



# OUR COMMITMENT TO CLIMATE ACTION

CP's acquisition of KCS marks a pivotal moment for our company, a unique opportunity to evaluate our practices and advance our commitment to sustainable, long-term growth. As a Sustainably Driven company, we strive to combine forward-thinking planning with concrete measures and practices aimed at addressing climate change. We are proud to support a lower-carbon future for North America and recognize the pivotal role that rail freight transportation could play in this transition.

## CPKC Climate Commitment Aligned with SBTi Business Ambition for 1.5°C and Net Zero

Implementing meaningful action on climate change involves continually assessing our progress against our climate objectives. As we integrate the operations of CP and KCS, we are striving to enhance our sustainability approach, programs, objectives and reporting of the combined CPKC. While we are in the early stages of our sustainability integration process, we are making the following commitment with respect to climate action at CPKC:

The operation of our locomotive fleet represents CPKC's largest source of emissions. Both CP and KCS had previously adopted SBTi-validated targets to reduce GHG emissions by 2030 and 2034 respectively. As part of our sustainability integration, we made it an early priority for CPKC to replace those two different targets with a single CPKC GHG emissions reduction target. As a result, the new science-based emissions reduction target for the combined CPKC, recently validated by SBTi, is:

**CPKC has joined the Science Based Targets initiative's (SBTi) Business Ambition for 1.5°C global campaign and is committed to developing a CPKC emissions reduction target aligned with a 1.5°C future within the next two years.**

**CPKC will reduce our well-to-wheel (WTW) locomotive emissions by 36.9% per gross ton-mile by 2030 from a 2020 base year.<sup>1</sup>**



**Joining SBTi's Business Ambition for 1.5°C campaign and setting a combined CPKC GHG emissions reduction target reflect the importance we place on addressing climate change across our business. Together, these commitments serve as a compass, mobilizing our carbon reduction efforts to 2030 and beyond."**

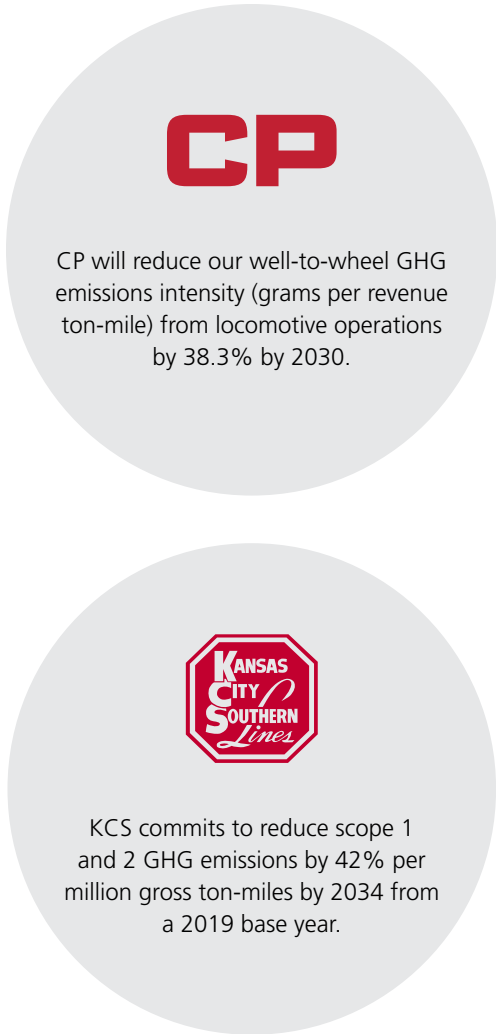
**Gordon Trafton**  
Chair of the Risk and Sustainability Committee

<sup>1</sup> Our locomotive emissions target covers 76% of CPKC's GHG emissions footprint and is aligned with SBTi's only sectoral-based approach for freight railroads and a well-below 2°C global warming scenario.

