return services;
- enhance local next-day delivery;
- improve small business offerings.

Success in this market in the longer term will be influenced by the Corporation's ability to incorporate IIC report recommendations into its operations, specifically:

- flexible staffing by allowing part-time parcel delivery roles;
- assignment of work during paid hours, improving operational efficiency;
- routing based on daily mail volumes to reduce inefficiencies and overtime.

The Corporation is also developing a plan for converting four million addresses to community mailboxes, which provide a convenient and secure parcel delivery experience.

Transaction Mail revenue uplifted by rate action and electoral mailings in 2025

In 2025, Transaction Mail revenues increased, largely driven by the 25% regulated rate increase, which took effect in January 2025. Results were also positively impacted by provincial and federal elections earlier in the year and the temporary letter mail volume surge following the national strike during the 2024 peak season. Although 2025 results have been favourable due to some non-recurring events, a decline in letter mail volume is irreversible and continuing.

We are reforming the approval process for postage increases. Letter mail pricing has not kept pace with inflation or rising delivery costs. Canada's letter mail rates remain among the lowest in the Organization for Economic Co-operation and Development (OECD), even though Canada faces unique cost pressures from vast geography and low population density. Reforming the postage approval process is not just a financial imperative – it's a strategic enabler for Canada Post's transformation. The Corporation requires an updated pricing framework to better align prices with the cost of services; sustain universal service standards; and provide additional revenue to support Canada Post's modernization.

Transformation of Canada Post's letter mail service standards is being assessed. Adjusted service standards reflect the changing expectations of Canadians and enable consolidating

sortation, slowing transportation (moving from air to ground transportation) and more flexible delivery operations aligned with lower letter mail volumes.

Direct Marketing revenue declined due to labour uncertainty and the CUPW-imposed Neighbourhood Mail ban

Despite early-year favourability from pent-up demand following the late 2024 labour disruption, Direct Marketing revenue and volumes declined significantly through the remainder of 2025 due to labour uncertainty and marketers' fear of having their time-sensitive mailings trapped in the postal network. CUPW's two-month ban on the delivery of Canada Post Neighbourhood Mail™ items in Ontario and Quebec, which began in mid-September 2025, added to this pressure.

We need to keep Direct Marketing services relevant and competitive. The advertising industry is shifting, with new technologies and players affecting our volumes. However, our Neighbourhood Mail service is growing through new customer relationships, sustainable mail formats and expanded distribution. Direct marketing helps businesses connect with their consumers in tangible ways. To keep Direct Marketing relevant, we will do the following:

- Integrate physical and digital experiences to enhance the Canada Post Smartmail Marketing™ service.
- Implement responsible pricing for commercial Direct Marketing products.
- Capitalize on recent industry changes to create new opportunities and partnerships.
- Reduce the use of plastics in Neighbourhood Mail items.

Direct Marketing revenues are expected to remain relatively stable with gradual erosion due to digital substitution of media spending and renewed competition in the unaddressed advertising-mail and flyer market.

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

Consumer products and services revenue increased in 2025 due to logistics services for election mailings and higher sales of coins. These increases were offset by declines in financial services revenue.

We need to reinforce the value we provide to Canadians by continuing to evolve our existing suite of consumer products and financial services. The small business loan pilot launched in 2023, in partnership with the Business Development Bank of Canada has now concluded, providing meaningful insights into the evolving needs of small business customers.

In 2026, we will apply these learnings with a focus on identifying alternative partners that offer strong alignment to better serve small businesses.

We are also working to stabilize our existing portfolio of MyMoney products (including our international remittance product) by building customer awareness and accelerating marketing and retail activation efforts. Looking ahead, we plan to continue introducing new offerings that provide underbanked Canadians increased access to financial products.

Lower operating costs from parcel volume declines, partially offset by labour pressure

(in millions of dollars)

	2025	2024	$ change	% change
Labour	3,924	3,712	212	6.1 %
Employee benefits	1,099	1,108	(9)	(0.4)%
Other operating costs	2,063	2,238	(175)	(7.5)%
Depreciation and amortization	362	371	(9)	(2.0)%
Total cost of operations	**7,448**	**7,429**	**19**	**0.6 %**

The cost of operations was relatively flat in 2025. Other operating costs decreased as transportation costs declined due to falling parcel volumes, while non-capital investment costs were lower as we refocused our investment priorities. Despite labour cost savings due to lower parcel volumes, CUPW's overtime ban, workforce rebalancing for management employees and one less paid day in 2025, labour costs were higher due to wage increases and an inefficient labour structure. Employee benefit costs declined slightly due to positive asset returns and increases in the discount rate.

We need to optimize our cost structure and return to financial solvency. Canada Post has lacked the regulatory and policy framework to restructure in a way that meets Canadians' needs and to be financially self-sustainable. Tentative changes to collective agreements between Canada Post and CUPW, to staff more flexibly with part-time delivery roles, assign work during paid hours, and reduce inefficiencies and overtime, will help control costs. The operationalization of other transformation measures, now supported by our shareholder, such as centralized delivery, retail modernization, continuous improvement and overhead reduction, will contribute to non-labour cost savings once fully approved.

Investments

In 2025, the Corporation made total investment outlays of $325 million, comprising capital and non-capital investments of $137 million and $188 million, respectively. This reflects a combined

reduction of $145 million compared to 2024. The largest investment in 2025 was in the upgrade of our enterprise resource planning (ERP) system, bringing modernized technical platforms to various business processes. This new system was deployed in Q3 2025. Scrutinized investments to replenish obsolete assets, improve network efficiency, enhance customer facing platforms and reduce greenhouse gas emissions were also made.

Implementing proposed transformational measures requires investment. While strategic transformational measures will result in longer-term cost reductions, certain initiatives, such as conversion to and installation of community mailboxes, require initial investment. Investments expected for 2026 include the following:

- centralized delivery through the purchase and installation of community mailboxes;
- asset replenishment;
- network growth for new points of call;
- decarbonization of our operations and value chain.

There are other strategic initiatives for top-line growth and service and cost plans that require little to no investment, for example, the update of letter mail delivery standards.

Discount rate increases, experience gains and assumption adjustments, and higher-than-expected asset returns drive remeasurement gains in other comprehensive income

The Canada Post Corporation Registered Pension Plan (RPP) and other post-employment and long-term benefit obligations are large with volatility due to fluctuations in discount rates, investment returns and other actuarial assumptions, resulting in sizeable financial and long-term liquidity risks to the Corporation, especially during periods of funding shortfalls. At the end of 2025, discount rate increases, experience gains and assumption adjustments, and higher-than-expected asset returns resulted in accounting remeasurement gains of $982 million, net of tax, recorded in other comprehensive income. The actuarially determined expense recorded in the statement of comprehensive income and regular payments were not affected by these remeasurements.

As the funded position of the RPP on December 31, 2024, was positive and exceeded certain legislative thresholds, no special solvency payments were required for 2025. Further, Canada Post was not permitted to make employer current service contributions for 2025.

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

	December 31, 2025[1]		December 31, 2024	
	$	%	$	%
Going-concern surplus using the smoothed value of RPP assets[2]	7.4	129%	7.8	131%
Solvency surplus using market value of plan assets[2]	2.8	109%	2.7	109%
Solvency surplus to be funded using the three-year average solvency-ratio basis[3]	2.3	108%	2.2	107%

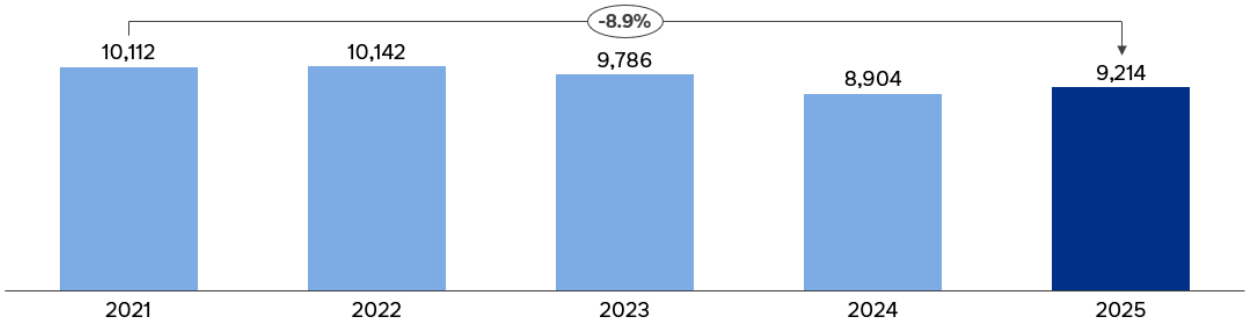
1. Final results for estimates of the financial position of the RPP as at December 31, 2025, are to be filed in 2026.
2. The going-concern ratio was above 125% and the solvency ratio was above 105%; therefore, no current service contributions were permitted in 2025.
3. The solvency ratio was above 100%; therefore, no special solvency payments were required in 2025.

Looking ahead: The RPP was in an overall surplus funded position as at December 31, 2025, such that Canada Post is not permitted to make regular contributions for 2026. In addition, special solvency payments are not required for 2026. Final actuarial valuation results may differ significantly from these estimates.

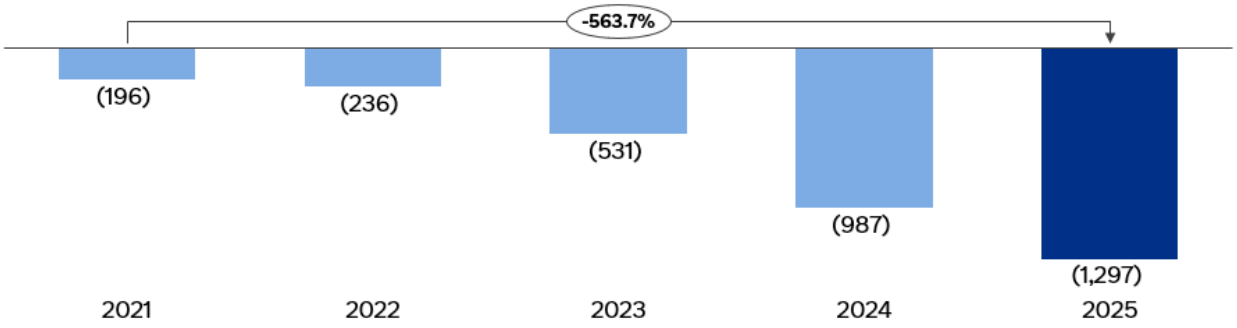
Canada Post Group of Companies – 2025

The charts below present a summary of the 2025 consolidated results for the Canada Post Group of Companies.

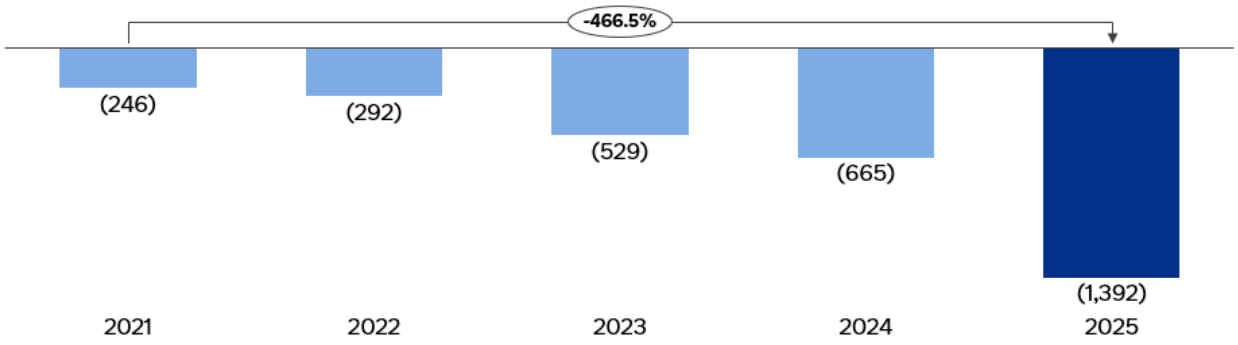
Revenue from operations (in millions of dollars)



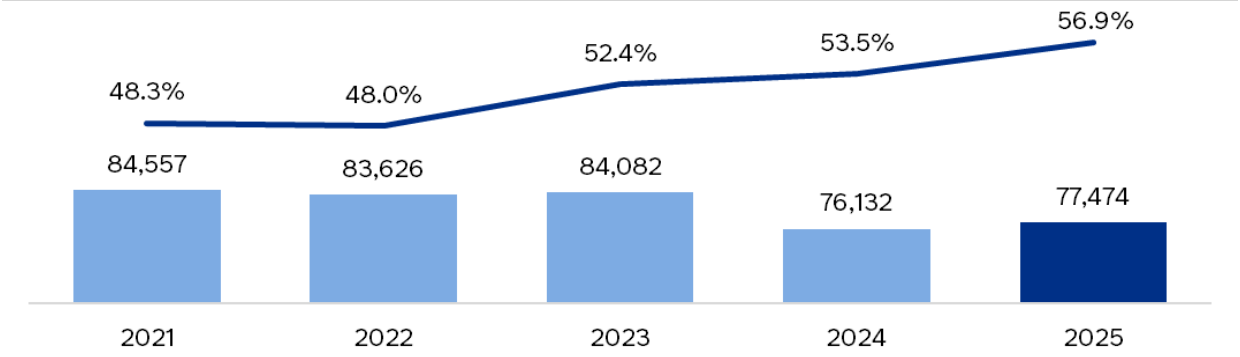
Loss from operations (in millions of dollars)



Loss before tax (in millions of dollars)



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



* Includes paid full-time and part-time Canadian employees as well as temporary, casual and term employees. Labour as a percentage of revenue from operations excludes employee benefits.

The following table presents the Group's consolidated performance.

Years ended December 31

(in millions of dollars)

	2025	2024	$ change	% change	Explanation of significant variances
Consolidated statement of comprehensive income (loss)					Discussed in Section 5 Discussion of Operations.
Revenue from operations	9,214	8,904	310	3.9%	Purolator's acquisition of Livingston and higher parcel revenue in the Purolator segment, partially offset by Canada Post segment declines from labour uncertainty and the disposal of SCI in 2024.
Cost of operations	10,511	9,891	620	6.7%	Purolator's acquisition of Livingston and higher parcel volumes in the Purolator segment, partially offset by lower collection, processing and delivery costs from volume declines in the Canada Post segment.
Loss from operations	**(1,297)**	**(987)**	**(310)**	**(31.5)%**	Higher loss in the Canada Post segment, partially offset by increased profit in the Purolator segment.
Investing and financing income (expense), net	(95)	322	(417)	†	Higher financing costs in 2025 due to Purolator's acquisition of Livingston compared to the gain on sale of SCI and Innovapost in 2024.
Loss before tax	**(1,392)**	**(665)**	**(727)**	**(109.5)%**	
Tax recovery	(297)	(246)	(51)	(21.0)%	Larger loss before tax.
Net loss	**(1,095)**	**(419)**	**(676)**	**†**	
Comprehensive income (loss)	(15)	534	(549)	(102.9)%	Operating losses, partially offset by pension and other post-employment benefit plan remeasurement gains.
Consolidated statement of cash flows					Discussed in Section 6 Liquidity and Capital Resources.
Cash used in operating activities	(665)	(224)	(441)	†	Increased losses from operations and interest paid, and changes in working capital.
Cash used in investing activities	(395)	(52)	(343)	†	Proceeds from the sale of SCI and Innovapost in 2024 and Purolator's acquisition of Livingston in 2025, partially offset by an increase in proceeds (net of acquisitions) of segregated securities and lower cash payments for capital assets.
Cash provided by (used in) financing activities	667	(115)	782	†	Government of Canada funding received by Canada Post and borrowing credit facilities obtained by Purolator, partially offset by Canada Post's bond repayment.

† Large percentage change.

2. Core Businesses and Strategy

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

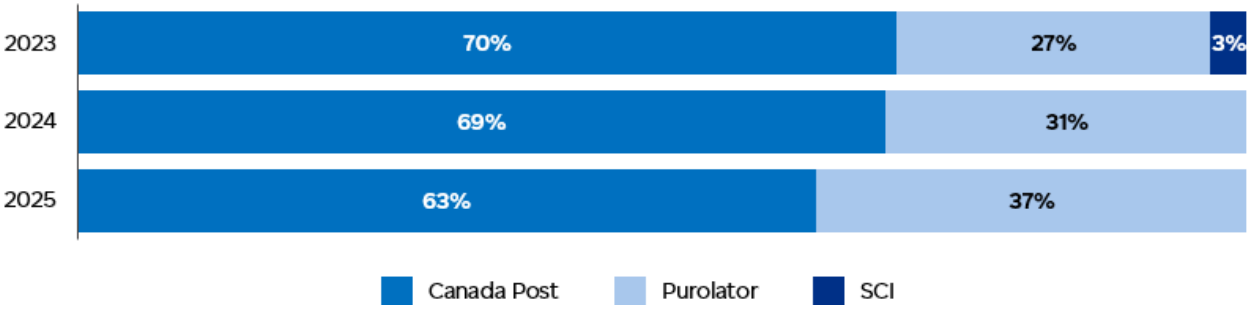
2.1 Our business

The Canada Post Group of Companies is proud to serve Canadians with a network that supports remote communications and commerce across Canada and globally, serving everyone from Indigenous communities in remote regions to the smallest and emerging micro-businesses. In 2025, the Group generated $9.2 billion in revenue by providing ecommerce, marketing and logistics solutions.

Service demand peaks during the holiday season in the fourth quarter, then gradually declines in volumes, reaching their lowest level in the third quarter. Despite fluctuations in demand, significant fixed costs remain relatively constant. The Group operates Canada's largest retail network with around 9,000 retail locations, a fleet of around 21,900 vehicles and a workforce of around 77,500 people (paid full-time and part-time employees, including temporary, casual and term employees).

In 2025, our employees delivered approximately 6.1 billion items, including mail, parcels and messages to more than 17.8 million addresses across urban, rural and remote Canada.

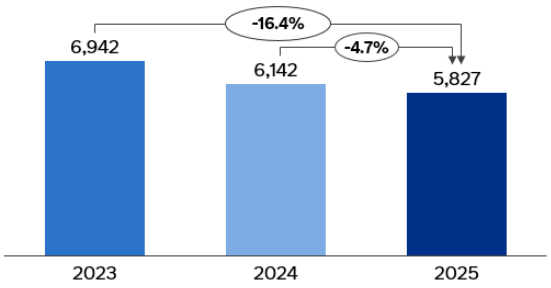
Revenue by segment



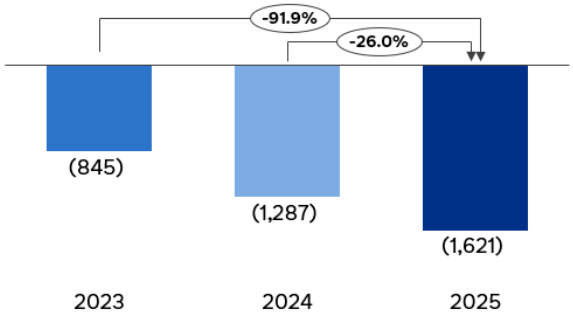
Canada Post segment

Canada Post operates the largest retail network in Canada, with close to 5,800 retail post offices and a fleet of nearly 14,900 vehicles, which delivered almost 5.9 billion mail items, parcels and messages in 2025. With a paid workforce of nearly 60,400 employees, including full-time, part-time, temporary, casual and term employees, Canada Post serves more than 17.8 million addresses nationwide.

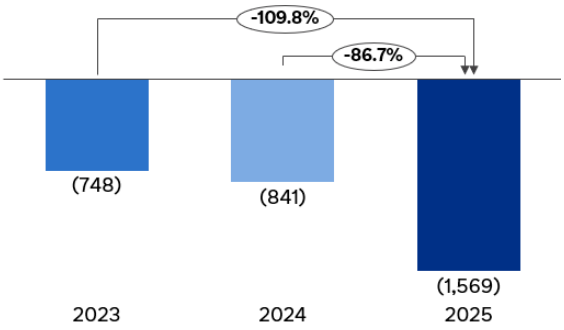
Revenue (in millions of dollars)



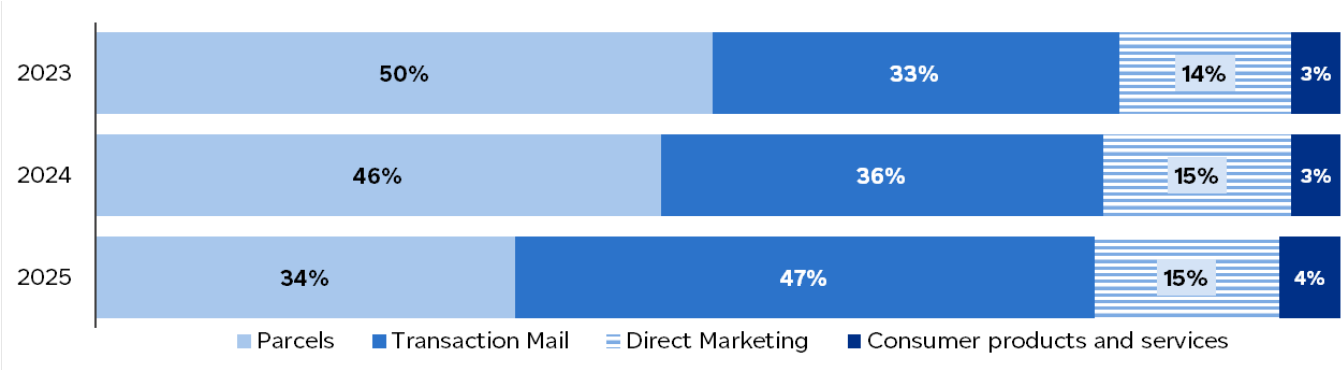
Loss from operations (in millions of dollars)



Loss before tax (in millions of dollars)



Revenue by line of business



In 2025, total revenue declined compared to 2024, largely due to prolonged labour uncertainty and operational disruptions. While all lines of business were affected, Parcels experienced the most significant impact, moving from half the Corporation's revenue in 2023 to just a third in 2025, while Transaction Mail had the opposite movement due to non-recurring electoral events in 2025 and rate action.

Lines of business

Parcels

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

Transaction Mail

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

Direct Marketing

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

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

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

Consumer products and services

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

Sales Channels

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

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

Purolator segment

247 operations facilities

Over 17,000 individuals employed across Canada and internationally

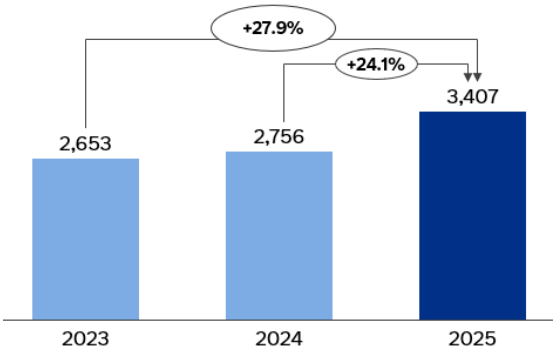
42
U.S. and international branches

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

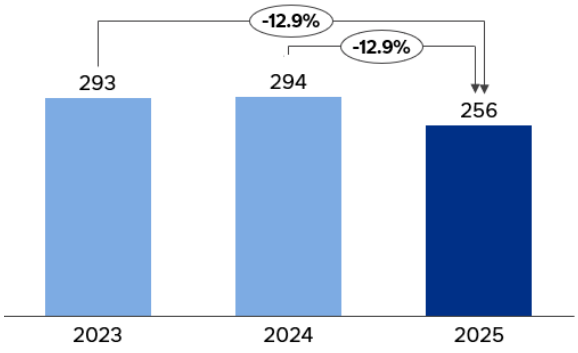
Over 7,000 vehicles

Purolator is a leading provider in Canada's premium courier market, operating one of the country's largest integrated courier and freight networks. With the ability to reach 100% of Canadian postal codes and provide cross-border and international services, the company delivers best-in-class shipping and logistics solutions to businesses across North America and globally. For over 65 years, Purolator has built its reputation as a trusted partner, helping organizations deliver on their promises through its market-leading service levels, breadth of capabilities and extensive network reach.

Revenue (in millions of dollars)



Profit before tax (in millions of dollars)

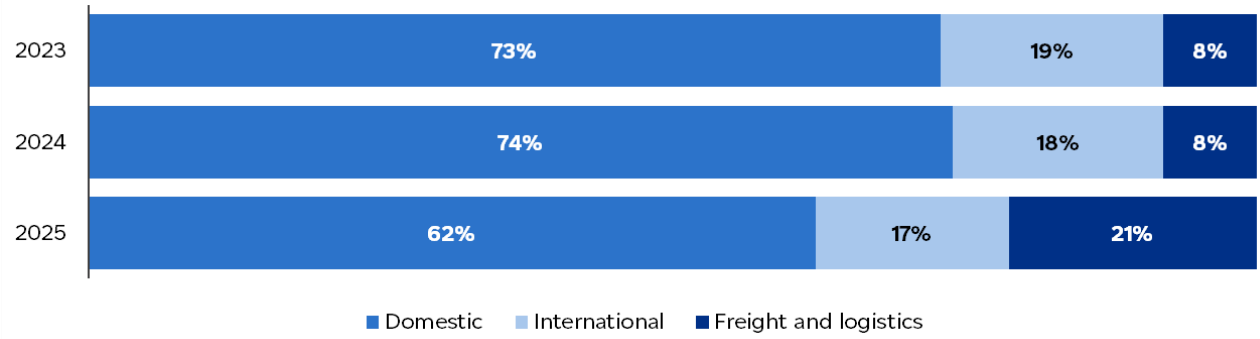


As a people-first organization, Purolator's commitment extends beyond delivering packages. The company strives to create meaningful, positive impact in the communities it serves. In 2025, Purolator received the Corporate Social Responsibility Award from the France-Canada Chamber of Commerce, recognizing its pride, purpose and dedication to advancing sustainability, supporting health and wellness, and fighting hunger across Canada and beyond. This commitment is reflected in flagship initiatives such as the Purolator Tackle Hunger®

program, which collected over 2.8 million pounds of food for communities in need in 2025, and the Purolator Health program, which enhances employee health, safety and well-being across the organization.

Purolator also continues to enhance its supply chain capabilities and service offerings to meet the evolving needs of its customers. In 2025, the company expanded its healthcare logistics services through its subsidiary Williams Pharmalogistics and strengthened its global trade expertise with the acquisition of Livingston International. These additions reinforce Purolator's position as an end-to-end logistics partner, providing unique and reliable solutions to businesses wherever they operate.

Revenue by line of business



In 2025, due to Purolator's acquisition of Livingston International, two new lines of business were added: Customs Brokerage and Global Trade and Transportation Solutions. These two new lines of business were considered part of freight and logistics.

2.2 Our business environment

Global trends

While uncertainty remains on the economic front, the overall market for parcel delivery in Canada and abroad remained strong in 2025, as spending continued to shift from legacy brick-and-mortar to online channels across the globe. As a result, ecommerce growth in most jurisdictions outpaced overall retail growth and remained strong in the face of economic uncertainty.

While ecommerce remains generally strong, international parcel flows continue to demonstrate weakness owing to U.S. trade regulations. In August 2025, the U.S. Government eliminated the *de minimis* threshold for all countries. Where previously smaller shipments under US$800 were exempt from duties and taxes, now every shipment must be assessed for import duties, taxes and fees. The rule previously reduced shipping costs and sped up shipping times to the U.S. for low-value goods. The elimination of this exemption has produced additional costs and friction for international ecommerce sellers who sell and ship to the U.S.

Additionally, in 2025 the U.S. government imposed additional tariffs on cross-border shipments for a number of countries, including Canada. These tariffs, collected from a wide range of goods when they cross the U.S. border, must either be passed on to the consumer or absorbed by the seller. Initially, Canada responded by imposing retaliatory tariffs, some of which have since been dropped. The net effect of these actions is to increase costs and impose lingering buyer hesitation when ordering internationally, as consumers do not always understand potential tariffs, delays and fees that may be passed on to the value of their online shopping cart. Additionally, Canadian goods entering the U.S. are now more expensive relative to domestic goods in the U.S. market, hampering sales south of the border.

As a postal organization, many of the challenges that Canada Post faces are similar to those of its peers. Posts generally face dwindling letter mail volumes and are shifting toward parcels and other lines of business. To cope with lower mail volumes, some posts have moved to alternate-day delivery, while others have explored changes to their regulatory structure to speed up decision-making. Almost universally, posts have responded by dramatically increasing the price of mail, and by turning to parcel deliveries to help fill the gap.

For letter mail pricing, the global trend is to depoliticize letter mail rate approvals. Many posts do so through an arm's-length regulatory body, a pre-approved multi-year schedule, or a consistent pricing formula. As well, the universal service obligation – the requirement that a mail service provider deliver to all addresses – has been abolished in Denmark, while other countries are currently debating the measure.

Canada

Despite the economic uncertainty during the year, ecommerce in Canada continued to grow in 2025. Looking ahead, the conversion of brick-and-mortar retail sales to online sales is expected to be resilient in all economic scenarios and still has room to grow when compared to international peers. Even with potential economic headwinds into 2026, all evidence points to a growing ecommerce parcel market over the long term. Compared to our global peers, the share of goods and services purchased online has plenty of room for growth, with other countries having higher online retail penetration. As a result, we expect the Canadian ecommerce parcel market to more than double over the next decade.

However, this is not without its challenges. As the market matures, several themes continue to emerge:

- Delivery speeds have been increasing, which is expected to continue for most parcels, as consumers demand and become accustomed to same-day and next-day delivery.
- To facilitate increased delivery speeds, fulfillment operations are moving closer to the destination and shipments are becoming more local. Larger merchants are increasingly needing a cheap and fast local network, rather than a robust national network.
- The market is increasingly turning to lower-cost, last-mile disruptive delivery – operating models that typically hire delivery drivers as contractors, do not pay pension

or benefits, and provide no job security. New firms are entering the market to participate in this growth. We now estimate that the majority of all ecommerce deliveries are delivered by this type of vulnerable work arrangement.

- Weekend delivery is expected to comprise an increasing share of all deliveries and is already status quo in large urban areas. Canada Post remains the sole major carrier in Canada without weekend delivery. We expect weekend delivery to function like any other day of the week.
- Shipping decisions are becoming increasingly commodified using third-party tools and software. Rather than compete for a customer's whole business, a carrier sees its shipping sales increasingly made on a parcel-by-parcel basis. Online tools can instantly give even small businesses a quick price comparison and allow them to select the lowest price for a particular shipment from all carriers. The trend is for major carriers to adjust shipping rates based on factors such as available network capacity and demand fluctuations. The result is further commodification of parcel delivery, as price increasingly drives shipping decisions.

Direct marketing mail is also gradually declining as digital advertising continues to drive growth in advertising spending. Historically, direct marketing spending partly correlates with the overall state of the economy, and a weak economy could result in poorer than expected advertising spending. Overall, in the advertising industry, we anticipate that artificial intelligence (AI) will increasingly be used end to end, from content creation to individual targeting.

Canada Post's mail lines of businesses are also expected to be impacted by the state of the economy and digitization trend. While 2025 was an unusual year for Transaction Mail volumes due to some unique circumstances, the general adoption of digital channels for everyday communications is an irreversible trend that is expected to negatively impact mail volumes for the foreseeable future.

The annual number of pieces of mail delivered per address has declined by 70.0% since 2006. Trends in volumes and in the number of addresses in 2025 and the preceding four years were as follows:

Transaction Mail (excluding outbound)

	2025	2024	2023	2022	2021
Delivered volume change	2.3%	(9.2)%	(5.0)%	(6.0)%	(2.0)%
Delivery address change	1.4%	1.2%	1.2%	1.3%	1.2%
Mail volume change per address	0.9%	(10.3)%	(6.1)%	(7.2)%	(3.3)%

2.3 Strategy and strategic priorities

Canada Post segment

Canada Post has a mandate to serve all Canadians while maintaining financial self-sufficiency, a mandate that was reaffirmed in the Government of Canada's September 25, 2025, announcement. Repeated government support using taxpayer dollars is not a long-term solution. The government has stated that Canada Post is a vital national institution worth preserving, but transformation is required to ensure the survival of the Corporation and protect the services Canadians rely on.

