CP CLIMATE STRATEGY

Contents

Note on Forward-Looking Information

This climate statement contains certain forward-looking information and forward-looking statements (collectively, "forward-looking information") within the meaning of applicable securities laws. Forward-looking information includes, but is not limited to, statements concerning expectations, beliefs, plans, goals, objectives, assumptions and statements about possible future events, conditions, results of operations or performance. Forward-looking information may contain statements with words or headings such as "commitment", "anticipate", "believe", "expect", "plan", "will", "must", "target", "should" or similar words suggesting future outcomes.

This climate statement contains forward-looking information relating, but not limited, to Canadian Pacific's operations, priorities and plans for the establishment and achievement of certain environmental and sustainability targets for reductions in GHG emissions and related matters.

By its nature, the forward-looking information in this climate strategy 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 CP's operations, CP's ability to implement certain initiatives, including emissions targets, scenario analyses, risk mitigation strategies, 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 CP's fleet modernization program and technology upgrades, the impacts of existing and planned capital investments, and CP's ability to work with governments and third parties to mitigate the impacts of climate change, as well as additional factors detailed from time to time in reports filed by CP with securities regulators in Canada and the United States. Reference should be made to "Management's Discussion and Analysis of Financial Condition and Results of Operations" in CP's annual and quarterly reports filed on Form 10-K and 10-Q.

Forward-looking information is based on current expectations, estimates and projections and it is possible that predictions, forecasts, projections, and other forms of forward-looking information will not be achieved by CP. The forward-looking information contained in this climate statement are made as of the date hereof. Except as required by law, CP undertakes no obligation to update publicly or otherwise revise any forward-looking information, whether as a result of new information, future events or otherwise.

Notice to Readers

You are reading the Climate Strategy established by Canadian Pacific (CP) in 2021, which we updated in June 2023 through our announcement of our Commitment to Climate Action. We announced our Commitment to Climate Action following the combination of CP with and Kansas City Southern (KCS) on April 14, 2023 to create Canadian Pacific Kansas City (CPKC), the first single-line railway connecting Canada, the U.S. and Mexico.

This Climate Strategy should be read together with CPKC's Commitment to Climate Action, which supplements and updates the information contained in the Climate Strategy. Among other updates, as part of our Commitment to Climate Action, CPKC committed to establishing an emissions reduction target aligned with a 1.5°C future. To guide the Company's near-term climate actions, we also established a new 2030 greenhouse gas (GHG emissions reduction target for CPKC's combined locomotive operations using the Science Based Targets initiative's (SBTi sectoral-based approach for freight railroads and a well-below 2°C global warming scenario. The combined CPKC target has updated and replaced the GHG emissions reduction targets announced within this Climate Strategy, which were retired in 2023. CPKC's Commitment to Climate Action is available on our website at https://www.cpkcr.com/en/sustainability.

STATEMENT FROM THE CEO

The transition to a low-carbon economy is already underway and Canadian Pacific (CP) is proud to be taking a leadership role in our industry. At CP, we believe this transition presents significant opportunities for our company and the industry as a whole. We accept the challenge and the responsibility of finding new ways of doing things that will position us for a sustainably driven future, and have already taken steps to drive positive impact. For example, we installed a large solar field at CP's Calgary campus, which generates more than enough electricity to power our headquarters building. We are also working on a globally significant project that involves converting a diesel locomotive to a zero-carbon emissions propulsion system powered by hydrogen fuel cells.

As we envision our future, we recognize that the transportation sector represents nearly 30 percent of North America's greenhouse gas (GHG) emissions.[1,2,3] Transitioning the sector to low-carbon alternatives is a critical part of the global effort needed to reduce GHG emissions and address the challenges of climate change. Railways account for approximately two percent of GHG emissions from the transportation sector. As the rail industry is a relatively efficient mode of freight transport, it is therefore an essential part of the effort to meet the goals of the Paris Agreement. Freight railways have already improved fuel efficiency by more than 40 percent in the U.S.[4] and Canada[5] since 1990, but there is much we can do as an industry to advance new technology and energy sources to support further decarbonization.

Issued in July 2020, CP's Climate Statement clearly outlines our intention to lead and our commitment to take action. To support these objectives, CP has been investing in robust accounting and reporting of GHG emissions, identifying and effectively managing risks and opportunities over time, and evaluating emerging technologies such as hydrogen-powered locomotives that will support the decarbonization of our business.

CP's Climate Strategy builds on our existing climate commitments and will help drive innovation, collaboration and thought leadership across our business both now and in years to come. It is informed by research, science and an appreciation of where we can make the greatest impact. CP completed a comprehensive, quantitative climate scenario analysis to support our understanding of potential physical impacts to our operations posed by a changing climate, as well as the risks and opportunities associated with the global transition to a low-carbon economy. These insights help us understand how the future may unfold so we can plan accordingly and position CP for success in a low-carbon economy. Building on this information, our science-based targets provide a clear marker against which we can measure our progress as we work toward longer term and more significant decarbonization. Achieving these ambitions will require a variety of actions to reduce our carbon footprint, and we recognize that further technology advancement, business integration and purposeful engagement with our stakeholders will be required.