## CPKC 2020 GHG Emissions Inventory

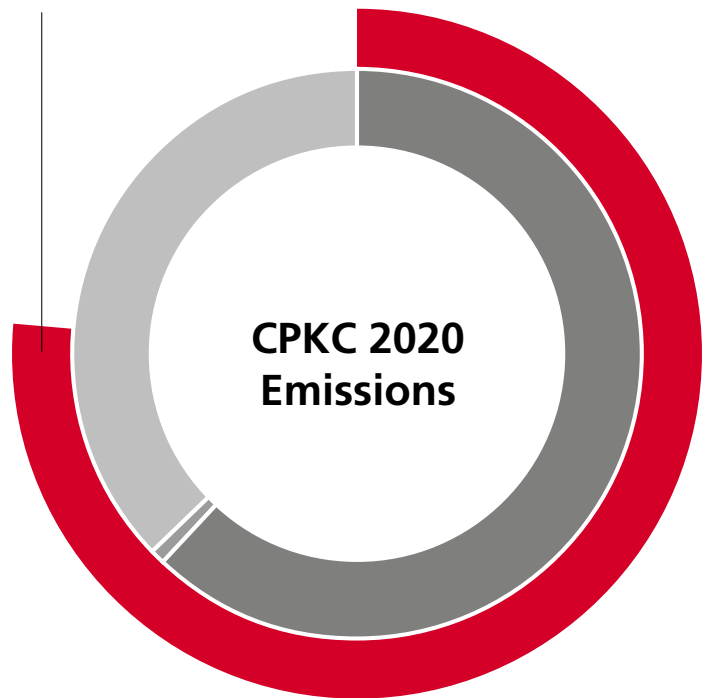
We recognize the importance of addressing emissions from all aspects of our business, not just locomotives. While non-locomotive operations such as our vehicles, equipment fleet, buildings and infrastructure account for a relatively small portion of our overall GHG footprint, they are important to our efforts to reduce emissions. Monitoring and reporting of our emissions performance are critical to tracking the progress of our efforts. As we continue to implement solutions to reduce scope 1 and 2 emissions from our business, we are also working to enhance emissions data accuracy by integrating the energy data from thousands of CPKC utility meters and data points across our network.<sup>1</sup>

### Historical GHG Emissions Reduction Targets



### CPKC Emissions Reduction Target

**76%**  
Of GHG Emissions  
Covered By Target



● Scope 1	<b>62%</b>
● Scope 2 - Electricity	<b>1%</b>
● Scope 3 - Value Chain	<b>37%</b>

<sup>1</sup> As we improve our access and integration of metered data from the KCS network, we expect that our ability to assess GHG emissions along the historical KCS rail network will improve.

## Climate Leadership

We believe in transparency to our stakeholders and have established a clear governance approach to effectively communicate and respond to relevant ESG topics, while progressing our sustainability commitments and implementing sustainable practices into our business. Our approach is led by senior-level stewardship at the board and executive levels.<sup>1</sup>

The Board of Directors, through its committees, is responsible for monitoring, measuring and overseeing the Company's key risks, strategies and sustainability topics. The Risk and Sustainability Committee is responsible for reviewing performance against sustainability objectives, plans to improve sustainability practices and reporting, and strategic plans and opportunities to align sustainability objectives with long-term climate strategy. With oversight from the Company's President and CEO, decisions on day-to-day implementation of sustainability priorities, including climate

change, are guided by a cross-functional executive Sustainability Steering Committee. The Sustainability Steering Committee regularly reports progress, and advances recommendations on the Company's sustainability objectives, policies and management approach to the Risk and Sustainability Committee of the Board.

We established a Carbon Reduction Task Force (CRTF) in 2022, composed of the Company's industry-leading engineers and operations experts. Reporting to the Sustainability Steering Committee, the CRTF evaluates, recommends and implements climate action measures to reduce GHG emissions and drive performance on our science-based targets. Work is underway to engage with subject matter experts across the extended CPKC family to support the objectives of the CRTF.