Our transformation: Strategic pillars

As Canada's vital national institution, we recognize the need to align more closely with the changing expectations of Canadians and to refocus our efforts on building a more modern postal service. The four pillars below are the bedrock supporting Canada Post's transformation now and for the future.

Powering the Canadian economy	• Enable Canadian businesses to thrive amid global competitors. • Generate the revenues needed to remain financially self-sustainable.
Providing a service all Canadians can count on	• Evolve our network and services to meet Canadian needs with market-competitive services and operations. • Eliminate waste to ensure Canadians get good value for money.
Doing right by our people	• Be an industry leader on health and safety, job quality, talent management and labour relations.
Demonstrating social and environmental leadership	• Demonstrate leadership on environmental, social and governance (ESG) issues.

Our transformation: Measures announced by the Government of Canada

The Industrial Inquiry Commission's report (issued by Commissioner William Kaplan), released May 15, 2025, outlined the scale of challenges facing the post office and recommended a path

forward. Building on these recommendations, the Government of Canada announced on September 25, 2025, the following changes:

- **Adjust letter mail delivery standards.** Canada Post will introduce flexibilities to reflect today's lower volumes. The average household receives just two letters per week, yet operations remain designed for far higher volumes. Adjusting standards so that non-urgent mail can be moved by ground instead of air will generate cost savings as well as reduce greenhouse gas emissions.
- **Lift the moratorium on community mailbox conversions.** The government is lifting the moratorium on community mailbox conversions. Currently, three quarters of Canadians already receive mail through community, apartment or rural mailboxes, while one quarter still receives door-to-door delivery. Canada Post was authorized to convert the remaining four million addresses to community mailboxes and will continue to promote the Delivery Accommodation Program in place for Canadians who have functional limitations that make it difficult to use standard community mailboxes.
- **Modernize the postal network.** In 1994, a moratorium was established to prohibit Canada Post from closing or franchising corporate post offices that were designated as being in rural areas at that time. The moratorium created a list of specific retail locations (more than 3,400 active locations) that were prohibited from being closed. We remain steadfast in our commitment to protecting services in rural, remote, northern and Indigenous communities.
- **Establish regulated letter mail rates** (announced as part of the 2025 budget)**.** Canada Post is facing a pivotal challenge: the cost of delivering letter mail is rising sharply while the company's total revenues continue to decline. This imbalance threatens the Corporation's ability to meet its universal service obligation and remain financially self-sustaining. Bill C-15 amends the *Canada Post Corporations Act* to adjust the process to set rates of postage and the terms and conditions related to the payment of postage, in line with the Industrial Inquiry Commission's recommendations. The initiative seeks to establish a sustainable pricing strategy for letter mail, ensuring the Corporations' financial stability and its ability to reinvest in infrastructure and service improvements.

While the Government of Canada announced the removal of long-standing barriers to reform, structural change from within the Corporation is essential. Canada Post is taking decisive action where it has the authority to do so, to preserve cash and stabilize its financial position. Key measures include imposing strict limits on external hiring and discretionary spending – such as travel, consulting and contracted services – enhancing productivity, aligning staffing levels with volume, rebuilding and strengthening customer relationships. The government requested that Canada Post submit a plan to protect services, modernize and rightsize its network, as well as set itself on a path to financial self-sustainability. Canada Post has submitted the plan, and it is currently being reviewed. These measures will help place the Corporation on a stronger financial footing and provide the flexibility it needs to adapt to a rapidly changing environment.

Our transformation: Keeping Canadians informed

As we work to renew and transform the national postal service and put it on a path to financial sustainability, we are following five principles that reflect our commitments to employees, customers and all Canadians, as we transform the company:

Prioritize service	We will provide **reliable and affordable delivery** for all Canadians while protecting access to vital postal services in **rural, remote and Indigenous communities**.
Proceed thoughtfully	While there's a need to move with urgency, we will **proceed thoughtfully to get it right** and minimize how the changes affect Canadians.
Treat employees with respect	We will continue to be **fair and respectful to our employees** and prioritize their safety as we implement changes.
Keep Canadians informed	We will provide **regular updates on our transformation to Canadians**, customers, employees and other stakeholders, and **give them as much notice as possible** of any changes affecting them.
Be flexible	We will **adjust our approach** based on the evolving needs of **Canadians**.

Purolator

Purolator segment

Purolator aspires to be Canada's most trusted supply chain enabler, uniting the country and connecting it to the world. To achieve its aspiration and drive sustainable, profitable growth, Purolator's strategy remains grounded in its four key themes:

- **Focusing on premium growth.** Offer premium capabilities to the marketplace and service its customers where they operate. Drive growth for businesses of all sizes throughout North America and globally.
- **Digitizing the business.** Enhance its customers' digital experience, while driving efficiency in its end-to-end business through advanced digitization and analytics.
- **Modernizing the network.** Drive innovative and sustainable delivery solutions to deliver best-in-class customer performance and flexibility, while executing on operational excellence.

- **Being safe, sustainable, inclusive and inspiring.** Reinforce a purpose-driven, inclusive culture for a future-ready workforce and set the industry standard for leadership, performance and practices in safety and ESG issues.

3. Key Performance Indicators

A summary of our non-financial performance drivers.

The Canada Post segment uses senior executive scorecards to monitor performance and progress against strategic priorities tied to our transformation. Regular reporting provides management and the Board of Directors with a comprehensive view of the segment's performance. Our progress and achievements against 2025 targets reflecting our commitment to our people and to social and environmental leadership were as follows:

		2025 target	2025 result	Status
Injuries	Total injuries year over year (reduction)[1]	(5%)	(1%)	B
Employee diversity[2]	Indigenous Peoples	3.5%	3.5%	A
	People with disabilities	9.1%	9.3%	A
Greenhouse gas emissions (GHGs)[3]	Scopes 1 and 2 for fleet and buildings (in kilotonnes of carbon dioxide equivalent emissions)	105.9	105.6	A
Waste diversion rate[4]	Percentage of solid, non-hazardous operational waste diverted from the landfill through reduction, reuse or recycling	70.4%	66.5%	B
Digital accessibility	Percentage of digital accessibility across all active digital products	94.0%	94.3%	A
Indigenous procurement[5]	Spending with Indigenous Peoples (percentage of eligible direct expenditure in Indigenous businesses)	5.0%	4.6%	B
Enhanced postal services in Indigenous communities	Number of communities with improved, expanded services	Over 15	40	A
	Number of engagement discussions	120	152	A

		2025 target	2025 result	Status
Removal of illicit products from the mail stream in Indigenous communities	Number of pieces inspected and removed	3,660	4,420	A

Notes:
Status A Achieved target within success parameters, or on track to meet target by December 31, 2025.
Status B Performance did not meet target due to an explainable variance.
Status C Target not achieved (outside success parameters).

1. 2025 result impacted by the labour disruption in the 2024 peak season. See Section 4.1 for additional information.
2. Although targets are established for all designated equity groups, the Corporation remains above 80% of Canadian labour market availability for women and members of visible minorities, which means the organization is not eligible to apply special hiring measures for these groups. Finally, we expect further disruption to our talent acquisition performance due to workforce planning outcomes and the continued hiring freeze.
3. Scope 3 emissions, which include all upstream transportation, make up 90% of Canada Post's GHG emissions. As part of our science-based targets (SBTs), we are working with our suppliers toward the goal of having 67% of suppliers, by area of spending, to set an SBT by December 31, 2025. Progress toward this goal will be reported in the 2025 Sustainability Report. 2025 result is a forecast and subject to verification. The confirmed value for 2025 (full year) will be reported in the 2025 Sustainability Report.
4. Target to divert at least 90% by weight of non-hazardous operational waste and 90% of all construction and demolition waste by 2030.
5. One of our largest Indigenous-owned suppliers was sold to non-Indigenous investors in 2025 and ceased to be considered Indigenous-owned.

4. Capabilities

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

Our focus remains on delivering reliable service to Canadians and businesses, leading responsibly on social and environmental fronts, and supporting our people. While financial challenges have meant pausing or cancelling some transformation projects in 2025, our commitment to these priorities has not changed.

4.1 Doing right by our people

2025 highlights

Talent management

- Offered second-language proficiency testing to all people managers in bilingual regions as part of our ongoing commitment to employee development and future workforce planning.
- Adjusted the hybrid workplace model to support our transformation, encourage collaboration and reinforce our corporate culture by requiring all directors and above to

work from their official work location for a minimum of three days per week starting January 1, 2026.

- Modernized the performance and goals system to streamline how we support our people, allowing for more transparency and automation, enhancing the experience for employees and team leaders. The new system was launched January 1, 2026.

Employee engagement

- Launched an employee engagement survey for executive, management and exempt, Association of Postal Officials of Canada (APOC) (Sales and Service) and Public Service Alliance of Canada (PSAC) employees. The survey achieved a response rate of 77% and a 64% employee engagement score. Although the overall score reflected an 18-point decline from the last survey in 2023, the survey results highlighted a need for clear direction for the company – a factor that respondents recognized as increasingly important. Despite challenges currently faced by the organization, employees expressed a strong and positive sense of belonging and feeling valued and deeply connected to their colleagues.

Health, safety and wellness

- While total injuries decreased by 1% and lost-time injuries were flat for the full year, compared to 2024, results were significantly impacted by a national strike that began on November 15, 2024, as operational employees were not delivering or processing mail.
- Launched the peer support network for team leaders, a program that continues to grow.
- Launched facilitator led sessions with Employee and Family Assistance Program experts for all team leaders, offering tools for day-to-day challenges and in times of urgent need.
- Deployed training sessions led by operations directors for positive safety interactions to all team leaders as part of the Health and Safety (H&S) Improvement Plan.
- Launched the H&S Roadmap, which outlines mandatory campaigns and activities all facilities are required to implement based on best practices.
- Launched a leading indicator portal allowing users to track and manage leading indicator events, such as risk registry, hazard reporting and evacuation drills, for example, along with a centralized Local Joint Health and Safety Committee platform for enhanced governance on regulatory requirements and closing action items.
- Expanded foundational training for operators in targeted areas experiencing higher overall safety challenges in mental health and workplace harassment and violence to guide a critical response and path to develop and establish safe at work protocols.

Equity, diversity and inclusion (EDI)

- Achieved an estimated score of 4.24 out of 5 and completed 218 of 275 Global Diversity, Equity and Inclusion Benchmarks for 2025, evaluated by Diversio (Canadian Centre for Diversity and Inclusion), trending ahead of our five-year goal.
- Collaborated in the development of a corporate-wide mentorship program based on the lessons learned from the EDI mentorship pilot in 2024, with the goal of increasing representation and retention of Indigenous Peoples, persons with disabilities and members of visible minorities and women.
- Delivered 15 training sessions from the human rights toolkit, including respect in the workplace, gender identity, duty to accommodate, bias awareness and Indigenous cultural competency.
- Coordinated 11 learning events highlighting a variety of topics such as Pride season, Accessibility Awareness Week and National Day for Truth and Reconciliation.
- Provided 23 different meeting opportunities to elevate diverse experiences through employee resource groups and community calls.
- Achieved a positive response rate in the completion of the 2025 Equity Census Survey and refreshed the "Count Yourself In" campaign video.
- Honoured National Day of Awareness for Missing and Murdered Indigenous Women, Girls, Two-Spirit, and gender diverse people (MMIWG2S+) with a "Rompons le silence" video campaign and Red Dress display at the company's head office.
- Unveiled a land and territory acknowledgment plaque at the head office with key Indigenous leaders and employees.

Labour and employee relations

- Collaborated with all bargaining agents to develop a corporate plan for ongoing pay equity compliance.

Canada Post segment

Our diverse workforce is found in every urban, rural and remote community across Canada. Similar to 2024, in 2025, our peak season temporary hiring was impacted by labour uncertainty, which decreased staffing requirements. A reduction of 10% in management headcount was also a factor that reduced total paid headcount to nearly 60,400 employees at December 31, 2025 (2024 – 62,300).

Workforce by type of work – 2025*

* Includes paid full-time and part-time employees as at December 31, 2025; excludes temporary, casual and term employees.

Labour and employee relations

Number of employees covered by collective agreements

Bargaining agent	Number of represented employees[a]	Expiry date of the collective agreement
CUPW-UPO[b]	33,222	January 31, 2024
CUPW-RSMC[c]	8,736	December 31, 2023
CPAA[d]	5,129	December 31, 2026
APOC[e]	4,227	March 31, 2025
PSAC/UPCE[f]	1,287	August 31, 2024
Total	**52,601**	

a. All full-time and part-time employees, including those on unpaid leave, as at December 31, 2025; excludes 13,555 temporary, casual and term employees.

b. CUPW-UPO: Canadian Union of Postal Workers – Urban Postal Operations, which represents plant and retail employees as well as letter carriers and mail service couriers.

c. CUPW-RSMC: Canadian Union of Postal Workers – Rural and Suburban Mail Carriers, which represents mail delivery couriers in rural and suburban Canada.

d. CPAA: Canadian Postmasters and Assistants Association, which represents rural post office postmasters and assistants.

e. APOC: Association of Postal Officials of Canada, which represents supervisors as well as supervisory support groups, such as trainers, route measurement officers and sales employees.

f. PSAC/UPCE: Public Service Alliance of Canada / Union of Postal Communications Employees, which represents employees who perform certain administrative, clerical, technical and professional work, including personnel in call centres, pay reporting, and technical employees in areas such as finance and engineering.

Status of negotiations

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

The collective agreements for CUPW-UPO and CUPW-RSMC expired on January 31, 2024, and December 31, 2023, respectively. Following a ministerial intervention in December 2024 in the ongoing labour dispute between Canada Post and CUPW, collective agreements for both the CUPW-UPO and CUPW-RSMC bargaining units were extended to May 22, 2025. The Minister also appointed William Kaplan to lead an Industrial Inquiry Commission (IIC). The Commission's broad mandate included investigating the causes of the negotiations' impasse, recommending changes to collective agreements, and exploring structural reforms to Canada Post.

- The IIC released a report in May 2025, which provided a frank and objective assessment of the challenges and fundamental obstacles facing Canada Post and CUPW.
- The report also offered a series of recommendations for a sustainable path forward. Building on these recommendations, the Government of Canada announced a series of measures to stabilize the Corporation's finances and enable its modernization. The Corporation's latest offer was based on these recommendations.

On November 21, 2025, Canada Post and CUPW reached agreements in principle, followed by tentative collective agreements on December 22, 2025. As part of the tentative agreements, both parties have agreed to the following:

- Five-year agreements that expire on January 31, 2029 (UPO and RSMC).
- Higher wage increases: 6.5% increase in year one (including 5% already received) and 3.0% in year two. For years 3, 4 and 5, annual wage increases would match the annual inflation rate of the consumer price index (UPO and RSMC).
- No changes to employees' defined benefit pension (UPO and RSMC).
- An enhanced health benefits plan for employees and better income replacement for injury-on-duty leave and leave under the Short-Term Disability Program (UPO and RSMC).
- Six non-carry over personal days locked into the collective agreement, for a total of 13 personal days in the agreement (UPO and RSMC).
- New operating model to support weekend parcel delivery (UPO and RSMC).
- Maintaining the current job security provisions for Urban employees (UPO).
- Enhancing the current job security provisions for RSMC employees (RSMC).
- Adjusting the number of corporate post offices protected in the collective agreement down by 100 to 393 (UPO).
- Moving employees from activity-based compensation to an hourly rate of pay (RSMC).

The tentative agreements must now proceed to a ratification vote by CUPW-represented employees, which CUPW will manage. In late February 2026, CUPW announced that a secret-ballot vote by its members will take place from April 20 to May 30, 2026. During this process, the parties have agreed to continue suspending any strike and lockout activity. Successive labour actions – including a national strike, an overtime ban, a Neighbourhood Mail™ delivery ban, a second national strike and local rotating strikes – have deeply hurt the business. Restoring trust with our customers and the path to recovery will be challenging.

Canadian Postmasters and Assistants Association (CPAA)

The existing collective agreement between Canada Post and the CPAA expired on December 31, 2023. Following 18 months of negotiations, Canada Post and the CPAA reached a new collective agreement within the final offer selection arbitration process.

- The arbitrator's final award incorporates the settlement that both sides negotiated and acknowledged that collective bargaining can nonetheless be successful, even in the challenging circumstances outlined in the IIC report.
- The new collective agreement is effective from January 1, 2024, to December 31, 2026, and includes an 11% wage increase over three years, retroactive to January 1, 2024 (6% increase in 2024, 3% increase in 2025 and 2% increase in 2026). It addresses numerous issues that are important to employees, while also reflecting our current realities.

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

In May 2024, Canada Post received a notice to bargain from PSAC/UPCE that initiated the negotiation process. The parties thereafter agreed to defer negotiations for a new collective agreement until August 2026 – or until both parties mutually agree to resume talks.

- The agreement to suspend talks includes a 5% pay increase for PSAC-represented employees, retroactive to September 2024, and an update to the dental fee guide to the 2024 rates.
- The two parties also agreed in advance that a five-year term will apply to the new collective agreement to be negotiated.

This deferral agreement will help maintain stability through important periods of transformation for the business. The existing collective agreement, which expired on August 31, 2024, continues to apply.

Association of Postal Officials of Canada (APOC)

In December 2024, Canada Post received a notice to bargain from the Association of Postal Officials of Canada (APOC). To ensure stability and continuity in operations, Canada Post and APOC have also mutually agreed to defer negotiations for a new collective agreement until March 2026.

- The agreement to suspend talks includes a 5% pay increase for APOC-represented employees and an update to the 2024 dental fee guide, both effective April 1, 2025.
- The two parties agreed that the existing collective agreement, which expired on March 31, 2025, will continue to apply.

Purolator segment

Number of employees covered by collective agreements (excludes subsidiaries)

	Number of represented employees[a]	Expiry date of the collective agreement
Teamsters[b]	10,783	December 31, 2026
Teamsters[c]	558	December 31, 2027
PSAC[d]	146	December 31, 2027
Unifor[e]	103	December 31, 2027
Total	**11,590**	

a. All full-time and part-time employees, including those on unpaid leave, as at December 31, 2025; excludes temporary, casual and term employees.

b. Teamsters represent employees in operations (drivers and warehouse staff).

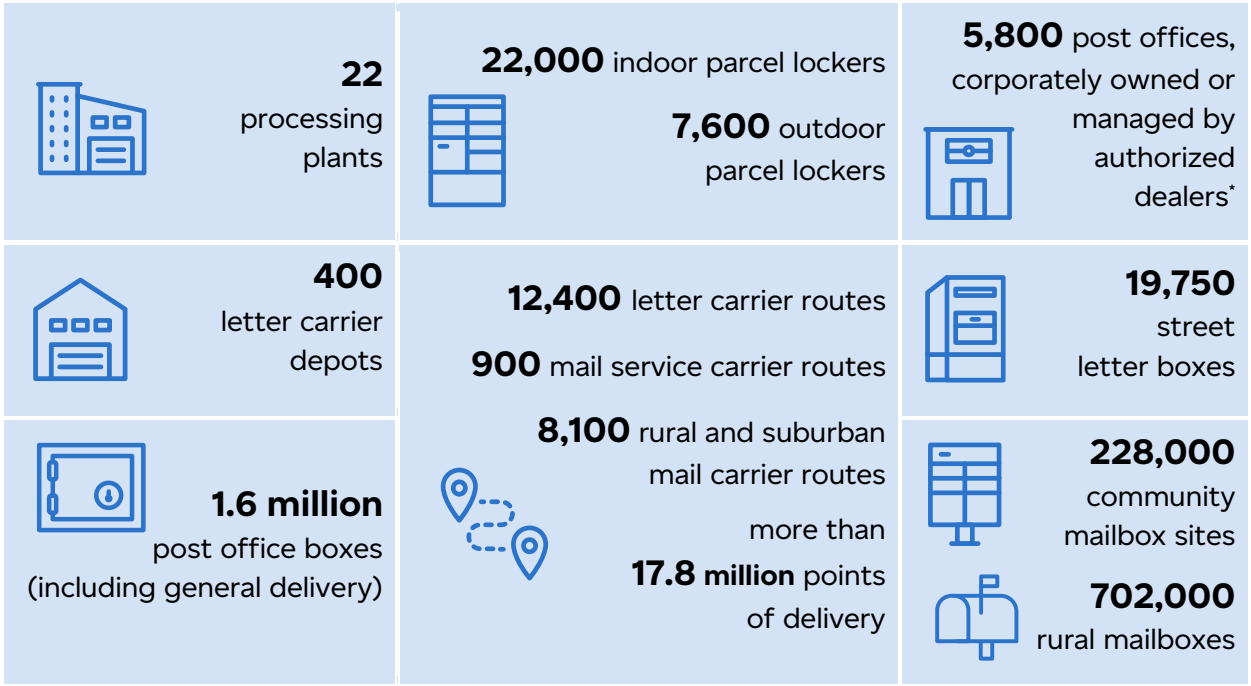
c. Teamsters represent clerical and administrative employees.

d. The Public Service Alliance of Canada represents clerical and administrative employees in the province of British Columbia.

e. Unifor represents clerical and administrative employees, in the province of Quebec.

4.2 Network, infrastructure and innovations

The Canada Post segment operates a vast network that requires significant coordination between the collection, processing, transportation and delivery activities. In 2025, Canada Post delivered nearly 5.9 billion pieces of mail, parcels and messages, an average of 24 million pieces per day. To process and deliver all the mail and parcels, our national network comprises a large infrastructure, including approximately:



* Includes nearly 170 light-service locations where customers can receive and induct parcels (including returns) and purchase prepaid shipping solutions such as flat rate boxes, prepaid envelopes and stamps.

2025 highlights

Network and capacity

- Expanded the Collingwood, Ontario, letter carrier depot. Expanded post offices in Manitoba (Ste. Rose du Lac), Alberta (Didsbury) and British Columbia (Ucluelet). Modified three additional post offices in Alberta and British Columbia, and opened a distribution centre in Kentville, Nova Scotia.
- Modernized the Montréal international exchange office with advanced automation that will assist with customs processes and improve international on-time performance.
- Closed an operations facility in Mississauga, Ontario, and an offsite warehouse in Calgary, Alberta.
- Relocated three retail post offices in Ontario (Keswick, Cache Bay and Almonte), four in Quebec (Saint-Bernard-sur-Mer, Saint-Roch-de-Richelieu, Saint-Hugues, Saint-Jean-

Chrysostome), one in Manitoba (St. Malo); expanded a parking lot in Surrey, British Columbia.

Product and service innovations

- Successfully launched multiple customer-centric induction and returns solutions that support convenient, self-serve experiences, including box-free, label-free returns and quick drop box kiosks for self-service label printing and parcel induction.

Technology

- Launched the My Care Connect workshops to provide an introduction to the leading indicators portal and safety tools that will allow all employees to proactively report dangers and hazards in the workplace.
- Deployed a new enterprise resource planning (ERP) system, the final major milestone of the Experience Transformation program, a wide-reaching initiative to overhaul our outdated systems to drive performance, standardize processes, reduce manual work and enhance customer experience.
- Published a new corporate policy on the ethical and responsible use of artificial intelligence in the workplace.

4.3 Our environmental, social and governance achievements

2025 highlights

Environmental sustainability

- Completed the rollout of phase 1 of our zero-waste program at over 80 plants and depots.
- Advanced the climate change strategy by completing phase 1 of the Buildings Emission Reduction project and progressing construction in phases 2 and 3. These projects focus on electrifying heating systems and implementing energy efficiency measures to reduce greenhouse gas emissions. In addition, a detailed climate risk assessment was completed to identify potential financial impacts of key climate-related risks and opportunities over the short, medium and long term.
- Launched a pilot to enable the recycling of surplus admail in three Quebec facilities to increase waste diversion.
- Began a pilot project to purchase renewable natural gas for sites in British Columbia.

Environmental, social and governance (ESG) leadership

- Released our 2024 Sustainability Report, providing transparent reporting on all aspects of our ESG journey.
- Recognized among Corporate Knights's 25 most sustainable public-sector companies in the world and Best 50 Corporate Citizens for the third consecutive year.
- Presented a detailed five-year ESG strategy roadmap to the Board of Directors, which included goals and priority actions to continue to drive leadership in sustainability to 2030.
- Updated our 2025 climate risk assessment to identify financial impacts of key climate-related risks and opportunities. Findings will guide our climate resilience strategy.
- Launched a pilot dashboard and portal with operations to spotlight sustainability opportunities and improve performance in vehicle idling, energy efficiency and waste diversion.
- Identified and disrupted nearly 19,000 fraudulent events intended to victimize private and business customers.

Governance

- Integrated privacy impact assessments into the investment decision-making process.
- Launched a new Code of Conduct e-learning course to provide employees with an overview of ethical decision-making in daily work.
- Converted linguistic designation of positions to meet the Treasury Board Secretariat's updated minimum second official language proficiency requirements applicable to new appointments in supervisory and people leader positions with employees in designated bilingual regions (the National Capital Region, areas of Ontario and Quebec, and the province of New Brunswick). The minimum proficiency level for new appointments in applicable roles increased from intermediate (BBB) to advanced (CBC).
- Provided access to foundational language-learning support to executive and management employees in bilingual regions.
- Launched additional training and tools to enhance employees' understanding of official language obligations and assist in providing service or supervision in both official languages.
- Deployed mandatory Anti-Money Laundering Refresher training to all corporate and dealer post offices to meet obligations under the *Proceeds of Crime and Terrorist Financing Act*.
- Strengthened North American collaboration to enhance postal security and combat non-mailable and high-risk items (illicit goods), supported by joint cross-border enforcement efforts and coordinated trilateral action plans.

Accessibility

- Published our second Accessibility Plan focusing on the seven areas of the *Accessible Canada Act*; employment, built environment, information and communication technology, communication, procurement of goods, services and facilities, design and delivery of programs and services, and transportation. The Accessibility Plan will guide and support the execution of our proposed transformation plan.
- Launched an online portal for Canadians to apply for accommodation under the Delivery Accommodation Program; it can make mail and parcel delivery accessible to residential customers who have functional limitations that make it difficult to use standard community mailboxes (CMBs). This new online option will improve service for our customers by decreasing wait times and allowing for more efficient work processes.
- Approved over 1,400 new delivery accommodations for a total of over 17,500 active accommodations across the country.

Indigenous and northern communities

- Completed 40 postal service enhancement projects in Indigenous and northern communities, including installing CMBs and post office boxes to accommodate growth, opening three dealer post offices, and enhancing connectivity, civic addressing and training.
- Engaged with over 150 communities, focusing on identifying and resolving mail-service gaps, addressing all mail-related concerns, and building relationships.
- Implemented local disruption plans and targeted operations for identifying non-mailable matter.
- Supported partnerships with law enforcement and community stakeholders, enhancing situational awareness and enabling more timely interventions.

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

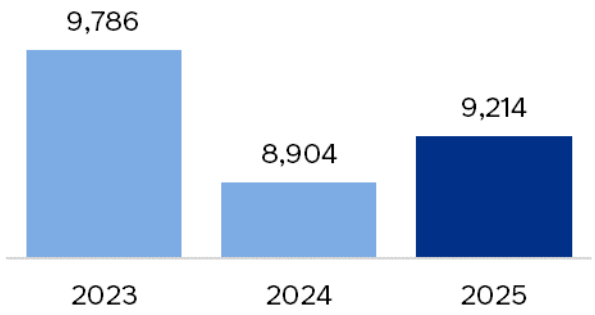
5. Discussion of Operations

A detailed discussion of financial performance in 2025.

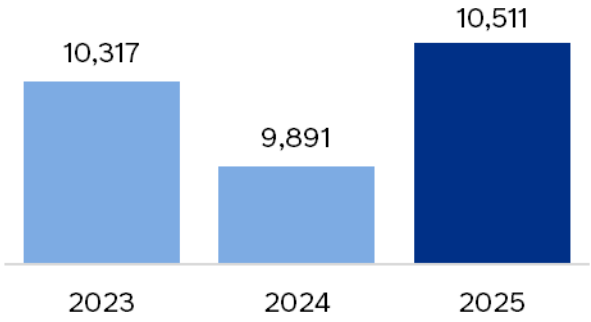
Unless otherwise indicated, results in this section are presented for 2025 compared to 2024.

5.1 Consolidated results from operations

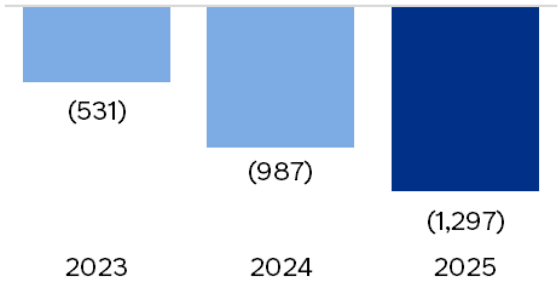
Revenue from operations
(in millions of dollars)



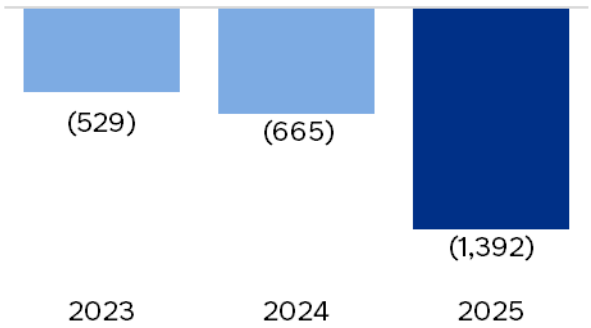
Cost of operations
(in millions of dollars)



Loss from operations
(in millions of dollars)



Loss before tax
(in millions of dollars)



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

	2025	2024	$ change	% change
Revenue from operations	9,214	8,904	310	3.9 %
Cost of operations	10,511	9,891	620	6.7 %
Loss from operations	**(1,297)**	(987)	**(310)**	**(31.5)%**
Investing and financing expense, net	(95)	322	(417)	+
Loss before tax	**(1,392)**	(665)	**(727)**	**(109.5)%**
Tax recovery	(297)	(246)	(51)	(21.0)%
Net loss	**(1,095)**	(419)	**(676)**	**+**
Other comprehensive income	1,080	953	127	13.3 %
Comprehensive income (loss)	**(15)**	**534**	**(549)**	**(102.9)%**

+ Large percentage change.

2025 highlights (2025 compared to 2024)

Revenue Increase of $310M (+3.9%)	In the Purolator segment, additional revenue from its acquisition of Livingston International (Livingston) and an increase in parcel revenue. In the Canada Post segment, labour uncertainty and disruption causing volume declines for Parcels and Direct Marketing. Decline offset by non-recurring Transaction Mail lift from election mailings and temporary volume surge following the 2024 peak season strike.
Costs Increase of $620M (+6.7%)	Increase costs in the Purolator segment due to the addition of Livingston and higher parcel volumes. In the Canada Post segment, increase in wages, offset by labour and non-labour savings from labour disruption and lower parcel volumes. Lower non-capital investments in the Canada Post segment.
Loss from operations Decline of $310M (-31.5%)	Unprecedented losses in the Canada Post segment partially offset by profit in the Purolator segment.
Investing and financing Decrease of $417M (†)	Non-recurring gain on sale of SCI and Innovapost in 2024 and higher 2025 financing costs due to Purolator's acquisition of Livingston.
Loss before tax Decline of $727M (-109.5%)	Deteriorating losses from operations.
Other comprehensive income Increase of $127M (+13.3%)	Remeasurement gains on pension and other post-employment benefit plans due to discount rate increases, experience gains and assumption adjustments, and higher-than-expected asset returns.

† Large percentage change.