CP's Climate Strategy is ambitious, but we feel this appropriately reflects the urgency of the fight against climate change. We also look forward to collaborating with government, industry and research partners to find and test new solutions. CP has been in business for more than 140 years, and I am proud to see the company adapt and continue to demonstrate strong leadership for a sustainable future.

Sincerely,

Keith Creel

Keith Creel, President and CEO

[1] US EPA (2021). Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990-2019. Retrieved from: *https://www.epa.gov/ghgemissions/inventory-us-greenhouse-gas-emissions-and-sinks*
[2] Government of Canada (2020). Greenhouse Gas Sources and Sinks: 2020. Retrieved from: *https://www.canada.ca/en/environment-climate-change/services/climate-change/greenhouse-gas-emissions/inventory.html*
[3] Government of Mexico (2018). National Emissions Inventory of Gases and Compounds of Greenhouse Effect 1990-2015. Retrieved from: *https://unfccc.int/sites/default/files/resource/Mexico-NC6-BUR2-1-NIR_INEGYCEI%201990%20a%202015%20A_0.pdf*
[4] American Association of Railroads (2020). The Positive Environmental Effects of Increased Freight by Rail Movements in America. Retrieved from: *https://www.aar.org/wp-content/uploads/2020/06/AAR-Positive-Environmental-Effects-of-Freight-Rail-White-Paper-62020.pdf*
[5] Railway Association of Canada (2020). Railways 101: Rail is Green Transportation. Retrieved from: *https://www.railcan.ca/101/rail-is-green-transportation*

STATEMENT FROM THE BOARD CHAIR

In 2020, the World Business Council for Sustainable Development stressed the urgency for a global transition to a low-carbon economy and highlighted the role of businesses in driving this change.[6] As a responsible business, CP is committed to creating long-term sustainable value for our shareholders and other stakeholders, including our employees, customers and suppliers and the communities in which we operate. We recognize the need to accelerate the transition to a low-carbon future and are well-positioned to be an essential part of the solution. On behalf of CP's Board of Directors, we are pleased to join other leading businesses from around the world in developing a comprehensive Climate Strategy to guide our climate ambitions.

We view CP's commitment to responsibly address its GHG emissions, respond to transition and physical risks from climate change, and invest in research, development, communications, and organizational change as fundamental for near-term success and a resilient future. We are confident that the direction set by this Climate Strategy will help CP strengthen our resolve and position us as a forward-focused transportation solutions provider. Starting in 2022, CP will annually report to shareholders on updates and progress towards our climate strategy. Our shareholders are encouraged to provide feedback on our efforts through an advisory vote at our annual general meeting.

As a responsible business that is committed to creating long-term sustainable value for its shareholders and other stakeholders, CP recognizes the need to accelerate the transition to a low-carbon future and is well-positioned to be part of the solution.

Although the freight rail sector already provides one of the most fuel-efficient means of freight transport, systemic and technological advances will be required to decarbonize the industry effectively. The Board is actively engaged in and supports CP's leadership on this front, and looks forward to providing oversight of the company's meaningful and measurable progress toward its climate-related objectives.

Sincerely,

Isabelle Courville, Chair of the Board

[6] SOS 1.5: The road to a resilient, net-zero carbon future. World Business Council for Sustainable Development, 2020.