## Our Climate-Related Initiatives

CPKC recognizes the work that lies ahead to developing a target aligned with a 1.5°C future. We have a strong foundation of existing low carbon and fuel efficiency initiatives to build on, including:

- Industry-leading Hydrogen Locomotive Program to develop North America's first line-haul freight locomotives using hydrogen fuel cells and batteries to power the locomotive's electric traction motors
- Development of hydrogen generation capacity at our facilities, including via renewably generated electrolysis at our corporate headquarters in Calgary
- Deployment of advanced fuel efficiency technologies including automatic engine start and stop (AESS) technology, Trip Optimizer (TO) technology, horsepower per trailing ton guidelines and locomotive fleet modernization programs
- Technology trials on a range of fuel sources, including plant-based diesel (biodiesel), battery technology and hydrogen fuel cells
- Investing in electric vehicles and charging infrastructure to reduce emissions from our vehicle fleet
- Installation of a five megawatt solar energy farm generating more power than consumed annually by the main headquarters building in Calgary

<sup>1</sup> See our [2023 Management Proxy Circular](#) for more information.

## The Path Forward

CPKC is committed to thoughtfully planning and preparing our business for a lower-carbon future. Building on the Climate Strategy we adopted for CP in 2021, we are working to develop a CPKC climate transition plan to guide the Company's long-term objectives and practices. Preparing a credible transition plan requires the completion of substantial foundational tasks currently in early implementation at CPKC, including:



Achievement of our climate goals is only possible with collaboration, partnerships and engagement with our stakeholders, including our customers, investors, employees, suppliers and governments. We strive to align our approach with recognized global initiatives on climate change.

As we work to chart our path toward decarbonization, we recognize that progress will be marked by both challenges and successes along the way. Throughout this journey, we intend to provide updates on our progress to our stakeholders by reporting on our climate-related performance, verifying our results and seeking stakeholder feedback on our approach to climate change, including through our annual non-binding advisory, "say on climate" vote. By doing so, we aim to remain accountable and transparent in our efforts to support a more sustainable future.

## Note on Forward-looking Information

This climate statement contains certain forward-looking information within the meaning of applicable securities laws, including statements relating to CPKC's operations, priorities and plans for the establishment and achievement of certain environmental and sustainability targets for reductions in GHG emissions. Forward-looking information is indicated by words such as "commitment", "anticipate", "believe", "expect", "plan", "will", "must", "target", "should" or similar words suggesting future outcomes. Forward-looking information also includes, but is not limited to, statements concerning expectations, beliefs, plans, goals, objectives, assumptions and statements about possible future events, conditions, and results of operations or performance. Undue reliance should not be placed on forward-looking information as actual results may differ materially from the forward-looking information. Forward-looking information is not a guarantee of future performance.

By its nature, the forward-looking information in this climate statement involves numerous assumptions, inherent risks and uncertainties that could cause actual results to differ materially from those expressed or implied by the forward-looking information, including but not limited to: the fuel efficiency of railways and CPKC's operations, CPKC's ability to implement certain sustainability initiatives, including our 2030 science-based GHG emissions reduction target for CPKC's locomotive operations and our commitment to develop a CPKC emissions reduction target aligned with a 1.5°C future; our ability to implement or update our scenario analysis, data systems, reporting practices, risk management, risk mitigation strategies or other components of a potential Climate Transition Plan, either at all or in a timely manner changes to enterprise risk management and internal carbon pricing mechanisms; future investments in and the availability of carbon emissions-reduction tools and technologies, including through CPKC's fleet modernization program and technology upgrades; the impacts of existing and planned capital investments; and CPKC's ability to work with governments and third parties to mitigate the impacts of climate change; and additional factors detailed from time to time in reports filed by CPKC with securities regulators in Canada and the United States. Reference should be made to in CPKC's annual and quarterly reports filed on Form 10-K and 10-Q, respectively.

In addition, our environmental, social, governance and sustainability priorities, policies, practices, programs, goals and objectives remain under development as we continue to refine our analysis of and response to potential future climate and other risks and opportunities, and as the science, data and methodology underlying our analysis and strategy continue to evolve over time. Further, as we continue to integrate the operations of KCS into ours, we are conducting additional data-gathering and intend to further assess the climate and other environmental, social, governance and sustainability strategies and initiatives for the combined company and may make changes to our existing strategies and initiatives as a result.

For these reasons, in future disclosures, we may include information that differs from those contained herein. Unless indicated otherwise or the context otherwise requires, forward-looking information in this report speaks only as of the date hereof. We undertake no obligation to update or otherwise revise any forward-looking information, unless we are required to by applicable law.