5.2 Consolidated results against 2025 Corporate Plan

The first year of the Corporation's amended 2025-29 Corporate Plan (Plan) was approved in mid-2025 by the Treasury Board. The 2025 Plan is for the full fiscal year. The following table presents a status of results against the 2025 Plan.

(in millions of dollars)

	2025 results	2025 Plan	Explanation of significant variances to Plan
Revenue from operations	9,214	9,753	Shortfall in the Canada Post segment due to severity of lasting impacts of labour uncertainty and disruption, resulting in lower-than-planned parcel volumes.
Cost of operations	10,511	11,018	Lower expenses in the Canada Post segment due to lower-than-planned parcel volumes.
Loss from operations	(1,297)	(1,265)	
Investing and financing income (expense)	(95)	(101)	On plan.
Loss before tax	(1,392)	(1,366)	

The Plan projected a loss before tax of $1,366 million for the year ending December 31, 2025, as forecasted revenues are not sufficient to cover projected costs for the Group. The Plan projected that a loss before tax in the Canada Post segment would be partially offset by profit before tax in the Purolator segment. At the end of 2025, the Group's loss before tax was behind plan, primarily due to worse than projected revenue, stemming from labour uncertainty and disruption, which caused significant volume declines in the Canada Post segment.

5.3 Operating results by segment

Profit (loss) from operations

(in millions of dollars)

	2025	2024	2023	2022	2021
Canada Post	(1,621)	(1,287)	(845)	(594)	(518)
Purolator	324	287	296	338	293
SCI	–	1	18	18	26
Consolidation entries and eliminations	–	12	–	2	3
Canada Post Group of Companies	**(1,297)**	**(987)**	**(531)**	**(236)**	**(196)**

Profit (loss) before tax

(in millions of dollars)

	2025	2024	2023	2022	2021
Canada Post	(1,569)	(841)	(748)	(548)	(490)
Purolator	256	294	293	317	269
SCI	–	–	14	16	24
Consolidation entries and eliminations	(79)	(118)	(88)	(77)	(49)
Canada Post Group of Companies	**(1,392)**	**(665)**	**(529)**	**(292)**	**(246)**

5.4 Canada Post segment

Summary of results

(in millions of dollars)

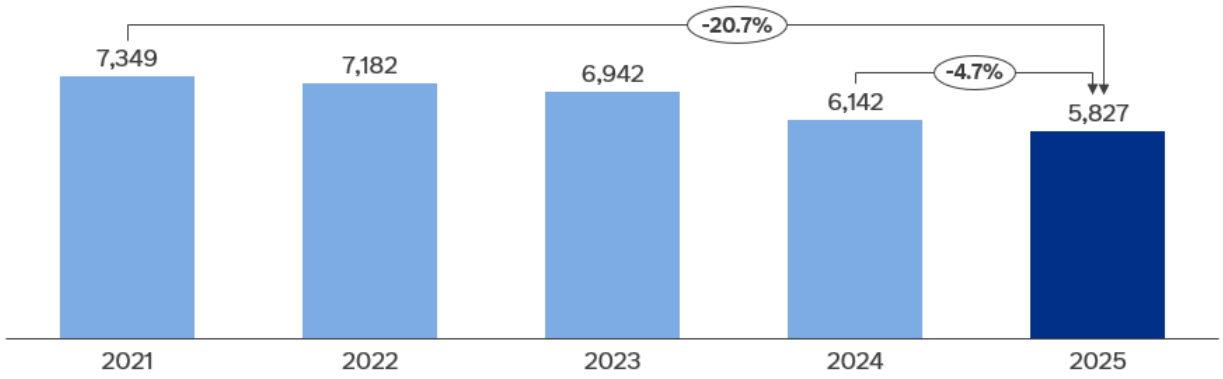
	2025	2024	$ change	% change
Revenue from operations	5,827	6,142	(315)	(4.7)%
Cost of operations	7,448	7,429	19	0.6 %
Loss from operations	(1,621)	(1,287)	**(334)**	**(26.0)%**
Investing and financing income, net	52	446	(394)	(88.4)%
Loss before tax	**(1,569)**	**(841)**	**(728)**	**(86.7)%**

Losses from operations widened in 2025 by $334 million (-26.0%), compared to 2024. These losses are the largest in Canada Post's history and are driven by a significant decline in revenue. The loss before tax of $1,569 million in 2025 widened by $728 million (-86.7%), compared to 2024, which included dividend income due to the 2024 divestitures of SCI and Innovapost.

The decline in parcel volumes led to lower transportation costs and some labour savings, while additional savings were realized through a strategic shift in priorities that reduced non-capital expenditures. These cost savings were offset by overall higher labour costs due to wage increases and a continuation of our inefficient operational and labour structure.

Revenue from operations

(in millions of dollars)



In 2025, total revenue declined $315 million (-4.7%) compared to 2024 and over $1.5 billion less than it was five years ago, in 2021. Parcels revenue fell sharply in 2025 by $850 million (-30.1%) compared to 2024, driven by labour uncertainty and disruptions that pushed customers to competitors offering greater stability and flexible delivery options. These competitors attracted customers with more competitive offerings, including evening and weekend deliveries. Direct Marketing revenue eroded significantly due to labour uncertainty and disruptions, including the ban of the Canadian Union of Postal Workers (CUPW) on the delivery of Canada Post Neighbourhood Mail™ items in late Q3 and into Q4. These declines were partially offset by mail revenue gains caused by regulatory letter mail rate increases and federal election mailings, in addition to the letter mail surge following the 2024 peak season national strike.

Revenue and volumes by line of business

	Revenue (in millions of dollars)				Volume (in millions of pieces)			
	2025	**2024**	**$ change**	**% change**	**2025**	**2024**	**change**	**% change**
Domestic Parcels	1,538	2,279	(741)	(32.2)%	130	200	(70)	(34.4)%
Outbound Parcels	209	261	(52)	(19.7)%	9	12	(3)	(21.5)%
Inbound Parcels	169	223	(54)	(23.8)%	22	28	(6)	(24.9)%
Other	33	36	(3)	(8.7)%	–	–	–	–
Total Parcels	**1,949**	2,799	**(850)**	**(30.1)%**	**161**	240	**(79)**	**(32.6)%**
Domestic Lettermail	2,631	2,092	539	26.3 %	1,976	1,942	34	2.2 %
Outbound Letter-post	72	57	15	26.2 %	27	26	1	7.3 %
Inbound Letter-post	54	44	10	23.2 %	45	41	4	8.7 %
Total Transaction Mail	**2,757**	2,193	**564**	**26.2 %**	**2,048**	2,009	**39**	**2.4 %**
Personalized Mail™	365	365	–	0.4 %	599	602	(3)	(0.2)%
Neighbourhood Mail™	370	421	(51)	(11.7)%	2,930	3,342	(412)	(12.0)%
Total Smartmail Marketing™	735	786	(51)	(6.0)%	3,529	3,944	(415)	(10.2)%
Publications Mail™	117	115	2	2.9 %	150	151	(1)	(0.3)%
Business Reply Mail™ and other mail	14	14	–	(5.3)%	8	9	(1)	2.8 %
Data Products	18	15	3	21.9 %	–	–	–	–
Total Direct Marketing	**884**	930	**(46)**	**(4.5)%**	**3,687**	4,104	**(417)**	**(9.8)%**
Consumer products and services	**237**	220	**17**	**7.8 %**	**–**	–	–	**–**
Total	**5,827**	**6,142**	**(315)**	**(4.7)%**	**5,896**	**6,353**	**(457)**	**(6.8)%**

Parcels

Parcels revenue in 2025 fell by $850 million (-30.1%) due to volume declines of 79 million pieces (-32.6%), compared to 2024, a year already negatively impacted by labour disruption. The domestic channel drove the significant majority of these declines. Details by product category for 2025, compared to the same periods in 2024, were as follows:

- **Domestic Parcels** revenue declined by $741 million (-32.2%) compared to 2024, as continued labour uncertainty and disruption drove Canada Post's market share to competition, including well-established global companies and low-cost entrants that provide flexible and reliable services. Some customers have secured longer-term agreements with competitors to manage their own peak holiday season volumes, making this business more difficult to win back in the short term.
- **Outbound Parcels** revenue (postage revenue collected from domestic customers for parcels destined for foreign postal administrations [posts]) declined by $52 million (-19.7%), compared to 2024. Outbound Parcels revenue per piece differs according to

the country of destination as well as the sales channel (consumers at retail or commercial customers). In 2025, revenue was negatively affected by the removal of the *de minimis* exemption for parcels and packets to be shipped free of customs duties, taxes and fees, destined to the U.S.

- **Inbound Parcels** revenue (fees paid to Canada Post by other posts for delivering mail originating outside of Canada) declined by $54 million (-23.8%), compared to 2024. Inbound volume decreased as countries continued to shift away from the postal network into competitive commercial channels and low-cost competitors. Economic and trade uncertainty also negatively impacted inbound parcel volumes.
- **Other Parcels** revenue, which mostly comprises fees from the Customs Postal Import Program, decreased by $3 million (-8.7%), compared to 2024, due to lower volumes of inbound postal items requiring customs and duties collection for which we receive an administration fee per piece.

Transaction Mail

Transaction Mail revenue increased by $564 million (+26.2%), while volumes increased by 39 million pieces (+2.4%), compared to 2024. Details by product category for 2025 compared to the same period in 2024 were as follows:

- **Domestic Lettermail** revenue increased in 2025 by $539 million (+26.3%), due to rate increases to Lettermail™ items, International Letter-post items, and special services and fees that took effect in May 2024 and January 2025. Non-recurring mailings for federal and provincial elections earlier in the year also contributed to increases in revenue, as did the temporary volume surge following the national strike during the 2024 peak season. Despite 2025 results, volume erosion is an irreversible trend that is expected to continue in the future.
- **Outbound Letter-post** and **Inbound Letter-post** revenue increased by $15 million (+26.2%) and $10 million (+23.2%), respectively, compared to 2024, due to pent-up demand following the labour disruption, as Canada Post and other foreign postal administrators began receiving and accepting internationally destined mail. Outbound Letter-post revenue is generated from domestic customers for mail sent to other posts, while Inbound Letter-post revenue is collected by other posts and shared with Canada Post for delivering mail in Canada.

Direct Marketing

In 2025, Direct Marketing revenue decreased by $46 million (-4.5%) on 417 million fewer pieces (-9.8%), compared to 2024. Details by product category were as follows:

- **Canada Post Personalized Mail™** revenue in 2025 was relatively flat, compared to 2024. The advertising industry is shifting, with emerging platforms and players affecting longer-term volumes projected for this product.
- **Canada Post Neighbourhood Mail™** revenue declined in 2025 by $51 million (-11.7%). Volume growth and business expansion in Q1 were sharply reversed by labour uncertainty and full-on disruption in Q3 and Q4, as CUPW banned delivery of this product for approximately two months, starting September 15, 2025.
- **Publications Mail** revenue increased slightly by $2 million (+2.9%) due to processing backlogs in Q1 2025, following the late 2024 strike. These increases were offset by declines through the remainder of the year due to labour uncertainty, where mailers pulled back mailings to avoid trapped pieces in the mail stream. As businesses lean toward digital subscriptions and campaigns, volume growth in this area will be limited.
- **Business Reply Mail™** and Other Mail products remained flat in 2025.
- **Data Products** increased slightly by $3 million (+21.9%) compared to 2024.

Consumer products and services

Consumer products and services revenue increased in 2025, $17 million (+7.8%), compared to 2024. Revenue gains from logistics services for provincial and federal election mailings through Q2, and sales of coins were partially offset by declines in financial services and core postal products such as packaging.

Cost of operations

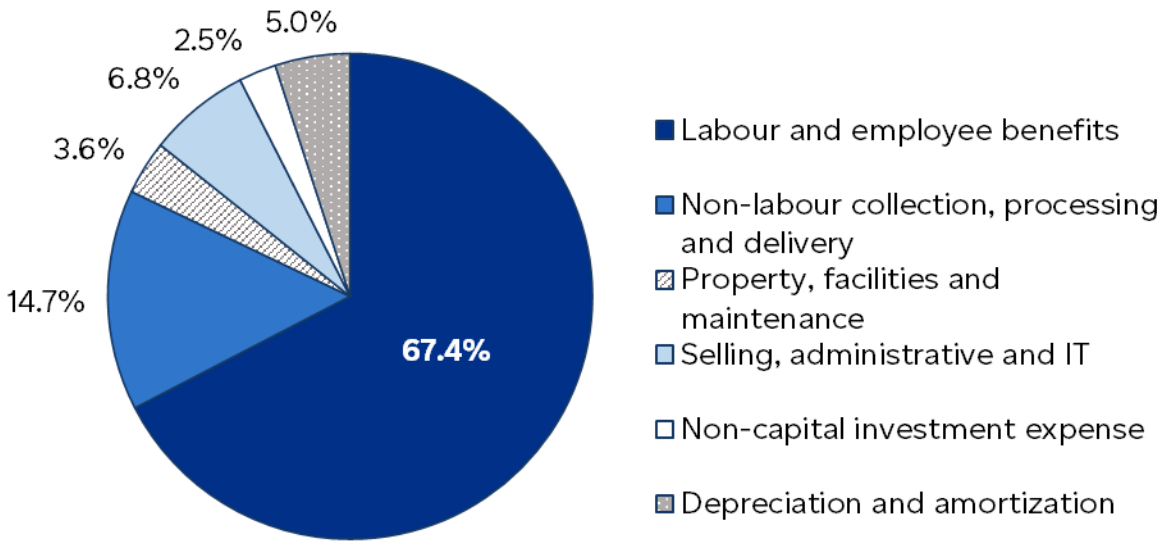
Decades-old restrictions on the business, through its collective agreements and policy and regulatory frameworks, continued to hinder Canada Post's ability to transform and more effectively manage costs related to an inefficient operating model. In 2025, the Canada Post segment's cost of operations increased by $19 million (+0.6%), compared to 2024. The increase in operating costs was mainly due to higher labour costs, offset by lower transportation costs from decreased parcel volumes. Non-capital investment costs were also lower due to changes in our 2025 investment priorities. Labour costs rose due to wage increases, even with savings from lower parcel volumes, CUPW's overtime ban, management workforce rebalancing and one less paid day in 2025. Lack of flexibility in our labour model means that costs to collect, process and deliver parcels do not decline at the same rate as parcel volumes decline. Employee benefit costs decreased, driven by strong 2024 asset returns and a higher discount rate.

(in millions of dollars)

	2025	2024	$ change	% change	Explanation of significant variances
Labour	3,924	3,712	212	6.1 %	Wage increases offset by overall volume declines.
Employee benefits	1,099	1,108	(9)	(0.4)%	Positive asset returns and discount rate increase decreased the non-cash pension expense.
Total labour and employee benefits	**5,023**	4,820	**203**	**4.6 %**	
Non-labour collection, processing and delivery	1,098	1,248	(150)	(11.7)%	Lower transportation costs due to parcel volume declines.
Property, facilities and maintenance	267	271	(4)	(1.3)%	
Selling, administrative and IT	510	495	15	3.1 %	Increase in fees and bad debt partially offset by cost reduction initiatives in several areas.
Non-capital investment expense	188	224	(36)	(15.6)%	Adjusted focus on investment projects.
Total other operating costs	**2,063**	2,238	**(175)**	**(7.5)%**	
Depreciation and amortization	362	371	(9)	(2.0)%	
Total	**7,448**	**7,429**	**19**	**0.6 %**	

Our business is labour-intensive; labour and employee benefit costs consumed 86.2% of revenue from operations and comprised 67.4% of the total cost of operations in 2025. The pie chart below shows the breakdown of each cost category as a percentage of cost of operations.

Components of operating expenses – 2025



Employee benefits

(in millions of dollars)

	2025	2024	$ change	% change	Explanation of significant variances
Pension	254	289	(35)	(11.9)%	Positive asset returns and increase in the discount rate used to measure the expense.
Post-employment health benefits	126	123	3	2.9%	Experience adjustments.
Other post-employment and other long-term benefits	102	121	(19)	(15.6)%	Actuarial gains in 2025 compared to 2024 losses, resulting from assumption adjustments.
Interest on segregated assets	(13)	(13)	–	2.2%	
Total post-employment and other long-term benefits	**469**	**520**	**(51)**	**(9.5)%**	
Active employee benefits and other	630	588	42	7.7%	Payment of retroactive wage increases.
Employee benefits	**1,099**	**1,108**	**(9)**	**(0.4)%**	

Purolator

5.5 Purolator segment

The Purolator segment's profit before tax decreased by $38 million (-12.9%) in 2025, compared to 2024. Results of Livingston were consolidated from January 31, 2025, the acquisition date, which impacts financial result comparisons to 2024. This includes one-time acquisition costs, which impact results for 2025.

Summary of results

(in millions of dollars)

	2025	2024	$ change	% change	Explanation of significant variances
Revenue from operations	**3,407**	2,756	**651**	**24.1%**	Livingston acquisition and parcel volume growth.
Labour	1,327	993	334	34.0%	Livingston acquisition, wage increases and higher parcel volumes.
Employee benefits	253	240	13	5.9%	Livingston acquisition, partially offset by discount rate increase.
Other operating costs	1,281	1,098	183	17.0%	Livingston acquisition and parcel volumes increase.
Depreciation and amortization	222	138	84	62.3%	Livingston acquisition and higher capital investments.
Cost of operations	**3,083**	2,469	**614**	**25.3%**	
Profit from operations	**324**	287	**37**	**12.9 %**	
Investing and financing income (expense), net	(68)	7	(75)	[+]	Interest expense on debt obtained in Q1 2025 and dividend income in 2024 from divestitures of SCI and Innovapost.
Profit before tax	**256**	**294**	**(38)**	**(12.9)%**	

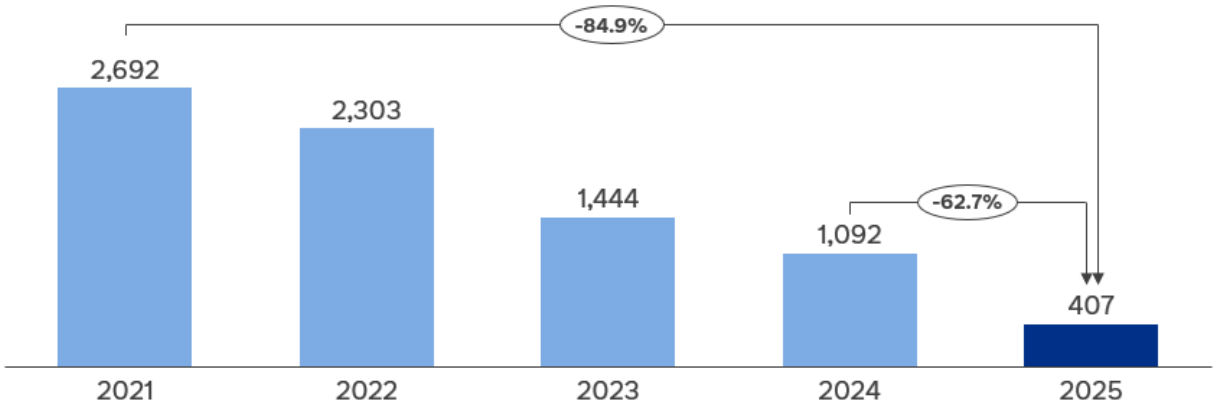
[+] Large percentage change.

6. Liquidity and Capital Resources

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

6.1 Cash, cash equivalents and marketable securities

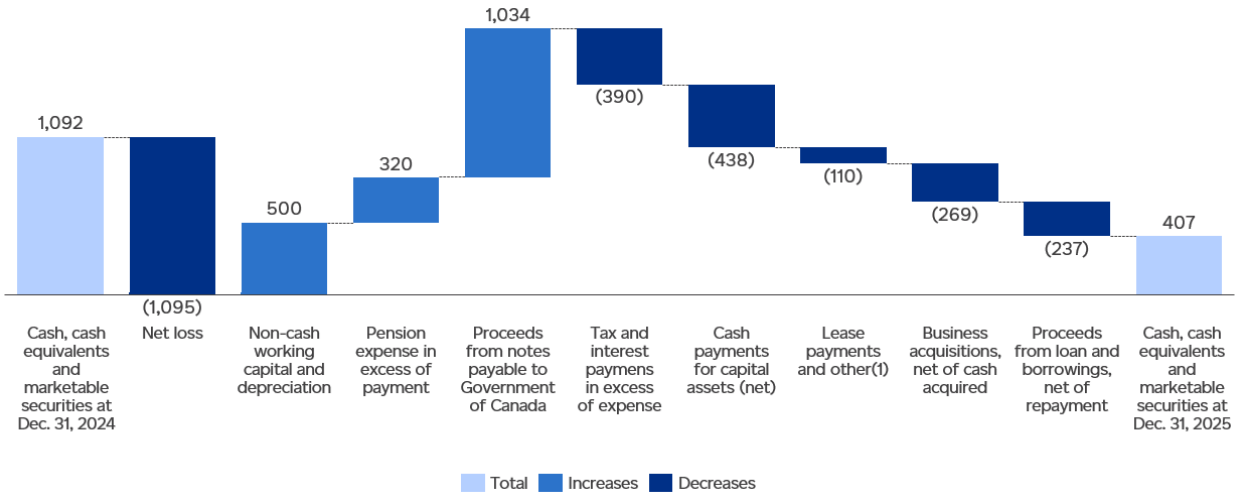
(in millions of dollars)



The Group held cash, cash equivalents and marketable securities of $407 million as at December 31, 2025, compared to $1,092 million as at December 31, 2024, for a combined decrease of $685 million.

Change in cash, cash equivalents and marketable securities for the year ended December 31, 2025

(in millions of dollars)



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

The decrease in marketable securities of $290 million (-100%) and the decrease in cash and cash equivalents of $395 million (-49.2%) were mainly due to operating losses in the Canada Post segment, repayment of the $500 million bond in July 2025, and cash payments for capital assets net of $1.034 billion received in government funding. Had it not been for government funding, the Canada Post segment would be effectively insolvent, and the Corporation would have been required to access additional borrowing to remain operational.

Cash outlays for Purolator's acquisition of Livingston International (Livingston) were partially offset by the proceeds from new credit facilities net of repayment.

Consolidated statement of cash flows

(in millions of dollars)

	2025	2024	$ change	% change	Explanation of significant variances
Cash used in operating activities	(665)	(224)	(441)	(195.5)%	Increase in operating losses and interest paid, and changes in working capital.
Cash used in investing activities	(395)	(52)	(343)	†	Proceeds from the sale of SCI and Innovapost in 2024 and Purolator's acquisition of Livingston in 2025, partially offset by an increase in proceeds (net of acquisitions) of segregated securities and lower cash payments for capital assets.
Cash provided by (used in) financing activities	667	(115)	782	†	Government of Canada funding received by Canada Post and borrowing credit facilities obtained by Purolator, partially offset by Canada Post's bond repayment.

† Large percentage change.

Capital expenditures

(in millions of dollars)*

	2025	2024	$ change	% change
Canada Post	137	246	(109)	(44.6)%
Purolator	296	271	25	9.4 %
Consolidation entries and eliminations	–	4	(4)	†
Canada Post Group of Companies	**433**	**521**	**(88)**	**(16.3)%**

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

† The calculation is not mathematically meaningful.

Canada Post segment

(in millions of dollars)*

	2025	2024	$ change	% change
Capital expenditures	137	246	(109)	(44.6)%
Non-capital investment expense	188	224	(36)	(15.6)%
Total investment	**325**	**470**	**(145)**	**(31.0)%**

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

The capital and non-capital portions of Canada Post segment investments decreased by $145 million (-31.0%). Although the Corporation has a considerable network and infrastructure that require a certain amount of investment to operate, Canada Post adjusted its investment focus in 2025 considering its financial situation. We prioritized projects that were essential for maintaining competitiveness, providing service to Canadians and ensuring the safety of employees. In 2025 we focused on the following:

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

Investment in transformational measures, such as centralized delivery through the purchase and installation of community mailboxes, is expected to begin in 2026. Other investments will be largely limited to replenishing critical assets (i.e., replacing assets that have become obsolete) and meeting Canada Post's universal service obligation for new points of call (i.e., increase in addresses) throughout Canada. A small portion of capital investments remains committed to funding environmental, social and governance (ESG) initiatives that seek to decarbonize our fleet and value chain.

6.2 Canada Post Corporation Registered Pension Plan

The Canada Post Corporation Defined Benefit Registered Pension Plan (RPP) has assets with a fair value of $32.9 billion as at December 31, 2025, making it one of the largest single-employer sponsored pension plans in Canada. It is required to file annual actuarial valuations with the Office of the Superintendent of Financial Institutions (OSFI) to establish its funded status on a going-concern basis and a solvency basis. If the actuarial valuation reveals a shortfall of assets to liabilities on a going-concern basis, the *Pension Benefits Standards Act, 1985*, (the Act) requires Canada Post, as plan sponsor, to make special payments to the RPP to eliminate this shortfall over 15 years. Where the actuarial valuation reveals a shortfall of assets to liabilities on a solvency basis, aggregate solvency relief is available up to 15% of a plan's solvency liabilities, after which the Act requires the plan sponsor to make special payments to the RPP to eliminate the shortfall over five years.

Solvency relief

As the funded position of the RPP on December 31, 2024, was positive and exceeded certain legislative thresholds, no special solvency payments were required for 2025.

Funding status and contributions

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

(in billions of dollars)

	December 31, 2025[1]		December 31, 2024	
	$	%	$	%
Going-concern surplus using the smoothed value of RPP assets[2]	7.4	129%	7.8	131%
Solvency surplus using market value of plan assets[2]	2.8	109%	2.7	109%
Solvency surplus to be funded using the three-year average solvency ratio-basis[3]	2.3	108%	2.2	107%

1. Final results for estimates of the financial position of the RPP as at December 31, 2025, are to be filed in 2026.
2. The going-concern ratio was above 125% and the solvency ratio was above 105%; therefore, no current service contributions were permitted in 2025.
3. The solvency ratio was above 100%; therefore, no special solvency payments were required in 2025.

The going-concern and solvency positions remained relatively stable during the year. As these funded ratios are estimated to continue to exceed legislative thresholds for the RPP as at December 31, 2025, Canada Post is expected to continue using the surplus and is not permitted to make regular current service contributions for 2026. Further, no special payments are required for 2026. Final actuarial valuation results may differ significantly from these estimates. The funded position and impacts on regular contributions will be reassessed at the next valuation date.

Remeasurements

As the RPP sponsor, Canada Post records an accounting remeasurement, net of tax, in other comprehensive income. In 2025, a remeasurement gain, net of tax, for the RPP amounted to $736 million, due to a discount rate increase, experience gains and assumption adjustments, and higher-than expected asset returns.

6.3 Liquidity and capital resources

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

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

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

Liquidity

Canada Post segment

The Canada Post segment had $318 million in unrestricted liquid investments on hand as at December 31, 2025, for a net liquidity position of negative $1.215 billion (2024 – negative $180 million), after outstanding loans and borrowings (including repayable government funding) of $1.533 billion (2024 – $998 million). The decrease in the segment's net liquidity position of $1.035 billion was mainly due to the $500 million bond repayment in July 2025 and operating losses. At December 31, 2025, funds accumulated from operations were insufficient to meet contractual repayment terms through the remainder of 2025 and for the next 12 months. Access to government funding and short-term credit facilities were required to prevent insolvency and ensure continuity of postal services.

Government funding

In 2025, Canada Post began to receive repayable government funding. This funding was provided to enable the Corporation to meet its operating and income charges, which are not sufficiently covered by its available revenues. In accordance with the *Canada Post Corporation Act*, all amounts advanced under section 31 must be repaid to the Minister of Finance from Canada Post's annual revenues, to the extent those revenues are sufficient. The advance is treated as a non-interest-bearing demand note and is classified as a current liability upon issuance, given that Canada Post does not have the right to defer settlement for at least 12 months after the reporting period pursuant to subsection 32(1) of the *Canada Post Corporation Act*. Refer to Note 3 (b.3) and Note 4 (a.5) and (b.8) of Canada Post's

consolidated financial statements for material accounting policy information and judgments and estimates related to the demand notes payable.

Six payments totalling $1.034 billion were authorized and received in 2025, as follows:

Funding receipt date	$ millions
June 30, 2025	395
July 30, 2025	260
September 2, 2025	100
November 3, 2025	100
October 6, 2025	100
December 1, 2025	79
Total	**1,034**

The Corporation requires government funding and access to short-term credit facilities to maintain solvency for the remainder of the Government of Canada fiscal year ending March 31, 2026, and the next 12 months. Further government funding is required until financial self-sustainability is achieved by implementing the government's transformational measures. Canada Post reapplied for funding through the submission of its 2026-30 Corporate Plan to enable transformation and remain solvent. The Corporation is carefully managing discretionary costs and investment spending to preserve cash. Refer to Note 4 (a.1) of Canada Post's consolidated financial statements for judgments and estimates related to going concern.

Purolator segment

As at December 31, 2025, Purolator had $89 million of unrestricted cash on hand and access to a $1.150 billion credit agreement, which matures on January 31, 2029 ($304 million undrawn), ensuring sufficient liquidity to support operations for at least the next 12 months.

Access to capital markets

The Group believes that the arrangements detailed below provide it with sufficient and timely access to capital markets.

Canada Post segment

Pursuant to Appropriation Act No. 4, 2009-10, borrowing from other than the Government of Canada's Consolidated Revenue Fund is limited to $2.5 billion. In addition, pursuant to the *Canada Post Corporation Act*, the Canada Post segment may also borrow a maximum of $500 million from the Government of Canada's Consolidated Revenue Fund, which requires the approval of the Governor in Council and the Minister of Finance. Any additional borrowings must be within the limits of the approved borrowing plan, and their terms and conditions require approval from the Minister of Finance.

Pursuant to subsection 127(3) of the *Financial Administration Act*, the Minister of Finance approved the aggregate principal outstanding amount for all short-term borrowings in 2025 with a maturity of one year or less, not to exceed $600 million for the period ending December 31, 2025. Short-term borrowings may consist of a line of credit or the issuance of promissory notes that is not to exceed $100 million and additional short-term borrowing facilities for emergency cash management purposes that are not to exceed $500 million. In Q1 2025, Canada Post entered into credit agreements with financial institutions for short-term facilities totalling $595 million (December 31, 2024 – $47 million). At December 31, 2025, letters of credit of $20 million (December 31, 2024 – $19 million) were issued.

With $499 million in external borrowings as at December 31, 2025, the Canada Post segment had $2.001 billion of its $2.5 billion external borrowing limit available for use. Through Q2 2025, the Corporation funded itself primarily through the use of cash on hand and funds generated from operations. Starting in Q3 2025, operations are viable through monthly repayable government funding. Access to government funding and short-term credit facilities are required to maintain solvency for the next 12 months.

Purolator segment

Purolator's subsidiary, Livingston International, remits customs duties and goods and services tax to government agencies on its customers' behalf. Available cash balances and a $550 million revolving credit facility are used to fund these remittances. The credit facility is also used to fund capital purchases. An additional $600 million term credit facility was used to fund the acquisition of Livingston, of which $22 million has been repaid. At December 31, 2025, letters of credit of $11 million (December 31, 2024 – $4 million) were issued.

6.4 Risks associated with financial instruments

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

(in millions of dollars)

	Fair value through OCI	Measured at amortized cost[a]	Total
Cash	–	407	407
Trade, other receivables and contract assets	–	1,330	1,330
Segregated securities	301	–	301
Total financial assets	**301**	**1,737**	**2,038**
Non-interest bearing[b]	–	1,529	1,529
Loans and borrowings	–	1,316	1,316
Demand notes payable to the Government of Canada	–	1,005	1,005
Total financial liabilities	**–**	**3,850**	**3,850**

a. The effective interest method is used to determine the amortized cost of these financial assets and liabilities.

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

Financial assets are held for liquidity purposes or for longer terms in accordance with the investment policies of the Group.