INTRODUCTION

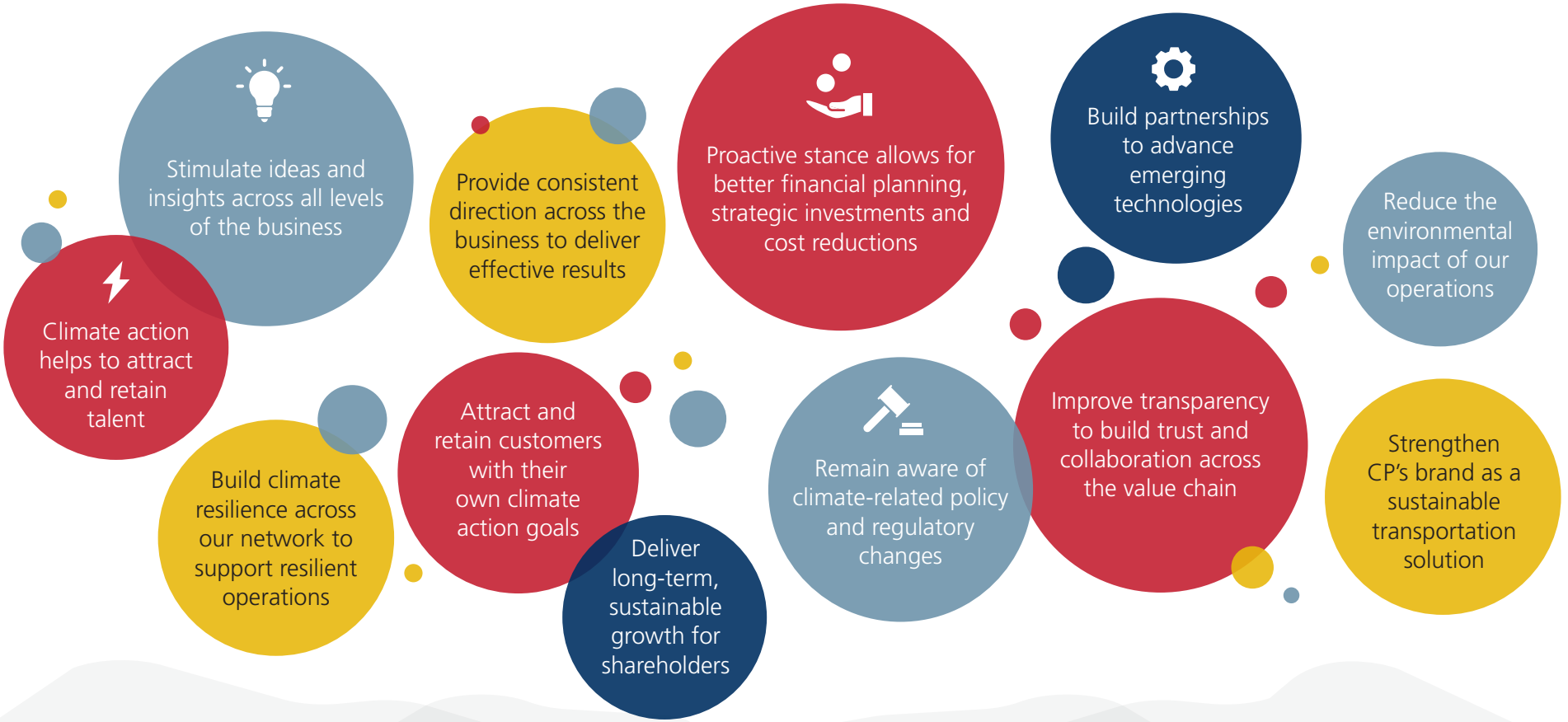
Climate change is the challenge of our generation, and it presents both risks and opportunities to CP and the global supply chain. Physical risks, including heavy precipitation, flooding, temperature extremes and powerful storm events have the potential to disrupt CP's network, and are expected to intensify due to climate change. Meanwhile, market fluctuations, emerging regulations, and technological changes driven by stakeholder expectations for lower carbon goods and services present both risks and opportunities to CP's global supply chains. Mitigating climate risks while capitalizing on emerging low-carbon opportunities will require strategic and decisive action as businesses rise to the challenge.

This Climate Strategy builds on CP's Climate Statement and outlines our approach to manage potential climate-related impacts across the business. The objective of this Climate Strategy is to position CP as a leader as the transportation sector transitions to a low-carbon future. We recognize that a changing climate and related economic impacts can have significant ramifications for our business. To be proactive, we need to understand possible implications, identify market opportunities and build climate mitigation and adaptation investment measures into our planning processes.

> "We believe transportation of freight by rail will continue to play an integral role in the low-carbon future for North America and CP is transitioning to be a leader in this transformation. We accept and welcome this responsibility and will continue to create long-term sustainable value for our shareholders and the broader economy."
>
> **CP RAIL CLIMATE STATEMENT**

CP's business and this Climate Strategy are built on the belief that we are Sustainably Driven. In other words, we are committed to embedding sustainability priorities across all parts of our business: to ensure the safety of all stakeholders, maintain operational excellence throughout our network and manage the social impact of our work. We understand that climate leadership within the rail industry will require a diverse range of actions and expertise, from alternative fuels and emerging technologies to customer engagement, business integration and improved resilience of our physical assets. By sharing our Climate Strategy, we look forward to engaging with our stakeholders and providing updates on our progress during the coming years.

Why is a Climate Strategy Important to CP?



OUR APPROACH

Scope and Alignment

CP's Climate Strategy encompasses and applies to all of its business operations in Canada and the United States, and where relevant, contemplates collaboration and engagement with a number of stakeholders within and outside of our value chain. It addresses CP's carbon footprint, in terms of both direct and indirect GHG emissions (Scope 1 and Scope 2 emissions, respectively), as well as the emissions in our value chain (Scope 3) to the degree we can influence them.

The main source of CP's GHG emissions is associated with the operation of the diesel-powered fleet of locomotives that drive our business. CP has long focused on locomotive fuel efficiency as a means to lower operating costs and reduce the environmental impact of our operations. Since 1990, the fuel efficiency and associated GHG emissions intensity of our locomotive operations has improved by more than 40 percent. This has been accomplished through an ongoing commitment to best practices for operations and maintenance, regular locomotive upgrades, the deployment of leading fuel-efficient technologies, and rail network enhancements. The need for a substantial reduction of locomotive GHG emissions, as outlined in this Climate Strategy, will require new and emerging approaches. Innovative solutions and technological advancements are needed to support the availability and reliability of low-carbon and alternative fuel options, and advanced propulsion systems for locomotives. This cannot be achieved by CP alone. Rather, it will require significant collaboration and concerted effort beyond CP's direct operations and broader value chain.

To ensure relevance and comparability within and outside of our sector, our Climate Strategy has been developed to align with internationally recognized frameworks, including the Task Force on Climate-related Financial Disclosures (TCFD); the Paris Agreement (within the United Nations Framework Convention on Climate Change) on climate change mitigation, adaptation and finance, and the Pan-Canadian Framework on Clean Growth and Climate Change.

