



Canada Post 2021 Sustainability Report

Task Force on Climate-related Financial Disclosures

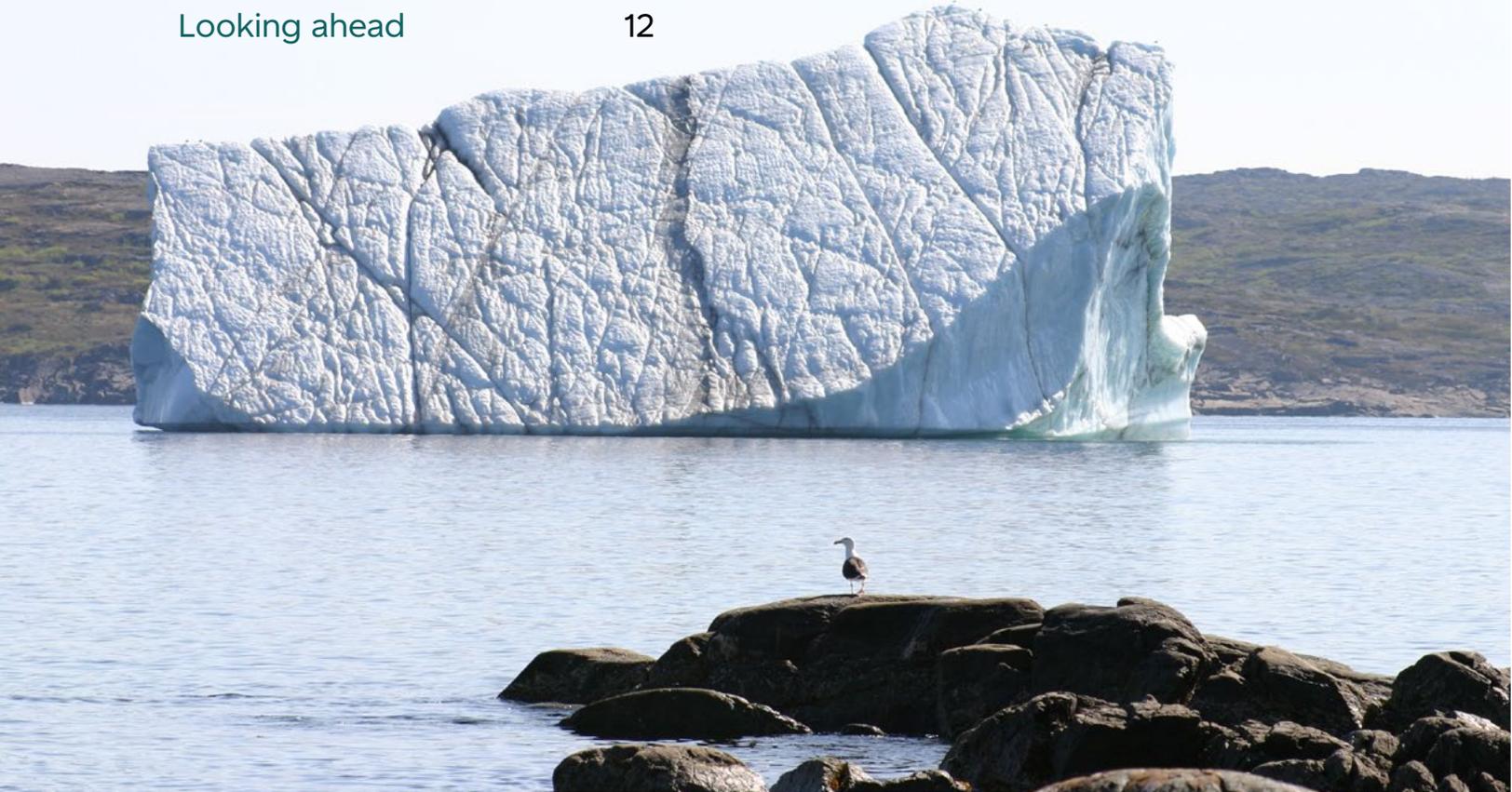


“Decisive corporate action and robust targets are needed in the global fight against climate change. In 2021, we announced our long-term ambition to reach net-zero emissions by 2050 and our near-term science-based target for 2030. Work is also under way to engage our top suppliers, along with our subsidiaries Purolator and SCI, in adopting science-based targets by 2025.”