Market risk

Interest rate risk

The Groups' investments consist of cash equivalents and segregated securities and are classified as fair value through other comprehensive income (OCI). Substantially all investments are fixed-rate debt securities; therefore, they are exposed to a risk of change in their fair value due to changes in interest rates. The risk is managed by either maintaining a short term to maturity or, in the case of segregated securities, extending terms to maturity to better match certain long-term post-employment obligations to which they are externally restricted. The average duration of the segregated security portfolio was 10 years, as at December 31, 2025 (2024 – 10 years).

The Group's interest rate risk primarily relates to Purolator's revolving credit facility and term credit facility, which are subject to interest rate benchmarks that fluctuate, such as prime rate, Canadian overnight repo rate average, bankers' acceptance rates and other applicable interest rate benchmarks. Derivatives are not used to mitigate this risk.

Based on a sensitivity analysis of interest rate risk, it is expected that an increase or decrease of 1% in market interest rates, with all other variables held constant, would decrease or increase the value of the segregated securities by $30 million (2024 – $33 million), which would represent an impact on the fair value of the Groups' investments at December 31, 2025, and on other comprehensive income or loss.

Loans and borrowings of $1.316 billion include fixed- and floating-rate debt with prepayment options.

Commodity risk

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

Liquidity risk

Liquidity risk is the risk that a company will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities, by monitoring forecasted and actual cash flows and

matching the maturity profiles of financial assets and liabilities. Since mid-2025, liquidity risk has been further managed through repayable government funding. Surplus cash is invested in a range of short-term money market securities. The Group invests in high credit quality government or corporate securities in accordance with policies approved by the Board of Directors.

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

6.5 Contractual obligations and commitments

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

(in millions of dollars)

	Less than 1 year	1-5 years	More than 5 years	Total
Non-interest bearing[a]	1,529	–	–	1,529
Bonds[b]	–	–	500	500
Interest on bonds	22	87	218	327
Lease liabilities[c]	166	640	1,694	2,500
Demand notes payable to the Government of Canada	1,034	–	–	1,034
Revolving credit facility	246	–	–	246
Term loan	57	599	–	656
Promissory notes	2	1	–	3

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

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

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

Contractual arrangements with third-party suppliers that contain a commitment or fee for the ability to terminate for convenience approximated $476 million at December 31, 2025, for contracts in effect until 2045. These arrangements are excluded from the table above.

6.6 Related party transactions

Government of Canada

The Corporation has transactions with related parties in the normal course of business and in support of the Government of Canada's public policies. Revenue earned from related parties for 2025 was $404 million (2024 – $313 million), the majority of which was from commercial contracts relating to postal services provided to the Government of Canada. Included in this amount was compensation from the Government of Canada for parliamentary mail services and mailing of materials for people who are blind sent free of postage, which amounted to $22 million (2024 – $22 million).

6.7 Contingent liabilities

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

7. Changes in Financial Position

A discussion of significant changes in our assets and liabilities between December 31, 2025, and December 31, 2024.

(in millions of dollars)

ASSETS	2025	2024	$ change	% change	Explanation of significant variances
Cash and cash equivalents	407	802	(395)	(49.2)%	Refer to Section 6 Liquidity and Capital Resources.
Marketable securities	–	290	(290)	(100.0)%	Maturities of marketable securities.
Trade and other receivables and contract assets	1,330	900	430	47.9%	Higher receivables in the Purolator segment due to the acquisition of Livingston International (Livingston) and in the Canada Post segment.
Income tax receivable	–	2	(2)	(84.0)%	
Assets held for sale	41	1	40	*	Increase in the Canada Post segment.
Prepaid expenses	189	138	51	36.0%	Higher prepaid expenses in all segments.
Total current assets	**1,967**	**2,133**	**(166)**	**(7.8)%**	
Property, plant and equipment	4,024	4,053	(29)	(0.7)%	Depreciation in excess of acquisitions in the Canada Post segment partially offset by Purolator's acquisition of Livingston.
Intangible assets	819	248	571	*	Purolator's acquisition of Livingston.
Right-of-use assets	1,398	1,451	(53)	(3.7)%	Reassessment of terms for corporate post office leases in the Canada Post segment and depreciation, partially offset by new leases and lease renewals in all segment.
Segregated securities	301	337	(36)	(10.3)%	Payments for retirement dental and life benefit plans in the Canada Post segment.
Pension benefit assets	5,343	4,462	881	19.7%	Primarily remeasurement gains.
Goodwill	661	161	500	*	Purolator's acquisition of Livingston.
Other assets	61	61	–	1.9 %	
Total non-current assets	**12,607**	**10,773**	**1,834**	**17.0%**	
Total assets	**14,574**	**12,906**	**1,668**	**12.9%**	

* The calculation is not mathematically meaningful.

(in millions of dollars)

LIABILITIES	2025	2024	$ change	% change	Explanation of significant variances
Trade and other payables, including government remittances	1,229	830	399	48.0%	Purolator's acquisition of Livingston and lower 2024 payables in the Canada Post segment due to the 2024 national strike.
Salaries and benefits payable	755	537	218	40.7 %	Increase in the Canada Post segment due to accrued wage increases and provisions, and Purolator's acquisition of Livingston.
Loans and borrowings	278	500	(222)	(44.3)%	Repayment of bond in July 2025 in the Canada Post segment and debt obtained by Purolator to finance its acquisition of Livingston.
Demand notes payable to Government of Canada	1,005	–	1,005	–	Fair value of repayable government funding per section 31 of the *Canada Post Corporations Act*.
Provisions	77	68	9	11.7 %	
Income tax payable	15	30	(15)	(49.1)%	Tax settlement related to the 2024 SCI divestiture partially offset by taxes payable in the Purolator segment from the acquisition of Livingston.
Deferred revenue	160	200	(40)	(19.7)%	Decrease in deferred revenue net of the benefit of the below-market rate of interest on demand notes payable to the Government of Canada in the Canada Post segment.
Lease liabilities	103	100	3	3.7 %	
Other long-term benefit liabilities	52	54	(2)	(3.0)%	
Total current liabilities	**3,674**	**2,319**	**1,355**	**58.5 %**	
Lease liabilities	1,524	1,567	(43)	(2.8)%	Reassessment of terms for corporate post office leases in the Canada Post segment and lease payments, partially offset by new leases and lease renewals in all segments.
Loans and borrowings	1,038	498	540	108.2 %	Debt obtained by Purolator to finance its acquisition of Livingston.
Pension, other post-employment and other long-term benefit liabilities	2,990	3,229	(239)	(7.4)%	Primarily remeasurement gains on other post-employment plans.
Deferred tax liabilities	219	147	72	48.0 %	Purolator's acquisition of Livingston.
Other liabilities	53	46	7	16.0 %	
Total non-current liabilities	**5,824**	**5,487**	**337**	**6.1 %**	
Total liabilities	**9,498**	**7,806**	**1,692**	**21.7 %**	

EQUITY	2025	2024	$ change	% change	Explanation of significant variances
Contributed capital	1,155	1,155	–	–	
Accumulated other comprehensive income	6	5	1	25.1 %	
Retained earnings	3,813	3,849	(36)	(1.0)%	Operating losses partially offset by pension and other post-employment remeasurement gains.
Equity of Canada	**4,974**	**5,009**	**(35)**	**(0.7)%**	
Non-controlling interests	102	91	11	14.1 %	
Total equity	**5,076**	**5,100**	**(24)**	**(0.5)%**	
Total liabilities and equity	**14,574**	**12,906**	**1,668**	**12.9 %**	

8. Risks and Risk Management

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

Risk management overview

The objective of enterprise risk management (ERM) is to minimize enterprise-level risks that may affect the Corporation's ability to provide a high-quality postal service at a reasonable price to all Canadians – rural and urban, individuals and businesses – in a secure and financially self-sustaining manner. As the foundational pillar of its ERM program, Canada Post has established a framework that considers risks and opportunities at all decision-making levels, providing a structured approach to manage the most significant risks to the business and its strategic objectives.

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

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

Canada Post is committed to continuously enhancing its ERM processes to ensure completeness, high-quality risk assessments, effective risk management and meaningful senior leader discussions.

Risk governance and oversight: Three lines of defence

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

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

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

Risk appetite

Canada Post actively manages all risks in alignment with its risk appetite, which is anchored in its mandate and values. The organization is willing to undertake informed and targeted risks, as follows:

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

Roles and responsibilities

The Board of Directors is responsible for governing and overseeing the Corporation's principal risk assessment, establishing risk appetite and ensuring management implements appropriate systems to manage risks. The Environmental, Social and Governance Committee governs ERM at Canada Post. The Corporation's Executive Strategic Committee ensures that regular principal risk assessments are completed and that risk management systems are established, including the ERM team, policy, framework and risk register. Each principal risk category is assigned to an owner who contributes to risk assessments and manages day-to-day mitigation efforts. Finally, a dedicated ERM team develops, manages, executes and supports all ERM processes.

Definition of risk

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

8.1 Emerging risks

Emerging risks are new risk developments that are often difficult or impossible to assess, but must be monitored as they may have a material impact on the Corporation going forward.

Economic uncertainty and tariff threats

Risk

Like most organizations, Canada Post is impacted by broad economic factors. While inflation and the gross domestic product (GDP) have stabilized, business growth is weak and Canadians are burdened with high debt to income ratios and high cost of essentials. Mixed economic signals and uncertainty have led to cost-control measures across many industries, including hiring freezes, layoffs, and pauses in business investment.

To date, the Canadian economy has been more resilient to U.S. tariffs than expected, although not unscathed, as export-reliant industries in southern Ontario and Quebec have been impacted. In 2025, retail spending varied from strong to moderate despite economic headwinds. This could change, however, as Canadians' savings shrink. The population is expected to flatline or decrease this year as new immigration policies come into effect. This may impact the retail market and the broader economy.

These economic factors may impact Canada Post in the following ways:

- reduced retail spending, resulting in lower ecommerce parcel revenue;
- cuts to our customers' marketing budget that threaten Canada Post Smartmail Marketing™ volumes;

- global supply chain and labour challenges that lead to higher costs or project delays;
- Canadian businesses that export to the U.S. are impacted by the removal of *de minimis* shipping.

The scope, severity, and duration of these risks remain difficult to predict.

Risk mitigation

Economic uncertainty and the possibility of a recession may exacerbate risks related to our ability to achieve planned revenue for our product lines, including parcels, letter mail and Smartmail Marketing. Mitigations for each of these principal risks are contained in Section 8.3.

Artificial intelligence

Risk

Artificial intelligence (AI) refers to the simulation of human intelligence processes by machines or computer systems. While AI provides numerous benefits and has the potential to enhance productivity, decision-making and operational efficiency for Canada Post, it also presents significant risks. Key risks include competitors using AI to accelerate their performance faster than Canada Post, non-compliance with new laws and regulations, shadow AI (the unauthorized use of AI tools by employees) and adversarial AI.

Risk mitigation

Canada Post has taken a proactive and multi-layered approach to AI governance and risk mitigation, which included the following in 2025:

- developed an AI strategy to provide governance over how AI is introduced, allowing to realize benefits and remain competitive, while remaining aligned with its policies, practices and risk posture;
- implemented an AI policy, which establishes clear guidelines for the safe and ethical use of AI at Canada Post;
- launched mandatory AI policy training course, entitled Artificial Intelligence in the Workplace: Policy and Responsible Use, to educate employees on how to use AI tools responsibly, craft effective prompts and verify AI outputs;
- established a governance board and working group to oversee risk assessments and policy enforcement;
- hosted seminars on usage and ethics scenarios to foster a culture of responsible use;
- implemented a Zero Trust Network Access (ZTNA) solution, which is configured to allow access only to approved AI tools, blocking all unauthorized applications and reducing exposure.

8.2 Principal risks

The following categories describe the top principal risks and uncertainty facing Canada Post. All risks could have a material impact on the Corporation's financial position, operations or reputation.

Financial sustainability

Risk

An overarching risk to the Corporation is an inability to meet the regulatory obligation of the Government of Canada to fund its operations with revenue from the sale of products and services, rather than with taxpayer funding, and to conduct operations on a financially self-sustaining basis. There are inherent risks in our business model, including succeeding in a highly competitive parcel industry, declining letter mail volumes, financial commitments (e.g., funding the pension obligation), operational challenges due to our universal service obligation, investments required to improve the delivery network and a lack of flexibility with pricing. There is also a risk of not securing and implementing the required changes to collective agreements and the *Canadian Postal Service Charter*, which will allow the flexibility needed to modernize our delivery network and fully realize benefits from the long-term mitigation strategies listed below.

Risk mitigation

Short term – Access to short-term credit facilities and repayable government funding will allow the Corporation to maintain solvency. The Corporation is preserving cash through hiring freezes, cutbacks in other spending areas, such as travel, consulting, contracted services and non-essential (non-service impacting) investments.

Risks related to collective agreement changes have been minimized by proactive, transparent and ongoing information sharing with the Canadian Union of Postal Workers (CUPW) between and during rounds of negotiations. Similarly, we have a robust engagement process with all stakeholders, including direct and ongoing dialogue with our sole shareholder, the Government of Canada. These actions have helped ensure a shared understanding of the challenges and opportunities that face the Corporation.

Long term – On September 25, 2025, the Government of Canada announced a series of measures to stabilize the Corporation's finances and enable its modernization. These included revised letter mail standards, the removal of moratoriums on community mailbox conversions and rural post offices and a review of the stamp rate adjustment process. Once approved and implemented, these measures are expected to strengthen Canada Post's longer-term financial position and enhance its ability to adapt to evolving market conditions, reinforcing its role as a vital national institution. These measures were incorporated into the Corporation's 2026-30 Corporate Plan, submitted to the shareholder on November 5, 2025, for approval. The Corporate Plan also includes continued government funding to maintain solvency.

Over the last several years, the Corporation has faced significant and growing operational losses and liquidity pressures. As a result, we have taken action to preserve cash and manage costs, while working closely with the government on a path to secure the long-term viability of the postal service that millions of Canadians consider essential.

Labour disruption

Risk

Canada Post has three bargaining units with the right to strike, CUPW – Urban Postal Operations (CUPW-UPO) and CUPW – Rural and Suburban Mail Carriers (CUPW-RSMC) as well as the Public Service Alliance of Canada / Union of Postal Communications (PSAC/UPCE). There is a risk of an impasse during negotiations that could result in a protracted labour disruption. This risk may lead to service disruption, resulting in negative brand impacts, lost volume and lost revenue.

As of December 31, 2025, collective agreements remain to be finalized for four out of the Corporation's five bargaining units. Details on the status of collective bargaining are provided in Section 4.1.

Risk mitigation

Canada Post's objective during any collective bargaining process is to build a framework for growth, while protecting its financial self-sustainability in a manner that provides fair and reasonable working conditions to employees and service to Canadians. We continue to explore alternate paths to resolve bargaining in a favourable manner. In the event of a disruption, we have broader contingency processes in place, including government, stakeholder and customer management.

On December 22, 2025, Canada Post reached tentative five-year agreements with CUPW for the UPO and RSMC bargaining units, pending ratification by members. During the ratification process, parties have agreed to not engage in strike or lockout activity, ensuring service continuity while CUPW manages the employee vote.

Business-to-consumer parcel market competition

Risk

Intensifying competition, evolving customer and consumer behaviours and challenges in our ability to adapt to market changes quickly and in a cost-effective manner may result in revenue growing less than anticipated or customers switching to alternate delivery providers. Among key concerns:

- increased use of low-cost labour models (e.g., gig workers) and asset-light delivery models that deliver on heightened business and consumer expectations for service performance, delivery speed and flexible options, including weekend, same-day and next-day deliveries;
- competitors continue to accelerate the deployment of new delivery and return capabilities, and use strategic partnerships to strengthen their value proposition;
- customers continue to use third-party intermediaries, such as ecommerce sales and shipping platforms, to manage shipments and reduce their direct relationship with Canada Post;
- customers are increasingly shipping with multiple carriers and using rate shopping tools;
- labour uncertainty and disruption in 2025 have caused customer migration to other delivery providers.

Risk mitigation

To regain business losses from labour uncertainty, capitalize on ecommerce growth and address competitive pressures, we are implementing a more competitive pricing strategy; improving our service performance in critical lanes; developing strategic partnerships with ecommerce intermediaries; enhancing our returns business with services like box-free and label-free returns; and working to meet business and consumer expectations for next-day delivery.

Some key mitigations are dependent on achieving collective agreement improvements, which may support workforce stability and flexibility, and new services like weekend and evening delivery.

Strategic plan execution

Risk

There is a risk that Canada Post may experience challenges with executing the full scope of transformation. Even with the prompt approval from its shareholder, Canada Post may still face challenges in making necessary changes to ensure long-term financial sustainability. The primary cause is execution complexity associated with multiple concurrent large-scale projects. Other possible causes include insufficient headcount or expertise necessary to execute major initiatives, exacerbated by talent attraction and retention risks; limited decision-making agility due to the complex nature of the business and the regulatory framework; unexpected changes to market conditions and demands; and unavailability of funding for necessary projects.

Risk mitigation

Clear strategic direction and commitment from the organization and stakeholders are imperative for successful execution of the strategic plan. To reduce execution risk, Canada Post has made changes to ensure that corporate governance and teams are in place to effectively manage execution. Given the magnitude of proposed changes, proper sequencing and synchronization of activities across the business are imperative. To achieve these activities, strategic roadmaps and performance measures are being developed to ensure that the plan is monitored, evaluated and adapted on an ongoing basis. To be successful, the new strategy will be integrated into the culture and operations of Canada Post through the launch of the Transformation Delivery Office, an enterprise execution structure, designed to coordinate, sequence and integrate delivery across the transformation, while balancing speed of execution with quality.

A constructive relationship with all stakeholders is also essential for the full execution of the strategic plan. It is important that bargaining agents be willing partners in the transformation and that they be aligned with the corporate vision.

Talent management

Risk

Canada Post continues to face significant challenges in attracting and retaining a diverse, engaged and high-performing workforce, particularly in key management and specialized roles. This risk is exacerbated by workforce restructuring, staffing constraints and ongoing financial pressures, compensation restrictions for non-unionized employees who are not appointed by the Governor in Council (P.C. 2013-1354, Bill C-60), rising employee expectations for flexibility and career development, and recent changes to the *Official Languages Act*, which expand bilingualism requirements for all supervisory roles in designated bilingual regions. This risk may impact Canada Post's ability to deliver on its mandate, advance transformation priorities and remain competitive.

Risk mitigation

While effective control measures remain limited due to budget, resource and regulatory constraints, Canada Post continues to strengthen talent and succession planning strategies to support employee development, enhance internal mobility and protect key talent. We continue to advance our equity, diversity and inclusion strategy and targets as well as our employee value proposition to improve attraction and retention. Increased language training opportunities support employee development, and we monitor Canadian labour market availability to guide representation efforts.

The Corporation promotes inclusive, accessible and respectful workplaces through preferential hiring and retention practices for under-represented groups. We reinforce employee wellness

by promoting work-life balance, encouraging the use of the Employee and Family Assistance Program and providing strong support that fosters employee engagement and belonging.

Security and privacy: Mail, cyberattacks, data breaches and fraud

Risk

Canada Post is committed to protecting the security of Canadians' mail and safeguarding customer and employee data. The Corporation recognizes the growing global threat of cyberattacks and data breaches. A major cyber incident could disrupt enterprise IT systems, national mail processing equipment and the delivery network. Data breaches or fraudulent use of products could cause financial harm to employees and Canadians. Overall, these risks may impact the Canada Post brand, increase costs, reduce productivity and lead to regulatory scrutiny or potential legal actions.

Risk mitigation

Canada Post has established a comprehensive cyber security program designed to reduce the risk of cyberattacks and to detect, respond to, and remediate known and emerging threats. The program incorporates layered security controls across people, processes and technology, including advanced network and endpoint detection and response capabilities, strong identity and access controls such as multi-factor authentication, continuous threat and exposure management, and ongoing security awareness and training. These capabilities are supported by governance, monitoring and response processes that are independently assessed to strengthen our overall cyber resilience and enable proactive risk management.

Physical and electronic security measures, including high-security locks, cameras and electronic access controls, are in place to protect the mail, information and data. The Corporation adheres to multiple acts, policies and practices to ensure the security of the mail, while processes are established to ensure that only authorized users can access our information and data, and incident management protocols are in place to manage data breaches. Additionally, the Canada Post Code of Conduct and Supplier Code of Conduct each contain specific requirements pertaining to the protection of data, including personal information. Anti-fraud controls and governance frameworks are integrated across the Corporation at strategic and operational levels, providing effective awareness and oversight of fraud risks.

International Business

Risk

There is a risk that the inbound and outbound parcel business is affected by changing regulations from other countries, geopolitical factors and increased competition. Compared to prior years, there are increased volatility and heightened risk regarding our U.S.-bound parcel business. A key risk emerged on August 29, 2025, when the United States suspended its duty-free *de minimis* threshold of US$800 for all countries, including Canada. All postal shipments to the U.S. now require prepaid duties before packages cross the border – regardless of their value or country of origin. This change may impact consumer purchase behaviour, parcel volume, and ultimately, revenue.

Risk mitigation

Canada Post works closely with the Universal Postal Union and Government of Canada departments to proactively solve regulatory, operational and logistical challenges. Canada Post engages in joint strategic planning with partners such as the Canada Border Services Agency (CBSA) with regard to inbound customs enhancements and modernization of our exchange offices and clearance processes. We also leverage our membership with multilateral postal agreements, such as Kahala Posts Group, to support our business. Concerning *de minimis* threshold changes, we are working to ensure that Canada Post can continue offering shipping to the U.S. and minimize disruptions. While the *de minimis* change presents challenges, Canada Post is committed to ensuring that U.S.-bound shipping services remain accessible.

Health and safety

Risk

Employee physical and psychological safety, as well as the safety of visitors, contractors and the public are influenced and impacted by several factors, including core processes designed for mail rather than parcels, evolving statutory requirements, road transport and facility-related risks, unexpected events such as extreme weather, employee turnover, and employee awareness and competency on health and safety topics.

Risk mitigation

The health and safety and well-being of our employees, customers and the communities we serve remain our top priority. We believe that all occupational injuries, illnesses and incidents are preventable. Our risk-based approach was employed through 2025 and included a continued focus on the transformation of our health and safety management culture through the My Care Connect platform, which provided greater visibility on incidents and events, a

focus on upskilling supervisors on improved incident investigation methodologies, improved governance processes, a continued focus on life safety risks, and health and safety wellness initiatives that assist teams with managing work and life challenges.

We continue to integrate health and safety into our culture by building strong leadership, monitoring regulatory compliance, continuously reviewing the road safety strategy to upskill drivers through targeted defensive driver techniques, and developing national strategies to improve our life safety and mental health performance.

Climate change

Risk

Physical risk – Canada Post faces potential service disruptions due to climate-related weather events and natural disasters. In the short term, the most significant risks are expected to come from wildfires and flooding caused by extreme precipitation. In the future, Canada Post may face additional climate-related risks, including the impacts of extreme heat and rising sea levels. These risks may temporarily impact service delivery and increase employee health and safety concerns.

Transition risk – Canada Post may face rising costs as the global economy transitions to a low-carbon future. Policy measures such as carbon pricing could increase operating expenses, while adopting technologies to reduce climate impacts may require significant capital investments in infrastructure and equipment. Additionally, shifts in energy markets toward renewable sources could lead to price volatility, particularly for fossil fuels.

Risk mitigation

Canada Post conducts annual risk assessments to identify key climate-related risks and their potential impacts. These assessments guide the integration of climate considerations into business and decision-making processes across the organization. For physical risk management, we are committed to strengthening operational and delivery resilience through comprehensive response and recovery planning, including incident management, business continuity planning, disaster recovery and emergency management. For transitional risk management, we have initiated the transition to a lower-carbon operating model. Specifically, we have introduced electric last-mile vehicles for a small portion of our fleet, added low-carbon fuels into our portfolio and switched to over 95% renewable electricity in Alberta and Saskatchewan.

Mail and direct marketing revenue

Risk

While delivering letters is a cornerstone of our business, mail volumes have been in decline for nearly two decades. While letter mail may occasionally benefit from non-recurring mailings for events such as provincial and federal elections, print communications such as letters, bills, invoices, notices and statements are being replaced by digital alternatives. The advertising industry is also shifting, with new technologies and players affecting our Direct Marketing business. Businesses are increasingly choosing other emerging digital platforms to reach their customers with sales and marketing offers. While Neighbourhood Mail volumes initially surged in 2025, growth was sharply reversed as customers pivoted to non-mail solutions due to labour uncertainty and disruption. Additionally, all mail products are impacted by ongoing economic uncertainty and increasing mail delivery costs.

Risk mitigation

The government is reviewing the regulated stamp-pricing process to modernize and shorten it, in line with the Industrial Inquiry Commission's recommendations. This initiative will provide greater flexibility in adjusting Transaction Mail pricing, minimize potential regulatory delays and enable more responsive pricing strategies. We also continue to enhance the Transaction Mail experience with the MyMail app, a secure digital service that notifies subscribers when mail is on its way to their mailbox.

We are committed to ensuring Direct Marketing remains a relevant and impactful part of our business. Specifically, we are focusing on the following: integrating physical and digital experiences to enhance Smartmail Marketing via the MyMail app; implementing targeted pricing and promotional offers for Direct Marketing's commercial products; engaging partners and industry on ongoing opportunities and simplification; and reducing plastic use in Neighbourhood Mail by the end of 2026.

Information technology

Risk

Like other major organizations, Canada Post faces execution and benefit realization risks associated with critical IT projects required for business transformation. This risk could result in the inability to achieve planned growth, decreased customer experience and investment cost overruns.

Risk mitigation

Canada Post enhanced its IT operating model to improve processes, agility, increased automation and cross-training. The new operating model, initiated in 2024 through a partnership with a global IT leader, has continued to stabilize and add value in supporting IT capabilities. This model also allows major projects to deliver digital innovations to customers faster. We will continue to introduce changes to enhance IT processes.

A new enterprise resource planning (ERP) system was deployed in 2025. Enhancements are expected to provide the Corporation with process efficiencies and allow data-driven decisions regarding strategic planning and business transformation. With the successful implementation and stabilization of the ERP system, the risk related to transformation programs has reduced materially, as this project was highly complex and required significant resources from across the Corporation to implement.

Environmentally sustainable practices

Risk

As a major delivery company with a national presence and operating one of Canada's largest fleets, Canada Post has an important role to play in building a sustainable future, and it is committed to minimizing impacts on the environment. Expectations from our customers, unions, the Government of Canada and all Canadians continue to grow, and failing to meet them may lead to negative brand impacts and decreases in volumes as customers shift to alternate carriers that better align with their sustainability values. Regulatory non-compliance with laws requiring action and transparency on environmental sustainability is also a key risk. These risks are exacerbated by financial constraints that limit the investments needed to meet greenhouse gas emission reduction targets and other sustainability goals.

Risk mitigation

Canada Post has established goals to reduce the environmental impact of its operations, including reducing greenhouse gas emissions, reducing waste and promoting circularity, and moving toward more sustainable transport options. The ministerial direction on changes to letter mail delivery standards will help reduce letter mail from air transportation and lower emissions with a potential 20% reduction to scope 3 transportation emissions.

The Corporation's climate strategy involves a commitment to a 50% reduction in operational GHG emissions by 2030 and achieving net-zero emissions across its value chain by 2050. This strategy is aligned with the 1.5°C pathway of the Science Based Targets initiative (SBTi). Initiatives to achieve the 2030 goal include electrifying a portion of our last-mile fleet, investing in renewable energy, and implementing emission-reduction projects in our buildings. In 2025, we developed an environmental, social and governance (ESG) roadmap to identify pathways to meet the Corporation's 2030 targets. Canada Post is addressing waste reduction

through its zero-waste program with a target of diverting 90% of operational and construction waste by 2030. Finally, we continue to explore opportunities to reduce the environmental impact of our packaging.

Pension obligation

Risk

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

Risk mitigation

When there are funding deficits, regulations of the *Pension Benefits Standards Act, 1985,* require that special contributions be made over specified future periods. In 2025, the Corporation was not permitted to make employer current service contributions, largely due to the Plan's strong financial position. Furthermore, no special solvency payments were required. This will likely extend to 2026 as well, given the projected solvency surplus.

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

Other key risks

Other key risks facing the Corporation include financial services (the risk that financial services fail to deliver intended benefits), legal action, regulatory non-compliance, procurement, and organizational resilience and business continuity. The Corporation is tracking these key risks and has effective control mitigation strategies in place for each of them.

9. Critical Accounting Policies, Estimates and Judgments

A review of changes in accounting policies in 2025 and future years and critical accounting estimates.

9.1 Accounting policies

Information on Canada Post's accounting policies is provided in Note 3 of Canada Post's audited Consolidated Financial Statements for 2025, while information on the application of new and revised International Financial Reporting Standards is provided in notes 5 (a) and 5 (b) of the same report.

9.2 Critical accounting judgments and estimates

The preparation of the Corporation's consolidated financial statements requires management to make complex or subjective judgments, estimates and assumptions based on existing knowledge that affect reported amounts and disclosures. Actual results may differ from the estimates and assumptions. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects current and future periods. Information on Canada Post's critical accounting estimates and judgments are provided in Note 4 of its 2025 audited consolidated financial statements. For 2025, the most significant accounting judgments and estimates related to going concern (Note 4 [a.1]), accounting for the repayable government funding (as a demand note payable) (Note 4 [a.5]), pension plan actuarial assumptions and their related sensitivity (Note 4 [b.6], Note 10 [h]) and deferred income taxes (Note 4 [b.9], Note 11).

9.3 Internal controls and procedures

Disclosure controls and procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported accurately and on a timely basis, in accordance with established standards and regulations. The President and Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) have evaluated the effectiveness of the Group's disclosure controls and procedures related to the preparation of the Management's Discussion and Analysis and the consolidated financial statements. The President and CEO and the CFO have concluded that the design and operation of disclosure controls were effective for the year ending December 31, 2025.

Internal control over financial reporting

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS Accounting Standards. The President and CEO and the CFO have assessed the effectiveness of the Group's internal control over financial reporting for the year ending December 31, 2025, in accordance with the Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and concluded it was effective. This process aligns with best practices established in National Instrument 52-109 issued by the Canadian Securities Administrators (CSA), for which Canada Post voluntarily complies.

Changes in internal control over financial reporting

In Q3 2025, the Canada Post segment oversaw the deployment and technical upgrade of the enterprise resource planning (ERP) system, resulting in a material change in internal controls over financial reporting for the period of implementation. Management conducted pre-implementation testing and post-implementation reviews to ensure that the transition was properly designed and executed to prevent material financial statement errors. Based on such testing, continuous monitoring and implementation of transitionary controls, management concluded that the transition did not cause material misstatements in our financial statements for the year ending December 31, 2025.

There were no other changes in internal control over financial reporting during the year ended December 31, 2025, that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

10. Outlook for 2026

Our prospects for 2026.

10.1 Global economy and Canada

The International Monetary Fund (IMF) projects that global economic growth will remain modest in 2026, with global real gross domestic product (GDP) expansion around 3.1% and 1.6% in advanced economies, reflecting persistent structural headwinds and uneven regional performance. This outlook underscores continued global economic uncertainty even as inflation pressures moderate and central banks balance growth with price stability.

Canada's economic growth is expected to remain moderate but steady through 2026. According to the World Economic Outlook, real GDP growth in Canada is forecasted at approximately 1.5% in 2026, consistent with a modest expansion trajectory through the medium term. This reflects ongoing challenges in productivity growth, household demand and trade dynamics, even as inflation remains within the Bank of Canada's target range and borrowing costs stabilize.

Global inflation has been easing since 2024 and is expected to stabilize further in 2026, converging toward central bank targets in most advanced economies. While this reduces near-term volatility in input costs for businesses, inflation is not expected to return to the pre-pandemic low. Interest rates are also stabilizing but are projected to remain higher than historical norms despite gradual monetary easing by central banks, which will sustain pressure on financing costs, pension costs and long-term capital investment decisions for asset-intensive businesses.