Managing Our Impact

Timeframe

The challenges presented by climate change require immediate and sustained action during the coming decades. To align our approach with leading scientific and policy guidance, this Climate Strategy establishes a science-based emissions reduction target to guide our activities until 2030. CP also acknowledges the importance of the 2050 time horizon in the response to climate change, and will continue its leadership in the pursuit of technology and other means that have the potential to deliver more significant decarbonization beyond our 2030 target.

THE FIRST HORIZON

2030

The Intergovernmental Panel on Climate Change (IPCC) has projected an almost 3°C rise in temperature by the end of the century, should global GHG emissions remain at current levels. Scientists have identified the need for substantial curtailment of GHG emissions by 2030 to stave off the worst effects of climate change. Leading organizations, corporations and national governments are setting science-based targets to rapidly decarbonize all sectors of the economy.

Leading up to the 2030 horizon, CP will focus on the efficient use of existing technology and market-ready renewable fuels, while evaluating alternative propulsion technologies — particularly hydrogen-based solutions — that are necessary to longer-term reductions in GHG emissions from the freight rail industry.

CP recognizes the importance of the 2030 horizon and has established science-based targets to align our climate ambitions with a well-below 2°C pathway.

THE SECOND HORIZON

2050

Climate experts agree that global emissions need to continue to fall beyond 2030, reach net-zero by 2050, and become carbon negative thereafter. CP recognizes that collective action to decarbonize must continue without pause during the coming decades.

As a leader in the North American transportation industry, CP will continue its efforts to decarbonize beyond 2030 and after achieving its science-based target. We realize that more significant decarbonization beyond 2030 will require a focused effort by CP and other stakeholders, and is dependent on emerging technologies and other solutions.

As a company, we will continue our leadership to support and facilitate the collaborative efforts needed to drive technological advancements. We will also continue to build resiliency across our operations to address the anticipated physical impacts of climate change.

Reducing carbon and improving infrastructure resiliency requires long term strategic planning. To support this work, CP has completed a thorough climate scenario analysis, providing insight into transitional and physical risks and opportunities through 2050. Measures to increase CP's resiliency to these risks and to pursue the opportunities of a low-carbon economy are described in this Climate Strategy.

Strategic Pillars

To respond to the risks and opportunities posed by climate change, and meet our decarbonization commitments, our Climate Strategy includes actions across five strategic pillars.

OUR STRATEGY

Understanding Our Climate-Related Risks and Opportunities

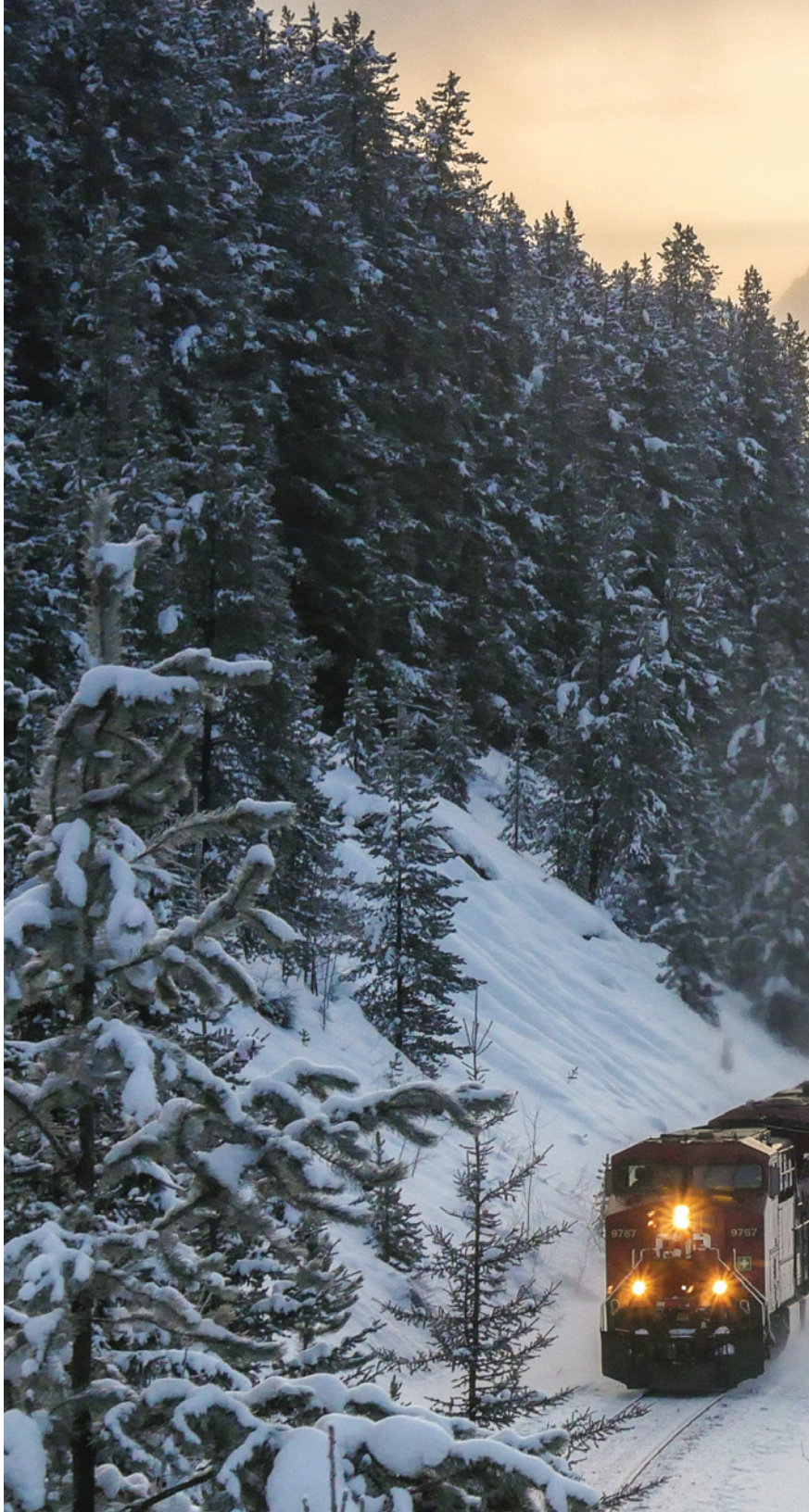
A clear understanding of the risks and opportunities related to climate change and our business is fundamental to effectively managing potential impacts. CP's awareness of these issues, and measures to mitigate climate risks, is subject to increasing focus by the financial community and other stakeholders. To support this understanding, we undertook our first in-depth climate scenario analysis in 2020.