Cheryl Hodder, Chief Sustainability and Legal Officer, Canada Post

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Introduction

Our wider responsibility to Canadians includes the need to address the serious risks that climate change poses to Canada's environment, people and businesses – including ours. We can help protect the environment for future generations by demonstrating leadership and continuing to reduce our environmental footprint. Our impact is considerable. To fulfill our mandate and provide all Canadians with essential mail and parcel services, we operate the largest delivery network in Canada and one of the country's largest fleet of vehicles.

In support of Canada's transition to a low-carbon economy, we have committed to net-zero greenhouse gas (GHG) emissions in our operations by 2050. Achieving net-zero emissions means reducing emissions associated with our operations as much as possible and offsetting the remainder.

We recognize the important work of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) to establish a framework for companies to develop voluntary and consistent climate-related disclosures. In its 2022 federal budget plan, the Government of Canada announced a requirement for Crown corporations to report on their climate-related financial risks, in alignment with the TCFD, starting in 2024.

These new reporting standards aim to raise awareness of the importance of tracking, managing and disclosing material climate-related risks and opportunities in a consistent and comparable way. Canada Post strongly believes organizations have a duty to disclose results achieved and forward-looking information across the four themes identified in the TCFD framework of governance, strategy, risk management, and metrics and targets. This report is Canada Post's first standalone climate-related disclosure on the four themes of the TCFD.

Governance

Board of Directors

Canada Post's Board of Directors has oversight for the company's environmental, social and governance (ESG) initiatives via the Board's ESG Committee. The Committee focuses on corporate governance and oversees policies, programs, practices, procedures and performance related to corporate sustainability, including climate issues. Climate-related risks are reviewed as part of the Board's semi-annual review of the Corporation's Enterprise Risk Management Risk Register. The ESG Committee's membership consists of the Chair of the Board of Directors and four directors. The ESG Committee met four times in 2021, with sustainability and climate-related issues on the agenda at all meetings.

Leadership

Canada Post's Chief Sustainability and Legal Officer has overall responsibility for the ESG Strategy and initiatives as well as the assessment and management of sustainability risks and opportunities, including those related to climate. The Corporation has processes in place to assess and manage sustainability risk, opportunities, programs and investments.

The Corporate Sustainability and Environmental Policy team reports to the Chief Sustainability and Legal Officer and oversees how we prioritize and align sustainability issues across the company. The team reports regularly on performance to Canada Post's Management Executive Committee and the Board of Directors.

Canada Post's ESG Steering Committee is a cross-functional group of executives responsible for the implementation of the ESG Strategy at Canada Post. The Committee works to align our ESG strategies, investments, goals and timelines, and reviews recommendations from a number of advisory and technical teams, including Canada Post's Corporate Sustainability and Environmental Policy team.

Stakeholder consultation

We consult with key stakeholders for their perspectives on ESG issues. We engage in ongoing dialogue through working groups, joint committees and external advisory panels, including the external Accessibility Advisory Panel. Senior management also receives advice and feedback from stakeholders through ongoing consultations, from our unions through collaboration and our joint committees, and from external experts, including non-profit organizations.

Corporate structure and responsibilities

Board of Directors

- Provides oversight and guidance on behalf of the Shareholder on the strategies, business plans, and related affairs at Canada Post.
- Holds management accountable for its business performance and strategic objectives.
- Exercises due diligence over strategic sustainability initiatives.
- Consults regularly with stakeholders.
- Reviews management reports on matters relating to health and safety, accessibility, diversity and inclusion, and sustainability.

Committees reporting to the Board of Directors:

Audit Committee

- Helps the Board fulfill its oversight responsibilities.
- Inquires how proposed investments / procurements align with our ESG strategy.