Overall, Canada's economic trajectory in 2026 is expected to resemble global trends, with gradual stabilization and subdued but steady growth in line with broader international conditions. While this has reduced volatility in consumer prices, underlying cost pressures, particularly for housing, labour and services, remain elevated. This has resulted in a K-shaped economy in which long-time homeowners and people with tenure in the workforce, especially those with higher wages, pension plans and investments, are increasing their wealth and maintaining or increasing spending. Younger generations and other individuals who recently purchased their first home, who are renting or who have lower-paying jobs, are generally seeing an increase in debt-to-income ratio and may be reining in spending.

The effects of rate cuts on labour markets and consumer demand remain uncertain amid other structural factors impacting the economy. Unemployment is expected to remain elevated relative to recent levels, reflecting weak productivity growth, slower business investment, trade tensions and cautious hiring practices due to a sluggish and uncertain economic period. Currently, Canada's unemployment rate sits just below the technical definition for high unemployment.

Consumer spending in 2026 remains uncertain among mixed economic signals. Canadian households continue to carry elevated debt levels and savings have dwindled since the pandemic period. Excess savings could be directed toward debt repayment rather than discretionary spending, and households without saving buffers could rely increasingly on credit to manage expenses, limiting capacity for non-essential consumption and increasing sensitivity to prices, including delivery costs.

One of the most significant sources of economic uncertainty for Canada in 2026 remains trade relations with the United States. While Canada has fared better than initial projections suggested when the trade dispute began in early 2025, some Canadian sectors are heavily reliant on exporting to the U.S. That means any additional adverse shifts in trade policy, tariffs, or the outcome of the upcoming review of the Canada–United States–Mexico Agreement trade agreement in the summer of 2026 could have material effects on Canadian GDP growth and business investment, should negotiations proceed uneasily.

Additionally, the continued presence and potential escalation of international conflicts may lead to supply shocks (notably oil) due to disruptions in global travel, trade, and shipping routes. The impact of these conflicts on the Canadian economy is uncertain.

These conditions typically suggest caution in retail spending, which, in fact, was relatively strong in 2025. Growth is expected to moderate in 2026, with signs of moderation apparent at the end of 2025. A sustained shift toward value-oriented retail spending appears to be an emerging reality, in line with economic conditions and uncertainty. This change was underlined by spending shifts that favour lower-cost retail entities and ecommerce platforms, including Amazon and other global ecommerce marketplaces offering loyalty programs, price transparency, and free or low-cost shipping. This trend will continue to create a challenging environment for Canada Post, as the majority of ecommerce volumes are now delivered via disruptive or gig-delivery models.

Ecommerce penetration is expected to increase modestly in 2026, as in-store retail spending continues to gradually shift online. However, over the long term, we expect to continue to see robust ecommerce growth, as brick-and-mortar sales continue to convert to online channels.

	2025	2026 forecast	2027 forecast
Economic (% change)			
Real gross domestic product (GDP)	1.2%	1.3%	1.8%
Inflation (consumer price index [CPI])	2.0%	2.0%	2.0%
Retail sales growth (real)	2.1%	1.6%	1.8%
Ecommerce penetration	12.1%	12.8%	13.5%
Demographic (% change)			
Total population growth	0.2%	0.5%	0.5%

Sources: Forecasts of GDP, CPI and retail projections from the five major Canadian banks and Bank of Canada. Population growth is per Statistics Canada's quarterly population estimates and bank estimates. Ecommerce penetration estimates are internal to Canada Post.

10.2 Our business

Canada Post segment

Our proposed transformation plan

Canada Post is embarking on an essential transformation to renew and modernize the national postal service and secure its future. This transformation is necessary to ensure that the postal service continues to serve the evolving needs of all Canadians and that it can stand on its own financially, without burdening taxpayers. Canada Post has not had the regulatory and policy framework to restructure in a way that meets Canadians' needs and enables the Corporation to be financially self-sustainable.

Canada Post's transformational blueprint is to revolutionize a legacy network into a modern, sustainable and financially self-sufficient service that connects every Canadian in urban, rural, remote and Indigenous communities, while shaping the future of delivery for generations to

come. Once approved, this transformation will reshape our business structure while at the same time upholding our dedication to our employees, our customers, and our environmental and social responsibilities as well as advancing government priorities.

Transformation carries with it inherent risk given the complexity of market dynamics, regulatory and policy changes required, stakeholder interests and operational execution.

Achieving benefits of transformation, including financial self-sustainability, is contingent upon the following:

- Reforms to the regulatory letter mail rate-setting process and annual adjustments to letter mail rates to normalize against those of comparable foreign postal administrations.
- Relative stability in Direct Marketing revenues, with only gradual erosion due to the digital substitution of media spending and renewed competition in the unaddressed admail and flyer market.
- Total parcel volume growth by improving Canada Post's ability to compete on price, performance and service.
- Timely approval of the broader strategic plan from the Corporation's sole shareholder, the Government of Canada, to start executing the plan.
- Successful execution of key elements of the plan, including delivery centralization, retail modernization, and diversification of products and services.
- Successful ratification of collective agreement terms that permit Canada Post to win back volumes lost during periods of disruption and uncertainty.

Success in the ecommerce market requires actions that defend and grow the parcel business, including weekend delivery, improvements in return services and enhancements to local next-day delivery. It is supported by the major cost-saving initiatives in the proposed transformation plan related to delivery centralization, retail, overhead and continuous improvement in our operations, including the alignment of labour scheduling with volume fluctuations.

The proposed transformation plan responds to the company's critical financial situation, while protecting access to essential postal services in urban, rural, remote and Indigenous communities. We will continue to adapt to the competitive environment in which we operate, and in the face of unforeseen challenges. We are committed to choosing models of financial sustainability that best serve Canadians and their needs. This means continuously monitoring and evaluating new opportunities, risks and challenges, and adapting our approach whenever necessary. As we navigate the path toward financial self-sustainability, we will remain grounded in our guiding principles, ensuring that every decision supports our long-term vision while responding effectively to short-term realities.

Short-term liquidity measures

The following short-term measures will provide us with the means to maintain cash solvency through the 2026 fiscal year:

- **Government cash injections.** Canada Post requires continued funding to remain solvent and enable the proposed transformation plan. Funding is assumed to be received through cash injections from the Government of Canada. Should circumstances prevent the full and timely execution of this proposed transformation plan, larger cash injections or persistent appropriations may be required.
- **Additional short-term borrowing or other measures.** Continued access to short-term credit facilities of $595 million for the period ending December 31, 2026, to guard against funding shortfalls. Additional borrowing facilities or other measures may be obtained from the Crown or otherwise, if made available.

The Corporation's ability to achieve financial self-sustainability over the long term is dependent on implementing and realizing the financial benefits from transformation.

Historical Financial Information

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

OPERATIONS	2025	2024	2023	2022	2021
Revenue from operations	**9,214**	8,904	9,786	10,142	10,112
Total cost of operations	**10,511**	9,891	10,317	10,378	10,308
Loss from operations	**(1,297)**	(987)	(531)	(236)	(196)
Percentage of revenue from operations	**(14.1)%**	(11.1)%	(5.4)%	(2.3)%	(1.9)%
Investing and financing expense, net	**(95)**	322	2	(56)	(50)
Loss before tax	**(1,392)**	(665)	(529)	(292)	(246)
Tax expense (recovery)	**(297)**	(246)	108	(64)	(59)
Net loss	**(1,095)**	(419)	(637)	(228)	(187)
Other comprehensive income (loss)	**1,080**	953	(1,213)	3,582	4,155
Comprehensive income (loss)	**(15)**	534	(1,850)	3,354	3,968
Net income (loss) attributable to					
Government of Canada	**(1,108)**	(435)	(652)	(244)	(201)
Non-controlling interests	**13**	16	15	16	14
	(1,095)	(419)	(637)	(228)	(187)
Comprehensive income (loss) attributable to					
Government of Canada	**(35)**	513	(1,863)	3,334	3,944
Non-controlling interests	**20**	21	13	20	24
	(15)	534	(1,850)	3,354	3,968

STATEMENT OF FINANCIAL POSITION	2025	2024	2023	2022	2021
Assets					
Current	**1,967**	2,133	2,960	3,479	3,778
Segregated securities	**301**	337	398	373	482
Capital assets	**4,843**	4,301	4,187	3,975	3,642
Right-of-use assets	**1,398**	1,451	1,285	1,384	1,326
Pension benefit assets	**5,343**	4,462	3,471	4,933	1,450
Deferred tax assets	**–**	–	–	3	572
Other assets	**722**	222	216	240	266
Total assets	**14,574**	12,906	12,517	14,387	11,516
Liabilities and equity					
Current	**3,674**	2,319	2,220	2,074	2,029
Pension, other post-employment and other long-term benefit liabilities	**2,990**	3,229	3,118	2,847	3,969
Other liabilities	**2,834**	2,258	2,605	3,034	2,433
Non-controlling interests	**102**	91	78	73	60
Equity of Canada	**4,974**	5,009	4,496	6,359	3,025
Total liabilities and equity	**14,574**	12,906	12,517	14,387	11,516

ADDITIONS TO CAPITAL ASSETS	2025	2024	2023	2022	2021
Land and buildings	**109**	28	88	86	47
Other capital assets	**324**	493	526	570	630
	433	521	614	656	677

Historical Financial Information

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

LINE OF BUSINESS DIMENSIONS REVENUE FROM OPERATIONS	2025	% change	2024	% change	2023	% change	2022	% change	2021
Parcels									
Domestic Parcels	**1,538**	**(32.2)%**	2,279	(20.2)%	2,832	(3.2)%	2,924	0.8%	2,912
Outbound Parcels (to other postal administrations)	**209**	**(19.7)%**	261	(13.6)%	300	(2.3)%	308	(6.3)%	329
Inbound Parcels (from other postal administrations)	**169**	**(23.8)%**	223	(29.4)%	313	(1.2)%	316	(22.4)%	409
Total – Parcels	**1,916**	**(30.4)%**	2,763	(20.3)%	3,445	(2.9)%	3,548	(2.4)%	3,650
Other	**33**	**(8.7)%**	36	(4.8)%	37	56.3%	25	11.3%	22
Canada Post segment	**1,949**	**(30.1)%**	2,799	(20.3)%	3,482	(2.5)%	3,573	(2.3)%	3,672
Purolator segment	**2,927**	**6.7 %**	2,754	3.0%	2,653	(6.2)%	2,830	9.0%	2,606
SCI segment	**–**	**(100.0)%**	59	(83.5)%	354	8.2%	327	(5.5)%	348
Elimination of intersegment	**(17)**		(53)		(161)		(199)		(191)
Group of Companies	**4,859**	**(12.2)%**	5,559	(12.9)%	6,328	(3.1)%	6,531	1.9%	6,435
Transaction Mail									
Domestic Lettermail	**2,631**	**26.3 %**	2,092	(4.7)%	2,178	(5.2)%	2,296	(2.6)%	2,368
Outbound Letter-post (to other postal administrations)	**72**	**26.2 %**	57	(17.3)%	68	(7.5)%	75	(4.8)%	78
Inbound Letter-post (from other postal administrations)	**54**	**23.2 %**	44	(14.9)%	52	(2.0)%	53	8.3%	48
Canada Post segment	**2,757**	**26.2 %**	2,193	(5.3)%	2,298	(5.2)%	2,424	(2.4)%	2,494
Elimination of intersegment	**(1)**		–		(2)		(2)		(2)
Canada Post segment / Group	**2,756**	**26.2 %**	2,193	(5.3)%	2,296	(5.2)%	2,422	(2.4)%	2,492
Direct Marketing									
Canada Post Personalized Mail™	**365**	**0.4 %**	365	(11.1)%	407	(4.3)%	425	5.8%	404
Canada Post Neighbourhood Mail™	**370**	**(11.7)%**	421	8.0%	387	4.6%	370	4.3%	356
Total – Canada Post Smartmail Marketing™	**735**	**(6.0)%**	786	(1.8)%	794	(0.2)%	795	5.1%	760
Publications Mail™	**117**	**2.9 %**	115	(9.1)%	125	(1.0)%	126	(0.2)%	127
Business Reply Mail™ and Other mail	**14**	**(5.3)%**	14	(14.5)%	17	(7.6)%	18	(4.7)%	19
Total – Mail	**866**	**(4.9)%**	915	(3.0)%	936	(0.4)%	939	4.1%	906
Other	**18**	**21.9 %**	15	(4.7)%	15	4.0%	15	(7.8)%	16
Canada Post segment / Group	**884**	**(4.5)%**	930	(3.0)%	951	(0.4)%	954	3.9%	922
Consumer and Trade Products and Services									
Canada Post segment	**237**	**7.8 %**	220	3.7%	211	(8.9)%	231	(10.7)%	261
Purolator segment	**480**	**–**	2	–	–	(107.4)%	4	112.8%	2
Elimination of intersegment	**(2)**	**–**	–	–	–	–	–	–	–
Group of Companies	**715**	**221.9 %**	222	5.0%	211	(10.7)%	235	(9.7)%	263
Revenue from operations									
Canada Post segment	**5,827**	**(4.7)%**	6,142	(12.2)%	6,942	(3.3)%	7,182	(1.9)%	7,349
Purolator segment	**3,407**	**24.1 %**	2,756	3.1%	2,653	(6.4)%	2,834	9.1%	2,608
SCI segment	**–**	**(100.0)%**	59	(83.5)%	354	8.2%	327	(5.5)%	348
Innovapost and elimination of intercompany	**(20)**		(53)		(163)		(201)		(193)
Group of Companies	**9,214**	**3.9 %**	8,904	(9.7)%	9,786	(3.5)%	10,142	0.7%	10,112

Historical Financial Information

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

LINE OF BUSINESS DIMENSIONS	2025	% change	2024	% change	2023	% change	2022	% change	2021
VOLUME									
Parcels									
Domestic Parcels	**130**	**(34.4)%**	200	(18.6)%	243	5.8%	230	(17.2)%	279
Outbound Parcels (to other postal administrations)	**9**	**(21.5)%**	12	(4.3)%	12	4.4%	11	(13.6)%	13
Inbound Parcels (from other postal administrations)	**22**	**(24.9)%**	28	(32.3)%	41	(7.5)%	45	(34.7)%	69
Canada Post segment	**161**	**(32.6)%**	240	(19.9)%	296	3.7%	286	(20.4)%	361
Purolator segment	**236**	**18.3 %**	200	27.5%	156	(8.3)%	170	(2.4)%	174
Elimination of intersegment	**(1)**		(2)		(9)		(11)		(13)
Group of Companies	**396**	**(9.2)%**	438	(2.3)%	443	(0.3)%	445	(14.5)%	522
Transaction Mail									
Domestic Lettermail	**1,976**	**2.2 %**	1,942	(8.9)%	2,114	(4.8)%	2,220	(6.6)%	2,386
Outbound Letter-post (to other postal administrations)	**27**	**7.3 %**	26	(16.3)%	31	(7.4)%	34	(5.2)%	35
Inbound Letter-post (from other postal administrations)	**45**	**8.7 %**	41	(19.9)%	51	(12.8)%	59	3.6%	57
Canada Post segment	**2,048**	**2.4 %**	2,009	(9.3)%	2,196	(5.0)%	2,313	(6.3)%	2,478
Elimination of intersegment	**–**		–		(1)		(2)		(2)
Canada Post segment / Group	**2,048**	**2.4 %**	2,009	(9.2)%	2,195	(5.0)%	2,311	(6.3)%	2,476
Direct Marketing									
Personalized Mail	**599**	**(0.2)%**	602	(12.3)%	681	(6.2)%	727	3.2%	706
Neighbourhood Mail	**2,930**	**(12.0)%**	3,342	5.6%	3,139	2.2%	3,071	2.2%	3,016
Total – Smartmail Marketing	**3,529**	**(10.2)%**	3,944	2.4%	3,820	0.6%	3,798	2.4%	3,722
Publications Mail	**150**	**(0.3)%**	151	(12.1)%	171	(2.8)%	176	(3.2)%	182
Business Reply Mail and Other mail	**8**	**2.8 %**	9	(22.2)%	11	(11.1)%	11	(7.5)%	14
Canada Post segment / Group	**3,687**	**(9.8)%**	4,104	1.8%	4,002	0.4%	3,985	2.1%	3,918
Total volume									
Canada Post segment	**5,896**	**(6.8)%**	6,353	(3.0)%	6,494	(1.4)%	6,584	(2.2)%	6,757
Purolator segment	**236**	**18.3 %**	200	27.5%	156	(8.3)%	170	(2.4)%	174
Elimination of intersegment	**(1)**		(2)		(10)		(13)		(15)
Group of Companies	**6,131**	**(6.0)%**	6,551	(2.1)%	6,640	(1.5)%	6,741	(2.1)%	6,916
EMPLOYMENT[1]									
Canada Post segment	**60,399**	**(3.1)%**	62,315	(8.8)%	68,318	0.8%	67,763	(1.0)%	68,447
Purolator segment	**17,075**	**23.6 %**	13,817	6.2%	13,012	(1.6)%	13,222	(2.3)%	13,533
SCI segment	**–**	**–**	–	(100.0)%	1,941	3.4%	1,877	3.6%	1,811
Innovapost business unit	**–**	**–**	–	(100.0)%	811	6.2%	764	(0.3)%	766
Group of Companies	**77,474**	**1.8 %**	76,132	(9.5)%	84,082	0.5%	83,626	(1.1)%	84,557
MAIL NETWORK									
Post offices[2]	**5,785**	**(2.1)%**	5,912	(1.0)%	5,972	(1.1)%	6,039	(0.9)%	6,096
Points of delivery (in thousands)	**17,855**	**1.4 %**	17,609	1.3%	17,397	1.2%	17,194	1.3%	16,976
Pickup points (in thousands)	**979**	**0.1 %**	978	0.4%	974	0.4%	971	0.8%	964

1. Includes paid full-time and part-time employees in Canada and the United States, including temporary, casual and term employees.
2. Restated to include light-service locations where customers can receive and induct parcels (including returns) and purchase prepaid shipping solutions such as flat rate boxes, prepaid envelopes and stamps.
3. Includes rural mailboxes, which are collection points for customers with this mode of delivery.

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

To the Board of Directors of Canada Post Corporation.

Scope

We have been engaged by Canada Post Corporation (the "Corporation") to perform a 'reasonable assurance engagement,' as defined by Canadian Standards on Assurance Engagements, here after referred to as the engagement, to report on Canada Post Corporation's Annual Cost Study Contribution Analysis (the "Subject Matter" or "Annual Cost Study") and management's assertion in Note 1 (the "Assertion") that the Corporation did not cross-subsidize its competitive grouping of services ("Competitive services") with revenue from the exclusive privilege grouping of services ("Exclusive privilege services") for the year ended December 31, 2025.

Criteria applied by Canada Post Corporation

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

Canada Post Corporation's responsibilities

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

EY's responsibilities

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

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

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

Our Independence and Quality Management

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

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

Description of procedures performed

Our procedures included:

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

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

Other Matters

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

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

Opinion

- the Subject Matter for the period from January 1, 2025, to December 31, 2025, is presented, in all material respects, in accordance with the Criteria.
- based on the Annual Cost Methodology, management's assertion included in the notes to the Annual Cost Study that the Entity did not cross-subsidize its Competitive services with revenues from its Exclusive Privilege services, for the year ended December 31, 2025, is fairly stated, in all material respects.

Specific Purpose of the Annual Cost Study

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

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

March 26, 2026
Ottawa, Canada

Annual Cost Study Contribution Analysis

Canada Post Corporation

The Annual Cost Study Contribution Analysis calculates the long-run incremental contribution from Exclusive privilege services, Competitive services, Concessionary services and Other services. The long-run incremental contribution is defined as the revenue from such services, less their long-run incremental cost. In this Annual Cost Study (ACS) and accompanying notes, the "Corporation," "Canada Post," and "Canada Post segment" mean Canada Post Corporation, excluding its subsidiaries.

Annual Cost Study Contribution Analysis

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

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

Year ended December 31, 2025	Exclusive privilege services[1]	Competitive services[2]	Concessionary services[3]	Other services[4]	Total
Revenue from operations	2,889	2,634	24	280	5,827
Long-run incremental costs	(1,677)	(2,675)	(27)	(136)	(4,515)
Long-run incremental contribution	**1,212**	**(41)**	**(3)**	**144**	**1,312**
Percentage of revenue	42%	(2)%	(13)%	51%	23%
Unallocated fixed costs					(2,933)
Contribution before the undernoted items					**(1,621)**
Investment and other income					135
Finance costs and other expense					(83)
Loss before tax – Canada Post segment					**(1,569)**

1. Services provided by Canada Post pursuant to its Exclusive privilege (with some exceptions) of collecting, transmitting and delivering letters to the addressee thereof within Canada, in accordance with the *Canada Post Corporation Act* and Regulations.
2. Services provided by Canada Post in the competitive marketplace that do not fall within Canada Post's Exclusive privilege pursuant to the *Canada Post Corporation Act*. In 2025, revenue for competitive services was significantly impacted by competitive market forces and labour issues. See Note 3 for additional details.
3. Services provided by Canada Post, on behalf of the Government of Canada, either free of charge or at reduced rates. The Government of Canada provides compensation to Canada Post in respect of some of these services.
4. Services classified by Canada Post as not being in the Exclusive privilege, Competitive or Concessionary groupings of services.

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

Notes to Annual Cost Study Contribution Analysis

Year ended December 31, 2025.

1. Basis of Preparation

The Annual Cost Study Contribution Analysis (ACS) provides costing data to assess whether revenues from the Competitive segment are sufficient to cover its incremental costs.

Canada Post Corporation maintains a costing methodology based on the principles of long-run incremental costs, which was designed to leverage the structure of an activity-based costing system. Canada Post applies this methodology in its ACS for cost attribution purposes (ACS Methodology). The ACS methodology and its supporting metrics are reviewed and refined on an ongoing basis. Canada Post's overall objective is to ensure the ACS methodology:

- takes into account standards with respect to product costing practices in a multi-product environment;
- uses operational metrics available to attribute costs;
- reflects actual operational practices of the Corporation, including those tied to requirements of collective agreements.

Amendments to the ACS methodology follow a defined change management process; external stakeholders are consulted, as needed.

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

Under the ACS Methodology, a positive long-run incremental contribution from the Competitive grouping of services (Competitive services) establishes that this grouping of services has not been cross-subsidized using revenues from the Exclusive privilege grouping of services (Exclusive privilege services). Canada Post concludes that it did not cross-subsidize its Competitive services using revenues protected by Exclusive privilege services for the year ended December 31, 2025. See Note 3 for additional information.

2. Annual Cost Methodology

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

(b) **Activity-based** – Services provided by Canada Post Corporation are analyzed to determine the various activities involved in their fulfillment. Each activity is then analyzed to determine the causal relationship between the costs of the activity and

the services that require the performance of that particular activity. Service volumes or other data are used to attribute those activity costs to services.

(c) **Attribution principles** – The relationship between the cost of resources and the activities performed, and the relationship between the activities performed and the services delivered are identified using the principles of causality and time horizon. Those activity costs, which are incurred because of the provision of a service or service group, are attributed to that service or service group. Costs that aren't associated to any particular service or service group are assigned as unallocated fixed costs.

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

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

(f) **Cross-subsidization test** – Under the Annual Cost Methodology in the Annual Cost Study Contribution Analysis, a positive long-run incremental contribution (revenue exceeds long-run incremental cost) from Competitive services establishes that this grouping of services has not been cross-subsidized using revenues from Exclusive privilege services. Where there is not a positive long-run incremental contribution in any given year, the cross-subsidization test considers history of prior years' positive contribution margin in Competitive Services.

3. Additional information

Unlike all previous fiscal years, for the year ended December 31, 2025, Competitive services operated at a negative long-run incremental contribution. This exceptional, short-term result was absorbed through positive contribution in competitive services in prior years.

In 2025, revenue for competitive services was negatively impacted by unprecedented labour uncertainty and disruption, and market forces. Incremental costs attributed to competitive services, that do not vary significantly in the short term, did not decline at the same rate as volume reductions, causing contribution for competitive services to be negative. The significant decline in competitive services volume and revenue, coupled with the inability to proportionately reduce associated costs, resulted in a negative contribution from Competitive Services.

The Corporation has had a positive contribution margin in Competitive Services for several years; as such, the negative contribution margin in 2025 can be supported by prior years' positive long-run incremental contribution from this grouping. Throughout 2025, the Corporation has, in all material respects, maintained its existing operational structures and financial accounting practices (including cost allocations).

Management's Responsibility for Financial Reporting

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

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

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

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

Canada Post Corporation is a Crown corporation included in Part I of Schedule III of the *Financial Administration Act*. The Auditor General of Canada and Ernst & Young LLP were appointed as joint auditors of the Corporation for the year ended December 31, 2025, in accordance with the *Financial Administration Act*. The Auditor General of Canada and Ernst & Young LLP audit the consolidated financial statements and report to the Audit Committee of the Board of Directors, as well as to the Minister of Government Transformation, Public Works and Procurement.

President and Chief Executive Officer

Chief Financial Officer

March 26, 2026

Independent Auditors' Report

To the Minister of Government Transformation, Public Works and Procurement

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Canada Post Corporation and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statement of comprehensive income (loss), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

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

Emphasis of Matter

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

Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

Report on Compliance with Specified Authorities

Opinion

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

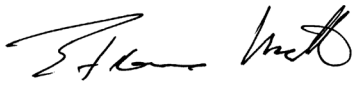
In our opinion, the transactions of Canada Post Corporation and its wholly-owned subsidiaries that came to our notice during the audit of the consolidated financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial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

Responsibilities of Management for Compliance with Specified Authorities

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

Auditors' Responsibilities for the Audit of Compliance with Specified Authorities

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



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

Chartered Professional Accountants
Licensed Public Accountants

Ottawa, Canada
March 26, 2026

Consolidated Statement of Financial Position

(in millions of Canadian dollars)

ASSETS	As at December 31, 2025	As at December 31, 2024
Current assets		
Cash and cash equivalents (Note 7)	**407**	802
Marketable securities (Note 7)	**–**	290
Trade, other receivables and contract assets (Note 19)	**1,330**	900
Income tax receivable	**–**	2
Assets held for sale	**41**	1
Prepaid expenses	**189**	138
Total current assets	**1,967**	2,133
Non-current assets		
Property, plant and equipment (Note 8)	**4,024**	4,053
Intangible assets (Note 8)	**819**	248
Right-of-use assets (Note 8)	**1,398**	1,451
Segregated securities (Note 7)	**301**	337
Pension benefit assets (Note 10)	**5,343**	4,462
Goodwill (Note 12)	**661**	161
Other assets	**61**	61
Total non-current assets	**12,607**	10,773
Total assets	**14,574**	12,906

LIABILITIES AND EQUITY	As at December 31, 2025	As at December 31, 2024
Current liabilities		
Trade and other payables, including government remittances (Note 13)	**1,229**	830
Salaries and benefits payable	**755**	537
Loans and borrowings (Note 16)	**278**	500
Demand notes payable to Government of Canada (Note 17)	**1,005**	–
Provisions	**77**	68
Income tax payable	**15**	30
Deferred revenue	**160**	200
Lease liabilities (Note 15)	**103**	100
Other long-term benefit liabilities (Note 10)	**52**	54
Total current liabilities	**3,674**	2,319
Non-current liabilities		
Lease liabilities (Note 15)	**1,524**	1,567
Loans and borrowings (Note 16)	**1,038**	498
Pension, other post-employment and other long-term benefit liabilities (Note 10)	**2,990**	3,229
Deferred tax liabilities (Note 11)	**219**	147
Other liabilities	**53**	46
Total non-current liabilities	**5,824**	5,487
Total liabilities	**9,498**	7,806
Equity		
Contributed capital	**1,155**	1,155
Accumulated other comprehensive income (loss) (Note 24)	**6**	5
Retained earnings	**3,813**	3,849
Equity of Canada	**4,974**	5,009
Non-controlling interests	**102**	91
Total equity	**5,076**	5,100
Total liabilities and equity	**14,574**	12,906
Contingent liabilities (Note 14)		
Commitments (Note 20)		

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

Approved on behalf of the Board of Directors:

Chair of the Board of Directors

Chair of the Audit Committee

Consolidated Statement of Comprehensive Income (Loss)

(in millions of Canadian dollars)

	For the year ended December 31, 2025	For the year ended December 31, 2024
Revenue from operations (Note 21)	**9,214**	8,904
Cost of operations		
Labour	**5,251**	4,764
Employee benefits (Note 9)	**1,352**	1,356
	6,603	6,120
Other operating costs (Note 22)	**3,324**	3,261
Depreciation and amortization (Note 8)	**584**	510
Total cost of operations	**10,511**	9,891
Loss from operations	**(1,297)**	(987)
Investing and financing income (expense)		
Gain on sale of disposal groups held for sale (Note 23)	**–**	346
Investment and other income (Note 23)	**61**	79
Finance costs and other expense (Note 23)	**(156)**	(103)
Investing and financing income (expense), net	**(95)**	322
Loss before tax	**(1,392)**	(665)
Tax recovery (Note 11)	**(297)**	(246)
Net loss	**(1,095)**	(419)
Other comprehensive income (loss) (Note 24)		
Items that may subsequently be reclassified to net profit (loss)		
Change in unrealized fair value of financial assets	**(4)**	(1)
Unrealized losses on currency translation differences	**5**	2
Item never reclassified to net profit (loss)		
Remeasurements of defined benefit plans	**1,079**	952
Other comprehensive income (loss)	**1,080**	953
Comprehensive income (loss)	**(15)**	534
Net profit (loss) attributable to		
Government of Canada	**(1,108)**	(435)
Non-controlling interests	**13**	16
	(1,095)	(419)
Comprehensive income (loss) attributable to		
Government of Canada	**(35)**	513
Non-controlling interests	**20**	21
	(15)	534

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

Consolidated Statement of Changes in Equity

(in millions of Canadian dollars)

For the year ended December 31, 2025	**Contributed capital**	**Accumulated other comprehensive income**	**Retained earnings**	**Equity of Canada**	**Non-controlling interests**	**Total equity**
Balance at December 31, 2024	**1,155**	**5**	**3,849**	**5,009**	**91**	**5,100**
Net profit (loss)	**–**	**–**	**(1,108)**	**(1,108)**	**13**	**(1,095)**
Other comprehensive income (Note 24)	**–**	**1**	**1,072**	**1,073**	**7**	**1,080**
Comprehensive income (loss)	**–**	**1**	**(36)**	**(35)**	**20**	**(15)**
Transactions with shareholders – Dividend	**–**	**–**	**–**	**–**	**(9)**	**(9)**
Balance at December 31, 2025	**1,155**	**6**	**3,813**	**4,974**	**102**	**5,076**

For the year ended December 31, 2024	Contributed capital	Accumulated other comprehensive income	Retained earnings	Equity of Canada	Non-controlling interests	Total equity
Balance at December 31, 2023	1,155	4	3,337	4,496	78	4,574
Net profit (loss)	–	–	(435)	(435)	16	(419)
Other comprehensive income (loss) (Note 24)	–	1	947	948	5	953
Comprehensive income	–	1	512	513	21	534
Transactions with shareholders – Dividend	–	–	–	–	(8)	(8)
Balance at December 31, 2024	1,155	5	3,849	5,009	91	5,100

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

Consolidated Statement of Cash Flows

(in millions of Canadian dollars)

	For the year ended December 31, 2025	For the year ended December 31, 2024
Operating activities		
Net loss	**(1,095)**	(419)
Adjustments to reconcile to cash provided by (used in) operating activities:		
Depreciation and amortization (Note 8)	**584**	510
Pension, other post-employment and other long-term benefit expense (Note 10)	**558**	604
Pension, other post-employment and other long-term benefit payments (Note 10)	**(238)**	(217)
Gain on disposal groups held for sale (Note 23)	**–**	(346)
Loss (gain) on sale of capital assets (Note 23)	**(7)**	9
Tax recovery and other items affecting net income tax receivable (Note 11)	**(326)**	(244)
Net interest expense (Note 23)	**121**	16
Change in non-cash operating working capital:		
(Increase) decrease in trade and other receivables	**(144)**	63
(Decrease) increase in trade and other payables, including government remittances	**(67)**	17
Increase (decrease) in salaries and benefits payable	**193**	(119)
Increase in provisions	**4**	6
Net increase in other non-cash operating working capital	**(57)**	(27)
Other expense not affecting cash, net	**(6)**	(16)
Cash used in operating activities before interest and tax	**(480)**	(163)
Interest received	**45**	89
Interest paid	**(149)**	(91)
Tax paid	**(81)**	(59)
Cash used in operating activities	**(665)**	(224)
Investing activities		
Business acquisitions, net of cash acquired	**(269)**	–
Acquisition of securities	**(35)**	(498)
Proceeds from sale of securities	**344**	588
Cash payments for capital assets	**(446)**	(588)
Proceeds from sale of disposal groups held for sale	**–**	424
Proceeds from sale of capital assets and assets held for sale	**8**	1
Other investing activities, net	**3**	21
Cash used in investing activities	**(395)**	(52)
Financing activities		
Proceeds from notes payable to Government of Canada (Note 17)	**1,034**	–
Repayment of loans and borrowings (Note 16)	**(3,825)**	–
Proceeds from loans and borrowings (Note 16)	**3,588**	–
Payments of lease liabilities	**(110)**	(105)
Dividend paid to non-controlling interests	**(9)**	(8)
Other financing activities, net	**(11)**	(2)
Cash provided by (used in) financing activities	**667**	(115)
Net decrease in cash and cash equivalents	**(393)**	(391)
Cash and cash equivalents, beginning of year	**802**	1,185
Effect of exchange rate changes on cash and cash equivalents	**(2)**	8
Cash and cash equivalents, end of year	**407**	802

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

Notes to Consolidated Financial Statements

December 31, 2025

1.	Incorporation, Business Activities and Directives	166
2.	Regulation of Customer Postage Rates	167
3.	Basis of Presentation and Material Accounting Policy Information	168
4.	Critical Accounting Estimates and Judgments	177
5.	Application of New and Revised International Financial Reporting Standards	183
6.	Business Combinations	185
7.	Cash and Cash Equivalents, Marketable Securities and Segregated Securities	187
8.	Capital Assets	189
9.	Employee Benefits	191
10.	Pension, Other Post-employment and Other Long-term Benefit Plans	191
11.	Income Taxes	201
12.	Goodwill	203
13.	Trade and Other Payables, Including Government Remittances	204
14.	Contingent Liabilities	204
15.	Lease Liabilities	205
16.	Loans and Borrowings	206
17.	Demand Notes Payable to the Government of Canada and Deferred Government Grant Income	207
18.	Capital Management	208
19.	Financial Instruments and Risk Management	209
20.	Commitments	214
21.	Disaggregation of Revenue	215
22.	Other Operating Costs	216
23.	Investing and Financing Income (Expense)	217
24.	Other Comprehensive Income (Loss)	217
25.	Related Party Transactions	218
26.	Segmented Information	220
27.	Events After the Reporting Period	221

1. Incorporation, Business Activities and Directives

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

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

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

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

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

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

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

2. Regulation of Customer Postage Rates

The Corporation establishes customer postage rates for Domestic Lettermail and U.S. and International Letter-post items as well as fees for certain services such as Domestic Registered Mail through regulations under the *Canada Post Corporation Act* (Act). These regulations are subject to approval by the Government of Canada, the sole shareholder and, therefore, a related party of the Corporation. The Act states that regulated postage rates must be fair and reasonable, and consistent so far as possible with providing revenue, together with any revenue from other sources, sufficient to defray costs incurred by the Corporation in the conduct of its operations under the Act. The Act permits the Corporation to offer rates that differ from regulated rates under certain circumstances, such as when the customer agrees to prepare a mailing in bulk or in a manner that facilitates its processing. Revenue from products and services charged to customers at regulated rates comprises 6% (2024 – 6%) of the Canada Post segment revenue.

