Canada Post Pension Plan
Investment Beliefs

Key facts

Canada Post Corporation (the Corporation) has a Defined Benefit pension plan that provides its members with a pension benefit based on a pre-determined formula. Canada Post recognizes that Plan members' pensions are a very important part of their retirement planning. Members contribute to the Plan based on a formula related to their pensionable earnings. The Corporation is responsible for the difference between those member contributions and whatever is required to finance the benefits. As with all Defined Benefit plans, this amount varies over time with changes to the plan's funded status, which is also affected by the fund's investment returns. The Plan has reached such a stage of maturity that projected benefit outflows already exceed contribution inflows.

As part of the Plan's governance, the Corporation has established a Pension Committee of the Board of Directors. Its responsibilities include the adoption from time to time of a Statement of Investment Policies and Procedures (SIPP). The SIPP includes an asset mix policy, investment objectives and a benchmark portfolio. Together, these are designed to achieve the Corporation's funding objectives while controlling the volatility of the funded status of the benefits.

Investment Beliefs

Investment beliefs are a principled and reasoned set of beliefs to guide our investment discussions, decisions and objectives. We built ours from research into best practices and our wide experience in the investment and pension sectors. While they are beliefs, not facts, they equip our pension investment team with principles, help it weigh opportunities and risks and inform its decisions.

We believe that:

- **Our long investment horizon is an advantage we use to benefit our stakeholders.** A long-term perspective allows us to think and behave differently than other investors. Through our long-time horizon, we can create long-term value for our stakeholders by investing in opportunities available to patient investors like us. We are constantly evaluating our decisions – both short- and long-term – to ensure they are aligned with our funding needs, our investment horizon and our mission.

- **In order to achieve adequate long-term returns, we must take on some risk.** Risk and returns are inextricably entwined. Understanding and managing risk is the bedrock of our investment decision-making. As such, we take on risks that we believe will be rewarded over the long term, while seeking to minimize the risk of capital loss. Our long-term horizon enables us to accept some short-term volatility, but our approach to risk is ultimately governed by our liabilities and our mission. Our risk-adjusted return expectations are based on careful monitoring because the valuation of our investments can change over the medium and long term. Therefore, we must revisit our risk tolerance from time to time.

- **Long-term value creation requires effective management of environmental and social risks and opportunities.**
  Considering environmental and social issues enables us to better manage risks and identify opportunities that can have a material impact on long-term investment performance. Because the risks associated with environmental and social factors such as climate change and diversity and inclusion vary across our investments and can change over time, we must adapt our practices accordingly. As an asset owner, we will advocate for sustainable policies and positive corporate behaviour through active ownership and collective action.

- **Good governance leads to better returns.**
  Good corporate governance is the backbone of well-grounded decision-making and contributes to sustainable, long-term value creation. The Plan's oversight benefits from sound internal corporate governance practices. We also monitor the corporate governance practices of our portfolio companies and the managers we invest with, and we engage with them to improve in areas where they fall short. Good governance leads to better returns, plain and simple.

- **Valuation is the most important driver of investment returns.**
  No investment is always perfectly priced. Market inefficiencies occur when the price attributed to an asset does not reflect its value. Identifying and evaluating inefficiencies across all our investments is central to our decision-making and ensures we generate returns and add value for our stakeholders. We must also consider cost in the valuation process, since the cost of buying, selling or holding an investment impacts its value and its return.

- **The best investment outcomes are achieved when there is an alignment of interests between all parties.**
  The investment decisions we make and those made by our external managers must be aligned to fulfill our fiduciary responsibilities. This also applies to how we exercise our shareholder proxy votes for our portfolio companies, and to how we align our managers' processes and incentives to achieve desired investment outcomes.

- **Strong relationships are a competitive advantage.**
  Partnering with global investment leaders deepens our expertise and broadens our access to investment opportunities that create value for our stakeholders. We must build and foster strong relationships with external managers, advisors and peers in order to be acknowledged as a reliable partner. Our reputation among external partners is of utmost importance when seeking new opportunities to access ideas and to collaborate on investments.