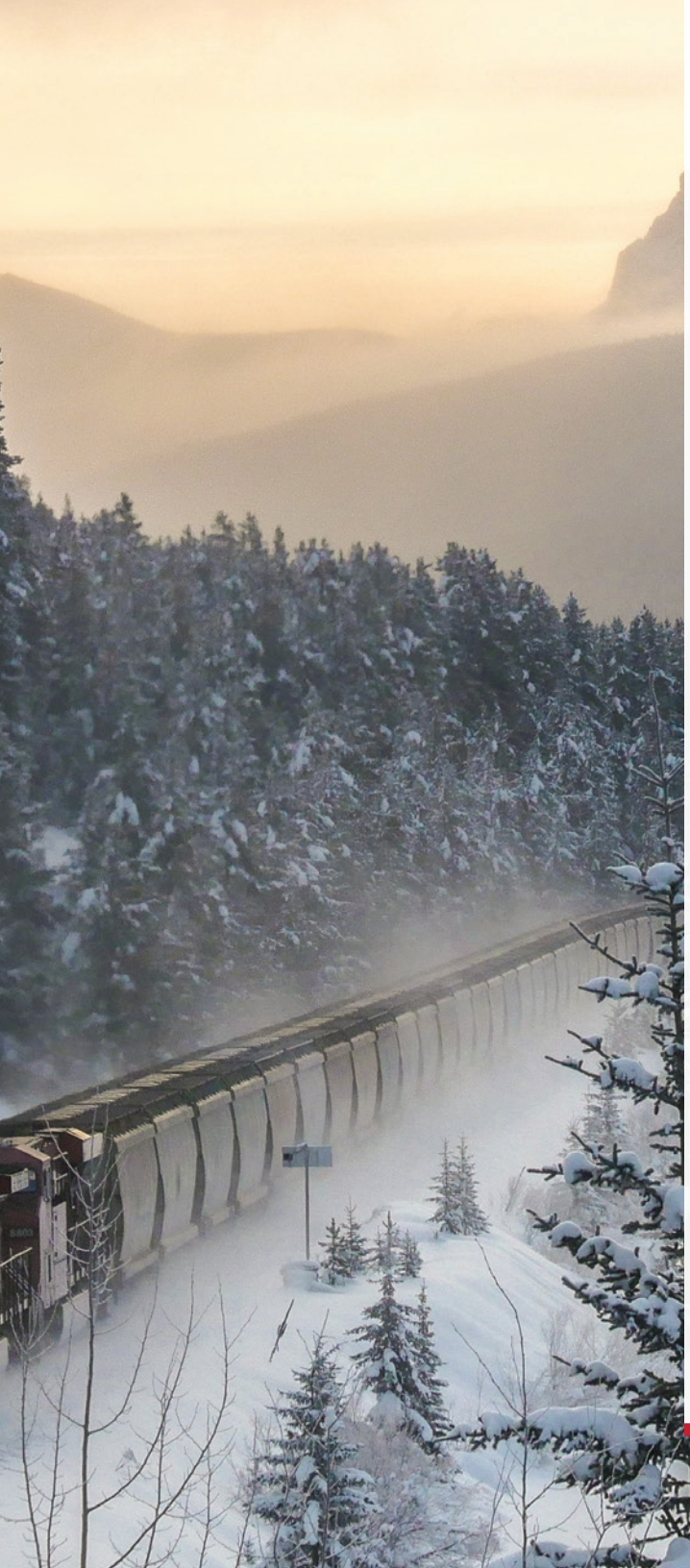
Climate scenario analysis is a core recommendation of the TCFD and provides a rigorous and quantitative assessment of the climate-related risks and opportunities the company may face in the future under a range of potential climate scenarios. CP's analysis integrated a number of factors to represent plausible future pathways based on credible science, developed by experts at the International Energy Agency (IEA) and other reputable organizations. These scenarios reflect combinations of potential policy changes, technological advancements, market shifts and changes in consumer behaviours. For CP, each scenario represents a trajectory under which the climate, economy and rail industry may change during the coming decades.