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

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

On September 25, 2025, the Government of Canada announced that it is reviewing the process for stamp-rate increases to modernize and shorten it, in line with recommendations from the Industrial Inquiry Commission's report released on May 15, 2025. On November 4, 2025, Budget 2025 proposed amendments to the *Canada Post Corporation Act* (Act) to modernize and expedite the stamp-pricing process by allowing Canada Post to set postage rates. The *Budget Implementation Act, 2025*, was passed and Bill C-15 was introduced on November 18, 2025, to implement the provisions of Budget 2025.

Under the provisions of the *Canada Post Corporation Act*, the Corporation is required to provide services free of charge for certain Government of Canada mailings and for the mailing of materials for persons who are blind. The Government of Canada provides compensation to the Corporation in respect of these services (Note 25 [a]).

3. Basis of Presentation and Material Accounting Policy Information

Statement of compliance – Consolidated financial statements have been prepared in compliance with IFRS Accounting Standards as issued by the IASB (IFRS Accounting Standards) issued and effective as at the reporting date. These consolidated financial statements were approved and authorized for issue by the Board of Directors March 26, 2026.

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

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

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

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

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

Name of subsidiary	Principal activities	Country of incorporation	Place of operation	Ownership as at Dec. 31, 2024, and 2025	Date of divestiture
Purolator Holdings Ltd.[1]	Courier and parcel delivery, freight and logistics, customs brokerage and global trade consulting services	Canada	Canada, United States, Europe and Asia	91%	–
SCI Group Inc.	Logistics and transportation services	Canada	Canada	–	March 1, 2024
Innovapost Inc.	IS/IT services	Canada	Canada	–	April 15, 2024

1. Inclusive of its 100% ownership of Livingston International Inc. (Livingston). Livingston is a material subsidiary of Purolator Holdings Ltd.

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

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

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

Financial instrument	Classification	Subsequent measurement
Cash	Amortized cost	Amortized cost
Cash equivalents	Fair value through other comprehensive income	Fair value
Marketable securities	Fair value through other comprehensive income	Fair value
Segregated securities	Fair value through other comprehensive income	Fair value
Trade and other receivables and contract assets	Amortized cost	Amortized cost
Trade and other payables	Amortized cost	Amortized cost
Salaries and benefits payable	Amortized cost	Amortized cost
Loans and borrowings	Amortized cost	Amortized cost
Demand notes payable to Government of Canada	Amortized cost	Amortized cost

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

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

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash equivalents consist of investments with maturities of three months or less from the date of acquisition and are recognized at the settlement date.

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

Segregated securities are intended to be held to fund specific restricted benefit plans and consist of investments that are managed by either collecting contractual

cash flows or selling financial assets. These debt securities are recognized at the settlement date. Interest income and realized gains and losses on sale of investments are included in the employee benefit expense.

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

(b.2) Financial assets at amortized cost

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

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

(b.3) Financial liabilities at amortized cost

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

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

Demand notes payable to the Government of Canada (demand notes payable) are non-interest-bearing notes issued by the government under section 31 of the *Canada Post Corporation Act* (Act) to enable the Corporation to meet its operating and income charges that are not sufficiently covered by its available revenues. These notes are initially recognized at fair value. The fair value of a note with a

demand feature is the amount payable on demand, discounted from the first possible repayment date using the Corporation's incremental borrowing rate. The difference between the proceeds received and the initial carrying value of the note, due to the benefit of the below-market rate of interest, is recorded as deferred government grant income in the period of the note issuance and recognized over the expected period the funds are intended to compensate. After initial recognition, the notes payable are measured at amortized cost using the effective interest method. The interest expense on the notes payable is recognized to the first possible repayment date, in finance costs and other expense.

Upon receipt of the repayable cash injection, the note payable is classified as a current liability, given Canada Post does not have the right to defer settlement for at least 12 months after the reporting period, per subsection 32(1) of the Act.

All amounts placed at the disposal of the Corporation pursuant to section 31 of the Act shall be reimbursed to the Minister of Finance from the annual revenues of the Corporation in so far as such revenues are sufficient. Where the annual revenues of the Corporation are insufficient to reimburse the Minister of Finance, the Minister shall cause the amount of the insufficiency to be included, in the form of a deficit appropriation item, in the next estimates laid before Parliament thereafter.

(b.4) Fair value measurement

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

- Level 1: Fair value is based on unadjusted quoted prices in active markets for identical financial instruments.
- Level 2: Fair value is based on valuation techniques using inputs other than quoted prices included in level 1 that are observable, either directly or indirectly, including inputs and quoted prices in markets that are not considered to be active. Financial assets and liabilities are measured by discounting future cash flows, making maximum use of directly or indirectly observable market data, such as interest rates with similar terms and characteristics and yield curves and forward market prices from interest rates and credit spreads of identical or similar instruments.
- Level 3: Fair value is based on valuation techniques using unobservable market inputs requiring management's best estimate.

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

(c) Capital assets – Property, plant and equipment and intangible assets are referred to collectively as capital assets. Capital assets acquired or developed internally are initially measured at cost (at the component level, if applicable) and are subsequently measured at cost less accumulated depreciation or amortization and any accumulated impairment losses. The cost of all capital assets (at the component level, if applicable and excluding

land and assets under construction), less their estimated residual value, is amortized over the asset's estimated useful life, as described in the table below. Depreciation or amortization commences when assets are available for use.

Type of capital asset or component	Depreciation or amortization method	Depreciation or amortization period or rate
Buildings	Straight-line	10 to 65 years
Leasehold improvements	Straight-line	Shorter of lease term or the asset's economic useful life
Plant equipment	Straight-line	3 to 20 years
Vehicles:		
Passenger	Declining balance	Annual rate of 30%
Other	Straight-line	5 to 20 years
Sales counters, office furniture and equipment	Straight-line	3 to 10 years
Other equipment	Straight-line	3 to 20 years
Software, including internally generated software	Straight-line	3 to 5 years
Customer contracts and brand[1]	Straight-line	5 to 12 years

1. Some intangible assets in this class have an indefinite life and are therefore not amortized. Instead, the class is tested annually for impairment.

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

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

(e) **Revenue from contracts with customers** – Revenue is derived primarily from providing products and services represented by distinct lines of business: Parcels, Transaction Mail, Direct Marketing, Consumer Products and Services (CPNS), Customs Brokerage, and Global Trade and Transportation Solutions. Parcels include regular parcels, all expedited delivery and courier services, as well as transportation and third-party logistics services. Transaction Mail includes physical delivery of bills, invoices, notices and statements. Direct Marketing includes Canada Post Personalized Mail™, Canada Post Neighbourhood Mail™ and Publications Mail™, such as newspapers and periodicals. CPNS include mail redirection, data products, commemorative stamps, gifts and coins, financial services, and foreign currency gains and losses. Customs Brokerage is a specialized service that facilitates the legal clearance of goods across international borders. Global Trade and Transportation Solutions is the strategic coordination and management of international shipments.

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

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

Each of the distinct services, including Customs Brokerage and Global Trade and Transportation Solutions, represents a separate performance obligation when the services are capable of being distinct and separately identifiable within the context of the contract. The Group frequently provides standardized service offerings for which observable standalone selling prices exist. In such cases, the observable standalone selling prices are used to allocate the transaction price to each distinct performance obligation.

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

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

CPNS revenue is typically provided over a short period, less than one year, and recognized over time. For some retail products, revenue is recognized at a point in time.

For Customs Brokerage and Global Trade and Transportation Solutions services, the Group generally recognizes revenue at a point in time, except for certain

performance obligations within Global Trade and Transportation Solutions that are satisfied over time, based on the transfer of control to the customer.

For Customs Brokerage, performance obligations are satisfied when goods are cleared by the Canada Border Services Agency or the U.S. Customs and Border Protection, and upon completion of any ancillary services provided to the customer.

For performance obligations satisfied at a point in time, revenue is recognized upon completion of the respective service, such as delivery status, completion of claims, clearance of goods through customs, or completion of integration, training, or database setup.

For Global Trade and Transportation Solutions, performance obligations are satisfied upon shipment for export freight forwarding and barge services, upon receipt of a bill of lading for import freight services, or upon final delivery to the customer, as applicable.

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

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

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

(e.7) **Contract assets** relate to the Group's rights to consideration for mail and parcels in-transit at the reporting date and are transferred to receivables when rights become unconditional, which occurs shortly after the reporting date due to the short parcel delivery cycle. Given the short-term nature, amounts are presented as current with trade, other receivables, and contract assets.

(e.8) **Refund liabilities** include volume-based rebates expected to be refunded to the customer when an established sales volume is reached. Refund liabilities are presented as a current liability in trade and other payables, including government remittances.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) Segmented information

Operating segments – The Group manages its consolidated operations and, accordingly, determines its operating segments based on legal entities. Three reportable operating segments have been identified: Canada Post, Purolator and SCI (until the divestiture, effective March 1, 2024). The Consolidation entries and eliminations category includes the results of the support functions provided by the information technology business unit, Innovapost, under a shared services agreement between Canada Post, Purolator and Innovapost (until the divestiture, effective April 15, 2024), as well as consolidation adjustments and intersegment balance eliminations.

The Canada Post segment provides products and services in four lines of business, Transaction Mail, Parcels, Direct Marketing, and Consumer products and services. The Purolator segment derives its revenue from specialized courier services and through their ownership of Livingston, which includes Customs Brokerage and Global Trade and Transportation Solutions.

4. Critical Accounting Estimates and Judgments

The preparation of these consolidated financial statements requires management to make complex or subjective judgments, estimates and assumptions based on existing knowledge that affect reported amounts and disclosures in the consolidated financial statements and accompanying notes. Actual results may differ from judgments, estimates and assumptions. It is reasonably possible that management's reassessments of these and other estimates and assumptions in the near term, as well as actual results, could require material change in reported amounts and disclosures in the consolidated financial statements of future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if revisions affect only that period, or in the period of revision and future periods if revisions affect both current and future periods.

(a) Critical judgments in applying accounting policies – The following are critical judgments that management has made in the process of applying these accounting policies that have the most significant effect on amounts recognized in the consolidated financial statements.

(a.1) Going concern – These consolidated financial statements have been prepared on a going-concern basis in accordance with IFRS Accounting Standards, which assumes that the Corporation will continue to be in operation for the foreseeable future and will be able to realize its assets and discharge liabilities and commitments in the normal course of business.

Since 2018, the Canada Post segment has experienced cumulative losses from operations of over $6.1 billion. In July 2025, the Series 2 bonds of $500 million matured, creating significant cash flow pressure. In 2025, accumulated funds and immediately accessible lines of credit were insufficient to meet contractual repayment terms; the government cash injection of $1.034 billion was required for the Corporation to remain solvent. Recurring financial losses threaten the Corporation's ability to fulfill the objects set by the Government of Canada, which are to have regard to the need to conduct operations on a self-sustaining financial basis, while providing a standard of service that will meet the needs of the people of Canada.

The Corporation's 2026-30 Corporate Plan (Plan) was submitted to the Minister responsible for the Corporation on November 5, 2025. The Treasury Board approved the Plan's first year (2026). The following liquidity measures, included in the Corporate Plan for 2026, were considered in the going-concern assessment:

- **Government cash injections.** In accordance with section 31 of the *Canada Post Corporation Act*, Canada Post applied to continue to receive amounts required to enable it to meet its operating and income charges, which are not sufficiently covered by its expected available revenues, for the Government's fiscal year ending March 31, 2026. Repayable funding of up to $1.008 billion was approved in January 2026. Additional amounts, while not yet approved, will continue to be requested through the Government of Canada's Main and Supplementary Estimates process, in due course and as required, to ensure the Corporation remains solvent through the Government's fiscal year ending March 31, 2027.
- **Additional short-term borrowing or other measures.** Pursuant to subsection 127(3) of the *Financial Administration Act*, the Minister of Finance approved an extension of the Corporation's short-term credit facilities of $595 million for the period ending December 31, 2026. At December 31, 2025, letters of credit of $20 million were issued leaving $575 million undrawn. Additional borrowing facilities or other measures may be obtained from the Crown or otherwise, if made available.

These short-term measures will provide the Corporation sufficient liquidity for at least 12 months from the reporting date.

Building on the recommendations in the Industrial Inquiry Commission's May 2025 report, the Government of Canada instructed Canada Post on September 25, 2025, to implement the following transformational measures to stabilize the Corporation's finances and enable its modernization:

- **Adjust letter mail delivery standards**, allowing non-urgent mail to be transported by ground rather than air.
- **Convert community mailboxes**, lifting the moratorium and enabling the transition of up to 4 million addresses from door-to-door delivery.
- **Modernize postal network**, including the review and potential restructuring of rural post offices to reflect demographic and geographic changes.

- Review process for increasing stamp rates to modernize and shorten the process.

On November 7, 2025, Canada Post submitted its proposed transformation plan to the Minister of Government Transformation, Public Works and Procurement for approval. The Corporation's ability to achieve financial self-sustainability over the long term is dependent on the approval to implement these measures.

Management has concluded that there are no material uncertainties casting significant doubt on the Corporation's ability to continue as a going concern for a period of at least, but not limited to, 12 months from the reporting date. In making this assessment, management considered several critical factors: capital management strategies, available borrowing capacity, liquidity risk management and – most importantly – the receipt of repayable government funding. These evaluations require significant judgment and are subject to inherent uncertainty.

These consolidated financial statements do not include any adjustments to the carrying value of the assets and liabilities, the reported revenues and expenses or the consolidated statement of financial position classifications that might be necessary if the Corporation were unable to obtain the necessary shareholder or legislative support that would help provide financial stability. Refer to notes 2, 16, 18 and 19 (c) for additional information about the postage rate-setting process, borrowing, capital management and liquidity risk.

(a.2) **Capital and right-of-use assets** – At the reporting date, capital assets with finite useful lives and right-of-use assets are tested for impairment when indication of impairment exists. Management is required to make a judgment with respect to the existence of impairment indicators.

(a.3) **Provisions and contingent liabilities** – In determining whether a liability should be recorded in the form of a provision, management exercises judgment in assessing whether the Group has a present legal or constructive obligation as a result of a past event, whether it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and whether a reasonable estimate can be made of the amount of the obligation. Management may use experience, prior external precedents and the opinions and views of legal counsel. If management determines that the above three conditions are met, a provision is recorded for the obligation. Alternatively, a contingent liability is disclosed in the notes to the consolidated financial statements if management determines that any one of the above three conditions is not met, unless the possibility of outflow in settlement is remote.

(a.4) **Leases** – The Group uses judgment to assess at the inception of a contract, whether contracts contain a lease or a service, and whether it conveys the right to control the use of an identifiable asset for a period of time in exchange for consideration.

Where practicable, renewal or termination options are included in lease contracts for operational flexibility. At lease commencement and when significant events or changes in circumstances occur, management applies judgment to assess whether

it is reasonably certain to exercise renewal and termination options. Any change in the lease term is accounted for as a lease modification.

(a.5) Demand notes payable to the Government of Canada – Demand notes are issued by the Government of Canada to enable the Corporation to meet its operating and income charges that are not sufficiently covered by its available revenues. The demand notes are non-interest bearing.

(a.5.1) Repayment – These notes shall be reimbursed from the Corporation's annual revenues in so far as such revenues are sufficient. Under subsection 32(1) of the *Canada Post Corporation Act,* repayment terms for moneys placed at the disposal of the Corporation are contingent on measures of revenue sufficiency and are assessed from time to time by the single shareholder, the Government of Canada.

To govern the terms and conditions of the cash injection, a memorandum of understanding (MOU) was executed by the Corporation, Public Services and Procurement Canada (PSPC) and the Department of Finance Canada. Under this MOU, the government requires PSPC and the Corporation to work with Finance Canada to determine the conditions under which the cash injection is to be repaid.

The demand note would be treated as a forgivable loan from government (recorded as a government grant) when there is reasonable assurance that the Corporation will meet the terms for forgiveness of the loan.

At this time, the Corporation is currently not profitable and expects significant cash injections over the next few years. Although repayment is not anticipated at this time as per the terms of the MOU, the low likelihood of generating profits in the near term introduces uncertainty as to whether repayment will actually occur. There is a judgment required in determining if there is a reasonable assurance whether terms for forgiveness of the loan are met.

(a.5.2) Presentation – While it is understood that revenues will be insufficient to enable the Corporation to reimburse the funds in the near term, and no repayment of the funds to the Government of Canada will be required before the expiration of the MOU on December 11, 2026, the shareholder has the authority to cause immediate settlement by including in the Government's estimates, to be laid before Parliament, a deficit appropriation item. As the Corporation does not have the substantive right to defer settlement for more than 12 months, the demand notes payable are presented as a current liability on the consolidated statement of financial position. Ultimate settlement, through repayment or appropriation, or the timing thereof, is uncertain and requires judgment.

(a.6) Revenue from contracts with customers – As control transfers over time, delivery service revenue is recognized to the extent of progress toward completion of the performance obligation, and estimated using a straight-line output method based on delivery performance days to date (a key performance indicator for the transfer of services in the industry). Progress toward completion included in other revenue is estimated using time elapsed over the contract period. Retail product

and customs brokerage revenue is recognized at a point in time, as the customer takes physical possession of the product or the product clears customs.

Variable considerations in the transaction price, such as discounts or rebates, performance bonuses, refunds for sales with right of return are estimated using observed volumes, revenue, scanning or delivery performance metrics and trends. Refunds are estimated using the expected value method based on historical refunds. In determining whether each variable consideration is constrained (i.e. whether it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur), the Group considers the impact of outside factors such as labour disruptions, experience or history with uncertainties and the length of time uncertainties will remain.

(b) **Key sources of estimation uncertainty** – The following are key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the consolidated financial statements within the next 12 months.

(b.1) **Impairment of financial assets** – The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. Judgment is used in making these assumptions and selecting the inputs to the impairment calculation, based on the history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

(b.2) **Capital assets** – Capital assets are depreciated or amortized over their useful lives, based on management's best estimates of the periods of service provided by the assets. The appropriateness of useful lives and residual values are assessed annually and revised on a prospective basis.

A portion of the customer contracts and brand intangible asset class is measured at the estimated fair value of the Livingston brand. Future economic benefits were estimated using a rate of return based on the investment's inherent risk, and discounted.

The impairment test for capital assets compares the carrying value to the asset's recoverable amount, which is the higher of the asset's fair value less costs to sell and its value in use. Determining both the fair value less costs to sell and its value in use requires estimates for market value, selling costs or future cash flows related to the asset or cash-generating unit, discounted at the appropriate rate to reflect the time value of money.

(b.3) **Goodwill** – Goodwill is tested annually for impairment. The impairment test for goodwill compares the carrying value of a cash-generating unit, including the allocated goodwill, to its estimated recoverable amount. The estimated recoverable amount is determined based on projected future cash flows using internal business plans or forecasts and discounting these cash flows to reflect the time value of money.

(b.4) **Leases** – Right-of-use assets are valued using, and depreciated over, their estimated lease term. Lease terms are based on management's best estimate of whether it is reasonably certain that renewal and termination options will be

exercised in future periods. Terms are reassessed when significant events or changes in circumstances occur, and based on historical use of available options, operational requirements and strategic decisions about asset use.

The incremental borrowing rate used to discount lease payments represents management's best estimate of the rate obtained if the underlying asset within the lease contract was purchased and not leased.

(b.5) **Deferred revenue** – Deferred revenue is estimated at the end of the reporting period for mail and parcels deposited or in transit but not yet delivered, stamps distributed to dealers but not yet resold to customers, meters filled but not yet used by customers. The estimate of deferred revenue is made based on delivery service statistics as well as dealer outlet and customer actual meter usage patterns.

(b.6) **Pension, other post-employment and other long-term benefit plans** – Pension, other post-employment and other long-term benefit obligations to be settled in the future require assumptions to establish the benefit obligations. The significant actuarial assumptions used in measuring the benefit obligations and benefit costs are the discount rates, mortality tables, healthcare costs trend rates and inflation rate, which has an impact on the long-term rates of compensation increase. The Group consults with external actuaries regarding these assumptions at least annually. Changes in these key assumptions can have a significant impact on defined benefit obligations, funding requirements and pension, other post-employment and other long-term benefit costs.

For funded plans, assets are recognized only to the extent that the Group can realize future economic benefits from them. In establishing the economic benefit, the Group calculates gains resulting from a projected rate of return on assets exceeding the going-concern discount rate used for funding requirements. In addition, to establish asset limit adjustments, it is assumed that a contribution holiday is taken whenever possible and that the Group intends to use additional relief in special contributions as permitted by legislation.

Funded plans for which the Group has a unilateral right to the surplus are not subject to asset limit adjustment requirements.

(b.7) **Provisions** – In determining a reliable estimate of the obligation, management makes assumptions about the amount, likelihood and timing of outflows and considers the nature of the provision, existence of a claim amount, opinions or views of legal counsel and other advisers, experience in similar circumstances, and how management intends to settle the obligation.

(b.8) **Demand notes payable to the Government of Canada** – The non-interest-bearing notes are discounted using an incremental borrowing rate representing management's best estimate of the rate obtained if the Corporation was receiving funding for similar notes from a lending institution.

(b.9) **Income taxes** – The Group operates in many jurisdictions requiring calculations for which the ultimate tax determination is uncertain during the ordinary course of

business. Liabilities are recognized for anticipated tax exposures based on estimates of additional taxes that are likely to become due. Where the final tax outcome of these matters is different from the amount that was initially recorded, such differences will affect the income tax and deferred tax provisions in the period when such a determination is made.

Deferred tax assets and liabilities (DTAs and DTLs) comprise temporary differences between carrying values and tax bases of assets and liabilities, as well as tax losses carried forward. DTAs are recognized for deductible temporary differences, for unused tax losses and income tax reductions to the extent that their realization is probable. The timing of the reversal of temporary differences may take many years, and the related deferred tax is calculated using substantively enacted tax rates for the related period.

Future deferred income tax adjustments would not result in an immediate cash outflow, nor would they affect the Group's immediate liquidity.

5. Application of New and Revised International Financial Reporting Standards

(a) New standards, amendments and interpretations

There were no new standards, amendments or interpretations issued by the International Accounting Standards Board (IASB) or the IFRS Interpretations Committee that had a material impact on the Group in 2025.

(b) Standards, amendments and interpretations not yet in effect

The IASB issued the following amendments and standards. Early application is permitted.

Effective for annual periods beginning on or after January 1, 2026.

Standard	Subject matter and significance
IFRS 7 "Financial Instruments: Disclosures" and IFRS 9 "Financial Instruments – Amendments to the Classification and Measurement of Financial Instruments"	Amendments provide clarifications on the derecognition of a financial liability settled through electronic transfer and on the classification of financial assets with environmental, social and governance linked features, as well as assets with non-recourse features and contractually linked instruments. Specifically, the amendments permit an entity to deem a financial liability (or part of it) that will be settled in cash using an electronic payment system to be discharged before the settlement date if specified criteria are met. An entity that elects to apply the derecognition option would be required to apply it to all settlements made through the same electronic payment system. Moreover, additional disclosures are introduced for financial instruments with contingent features and equity instruments classified at fair value through other comprehensive income. **Impact:** For payments made using an electronic payment system, the Corporation will elect to derecognize financial liabilities before

Standard	Subject matter and significance
	the settlement date. This decision will have no impact on amounts reported in the consolidated financial statements.

Effective for annual periods beginning on or after January 1, 2026. The Group is not expecting any impact from the adoption of these amendments.

Standard	Subject matter and significance
IFRS 7 “Financial Instruments: Disclosures” and IFRS 9 “Financial Instruments” – Amendments regarding power purchase arrangements	Amendments enable entities to include information in their financial statements that in the IASB's view more faithfully represents contracts referencing nature-dependent electricity.
As part of IASB’s Annual Improvements to IFRS Accounting Standards – Volume 11, five amendments were issued:	
IFRS 7 “Financial Instruments: Disclosures” – Gain or Loss on Derecognition	Potential confusion in IFRS 7 arising from an obsolete reference to a paragraph that was deleted from the standard when IFRS 13 “Fair Value Measurement” was issued.
IFRS 9 “Financial Instruments” – Lessee Derecognition of Lease Liabilities	Potential lack of clarity in the application of the requirements in IFRS 9 to account for an extinguishment of a lessee’s lease liability.
IFRS 9 “Financial Instruments” – Transaction Price	Potential confusion arising from a reference in IFRS 9 to the definition of “transaction price” in IFRS 15 “Revenue from Contracts with Customers” while “transaction price” is also used in paragraphs of IFRS 9 with a meaning that is not consistent with the definition of the same term in IFRS 15.
IFRS 10 “Consolidated Financial Statements” – Determination of a “De Facto Agent”	Potential confusion arising from an inconsistency in paragraphs of IFRS 10 related to an investor determining whether another party is acting on its behalf.
IAS 7 “Statement of Cash Flows” – Cost Method	Potential confusion in applying IAS 7 arising from the use of the term “cost method” that is no longer defined in IFRS Accounting Standards.

Effective for annual periods beginning on or after January 1, 2027. The Group is assessing the impact from the adoption of these standards.

Standard	Subject matter and significance
IFRS 18 “Presentation and Disclosure in Financial Statements”	The IASB issued IFRS 18, which replaces IAS 1 “Presentation of Financial Statements.” Along with several sections being brought forward from IAS 1, IFRS 18 introduces new requirements on presentation within the statement of profit or loss, including specified totals and subtotals. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information based on the identified roles of the primary financial statements and the notes. In addition, there are consequential amendments to other accounting standards.

6. Business Combinations

On January 31, 2025, Purolator Holdings Ltd. acquired 100% of the voting shares of PE Longitude Holding Limited, PE Longitude II Limited and Longitude Holding Limited (the acquirees), which own and control Livingston International (Livingston). Headquartered in Toronto, this trade-service firm and its subsidiaries are engaged in the business of providing customs solutions, global forwarding, global trade management and vehicle transportation services, primarily in North America.

The acquirees became a wholly owned subsidiary of Purolator and operate as a standalone business led by its existing leadership team managing its day-to-day operations. The acquisition is in support of Purolator’s strategy to expand its international capabilities, enhance competitiveness and position Purolator as a Canadian-owned leader in the domestic and international freight, package and logistics market.

The business combination was accounted for using the acquisition method. Management has established the purchase price allocation by taking into account all relevant information at the time of preparing these notes to the consolidated financial statements. The purchase price allocation was finalized after the due diligence period, which ended January 31, 2026.

Details on assets acquired, liabilities assumed and goodwill recorded are as follows (in millions):

	Purchase price allocation
Assets	
Cash and cash equivalents	**40**
Trade, other receivables and contract assets	**279**
Other assets (current)	**67**
Property, plant and equipment	**26**
Right-of-use assets	**11**
Intangible assets	**596**
Pension benefit assets	**6**
Total assets	**1,025**
Liabilities	
Trade and other payables	**111**
Salaries and benefits payables	**25**
Provisions	**4**
Government remittances payable	**374**
Income tax payable	**8**
Lease liabilities	**16**
Loans and borrowings	**564**
Pension, other post-employment and other long-term benefit liabilities	**6**
Deferred tax liabilities	**96**
Other liabilities	**2**
Total liabilities	**1,206**
Identifiable net assets (liabilities) acquired	**(181)**
Goodwill (Note 12)	**500**
Purchase consideration transferred	**319**

The fair value of the receivables included in current assets approximated the gross contractual amount. The goodwill is attributable to the expected synergies from the acquisition. It will not be deductible for tax purposes.

The intangible assets of $596 million represent the estimated fair value of customer relationships identified as well as the fair value of the Livingston brand and were determined by discounting future economic benefits at a rate of return commensurate with the risk inherent in the investment.

Purolator measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable or unfavourable terms of the lease relative to market terms. Exited leases that were considered impaired were also adjusted.