Environmental, Social and Governance (ESG) Committee

- Reviews ESG issues (environment, Indigenous, etc.), plans and strategies, and makes recommendations to the Board on specific ESG topics and on overall integration across the Corporation.
- Provides a focus on corporate governance, facilitates Board effectiveness and oversees policies, programs, practices, procedures and performance with respect to corporate sustainability.

Human Resources and Compensation Committee

- Reviews, reports, and approves or provides recommendations to the Board regarding human resources and compensation.
- Matters include but are not limited to: Health and safety issues, management succession, recruitment, compensation, development, retention, proposals for the compensation of the President and CEO, as well as other significant human resource policies.

Pension Committee

- Reviews and approves the Responsible Investment (RI) framework, proxy voting guidelines, and related documents.
- Oversees the implementation of the RI strategy for the Pension Plan.

Labour Relations Committee

- Provides additional oversight and guidance related to collective agreement negotiations and related matters.

Reporting to Committees and the Board of Directors:

Chief Executive Officer

- Responsible for all aspects of the business of the company, including management's approach to sustainability.

Reporting to Chief Executive Officer:

Chief Sustainability and Legal Officer

- Oversees matters of accessibility, environmental sustainability, non-financial disclosures, Indigenous affairs, government affairs, and legislative / regulatory development and compliance.
- Leads Canada Post's legal and corporate security teams.

Chief People and Safety Officer

- Leads all aspects of human resources while advancing safety as the company's top priority.
- Responsible for collaborative efforts with all our bargaining agents.

Senior Vice-President, Corporate and Employee Communications

- Responsible for aligning and integrating internal and external communication strategies to enhance business results.
- Oversees brand development and deployment.

Chief Operating Officer

- Leads all operational aspects of our business.
- Responsible for oversight of delivery operations, real estate and facilities, fleet, equipment and processes.

Chief Financial Officer

- Provides expert advice and counsel to the Board and executive team on matters that support profitable growth, including all aspects of financial operations, investment planning and financial reporting.

Chief Customer and Marketing Officer

- Provides oversight of lines of business (mail, parcels, Smartmail Marketing™), frontline engagement with business customers, sales and marketing, and leading shift to sustainable packaging and shipping solutions.
- Oversees the retail network and sustainability of products sold.

Vice-President, Business Transformation

- Prioritizes and integrates corporate strategies, investments and innovations to position Canada Post for sustainable growth and profitability.
- Improves the customer and employee experience.

Our ESG Steering Committee is a cross-functional group of executives responsible for the implementation of the ESG strategy at Canada Post.

- Management-level committee for all departments accountable for aspects of ESG.
- Ensures cross-company alignment of Canada Post's ESG strategies, investments and timelines.
- Reviews recommendations from advisory and technical teams.

We engage in ongoing dialogue through meetings with internal working groups, joint committees and external advisory panels.

- Internal ESG Advisory Teams and Operations Committees.
- Joint Canada Post-Union Collaboration and Consultation Committees.
- External stakeholder consultation and Advisory Panels.





Climate strategy and risks

Canada Post climate-related risks and opportunities

We define risk as any event or condition that could have an unplanned effect on our ability to achieve our key strategic, financial, and operational goals. Enterprise risks are assessed based on their potential adverse impact and the likelihood of occurrence; principal risks are those that could have a material impact on our financial position, operations or reputation. Canada Post evaluates both transitional and physical climate-related risks in its enterprise risk management process. Transitional climate-related risks include the assessment of current and emerging regulatory, technology, legal, market, and reputational risks. Physical climate-related risk assessments include monitoring both acute and chronic weather-related risks. We consider climate-related and ESG risks and opportunities in the short-term (0-1 year), medium-term (1-5 years), and long-term (5-10 years) time horizons.