The results of CP's scenario analysis are intended to inform our understanding of our business' material climate-related risk and opportunities, and will support planning and investment decisions. Through this analysis, we sought to answer the following questions:

How will climate-related risks and opportunities affect our business?

Where can we best invest to counter climate change risks and capture opportunities?





CP's Priority Climate Impacts

Through engagements with a wide range of cross-functional stakeholders (alongside expert assessment and literature review, and with reference to the priorities of our suppliers and customers) we identified eight priority climate impacts for further exploration and detailed financial modelling. These potential risks and opportunities were more generally characterized as impacts in recognition that some may be a risk under one scenario and an opportunity under another. These eight potential impacts are also aligned with the TCFD's categories of policy, technology, market and physical risks.[7]

Policy

Carbon Pricing
New or additional carbon pricing could lead to increased costs to CP, which may impact CP's advantage over competitors.

Fuel Efficiency
Rail's inherent efficiency advantage over trucking may be amplified by regulations such as carbon pricing.

Technology

Fuel Switching
Considering electrification as a proxy for alternative locomotive fuels, fuel switching has the potential to provide medium and long term fuel and carbon cost savings.

Trucking Competition
Technology leading to decarbonization of trucking may make it more cost effective to operate these vehicles over long distances and lead to increased competition from trucking in North America.

Market

Coal Markets
CP's revenue may be impacted by a decrease in thermal coal demand and an increase in metallurgical coal demand.

Energy Markets
Changes in demand for different energy products (petroleum products, crude oil, biofuels, and wind) may increase or decrease revenues from those sectors.

Freight Rail Demand
A focus on decarbonization of the broader transport sector may increase demand for lower carbon transport options, expanding freight rail and increasing revenue.

Physical Impact

Physical Impacts
Changing physical conditions, such as higher temperatures, intense rainfall, and more extreme storms, may increase (or decrease in some cases) costs to CP due to delays, disruptions, derailments and other events.

[7] For more information surrounding climate-related governance, risks, opportunities and financial disclosures, please see CP's TCFD Index.

Climate Change Scenario Analysis

As part of a robust scenario analysis, the TCFD recommends including a scenario aligned with a 2°C future in order to stress-test the business and assess its resilience in a low-carbon economy — a future scenario that looks very different from the world today. Under the well-below 2°C scenario that CP assessed (IEA's Sustainable Development Scenario), the world embraces climate action and pushes for changes in regulations, markets and technologies to transition to a more decarbonized global system. Under this scenario, our business could see several significant financial impacts by 2030, including both risks and opportunities.

Although the well-below 2°C scenario represents a high degree of change, it is also important to understand how this future may differ from other potential scenarios. Our climate scenario analysis also considered how policy, market, technology and physical impacts may manifest under a more modest degree of change (aligned with IEA's Stated Policies Scenario), where climate action is slow and warming amounts to 3 to 3.5°C and a business as usual scenario where no (or limited) action is taken and warming reaches 5 to 6°C. Together, the comparison of these scenarios supports our understanding of where risks and opportunities exist and how they may materialize based on broader social, economic and political changes.

Whether CP is benefitting as a low-carbon freight transport provider under a well-below 2°C scenario driving faster decarbonization, or experiencing physical impacts associated with shifting temperatures under a business as usual scenario, the company needs to consider the impacts of a changing climate as part of business planning and decision-making over the long term. In understanding the potential future changes depicted in our scenario analysis, we are working to pursue opportunities and mitigate risks with an informed view of potential future developments. These findings will help CP prioritize climate-related impacts against other business risks and opportunities, ultimately supporting integration of climate risks and opportunities within existing business processes and cross-functional decision-making structures.

In a well-below 2°C scenario, where the world transitions to a lower-carbon economy:

Key risks include:

- Technological advances aimed at reducing emissions associated with road freight (truck transport) could displace business for CP.
- Rising carbon pricing could increase CP's operating costs for locomotive fuels.
- Changing energy markets, including decreased demand for oil and coal products CP transports, could result in decreased freight revenue.