Subsequent to closing, Purolator settled the assumed bank debt of $515 million and shareholder expenses of $37 million. The deferred tax liability mainly comprises the tax effect of the accelerated depreciation for tax purposes of tangible and intangible assets.

Livingston contributions

From the acquisition date, Livingston contributed the following to the 2025 results (in millions):

	2025
Revenue from operations	485
Profit before tax	39

If the combination had taken place at the beginning of the year, Livingston would have contributed the following to the 2025 results (in millions):

	2025
Revenue from operations	525
Profit before tax	1

7. Cash and Cash Equivalents, Marketable Securities and Segregated Securities

(a) Cash and cash equivalents, marketable securities and segregated securities consisted of the following (in millions):

	As at December 31, 2025		As at December 31, 2024	
	$	%	$	%
Cash and cash equivalents				
Cash	407	100%	740	92%
Money market instruments issued by				
Government of Canada	–	–	30	4%
Provincial governments	–	–	32	4%
Total cash and cash equivalents	**407**	**100%**	802	100%
Marketable securities				
Money market instruments issued by				
Government of Canada	–	–	110	38%
Provincial governments	–	–	45	16%
Financial institutions	–	–	105	36%
Corporations	–	–	10	3%
Bonds issued by corporations	–	–	20	7%
Total marketable securities	**–**	**–**	290	100%
Segregated securities				
Cash	4	1%	5	1%
Bonds issued by				
Government of Canada	67	22%	77	23%
Provincial governments	162	54%	170	51%
Corporations	68	23%	85	25%
Total segregated securities	**301**	**100%**	337	100%

As at December 31, 2025, the weighted-average effective interest rate for cash held in high interest savings was 2.9% (for money market instruments, including cash held in high interest savings – 4.2% in 2024); for segregated securities was 4.2% (2024 – 4.1%).

Securities are segregated due to external restrictions imposed on other retirement dental and life insurance benefit plans repatriated through the federal public sector pension reform. These defined benefit plans were partially funded by the transitional support from the Government of Canada; therefore, the Group is obligated to use these funds exclusively for related benefit payments. Segregated securities, if held to maturity, have terms expiring over a 17-year period.

(b) Fair values of financial instruments

The estimated fair values of cash equivalents, marketable securities and segregated securities used to measure amounts in the consolidated financial statements are classified as level 2 in the fair value hierarchy and are applied on a recurring basis. There were no transfers between the levels of the fair value hierarchy during the years ended December 31, 2025, and 2024.

8. Capital Assets

(a) **Property, plant and equipment** (in millions)

	Land	Buildings	Leasehold improvements	Plant equipment	Vehicles	Sales counters, office furniture and equipment	Other equipment	Assets under development	Total
Cost									
December 31, 2023	483	2,696	396	1,442	1,021	199	1,377	158	7,772
Additions	1	27	16	23	179	27	65	131	469
Retirements	–	(8)	(10)	(26)	(20)	(9)	(4)	–	(77)
Transfers	–	5	23	27	2	3	–	(60)	–
Reclassification	–	–	–	1	28	–	–	(9)	20
December 31, 2024	484	2,720	425	1,467	1,210	220	1,438	220	8,184
Additions	2	107	3	52	32	6	58	111	371
Acquired through business combinations (Note 6)	1	5	2	1	4	13	–	–	26
Reclassified as held for sale	(40)	(3)	–	–	–	–	–	–	(43)
Retirements	–	(5)	(6)	(33)	(18)	(19)	(163)	(6)	(250)
Transfers	–	13	6	10	34	(17)	–	(65)	(19)
December 31, 2025	**447**	**2,837**	**430**	**1,497**	**1,262**	**203**	**1,333**	**260**	**8,269**
Accumulated depreciation									
December 31, 2023	–	1,413	269	820	530	147	658	–	3,837
Depreciation	–	64	20	88	84	15	64	–	335
Retirements	–	(7)	(7)	(21)	(19)	(10)	(4)	–	(68)
Reclassification	–	–	–	1	26	–	–	–	27
December 31, 2024	–	1,470	282	888	621	152	718	–	4,131
Depreciation	–	66	23	85	98	18	64	–	354
Reclassified as held for sale	–	(3)	–	–	–	–	–	–	(3)
Retirements	–	(4)	(3)	(31)	(18)	(18)	(163)	–	(237)
December 31, 2025	**–**	**1,529**	**302**	**942**	**701**	**152**	**619**	**–**	**4,245**
Carrying amounts									
December 31, 2024	484	1,250	143	579	589	68	720	220	4,053
December 31, 2025	**447**	**1,308**	**128**	**555**	**561**	**51**	**714**	**260**	**4,024**

(b) Intangible assets (in millions)

	Software	Software under development	Customer contracts and brand[1]	Total
Cost				
December 31, 2023	974	131	16	1,121
Additions	20	32	–	52
Retirements	(226)	–	–	(226)
Transfers	114	(109)	(5)	–
Reclassification	–	9	–	9
December 31, 2024	882	63	11	956
Additions	3	59	–	62
Acquired through business combinations (Note 6)	–	–	596	596
Retirements	(161)	–	–	(161)
Transfers	86	(67)	–	19
December 31, 2025	**810**	**55**	**607**	**1,472**
Accumulated amortization				
December 31, 2023	869	–	–	869
Amortization	62	–	2	64
Retirement	(225)	–	–	(225)
December 31, 2024	706	–	2	708
Amortization	61	–	45	106
Retirement	(161)	–	–	(161)
December 31, 2025	**606**	**–**	**47**	**653**
Carrying amounts				
December 31, 2024	176	63	9	248
December 31, 2025	**204**	**55**	**560**	**819**

1. Includes Customer relationships – custom solutions, an individual material asset recorded through Purolator's acquisition of Livingston, with a net book value $453 million and a remaining amortization period of 11 years. No other individual intangible assets are material to the consolidated statement of financial position.

(c) Right-of-use assets (in millions)

	Land	Buildings – gross	Buildings – net	Vehicles	Plant equipment	Total
Carrying amounts						
December 31, 2023	118	294	861	10	2	1,285
Additions	55	69	174	–	5	303
Depreciation	(4)	(26)	(79)	(1)	(1)	(111)
Terminations	–	(10)	(10)	–	–	(20)
Impairment	–	–	(4)	–	–	(4)
Reclassification	–	–	6	(8)	–	(2)
December 31, 2024	169	327	948	1	6	1,451
Additions	1	43	169	3	2	218
Acquired through business combinations (Note 6)	–	–	11	–	–	11
Depreciation	(4)	(27)	(90)	(1)	(2)	(124)
Transfers	–	–	(1)	1	–	–
Terminations, including due to modification of lease term	(1)	(68)	(89)	–	–	(158)
December 31, 2025	**165**	**275**	**948**	**4**	**6**	**1,398**

9. Employee Benefits

The employee benefits expense recognized in net loss consisted of the following items (in millions):

	For the year ended December 31, 2025	For the year ended December 31, 2024
Active and other employee benefits	806	765
Pension, other post-employment and other long-term benefit expense (Note 10 [e])	546	591
Employee benefits	**1,352**	1,356

10. Pension, Other Post-employment and Other Long-term Benefit Plans

(a) Characteristics of benefit plans

The Group has a number of funded and unfunded benefit plans that provide defined benefit pension plans, other post-employment and other long-term benefits for the majority of its employees, and also provides pension benefits to eligible employees through defined contribution plans. Certain new employees must join the defined contribution plans and are not eligible to join the defined benefit pension plans. The pension benefit plans are funded through contributions made to external trusts;

however, the other post-employment and other long-term benefit plans are unfunded and the benefits are paid directly by the employer.

Benefits provided under the most significant defined benefit pension plans are calculated based on length of pensionable service, pensionable salary and retirement age, or for certain employees, are based on negotiated benefit rates. These plans provide for a retirement pension, a survivor's pension or a refund after termination of employment or death. Pension benefits are covered by the registered pension plans and the retirement compensation arrangements, for benefits in excess of statutory limits as defined under the *Income Tax Act*. For the salaried plans, pension benefits in pay are indexed annually.

Both the employers' and, where applicable, the employees' contributions to the external trusts are made in accordance with the provisions of the plans. The contributions to the defined benefit plans are determined by actuarial valuations in compliance with the requirements of regulatory authorities, to ensure that the external trusts have sufficient assets to pay pension benefits when employees retire. Each entity in the Group has a pension governance structure in place, which is overseen by the Board of Directors. The governance structure includes committees that provide expertise and support management in areas such as investments, administration and compensation.

The most significant post-employment defined benefit plans, other than pension, include unfunded healthcare, as well as dental, life and death insurance plans. The benefit costs covered by the employer and the costs assumed by retirees, if any, are determined in accordance with the rules of each plan and the provisions of labour contracts.

Other long-term benefit plans primarily include the top-up credits available to eligible employees while on short-term disability or injury-on-duty leave, workers' compensation benefits and health, dental and life insurance coverage for employees receiving long-term disability benefits. Under short-term disability or injury-on-duty leave, eligible employees can use their unused balances from the former sick leave plan as top-up credits to supplement eligible employees' salary while on leave. The other long-term benefit costs covered by the employer and the costs assumed by employees, if any, are determined in accordance with the rules of each plan, the provisions of labour contracts and respective provincial workers' compensation legislation.

The Corporation is subject to the *Government Employees Compensation Act* and, therefore, is not mandatorily covered under any provincial workers' compensation act. The Corporation is a self-insured employer, responsible for workers' compensation benefits incurred since incorporation. The Corporation's unfunded obligation for workers' compensation benefits is based on known awarded disability and survivor pensions and other potential future awards for accidents that occurred up to the measurement date. Workers' compensation benefits are provided according to the respective provincial workers' compensation legislation. Benefit entitlements in the three territories are based on the Alberta legislation.

(b) Risks associated with defined benefit plans

Funding risk

One of the primary risks that plan sponsors face is funding risk, which is the risk that the investment asset growth and contribution rates of the pension plans will not be sufficient to cover the pension funding obligations, resulting in unfunded liabilities. When funding deficits exist, regulations of the *Pension Benefits Standards Act*, *1985*, require that special contributions be made over specified future periods.

The most significant contributors to funding risk are declines in solvency discount rates, investments failing to achieve expected returns, and non-economic factors like changes in member demographics. Changes to member demographics, such as an increase in life expectancies of plan members, also contribute to increasing the funding obligations, which increases the funding risk faced by plan sponsors.

Funding risk is managed by monitoring and reviewing the funded ratio on an ongoing basis and ensuring that investment decisions are made in accordance with each plan's investment policies and procedures and applicable legislation. Investment policies and procedures are designed to provide the pension plans with a long-term rate of return sufficient to assist the plans in meeting funding objectives and the ongoing growth of the pension funding obligations. A Statement of Investment Policies and Procedures (SIPP), addressing the manner in which the pension plan assets will be invested, is reviewed at least annually for significant plans. For the most significant plans, asset-liability studies are conducted periodically to ensure that the pension plans' investment strategies remain appropriate in challenging economic environments.

Other risks

Plan assets are also subject to a variety of financial risks as a result of investment activities. These risks include credit risk, market risk (interest rate, currency and price risk) and liquidity risk arising from financial instruments. In addition, defined benefit obligations are subject to measurement uncertainty due to the use of significant actuarial assumptions (Note 10 [g]). The impact of these factors on the remeasurement of the pension benefit asset, and pension, other post-employment and other long-term benefit obligations can be significant and volatile (Note 10 [h]).

(c) Net defined benefit (asset) liability

A reconciliation of the net defined benefit (asset) liability of the defined benefit plans was as follows, including the present value of defined benefit plan obligations and the fair value of plan assets (in millions):

	As at December 31, 2025		As at December 31, 2024	
	Pension benefit plans	**Other benefit plans**	Pension benefit plans	Other benefit plans
Present value of benefit obligations				
Balance, beginning of year	29,770	3,283	29,033	3,174
Current service cost	449	86	452	88
Interest cost	1,285	144	1,310	145
Employee contributions	248	–	239	–
Benefits paid	(1,417)	(189)	(1,343)	(172)
Actuarial (gains) losses (Note 10 [f])	(989)	(288)	79	48
Settlements paid	(26)	–	–	–
Acquired through business combinations	31	6	–	–
Balance, end of year	29,351	3,042	29,770	3,283
Fair value of plan assets				
Balance, beginning of year	34,232	–	32,504	–
Interest income on plan assets	1,481	–	1,470	–
Return on plan assets, excluding interest income on plan assets (Note 10 [e])	162	–	1,379	–
Employee contributions	248	–	239	–
Other administration costs	(18)	–	(17)	–
Benefits paid	(1,417)	–	(1,343)	–
Settlements paid	(26)	–	–	–
Transfers	(5)	–	–	–
Acquired through business combinations	37	–	–	–
Balance, end of year	34,694	–	34,232	–
Total net (surplus) deficit	(5,343)	3,042	(4,462)	3,283
Net defined benefit (asset) liability	**(5,343)**	**3,042**	(4,462)	3,283

A reconciliation of the net defined benefit (asset) liability was as follows (in millions):

	As at December 31, 2025		As at December 31, 2024	
	Pension benefit plans	**Other benefit plans**	Pension benefit plans	Other benefit plans
Net defined benefit (asset) liability, beginning of the year	(4,462)	3,283	(3,471)	3,174
Remeasurements of defined benefit plans (Note 10 [e])	(1,151)	(291)	(1,300)	31
Benefits paid directly to beneficiaries (Note 10 [i])	–	(189)	–	(172)
Defined benefit expense (Note 10 [e])	271	233	309	250
Transfers	5	–	–	–
Acquired through business combinations (Note 6)	(6)	6	–	–
Net defined benefit (asset) liability, end of the year	**(5,343)**	**3,042**	**(4,462)**	**3,283**

The net defined benefit (asset) liability was recognized and presented in the consolidated statement of financial position as follows (in millions):

	As at December 31, 2025	As at December 31, 2024
Pension benefit assets	**5,343**	4,462
Other post-employment and other long-term benefit liabilities	3,042	3,283
Current other long-term benefit liabilities	**52**	54
Non-current pension, other post-employment and other long-term benefit liabilities	**2,990**	3,229

(d) Fair value measurement of plan assets

The fair value measurement of plan assets disaggregated by asset class and the fair value hierarchy described in Note 3 (b.4) for the Group were as follows:

As at December 31, 2025 (in millions)

	Level 1		Level 2		Level 3		Total	
	$	%	$	%	$	%	$	%
Cash and short-term securities	367	1%	277	1%	–	–%	644	2%
Fixed income	(1)	–%	13,433	38%	119	–%	13,551	38%
Equities	8,175	24%	553	2%	–	–%	8,728	26%
Real estate	–	–%	–	–%	4,660	13%	4,660	13%
Private equity	–	–%	–	–%	2,302	7%	2,302	7%
Infrastructure	–	–%	–	–%	3,321	10%	3,321	10%
Derivatives	–	–%	411	1%	–	–%	411	1%
Other	–	–%	–	–%	895	3%	895	3%
Total investment assets	**8,541**	**25%**	**14,674**	**42%**	**11,297**	**33%**	**34,512**	**100%**
Non-investment assets less liabilities							182	
Fair value of plan assets							**34,694**	

As at December 31, 2024 (in millions)

	Level 1		Level 2		Level 3		Total	
	$	%	$	%	$	%	$	%
Cash and short-term securities	235	1%	426	1%	–	–%	661	2%
Fixed income	–	–%	13,314	39%	108	–%	13,422	39%
Equities	7,532	22%	518	2%	1	–%	8,051	24%
Real estate	–	–%	–	–%	4,734	14%	4,734	14%
Private equity	–	–%	–	–%	2,313	7%	2,313	7%
Infrastructure	–	–%	–	–%	2,909	8%	2,909	8%
Derivatives	1	–%	1,225	4%	–	–%	1,226	4%
Other	–	–%	–	–%	740	2%	740	2%
Total investment assets	**7,768**	**23%**	**15,483**	**46%**	**10,805**	**31%**	**34,056**	**100%**
Non-investment assets less liabilities							176	
Fair value of plan assets							34,232	

Total plan assets included $4.581 billion (2024 – $4.519 billion) in money market instruments and bonds issued by the Government of Canada, its agencies and other Crown corporations and $130 million (2024 – $129 million) in refundable taxes held by the Canada Revenue Agency. The fair value of the refundable taxes is measured with a discounted cash flow approach using a risk-free government rate at December 31, 2025, with a duration that approximates the timing of future benefit payments. The fair value of the remainder of the non-investment assets less liabilities approximate their carrying value.

The Group's pension plans do not own financial instruments or any other assets of the Group.

(e) Defined benefit and defined contribution costs

The defined benefit and defined contribution cost components recognized in the consolidated statement of comprehensive income (loss) were as follows (in millions):

	For the year ended December 31, 2025			For the year ended December 31, 2024		
	Pension benefit plans	**Other benefit plans**	**Total**	Pension benefit plans	Other benefit plans	Total
Current service cost	449	86	535	452	88	540
Interest cost	1,285	144	1,429	1,310	145	1,455
Interest income on plan assets	(1,481)	–	(1,481)	(1,470)	–	(1,470)
Actuarial losses (Note 10 [f])[1]	–	3	3	–	17	17
Other administration costs	18	–	18	17	–	17
Defined benefit expense (Note 10 [c])	271	233	504	309	250	559
Defined contribution expense	54	–	54	45	–	45
Total expense	325	233	558	354	250	604
Return on segregated securities	–	(12)	(12)	–	(13)	(13)
Component included in employee benefits expense (Note 9)	**325**	**221**	**546**	354	237	591
Remeasurement (gains) losses:						
Return on plan assets, excluding interest income on plan assets (Note 10 [c])	(162)	–	(162)	(1,379)	–	(1,379)
Actuarial (gains) losses (Note 10 [f])	(989)	(291)	(1,280)	79	31	110
Component included in other comprehensive income (Note 10 [c])[2,3]	**(1,151)**	**(291)**	**(1,442)**	**(1,300)**	**31**	**(1,269)**

1. Remeasurements for other long-term benefit plans are recognized in net profit or loss in the period in which they arise. The discount rate used to measure the Canada Post segment other long-term benefit plans at December 31, 2025, was 4.45% (2024 – 4.39%).
2. Amounts presented in this table exclude income tax expense of $363 million for the year ended December 31, 2025 (2024 – income tax expense of $317 million).
3. The discount rates used to measure the Canada Post segment pension benefit plans and other benefit plans at December 31, 2025, were 4.98% and 5.02%, respectively (2024 – 4.71% and 4.73%, respectively).

(f) Actuarial losses (gains)

The actuarial losses (gains) components recognized in the consolidated statement of comprehensive income were as follows (in millions):

	For the year ended December 31, 2025			For the year ended December 31, 2024		
	Pension benefit plans	**Other benefit plans**	**Total**	Pension benefit plans	Other benefit plans	Total
Actuarial losses from other long-term benefit obligations included in net profit (Note 10 [e])	**–**	**3**	**3**	–	17	17
Actuarial (gains) losses on defined benefit obligations:						
Actuarial (gains) losses arising from changes in demographic assumptions	104	(74)	30	–	6	6
Actuarial (gains) losses arising from changes in financial assumptions	(930)	(213)	(1,143)	(139)	12	(127)
Actuarial (gains) losses arising from experience adjustments	(163)	(4)	(167)	218	13	231
Actuarial (gains) losses included in other comprehensive income (Note 10 [e])	**(989)**	**(291)**	**(1,280)**	**79**	**31**	**110**
Total actuarial (gains) losses (Note 10 [c])	**(989)**	**(288)**	**(1,277)**	**79**	**48**	**127**

(g) Significant actuarial assumptions

The weighted-average actuarial assumptions used in measuring the Group's significant defined benefit plans were as follows:

	As at December 31, 2025		As at December 31, 2024	
	Pension benefit plans	**Other benefit plans**	Pension benefit plans	Other benefit plans
Present value of defined benefit obligations:				
Discount rate	4.98%	5.02%	4.71%	4.73%
Consumer price index	2.00%	2.00%	2.00%	2.00%
Defined benefit expense:				
Discount rate – current service cost	4.78%	4.82%	4.63%	4.63%
Discount rate – interest cost and interest income on plan assets	4.42%	4.48%	4.62%	4.62%
Consumer price index	2.00%	2.00%	2.00%	2.00%
Healthcare cost trend rate[1]	N/A	4.79%	N/A	4.84%

1. The healthcare cost trend rates decreases progressively to a rate of 4.00% by 2040.

The average life expectancies used in the measurement of the defined benefit obligations for the significant plans were as follows:

	As at December 31, 2025	As at December 31, 2024
Life expectancy[1] at age 60 at December 31, 2025, and 2024 (in years):		
Males	26	26
Females	29	29
Life expectancy[1] at age 60 at December 31, 2045, and 2044 (in years):		
Males	28	27
Females	30	30

1. The average life expectancies are based on the Canadian Institute of Actuaries' Final Report on Canadian Pensioners Mortality (CPM), more specifically 102% (males) and 101% (females) of the rates of the CPM 2014 Private Sector Mortality Tables with the CPM improvement scale B. A study of the Canada Post Registered Pension Plan experience was conducted in 2025, the results of which show that these adjusted tables give the best agreement with past experience.

(h) Sensitivity analysis

The sensitivity analysis of the significant actuarial assumptions on the Group's defined benefit obligations was as follows (in millions):

	As at December 31, 2025			As at December 31, 2024		
	Pension benefit plans	**Other benefit plans**	**Total**	Pension benefit plans	Other benefit plans	Total
Discount rate sensitivity:						
0.5% increase in discount rate	(1,791)	(190)	(1,981)	(1,866)	(212)	(2,078)
0.5% decrease in discount rate	1,992	211	2,203	2,081	237	2,318
Consumer price index (CPI) sensitivity:						
0.25% increase in CPI	792	20	812	822	25	847
0.25% decrease in CPI	(759)	(19)	(778)	(786)	(23)	(809)
Mortality table sensitivity:						
10% increase in mortality tables	(664)	(55)	(719)	(679)	(56)	(735)
10% decrease in mortality tables	730	63	793	748	65	813
Healthcare cost trend rate sensitivity:						
1% increase in healthcare trend rates	N/A	284	284	N/A	335	335
1% decrease in healthcare trend rates	N/A	(228)	(228)	N/A	(268)	(268)

This sensitivity analysis is hypothetical and must be used with caution. Changes in amounts based on these variations in assumptions generally cannot be extrapolated because the relationship of the change in assumptions to the change in amounts may not be linear. The sensitivity analysis has been calculated independently of changes in other significant assumptions. Changes in one factor may result in changes in another, which could amplify or reduce certain sensitivities. Methods used in determining this sensitivity analysis are consistent with those used to determine the pension and other benefit plan obligations.

The mortality tables sensitivity demonstrates the impact of an increase or decrease in the probability of death within a year for plan members of various ages.

The weighted-average duration of the pension plans, other post-employment plans and other long-term employee benefit plan obligations for the Group ranges from 14 to 18, 3 to 16, and 3 to 7 years, respectively.

(i) Total cash payments and funding relief

Total cash payments for pension, other post-employment and other long-term benefits for the Group were as follows (in millions):

	For the year ended December 31, 2025	For the year ended December 31, 2024
Cash payments for defined benefit plans (Note 10 [c])	189	172
Contributions to defined contribution plans	49	45
Total cash payments	**238**	**217**

As the December 31, 2024, funded position of the Canada Post Registered Pension Plan (RPP) was positive and exceeded certain legislative thresholds, no special solvency payments were required for 2025, and Canada Post was not permitted to make employer current service contributions for 2025.

(j) Future expected contributions

In 2026, the Group's total contributions to defined benefit pension plans are estimated to be nil.

The going-concern ratio and solvency ratio (using market value of plan assets) of the Canada Post RPP are estimated to continue to exceed legislative thresholds as at December 31, 2025. As a result, Canada Post must continue to use the surplus and is not permitted to make employer current service contributions for 2026. Final actuarial valuation results may differ significantly from these estimates. The funded position and impacts on regular contributions will be reassessed at the next valuation date.

11. Income Taxes

The Corporation is a prescribed Crown corporation for tax purposes and, as such, is subject to federal income taxation under the *Income Tax Act*. The Corporation's subsidiaries are subject to federal and provincial income taxes.

The sources of the temporary differences giving rise to net deferred tax assets (liabilities), affecting net loss and other comprehensive income (OCI), were as follows (in millions):

	Dec. 31, 2024	**Recognized in net loss**	**Recognized in OCI**	**Other[1]**	**Dec. 31, 2025**
Net deferred tax assets (liabilities)					
Capital assets	(250)	(7)	–	(95)	(352)
Right-of-use assets	(223)	20	–	–	(203)
Salaries and benefits payable	24	21	–	–	45
Lease Liabilities	278	(16)	–	–	262
Pension, other post-employment and other long-term benefit liabilities	(498)	32	(363)	–	(829)
Non-capital losses carry forward	504	323	–	–	827
Other	18	13	1	(1)	31
Net deferred tax assets (liabilities)	(147)	**386**	**(362)**	**(96)**	**(219)**

1. Includes amounts related to the acquisition of a subsidiary by the Purolator segment.

	Dec. 31, 2023	Recognized in net loss	Recognized in OCI	Dec. 31, 2024
Net deferred tax assets (liabilities)				
Capital assets	(219)	(31)	–	(250)
Right-of-use assets	(197)	(26)	–	(223)
Salaries and benefits payable	23	1	–	24
Lease Liabilities	248	30	–	278
Pension, other post-employment and other long-term benefit liabilities	(306)	125	(317)	(498)
Non-capital losses carry forward	269	235	–	504
Other	13	6	(1)	18
Net deferred tax assets (liabilities)	(169)	340	(318)	(147)

As presented in the consolidated statement of financial position (in millions):

	December 31, 2025	December 31, 2024
Deferred tax assets	–	–
Deferred tax liabilities	219	147
Net deferred tax liabilities	**(219)**	(147)

While the Corporation is in a net deferred tax liability position, recognition of deferred tax assets is based on management's assessment of all available evidence, such as the reversal of existing taxable temporary differences, which suggests that realizing deferred tax assets is probable. In 2025 and 2024, management concluded that there is insufficient evidence to support recognition of certain deferred tax assets due to insufficient taxable temporary

differences expected to reverse in the same period as the expected reversal of the deductible temporary difference. A history of recurring financial losses was also considered. This assessment resulted in a reduction of our deferred tax asset (netted with deferred tax liabilities) of $250 million (2024 – $ 203 million), which represents management's best estimate of future results and the probability of future recoverability of the deferred tax assets. This does not result in an immediate cash outflow nor does it affect the Group's immediate liquidity position. The Corporation has not recognized a deferred tax asset relating to deductible temporary differences of $1.001 billion (2024 – $ 812 million).

Deferred tax liabilities were not recognized for temporary differences associated with investments in subsidiaries as the Corporation is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The aggregate amount of these temporary differences at December 31, 2025, was $1.354 billion (2024 – $1.092 billion).

The major components of tax expense (recovery) were as follows (in millions):

	For the year ended December 31, 2025	For the year ended December 31, 2024
Current tax expense	89	94
Deferred tax recovery relating to origination and reversal of temporary differences	(433)	(312)
Deferred tax expense (recovery) relating to write-down of deferred tax asset	47	(28)
Tax recovery	**(297)**	(246)

The tax expense (recovery) differed from the amount that would be computed by applying the Corporation's federal statutory income tax rate of 25% (2024 – 25%) to loss before tax. The reasons for the differences were as follows (in millions):

	For the year ended December 31, 2025	For the year ended December 31, 2024
Loss before tax	(1,392)	(665)
Federal tax at Corporation's statutory rate	(348)	(166)
Subsidiaries' provincial tax less federal tax abatement	(14)	8
Adjustments for prior years	(3)	–
Divestiture of subsidiaries	–	(45)
Deferred tax expense (recovery) relating to write-down of deferred tax asset	47	(28)
Other	21	(15)
Tax recovery	**(297)**	(246)

Purolator's acquisition of Livingston on January 31, 2025, increased the Group's operations in various international jurisdictions. The Group assessed the impact of the acquisition on its exposure to legislation enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development ("Pillar Two") and determined that no provision for Pillar Two income taxes was required.

12. Goodwill

The carrying amounts of goodwill allocated to cash generating units (CGUs) within the Purolator segment were as follows (in millions):

	Purolator CGU	**Wiliams CGU**	**Livingston CGU**	**As at Dec. 31, 2025**	As at Dec. 31, 2024
Balance, beginning of the year	121	40	–	161	161
Goodwill, acquired during the year (Note 6)	–	–	500	500	–
Balance, end of the year	**121**	**40**	**500**	**661**	161

Goodwill impairment testing

Impairment testing for goodwill is carried out annually for CGUs within the Purolator segment. The recoverable amount was estimated based on their value in use and was determined to be higher than its carrying value. No impairment was recognized in the current or prior year.

The calculation of the value in use was based on the following assumptions:

	As at December 31, 2025			As at December 31, 2024		
	Purolator CGU	Wiliams CGU	Livingston CGU[1]	Purolator CGU	Wiliams CGU	Livingston CGU
Terminal growth rate	3.0%	3.0%	3.0%	3.0%	3.0%	N/A
Pre-tax discount rate	9.8%	11.3%	10.9%	13.6%	13.5%	N/A

1. For the Livingston CGU, the recoverable amount exceeded the carrying amount by $245 million. Sensitivity analysis on key assumptions was performed and management believes that reasonably possible changes in these assumptions would not cause the carrying amount to exceed the recoverable amount for any CGU.

- Future cash flows were discounted in determining the value in use. The cash flows were based on each CGUs five-year plan, which is aligned with past experience and the way the CGU is managed. Cash flows were extrapolated in perpetuity using a growth rate, which considers growth and inflation, and reflects an acceptable percentage given the information and industry standard.
- The recoverable amount was calculated using a pre-tax discount rate, which is based on the CGU's weighted-average cost of capital.

13. Trade and Other Payables, Including Government Remittances

(in millions)

	As at December 31, 2025	As at December 31, 2024
Trade payables	428	344
Accruals and other payables	308	339
Payables to foreign postal administrations	183	107
Outstanding money orders	12	13
Taxes payable	54	27
Government remittances	244	–
Total	**1,229**	830

Market and liquidity risks relating to trade and other payables are disclosed in Note 19.

14. Contingent Liabilities

(a) In the normal course of business, the Group enters into agreements that include indemnities in favour of third parties. In addition, each member of the Group indemnifies its respective directors, officers and certain employees, either through corporate by-laws or indemnity agreements, against claims and expenses incurred by them as a result of serving as directors or officers of the Group or as directors or officers or in a similar capacity of another entity at the request of the Group.

These agreements generally do not contain specified limits on the Group's liability. Therefore, it is not possible to estimate the potential future liability from these indemnities. No amounts have been accrued in the consolidated financial statements with respect to these indemnities.

(b) The Group is involved in various other labour-related matters, claims and litigation in the normal course of business for which the outflows of resources to settle the obligations either cannot be estimated or are not probable at this time. Provisions for such claims are recorded when an obligation exists, an outflow of resources is probable, and amounts can be reasonably estimated. As the Group implements decisions related to these labour-related matters, such provisions may be adjusted in subsequent periods as it is not possible to predict final settlements. Further detailed information will not be provided as it could be prejudicial to the Group.

15. Lease Liabilities

(a) Lease liabilities (in millions)

	As at December 31, 2025	As at December 31, 2024
Maturity analysis – contractual undiscounted cash flows[1,2]		
Less than one year	166	155
One to five years	640	587
More than five years	1,694	1,619
Total undiscounted lease liabilities	**2,500**	**2,361**
Lease liabilities in the consolidated statement of financial position	**1,627**	**1,667**
Current lease liabilities	**103**	**100**
Non-current lease liabilities	**1,524**	**1,567**

1. Included in the above table are lease payments (undiscounted cash flows) to be made to related parties in the normal course of business, in the amount of $38 million for premises used in postal operations (2024 – $35 million).
2. Leases that have not yet commenced, but which have been committed as at December 31, 2025, have future cash outflows of $208 million that are excluded from the measurement of lease liabilities (December 31, 2024 – $73 million).