An emerging risk that may have a material impact and high degree of uncertainty for Canada Post in the medium term is the global concern of climate change; it may lead to significant issues across our operations and value chain in Canada. There is a risk that we may experience major disruptions caused by climate-induced disasters (e.g., tornados, flooding, wildfires) or the progressive impacts of climate change (e.g. the increasing number of extreme heat days). Significant weather events could lead to the loss of key locations across our network, which may lead to significant disruptions to our operations, including damage to buildings and the ability to deliver parcels and mail to all Canadians. This risk has the potential of significant costs to re-establish or relocate key facilities and transport lanes in our network.

To help understand and mitigate potential impacts to our business, a climate risk study and scenario analysis using recommendations from the TCFD was completed in 2020. This study concluded that Canada Post could experience a range of financial impacts such as asset damage and operational and supply chain disruptions. We will begin to introduce control measures identified in the study and embed climate considerations into business and decision-making processes throughout the organization. As progress is made, we will be able to more effectively identify, assess and manage climate risk in the context of our enterprise risk management framework.

A principal risk for Canada Post in the medium term, and one that may pose a material risk, is that Canada Post could fail to demonstrate progressive environmentally sustainable practices across its value chain (e.g., climate change-related practices) that meet the rapidly changing expectations of customers, the Government of Canada and all Canadians. Potential underlying factors contributing to this risk include: our direct and indirect environmental impact (e.g., fleet, buildings, transportation, supply chain);



non-compliance to new and existing environmental laws and regulations; increase in GHG emissions and parcels waste (shipping materials) due to growing ecommerce volumes; and the lack of carbon-neutral shipping solutions and sustainable/reusable packaging options for customers. This risk could lead to negative brand impacts, increased shareholder scrutiny and regulation, and decrease in volumes due to customers shifting to alternate carriers that better align with their sustainability goals and values.

To help understand and mitigate potential risks, in 2021, Canada Post developed its [Environmental Action Plan](#) and initial [Net-Zero 2050 Roadmap](#). The immediate focus is to manage direct (Scope 1) GHG emissions, make a shift to clean electricity (Scope 2), and work with supply chain partners to help them reduce their carbon footprints (Scope 3). The long-term focus is to pursue low-carbon fuel sources by exploring alternative energy as the basis for technologies, products, and services that may become more viable as Canada transitions to a carbon-constrained economy. Implementation of the action plan will guide our environmental decisions and investments to align with expectations of the Government of Canada and other stakeholders, including unions, employees, customers and Canadians.

Climate-related risks and opportunities and other ESG considerations are continuing to influence our strategy development and are becoming integrated into our overall business operations, including our products and services, direct operations, value chain and other investments in research and development. For more detail on these impacts, please refer to Section 3, Business Strategy of our 2021 Carbon Disclosure Project (CDP) disclosure, our first public response to the [CDP's](#) annual climate change questionnaire.

Climate-related risks and opportunities have influenced and will continue to influence our capital expenditure and annual financial planning. In approving our newly announced science-based targets, the Board of Directors also approved a dedicated investment envelope to ensure that we can meet the ambitious GHG reduction goals. Progress made against meeting the target and budget updates are provided each year to the Board, with interim updates throughout the year as pressing matters arise.

To meet our science-based emission reduction targets, a combination of select building upgrades, clean fleet alternatives, renewable electricity purchases, supplier engagement initiatives, and carbon-neutral shipping solutions are needed. We have detailed our progress on these opportunities and priorities in our 2021 Sustainability Report. For more information, see the Climate Action section of our [2021 Sustainability Report](#).

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

Scenario analysis is a tool to enhance critical strategic thinking. It helps organizations challenge assumptions about the future and explore alternatives that may significantly impact strategic decision-making with respect to climate-related risks, in alignment with the TCFD recommendations. Scenarios are not forecasts, predictions or sensitivity analyses; they are not used for financial modelling or assuming relationships between risks. In alignment with the TCFD recommendations, we selected both a low-emissions (<2°C) scenario and high emissions scenario (4°C) for our analysis of physical and transitional risks.

A selection of physical and transition risks over multiple time horizons and emissions scenarios were determined based on their relevance to Canada Post. The tables below summarize the risks reviewed under different scenarios and time horizons.