Key opportunities include:

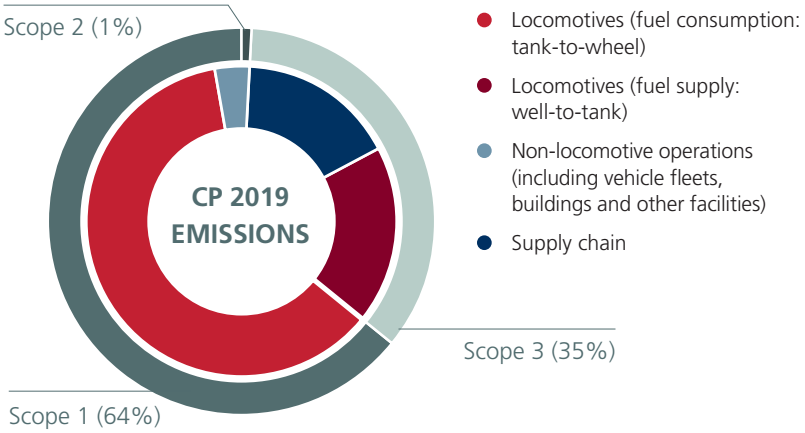
- CP's fuel efficiency advantage across other modes of transport, including truck transport, could provide a competitive advantage as fuel costs rise.
- Use of lower-carbon fuels could provide for significant cost savings.
- New and emerging markets for low-carbon products, such as biofuels and wind infrastructure, provide new or expanded opportunities for freight revenue.
- An overall increase in freight rail demand as a low-carbon transportation solution could increase CP's overall revenues and deliver reputational benefits.

Reducing Our Carbon Footprint

Baseline Carbon Footprint

Locomotives represent CP's greatest source of GHG emissions. In 2019 (our baseline year), emissions from locomotives comprised 96% of our Scope 1 emissions and 80% of our combined Scope 1, 2 and 3 emissions.

CP's GHG Emissions Footprint



How are CP's emissions classified?

- Scope 1 emissions are from CP's direct combustion of fuel, including fuel that powers our locomotives and company vehicles and facilities.
- Scope 2 emissions are associated with the electricity we purchase across our extensive Canada and U.S. network.
- Scope 3 emissions are associated with other parts of our value chain, such as purchased goods and services, other fuel- and energy-related activities, business travel, and employee commuting.

Science Based Targets

Setting clear, ambitious and science-based targets is vital to reducing our carbon footprint and delivering on this Climate Strategy. CP has set two science-based emissions reduction targets, including an ambitious target to reduce our locomotive emissions, complemented by a non-locomotive target to address other parts of our business. Our targets are aligned with a well-below 2°C scenario and provide a vision for our company's future intended to drive innovation and spur the adoption of new technologies and operational practices.

What is a science-based target?

Science-based targets are used by many companies to establish a pathway for GHG emissions reduction across their organizations. Emissions reduction targets are considered science-based if they align with both current climate science and the objectives of the Paris Agreement. Science-based targets aim to limit global warming to well-below 2°C above pre-industrial levels.

For companies like CP, there is a strong business case for setting a science-based emission reduction target. Science-based targets demonstrate a company's commitment to sustainability. They boost investor confidence, spur innovation, provide resilience against changing regulations, and generate long-term savings. The Science Based Targets initiative (SBTi) works with the private sector to set and validate science-based emissions targets, and align corporate ambitions with global goals and investor expectations for business resilience in a net-zero economy. The SBTi has developed standardized tools, resources and sector-specific methodologies to support company-specific emissions reduction targets.

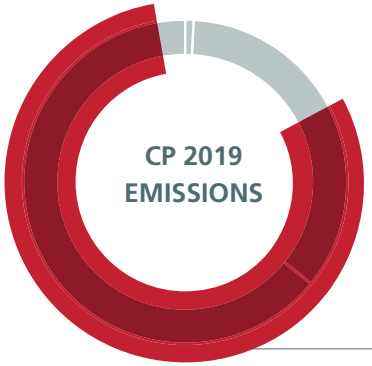
The SBTi is a partnership of the World Resources Institute, CDP, United Nations Global Compact, and the World Wildlife Fund for Nature.

Our science-based targets address **100% of our Scope 1 and Scope 2 emissions, and more than half of our Scope 3 emissions.** These targets are based on the most current approach available to the transportation sector through the SBTi.[8]

Locomotive Target

We will reduce our well-to-wheel GHG emissions intensity (grams per revenue ton-mile[10]) from locomotive operations by **38.3%** by 2030.

Locomotives represent CP's greatest source of emissions. Recognizing the magnitude of this target for our operations, we have worked with the SBTi to validate our approach and calculations.

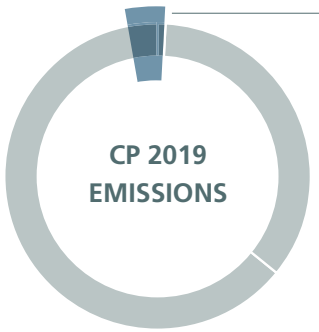


80% of CP's **TOTAL GHG EMISSIONS** are addressed through our Locomotive Target, **INCLUDING 96%** of our Scope 1 emissions **PLUS 53%** of our Scope 3 emissions.

Non-locomotive Target

We will reduce our absolute Scope 1 and 2 GHG emissions from non-locomotive operations (including emissions associated with our buildings and facilities) by **27.5%** by 2030.

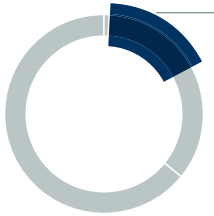
This target is directed at a relatively small but critical proportion of our GHG footprint. While this target has not been submitted to the SBTi for validation, CP followed a similarly robust and science-based methodology to calculate this target.