(b) Changes in lease liabilities arising from financing activities (in millions)

	Dec. 31, 2024	Acquired through business combinations (Note 6)	Payments	Interest	Net lease additions[1]	Dec. 31, 2025
Lease liabilities	1,667	**16**	**(170)**	**60**	**54**	**1,627**

1. Represents lease additions net of reduction of lease liability due to reassessment of lease term.

	Dec. 31, 2023	Payments	Interest	Net lease additions	Dec. 31, 2024
Lease liabilities	1,484	(154)	49	288	**1,667**

16. Loans and Borrowings

(a) Fair value measurement (in millions)

	As at December 31, 2025		As at December 31, 2024	
	Fair value[1]	Carrying value	Fair value	Carrying value
Canada Post				
Series 2 bonds maturing July 2025, interest at 4.08%, payable semi-annually on January 16 and July 16[2]	–	–	503	500
Series 1 bonds maturing July 2040, interest at 4.36%, payable semi-annually on January 16 and July 16[2]	509	499	515	498
Total – Canada Post Segment	509	499	1,018	998
Purolator[3]				
Revolving credit facility, fixed interest ranging from 4.53% to 5.45%, payable at end of term[4,5]	246	246	–	–
Promissory notes	3	3	–	–
Term loan maturing in January 2029, interest at 5.28%, quarterly repayments of 1.25% of the original balance[4]	568	568	–	–
Total – Purolator Segment	817	817	–	–
Total loans and borrowings	**1,326**	**1,316**	1,018	998
Current		**278**		500
Non-current		**1,038**		498

1. The estimated fair values disclosed for loans and borrowing are categorized as level 2 in the fair value hierarchy and are applied on a recurring basis. There were no transfers between the levels of the fair value hierarchy.
2. The Corporation has a right of redemption prior to maturity at a premium to fair value. Bonds constitute direct, unconditional and unsecured obligations of the Corporation and direct, unconditional obligations of the Government of Canada. Fair value approximates carrying value.
3. The fair value of Purolator's loans and borrowings approximates their carrying value, as the interest rates reset quarterly to reflect current market conditions.
4. Purolator entered into a four-year credit agreement consisting of a $600M non-revolving term credit facility and a $550 million revolving credit facility ($304 million undrawn). Purolator's facilities have financial covenants, as well as other financial reporting requirements. These are tested and reported to the syndicate on a quarterly basis; Purolator is in compliance with all covenants. While non-compliance could trigger a negotiated settlement and reclassification to current, a sensitivity analysis was performed and confirmed that only a significant, material, adverse event impacting the business would cause covenants to be offside. Facilities are guaranteed by Purolator's material subsidiaries and secured by a first ranking lien against all of Purolator's assets and interest in all shares of capital stock, including those of all material subsidiaries.
5. Purolator remits customs duties and goods and services tax to government agencies on the customers' behalf. Purolator primarily utilizes available cash balances and the revolving term credit facility to fund these remittances. The revolving credit facility is typically repaid in full within the same month as the associated accounts receivable are collected. In addition, Purolator utilizes the revolving term credit facility to fund capital purchases and other cash flow requirements during the year, which included costs relating to the acquisition of Livingston International in Q1 2025.

(b) Changes in loans and borrowings arising from financing activities (in millions)

	December 31, 2024	Acquired through business combinations (Note 6)	Proceeds	Repayments	Other[1]	December 31, 2025
Loans and borrowings	**998**	564	3,588	(3,825)	(9)	**1,316**

1. Includes the effect of accrued but not yet paid interest on interest-bearing loans and borrowings. The Group classifies interest paid as cash flows from operating activities.

(c) Future principal repayments (in millions)

	As at December 31, 2025	As at December 31, 2024
Maturity:		
2025	–	500
2026	278	–
2027	42	–
2028	45	–
2029	461	–
2040	500	500
	1,326	**1,000**

17. Demand Notes Payable to the Government of Canada and Deferred Government Grant Income

Change in the demand notes payable to the Government of Canada balance was as follows:

	As at Dec. 31, 2025	As at Dec. 31, 2024
Demand notes payable balance, beginning of the year	–	–
Additions (proceeds received)	1,034	–
Change in fair value[1]	(41)	–
Recognized as interest expense during the year (Note 23)	12	–
Notes payable balance, end of year	**1,005**	**–**

1. Fair value changes for the demand notes payable at initial recognition relate to the benefit deferred government grant income (below market, or interest-free loan).

Change in the deferred government grant income balance was as follows:

	As at Dec. 31, 2025	As at Dec. 31, 2024
Deferred government grant income, beginning of the year	–	–
Additions[1]	41	–
Recognized as other income during the year (Note 23)	(24)	–
Deferred government grant income, end of year[2]	**17**	**–**

1, The difference between the proceeds received and the initial carrying value of the demand notes payable, due to the benefit of the interest-free loan, is recorded as deferred government grant income in the period of the note issuance, and recognized on a systematic basis to other income over the expected period the funds are intended to compensate.

2. Included in deferred revenue as presented in the consolidated statement of financial position.

18. Capital Management

Total outstanding loans and borrowings for the Group were $1.316 billion at December 31, 2025 (2024 – $998 million). The equity of Canada was in a surplus position of $4.974 billion at December 31, 2025 (2024 – $5.009 billion). Operating losses for 2025 were mostly offset by remeasurement gains of defined benefit plans, recognized in other comprehensive income and included immediately in retained earnings.

Canada Post segment

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

The Corporation views capital as the sum of loans and borrowings and equity of Canada. This definition of capital is used by management and may not be comparable to measures presented by other postal organizations or public companies.

The Corporation's objectives in managing capital are as follows:

- Provide sufficient liquidity to support and repay its financial obligations and support its operating and strategic plans.
- Safeguard the Corporation's ability to continue as a going concern.
- Maintain financial capacity and access to credit facilities to support future development of the business.

These objectives and their related strategies are reviewed and approved each year by the Board of Directors through the annual Corporate Plan, which is then forwarded for Treasury Board approval. The first year of the Corporation's 2026-30 Corporate Plan was approved by the Treasury Board.

Pursuant to the *Financial Administration Act*, Part X, the Corporation must indicate its intention to borrow money in the annual Corporate Plan, or in an amendment thereto, both of which are subject to the approval of the Corporation's Board of Directors and the Treasury Board. In addition, the detailed terms and conditions of any specific borrowing transaction must be approved by the Minister of Finance.

The Corporation's borrowing limit, other than from the Crown, is authorized pursuant to *Appropriation Act No. 4, 2009-10*, for an aggregate outstanding amount not exceeding $2.5 billion, in accordance with the terms and conditions approved by the Minister of Finance. Lease liabilities are not considered toward this limit. The *Canada Post Corporation Act* provides a maximum borrowing limit of $500 million from the Government of Canada's Consolidated Revenue Fund (with the approval of the Governor in Council and the Minister of Finance) and for the establishment of a share capital structure, giving the Corporation the ability to raise funds through the issuance of shares to the Government of Canada and to the Corporation's

employees. No such shares have been issued. The Corporation is not subject to any externally imposed capital requirements.

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

Purolator segment

Purolator's objectives when managing capital are to maintain a capital structure that supports growth and provides financial flexibility to pursue strategic plans, while also ensuring that capital is managed in a way that balances the interests of stakeholders. Purolator manages its capital structure and adjusts it due to changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, Purolator may adjust the amount of dividends paid to shareholders, issue new shares, issue new debt, and issue new debt to replace existing debt with different characteristics. Purolator is not subject to any externally imposed capital requirements. Purolator's compliance to debt covenants are included in Note 16.

In the management of capital, Purolator includes equity, working capital, loans and borrowings, and lease obligations in the definition of capital. Borrowing and capital management objectives and their related strategies are reviewed and approved each year by the Board of Directors through the annual Corporate Plan. Purolator's 2026-30 Corporate Plan was approved on November 13, 2025.

19. Financial Instruments and Risk Management

Financial risk factors

The Group's financial instruments are exposed to a variety of financial risks: market risk (including interest rate risk, foreign exchange risk and commodity risk), credit risk and liquidity risk. Risk management for investment activities is carried out by the Corporate Treasury function under policies approved by the Board of Directors. Investments are held for liquidity purposes, or for longer terms, to achieve the highest possible rate of return, consistent with the investment policies approved by the Board of Directors. The Group has various other financial instruments, such as trade and other receivables, trade and other payables, and salaries payable, which arise directly from operations. The Group enters into derivative contracts to manage certain risks in accordance with its risk management policy. Derivatives are never purchased for speculative purposes.

Risk management strategies are likely to evolve in response to future conditions and circumstances, and changes in the economic environment. These future strategies may not fully insulate the Group in the near term from adverse effects, the more significant of which relate to liquidity and capital resources as well as exposure to credit losses.

(a) Market risk

Market risk is the potential for loss that may arise from changes in external market factors, such as interest rates, foreign exchange rates and commodity prices.

(a.1) Interest rate risk – Substantially all investments are fixed-rate debt securities; therefore, they are exposed to a risk of change in their fair value for changes in interest rates. The risk is managed by either maintaining a short term to maturity or, in the case of segregated securities, extending terms to maturity to better match certain long-term post-employment liabilities to which they are externally restricted. The average duration in the segregated securities portfolio was 10 years as at December 31, 2025 (2024 – 10 years).

The Group's interest rate risk primarily relates to Purolator's revolving credit facility and term credit facility, which are subject to interest rate benchmarks that fluctuate such as prime rate, Canadian overnight repo rate average, bankers' acceptance rates and other applicable interest rate benchmarks. Derivatives are not used to mitigate this risk.

The Group has performed a sensitivity analysis on interest rate risk using a 1% increase or decrease, which represents management's assessment of a reasonably possible change in interest rates given the nature and term to maturity of the outstanding investments. An increase or decrease of 1% in market interest rates, with all other variables held constant, would decrease or increase the value of the segregated securities and other comprehensive income by $30 million at December 31, 2025 (2024 – $33 million). Such change in value would be partially offset by the change in value of certain post-employment benefit liabilities. For the Corporation, loans and borrowings have fixed interest rates with prepayment terms at a premium to fair value whereas for the Purolator segment, rates are variable.

(a.2) Foreign exchange risk – Exposure to foreign exchange risk in the Canada Post segment arises mainly from international settlements with foreign postal administrations and the redemption of money orders denominated in foreign currencies. The Corporation's obligation to settle with foreign postal administrations is denominated in special drawing rights (SDRs), a basket of currencies comprising the U.S. dollar (US$), euro (€), British pound (£), Japanese yen (JP¥) and Chinese renminbi (CN¥), whereas payment is usually denominated in US$.

The Canada Post segment has an economic hedge program to mitigate its exposure to foreign exchange balances and forecasted sales denominated in SDRs. The mark-to-market adjustment on outstanding forward contracts held at December 31, 2025, and 2024, was not significant.

For the Purolator segment, foreign exchange risk arises from the consolidation of subsidiaries with a foreign functional currency as well as settling foreign denominated liabilities and receipt of foreign denominated assets.

Foreign exchange and derivative gains (losses) recognized for the years ended December 31, 2025, and 2024, were not significant. The effect on the remaining foreign exchange exposure of a 10% increase or decrease in prevailing exchange rates at December 31, 2025, all other variables held constant, would have been an increase or decrease in net loss for the year by $26 million (2024 – $19 million). This amount excludes foreign exchange risk arising from the translation of the subsidiaries with a functional currency other than the Canadian dollar, which affects other comprehensive income (loss), and relates to net investment in these operations, as such translation is not considered a financial instrument.

(a.3) Commodity risk – The Group is inherently exposed to fuel-price increases. It partially mitigates this risk through the use of a fuel-price surcharge on some of its products. This is an industry-accepted practice and long-standing technique in mitigating risk and, as a result, does not require derivative instruments to manage the remaining exposure to commodity risk.

(b) Credit risk

Credit risk refers to the risk that a counterparty to a financial instrument will default on its contractual obligations, resulting in financial loss to the Group. Credit risk arises from investments in corporations and financial institutions, as well as credit exposures to wholesale and commercial customers, including outstanding receivables. Sales to consumers are settled in cash or using major credit cards.

The carrying amount of financial assets recorded in the consolidated financial statements, which are presented net of expected credit losses, represents the Group's maximum exposure to credit risk. The Group does not believe that it is subject to any significant concentration of credit risk.

(b.1) Cash equivalents, marketable securities and segregated securities – Credit risk arising from investments in cash equivalents, marketable securities and segregated securities is mitigated by investing with issuers that meet specific criteria and imposing dollar limits by financial product type and debt issuer. Investments in financial institutions and corporations must be investment grade ratings with minimum ratings from two external rating agencies that are equivalent to Dominion Bond Rating Service (DBRS) ratings of R-1 (middle) for short-term investments and A for long-term investments. The Group regularly reviews the credit ratings of issuers with which the Group holds investments and disposes of investments within a specified time period when the issuer's credit rating declines below acceptable levels.

We assessed our estimate of the 12-month expected credit loss on certain marketable securities and segregated asset investments for investment categories with maturities greater than 12 months in 2025. There were no significant allowance and no impairment loss on investments recognized during the year and or held at year's end (2024 – nil).

The following table shows the credit risk concentration by credit risk rate grades of debt securities held as cash equivalents, marketable securities and segregated securities (in millions):

	For the year ended December 31, 2025			For the year ended December 31, 2024		
	R-1 (high)[1] / AAA[4]	**R-1 (middle)[2] / AA[5]**	**R-1 (low)[3] / A[6]**	R-1 (high) / AAA	R-1 (middle) / AA	R-1 (low) / A
Cash equivalents	**–**	**–**	**–**	30	32	–
Marketable securities	**–**	**–**	**–**	245	45	–
Segregated securities	**124**	**87**	**90**	149	95	93
12-month expected credit loss rate	**0.00%**	**0.29%**	**0.29%**	0.00%	0.29%	0.29%

The DBRS credit risk rate grades applicable to cash equivalents and marketable securities are considered investment grade and are defined as follows:

1. R-1 (high): Highest credit quality. The capacity for the payment (by the debtor) of short-term financial obligations as they fall due is exceptionally high. Unlikely to be adversely affected by future events.
2. R-1 (middle): Superior credit quality. The capacity for the payment (by the debtor) of short-term financial obligations as they fall due is very high. It differs from R-1 (high) by a relatively modest degree. Unlikely to be significantly vulnerable to future events.
3. R-1 (low): Good credit quality. The capacity for the payment (by the debtor) of short-term financial obligations as they fall due is substantial. Overall strength is not as favourable as higher rating categories. May be vulnerable to future events, but qualifying negative factors are considered manageable.

The DBRS credit risk rate grades applicable to segregated securities are considered investment grade and are defined as follows:

4. AAA: The loan portfolio (of debt securities) is the highest credit quality.
5. AA: The loan portfolio (of debt securities) is superior credit quality.
6. A: The loan portfolio (of debt securities) is good credit quality.

The gross carrying amount of the debt securities approximates their net carrying amount due to the low expected credit loss rate.

(b.2) Trade and other receivables – Credit risk associated with trade receivables from wholesale and commercial customers is mitigated by the Group's large customer base, which covers substantially all business sectors in Canada. The Group follows a program of individual customer credit evaluation based on financial strength and payment history and limits the amount of credit. The Group monitors customer accounts against these credit limits and the aging of past-due invoices.

Credit risk attributable to receivables from foreign postal administrations, other than the United States Postal Service (USPS), is generally mitigated by corresponding trade payables to each foreign postal administration, under the provisions of the Universal Postal Union. Amounts receivable from and payable to the USPS are settled independently under the bilateral agreement between the Corporation and the USPS. Estimates of receivables and payables, including monthly provisional payments, are based on statistics for weights and number of pieces exchanged by Canada and the United States. Final settlement with each foreign postal administration can be billed a year or more after the service is performed.

The age of receivables and the allowance for doubtful accounts for trade and other receivables were as follows (in millions):

	As at December 31, 2025	As at December 31, 2024
Trade receivables:		
Current	771	528
1-15 days past due	123	93
16-30 days past due	39	46
Over 30 days past due	154	74
Allowance for doubtful accounts	(32)	(16)
Trade receivables – net	1,055	725
Trade receivables from foreign postal administrations	220	170
Other receivables	55	5
Trade and other receivables	**1,330**	900

A weighted average expected loss rate ranged from 0.1% to 2.4% (2024 – 0.1% to 3.1%), based on historical write-offs, is applied to current and past due amounts and trade receivables aging is monitored to identify potential credit deterioration.

(c) Liquidity risk

Liquidity risk is the risk that a company will not be able to meet its financial obligations as they fall due. Liquidity risk is managed by maintaining adequate cash reserves, banking facilities and reserve-borrowing facilities, by monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities. Surplus cash is invested in a range of short-term money market securities. Investments are in high-credit quality government or corporate securities, in accordance with policies approved by the Board of Directors. Refer to Note 4 (a.1) for management's conclusion on the Corporation's ability to continue as a going concern.

(c.1) Net liquidity position

The Canada Post segment had $318 million of unrestricted liquid investments on hand as at December 31, 2025, for a net liquidity position of negative $1.215 billion (2024 – negative $180 million), after outstanding loans and borrowings (including repayable government funding) of $1.533 billion (2024 – $998 million). The Corporation's cash resources have been depleted significantly since 2018 due to operating losses and costs associated with expanding capacity and maintaining the network. A debt of $500 million maturing in July 2025 created significant cash flow pressure. Repayable Government cash injections were required in 2025 to remain solvent.

(c.2) Credit and financing facilities

Canada Post entered into credit agreements with financial institutions for short-term facilities totalling $595 million (December 31, 2024 – $47 million). At December 31, 2025, letters of credit of $20 million (December 31, 2024 – $19 million) were issued. As at December 31, 2025, Purolator had access to a revolving credit facility of $550 million (2024 – $5 million) of which $246 million (2024 – nil)

was drawn at year's end and a term credit facility of $600 million (2024 – nil), of which $578 million (2024 – nil) was drawn at year's end. Purolator also had letters of credit issued in the amount of $11 million (2024 – $4 million). Additional information regarding the Group's loans and borrowings is disclosed in Note 16.

(c.3) Contractual maturities for financial liabilities

The following table details contractual maturities for financial liabilities, except for leases, which are presented in Note 15. The amounts represent undiscounted cash flows of financial liabilities based on the earliest required payment date. The table includes principal and interest cash flows:

As at December 31, 2025 (in millions)

	Entity	Less than one year	Later than one year and not later than five years	Later than five years	Total
Non-interest bearing[1]	Group	1,529	–	–	1,529
Bonds, Series 1	Canada Post	22	87	718	827
Demand notes payable to the Government of Canada[2]	Canada Post	1,034	–	–	1,034
Revolving credit facility	Purolator	246	–	–	246
Term loan	Purolator	57	599	–	656
Promissory notes	Purolator	2	1	–	3
Total		**2,890**	**687**	**718**	**4,295**

As at December 31, 2024 (in millions)

	Entity	Less than one year	Later than one year and not later than five years	Later than five years	Total
Non-interest bearing[1]	Group	1,193	–	–	1,193
Bonds, Series 1	Canada Post	22	87	740	849
Bonds, Series 2	Canada Post	520	–	–	520
Total		1,735	87	740	2,562

1. Non-interest bearing consists of financial liabilities included in trade and other payables, and salaries and benefits payable.
2. Refer to Note 4 (a.5.1) for repayment terms.

20. Commitments

In the normal course of business, the Group enters into contractual arrangements for the supply of goods and services over periods sometimes extending beyond one year. These contractual arrangements typically contain termination rights which allow the Group to terminate contracts without penalty at its discretion. Disbursements largely depend on future volume-related requirements and consumption. The most significant arrangements relate to contracted transportation and IT services, operating, facility and property management costs, and contracts for the purchase of vehicles.

At December 31, 2025, contractual arrangements with third-party suppliers that contain non-cancellable arrangements or a commitment or fee for the ability to terminate for convenience approximated $476 million (2024 – $248 million), for contracts in effect until 2045.

21. Disaggregation of Revenue

(a) Geographic area revenue information

Revenue reported is, for the Corporation, based on the location of the foreign postal administration or the customer hiring the service, and based on the product group (determined by destination) for the Purolator segment. Individual foreign countries that are sources of material revenue are reported separately. The Group has no significant assets located outside of Canada. All intersegment revenue is domestic; therefore, revenue for geographic areas is reported net of intersegment revenue (in millions):

	For the year ended December 31, 2025	For the year ended December 31, 2024
Canada	8,678	8,588
United States	353	190
Rest of the world	183	126
Total revenue	**9,214**	8,904

(b) Products and services revenue information

Revenue reported for products and services is based on information available at the time of sale, such that stamps and meter revenues are reported separately, rather than being attributed to the lines of business (in millions):

	For the year ended December 31, 2025			For the year ended December 31, 2024		
	Total revenue	**Intersegment and consolidation**	**Revenue from external customers**	Total revenue	Intersegment and consolidation	Revenue from external customers
Revenue attributed to products and services						
Parcels	4,882	(17)	4,865	5,618	(53)	5,565
Transaction Mail	2,144	(1)	2,143	1,616	–	1,616
Direct Marketing	885	–	885	930	–	930
Consumer products and services	222	–	222	214	–	214
Customs brokerage	302	(2)	300	–	–	–
Global Trade and Transportation Solutions	184	–	184	–	–	–
	8,619	**(20)**	**8,599**	8,378	(53)	8,325
Unattributed revenue						
Stamp postage	237	–	237	248	–	248
Meter postage	378	–	378	331	–	331
	615	**–**	**615**	579	–	579
IT services[1]	**–**	**–**	**–**	103	(103)	–
Total	**9,234**	**(20)**	**9,214**	9,060	(156)	8,904

1. IT services provided by Innovapost were consolidated through April 15, 2024, the date of divestiture when control was transferred to the acquirer.

(c) Sales channel revenue information

Sales channel revenue is reported for domestic revenue from commercial customers and for domestic retail from sales to consumers. International revenue includes revenue from the United States and the rest of the world as defined in Note 21 (a). Through April 15, 2024, the date of divestiture, revenue earned by Innovapost, the information technology (IT) business unit, was eliminated on consolidation (in millions):

	For the year ended December 31, 2025			For the year ended December 31, 2024		
	Total revenue	**Intersegment and consolidation**	**Revenue from external customers**	Total revenue	Intersegment and consolidation	Revenue from external customers
Domestic						
Commercial	6,260	(20)	6,240	6,354	(53)	6,301
Retail	2,438	–	2,438	2,287	–	2,287
	8,698	**(20)**	**8,678**	8,641	(53)	8,588
International	**536**	**–**	**536**	316	–	316
IT services	–	–	**–**	103	(103)	–
Total	**9,234**	**(20)**	**9,214**	**9,060**	**(156)**	**8,904**

22. Other Operating Costs

(in millions)

	For the year ended December 31, 2025	For the year ended December 31, 2024
Non-labour collection, processing and delivery	2,011	2,025
Property, facilities and maintenance	337	339
Selling, administrative and IT	788	673
Non-capital investment expense	188	224
Other operating costs	**3,324**	3,261

23. Investing and Financing Income (Expense)

(in millions)

	For the year ended December 31, 2025	For the year ended December 31, 2024
Gain on sale of disposal groups held for sale	**–**	346
Interest income	26	77
Gain on sale of capital assets	7	–
Other income[1]	28	2
Investment and other income	**61**	79
Interest expense[2]	(147)	(93)
Other expense	(9)	(10)
Finance costs and other expense	**(156)**	(103)
Investing and financing income (expense), net	**(95)**	322

1. For 2025, includes government grant income resulting from the benefit of the interest-free loan on the demand notes payable to the Government of Canada (Note 17)
2. For 2025, includes imputed non-cash interest expense from interest-free loan from Government of Canada (Note 17)

24. Other Comprehensive Income (Loss)

(in millions)

	Items that may subsequently be reclassified to net profit (loss)			Item never reclassified to net profit (loss)	
	Change in unrealized fair value of financial assets	Cumulative foreign currency adjustment	Accumulated other comprehensive income (loss)	Remeasurements of defined benefit plans	Other comprehensive income (loss)
Accumulated balance as at December 31, 2023	–	4	4		
Gains (losses) arising	–	2	2	1,269	1,271
Income taxes	(1)	–	(1)	(317)	(318)
Net	(1)	2	1	952	953
Accumulated balance as at December 31, 2024	(1)	6	5		
Gains (losses) arising	(5)	5	–	1,442	1,442
Income taxes	1	–	1	(363)	(362)
Net	**(4)**	**5**	**1**	**1,079**	**1,080**
Accumulated balance as at December 31, 2025	**(5)**	**11**	**6**		

25. Related Party Transactions

The Corporation is wholly owned by the Government of Canada and is under common control with other government agencies and departments, and Crown corporations. The Group had the following transactions with related parties in addition to those disclosed elsewhere in these consolidated financial statements:

(a) Government of Canada, its agencies and other Crown corporations (in millions)

	For the year ended December 31, 2025	For the year ended December 31, 2024
Related party revenue	**404**	313
Compensation payments for programs		
Government mail and mailing of materials for persons who are blind	**22**	22
Payments from related parties for premises leased from the Corporation	**7**	6
Related party expenditures	**16**	12

The majority of the related party revenue was for commercial contracts relating to postal services with the Government of Canada. As well, compensation was provided by the Government of Canada for parliamentary mail services and mailing of materials for persons who are blind sent free of postage (Note 2) (in millions):

	As at December 31, 2025	As at December 31, 2024
Due to/from related parties		
Included in trade and other receivables	**20**	17
Included in trade and other payables, including government remittances	**26**	9
Deferred revenue from related parties	**10**	1

For related party lease information, refer to Note 15 (a).

(b) Key management personnel compensation

Key management personnel (KMP) are defined as the Board of Directors and members of the senior executive teams responsible for planning, controlling and directing the activities of the Group.

The remuneration of the KMP was as follows (in millions):

	For the year ended December 31, 2025	For the year ended December 31, 2024
Short-term employee benefits	**16**	15
Post-employment benefits	**1**	1
Total compensation	**17**	16

Compensation relating to the Board of Directors included in this table was $0.8 million (2024 – $0.8 million). In addition to the amounts in the table, KMP remuneration relating

to one-time termination benefits of $2.1 million was incurred in 2025 (2024 – nil). There were no transactions with KMP other than compensation.

(c) Transactions with entities in which the KMP of the Canada Post Group of Companies has control or joint control

In the normal course of business, the Group may interact with companies whose financial and operating policies are solely or jointly governed by the KMP of the Group. Affected KMP are required to recuse themselves from all discussions and decisions relating to transactions between the companies. The only significant transactions for the year ended December 31, 2025, were between Purolator and a company controlled by one of the Group's KMP, who is a director and also a minority shareholder of Purolator. This company provided air services to Purolator in the amount of $7 million (2024 – $14 million). These transactions had been made at prices and terms comparable to those given to other suppliers of Purolator.

(d) Transactions with the Corporation's pension plans

During the year, the Corporation provided administration services to the Canada Post Corporation Registered Pension Plan in the amount of $19 million (2024 – $20 million). As at December 31, 2025, $6 million (2024 – $7 million) relating to transactions with the Registered Pension Plan was outstanding and included in trade and other receivables. Cash payments, including contributions to the defined benefit plans and defined contribution plans, are disclosed in Note 10 (i).

26. Segmented Information

Operating segments – The accounting policies of the operating segments are the same as those of the Group. Intersegment transactions have terms and conditions comparable to those offered in the marketplace. The results of consolidation entries, intersegment balance eliminations and the support functions provided by the information technology business unit, under a shared services agreement between Canada Post, Purolator and Innovapost (in effect until April 15, 2024) are presented separately below under Consolidation entries and eliminations. On a consolidated basis, no external customer's purchases account for more than 10% of total revenue.

For the year ended December 31, 2025, the IT business unit earned intersegment revenue of nil (2024 – $103 million) and incurred cost of operations of nil (2024 – $103 million).

For the year ended and as at December 31, 2025 (in millions)

	Canada Post	Purolator[1]	Consolidation entries and eliminations[2]	Total
Revenue from external customers	5,807	3,407	–	9,214
Intersegment revenue	20	–	(20)	–
Revenue from operations	5,827	3,407	(20)	9,214
Labour and employee benefits	5,023	1,580	–	6,603
Other operating costs	2,063	1,281	(20)	3,324
Depreciation and amortization	362	222	–	584
Cost of operations	7,448	3,083	(20)	10,511
Profit (loss) from operations	(1,621)	324	–	(1,297)
Investment and other income	135	5	(79)	61
Finance costs and other expense	(83)	(73)	–	(156)
Profit (loss) before tax	(1,569)	256	(79)	(1,392)
Tax (recovery) expense	(365)	68	–	(297)
Net profit (loss)	(1,204)	188	(79)	(1,095)
Total assets	10,632	4,189	(247)	14,574
Cash payments for capital assets	155	291	–	446
Total liabilities	7,032	2,478	(12)	9,498

1. Results for Livingston were consolidated in the Purolator segment from the acquisition date of January 31, 2025.
2. Intercompany dividends are eliminated on consolidation.

For the year ended and as at December 31, 2024 (in millions)

	Canada Post	Purolator	SCI[1]	Consolidation entries and eliminations[2, 3]	Total
Revenue from external customers	6,111	2,740	53	–	8,904
Intersegment revenue	31	16	6	(53)	–
Revenue from operations	6,142	2,756	59	(53)	8,904
Labour and employee benefits	4,820	1,233	27	40	6,120
Other operating costs	2,238	1,098	22	(97)	3,261
Depreciation and amortization	371	138	9	(8)	510
Cost of operations	7,429	2,469	58	(65)	9,891
Profit (loss) from operations	(1,287)	287	1	12	(987)
Investment and other income	527	28	–	(130)	425
Finance costs and other expense	(81)	(21)	(1)	–	(103)
Profit (loss) before tax	(841)	294	–	(118)	(665)
Tax expense (recovery)	(349)	74	–	29	(246)
Net profit (loss)	(492)	220	–	(147)	(419)
Total assets	10,473	2,656	–	(223)	12,906
Cash payments for capital assets	283	302	–	3	588
Total liabilities	6,646	1,148	–	12	7,806

1. Results for SCI were consolidated through March 1, 2024, the date of divestiture when control was transferred to the acquirer.
2. Results for Innovapost were consolidated through April 15, 2024, the date of divestiture when control was transferred to the acquirer.
3. Intercompany dividends are eliminated on consolidation.

27. Events After the Reporting Period

Government funding

In accordance with section 31 of the *Canada Post Corporation Act*, Canada Post's application to access an additional $1.008 billion to enable it to meet its operating and income charges, which are not sufficiently covered by its expected available revenues through March 31, 2026, was approved on January 30, 2026. Refer to Note 4 (a.1) for how the status of funding impacts the Corporation's going concern assessment.

Buy Canadian Procurement Policy Framework

In January 2026, the Corporation was issued a directive pursuant to section 89 of the *Financial Administration Act* to align its policies, guidelines and practices with the Buy Canadian Procurement Policy Framework and the policy instruments issued under section 6 of that framework, as amended from time to time, in a manner that is consistent with the Corporation's mandate; and to report on the implementation of this directive in its 2027-31 Corporate Plan. The Corporation is assessing the impact of this directive.

CANADA POST
2701 RIVERSIDE DR SUITE N1200
OTTAWA ON K1A 0B1

General inquiries: 1-866-607-6301

For more information, visit the **Canada Post website**.

Read the full 2025 Annual Report at **canadapost.ca/annual_report**.

™Trademark of Canada Post Corporation.

All trademarks are the property of their respective owners.

Ce rapport est aussi publié en français.

canadapost.ca

Canada

CANADA POST POSTES CANADA