Category	Physical risks	Physical risks
Risk drivers	Acute <ul style="list-style-type: none"> Overland flooding Wildfire Extreme heat Extreme wind 	Chronic <ul style="list-style-type: none"> Freeze / thaw Sea level rise / coastal inundation
Scenarios	<2°C scenario	>4°C scenario
Time horizon	2030 - 2050 - 2100	
Quantitative impacts assessed	<ul style="list-style-type: none"> Total annual cost of damage for all assets in each postal code region Percentage of asset value at risk Percentage of high-risk properties Number of high-risk properties 	
Qualitative impacts assessed	<ul style="list-style-type: none"> Damage to assets Operational disruption Supply chain disruption 	
Category	Transition risks	Transition risks
Risk drivers	Policy Carbon pricing: Increased expenditure on energy (e.g., fuel, electricity) due to increasing federal carbon pricing regulations	Policy and technology Investments to reduce emissions: The potential inability to meet increased investment requirements to meet emissions reduction objectives.
Scenarios	<ul style="list-style-type: none"> Low emissions scenario (<2°C) High emissions scenario (~4°C) Canada Post emissions: business-as-usual and emissions targets met scenarios 	<ul style="list-style-type: none"> Canada Post emissions: business-as-usual and emissions targets met scenarios
Time horizon	2030 - 2050	2050 - 2100
Quantitative impacts assessed	<ul style="list-style-type: none"> Cost of carbon pricing (\$CAD) Cost savings by implementing emissions reduction target 	<ul style="list-style-type: none"> Potential marginal abatement cost (\$CAD/tonne CO₂e) Potential emissions reduction

Summary of scenario analysis

Category	Low emissions scenario	High emissions scenario
GHG emissions reduction scenario	<ul style="list-style-type: none"> • Equivalent to meeting Paris Agreement targets • Accelerated transition to renewables • Significant transition risks, limited to minimal physical risks 	<ul style="list-style-type: none"> • Limited policy to reduce emissions • Very limited transition risks; extreme physical risks
Temperature rise by 2100	~1.5 to 2°C	~4°C
Transition risk	Significant	Minor
Physical risk	Limited	Extreme

Summary of findings for physical risks

- Canada Post could experience a range of financial impacts from asset damage, and operational and supply chain disruptions due to physical climate hazards.
- Damage to Canada Post’s operational hubs (i.e., major processing plants, delivery depots) could lead to significant repair/replacement costs and operational disruptions.
- Canada Post’s assets in British Columbia, New Brunswick, Ontario and Quebec have the highest expected impacts from physical climate hazards.
- As well, Alberta, Northwest Territories and Yukon have a large proportion of anticipated high-risk properties.
- In the period 2030 to 2100, the risk to build assets in most regions is expected to decrease in a low-emissions (<2°C) scenario and increase in a high-emissions (>4°C) scenario.

Summary of findings for physical risks

- By implementing and meeting emissions reduction targets, Canada Post can significantly reduce its exposure to carbon pricing regulations. In a low emissions (<2°C) scenario, Canada Post can expect increased annual cost savings from 2030 to 2100 by meeting emissions reduction targets.
- The transition to a low-carbon economy presents risks if we cannot be agile in expanding energy-efficient, innovative delivery solutions:
 - Increased operational cost for heating fuels (natural gas, oil, propane); greenhouse gas component of electricity; transportation fuels (gas, diesel, compressed natural gas), etc. under a higher emissions scenario.
 - Increased supply chain cost via carbon cost pass-through (e.g., via subcontracted ground transportation or air transit) under a higher emissions scenario.
- We should continue to prioritize emissions-reduction initiatives and incorporate them into business processes in order to meet upcoming emissions reduction targets. However, this will require significant investment.



Risk management

Canada Post has an enterprise risk management (ERM) framework that considers risks and opportunities at all levels of decision making. The ERM framework helps us understand and manage the most significant risks to the business and to the brand as domestic and global postal industries experience structural changes. An enterprise risk and control assessment is conducted each year and is reported on a semi-annual basis to senior management, the Audit Committee of the Board of Directors, and the Board of Directors. Significant changes to risks as well as risk mitigation and opportunities are also highlighted in the quarterly financial reports. The Chief Sustainability and Legal Officer is responsible for both assessing and managing sustainability risks and opportunities, including those related to climate. The team oversees how we prioritize and align sustainability issues across the company. It reports regularly to our Management Executive Committee and Board of Directors on performance.

Canada Post defines risk as any event or condition that could have an unplanned effect (positive or negative) on its ability to achieve its key strategic, financial, and operational goals.

Key risks to the Corporation are assessed based on their potential adverse impact. Our assessment of impact includes a five-point scale to rate the potential financial, operational, and reputational consequences. Below are the substantive financial and strategic impact ranges based on our five-point scale:

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

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

We added climate-related risks to our risk register for the first time in 2021, as climate risks are examined as part of the overall Climate Strategy at Canada Post. A climate risk study has been completed and the Corporation is in the early stages of collecting data to assess individual climate risks and understand their potential impacts. Going forward, the Corporation will begin to introduce control measures identified in the study and embed climate into business and decision-making processes throughout the organization. Once this process is further along, we can more effectively assess climate risk in the context of Canada Post's ERM framework, including financial impacts of climate-related events.

Metrics and targets

Canada Post is committed to doing its part to help Canada's transition to a low-carbon economy. As part of this commitment, Canada Post has adopted a science-based target to reduce Scope 1 and Scope 2 GHG emissions by 30 per cent and source 100 per cent renewable electricity by 2030.

This target was validated by the Science Based Targets Initiative (SBTi) in May 2021, announced in August 2021 and sets the Corporation on a path to net-zero carbon emissions by 2050. Achieving net-zero emissions means we will reduce emissions associated with our operations as much as possible and offset the remainder. As of September 2021, Canada Post was Canada's first Crown corporation and among only 20 Canadian firms to have an approved science-based target.

To achieve that ambitious goal, Canada Post will focus on building retrofits, equipment upgrades, solar panels, new net-zero carbon buildings, and an upgraded fleet that incorporates alternative propulsion and electric vehicles. We are also researching options to offer our customers carbon neutral shipping.

Canada Post's science-based target

Our science-based target has three main components:

- Reduce Scope 1 and Scope 2 GHGs by 30 per cent by 2030 (against our 2019 baseline).
- Source 100 per cent renewable electricity for our facilities by 2030.
- Engage top suppliers and subsidiaries to adopt emissions reductions targets, with a target of 67 per cent of vendors by spend, and 100 per cent of our subsidiaries, adopting a science-based target by 2025.

Canada Post is proud to be part of a small group of Canadian companies who have established science-based emissions reduction targets. We take these ambitious commitments seriously and look forward to working toward our vision of net-zero emissions by 2050.

Our science-based targets are incorporated into remuneration policies and are tied to executive scorecards. Canada Post annually calculates and reports on climate-related metrics, including greenhouse gas emissions by scope, energy consumption, percentage of renewable energy and emissions intensity, to further understand how Canada Post is doing against its own emission-performance goals and climate-related risks and opportunities. For more information, see the Climate Action section of our [2021 Sustainability Report](#).

Looking ahead

Going forward, Canada Post will develop a formal risk assessment and management plan, which will accurately assess our climate-related risk in the context of Canada Post's ERM framework, including financial impacts of climate-related events.

Canada Post has set some ambitious targets in-line with keeping rising global temperatures to well-below 2 degrees Celsius above pre-industrial levels as recommended by the Paris Agreement. In 2021, the Intergovernmental Panel on Climate Change (IPCC) released its Sixth Assessment Report, which stresses the importance of aligning with keeping rising global temperatures to 1.5 degrees Celsius. Canada Post has a role to play in significantly reducing our emissions in alignment with the IPCC Sixth Assessment report and to support the Government of Canada's ambitious climate plan. As such, in 2022 we are working to strengthen our emissions reduction ambition by exploring aligning with a 1.5 degrees warming scenario.