3.4% of CP's **TOTAL GHG EMISSIONS** are captured by this target, **INCLUDING 100%** of our Scope 2 and 4% of our Scope 1 emissions.

An emissions reduction target that supports business growth

CP's locomotive target establishes a GHG-intensity objective for well-to-wheel[9] emissions per revenue tonne-kilometer by 2030. By following an intensity-based approach for our target-setting pathway, CP can confidently accommodate future business growth. As a low-carbon mode of freight transport, the volume of goods transported by the rail sector, and by CP, is expected to grow in the years to come. The growth of freight transportation by rail is an essential component of the broader decarbonization and modal optimization within the transportation sector.



Beyond these targets, we are working with our supply chain to further improve our Scope 3 impact and reduce the GHG emissions of our suppliers and contractors.

Engaging With Our Stakeholders provides more information about how we will work with suppliers and other stakeholders to support this strategy.

[8] All targets are calculated with reference to base year emissions for 2019.
[9] Well-to-wheel emissions include all emissions related to fuel production, processing, distribution and use including (where applicable) Scope 1, 2, and 3 emissions. This metric effectively captures the entire energy process, from mining of the fuel source to powering our locomotives.
[10] Revenue Ton-Miles (RTMs) refers to the movement of one revenue-producing ton of freight over a distance of one mile. RTMs measure the relative weight and distance of rail freight moved by the Company.

Greenhouse Gas Reduction Levers

For CP to meet our science-based target for 2030, and continue further decarbonization toward mid-century, we recognize we must evaluate a wide variety of levers, including commercially ready and emerging options. New approaches are necessary, including systematic ways to:

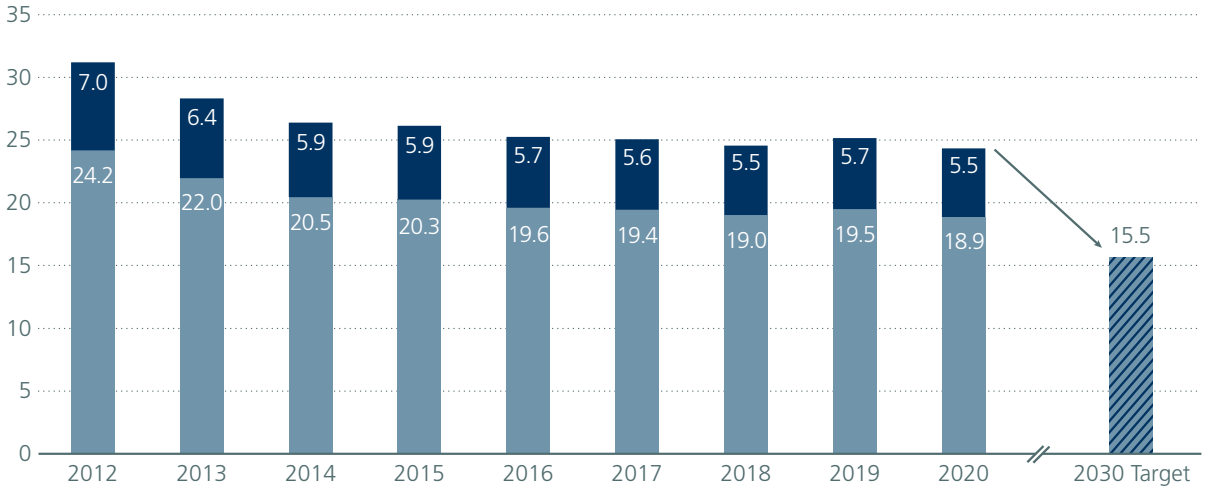
- Identify potential carbon-reduction levers
- Rigorously assess new levers in terms of carbon reduction potential, feasibility for the rail sector and costs to CP
- Conduct bench-scale and pilot testing
- Successfully deploy promising alternative fuels and propulsion methods
- Engage and collaborate with others to progress this work

In pursuing these goals, we will foster an enterprise-wide innovation mindset that encourages creative thinking and collaborative problem-solving to lower or potentially eliminate carbon emissions associated with the operation of CP's assets, facilities and rolling stock. In recent years, CP has made impressive strides to increase fuel efficiency (and reduce GHG emissions) by improving existing locomotives, rolling stock, components, and tracks; optimizing train configuration; using software for route and speed optimization and automation; improving fuel conservation from behavioral changes; and several other initiatives. We will continue our focus on fuel efficiency efforts in the near-term as we support the advancement of alternative fuels and emerging technologies, as these will require further validation and development before being deployed across our business.

Moving forward, we plan to establish a Carbon Reduction Task Force to lead our internal focus on decarbonization. CP's industry-leading engineers and operations experts will evaluate potential levers that could reduce our GHG emissions. Levers may involve factors such as internal carbon pricing, alternative fuels, renewable energy sources (such as on-site solar power, green power purchasing), use of electric vehicles and equipment, network modifications, and alternative propulsion for locomotives. CP will also consider other means to drive research and development, and we are committed to attracting and developing the best and brightest talent to work on these challenges.

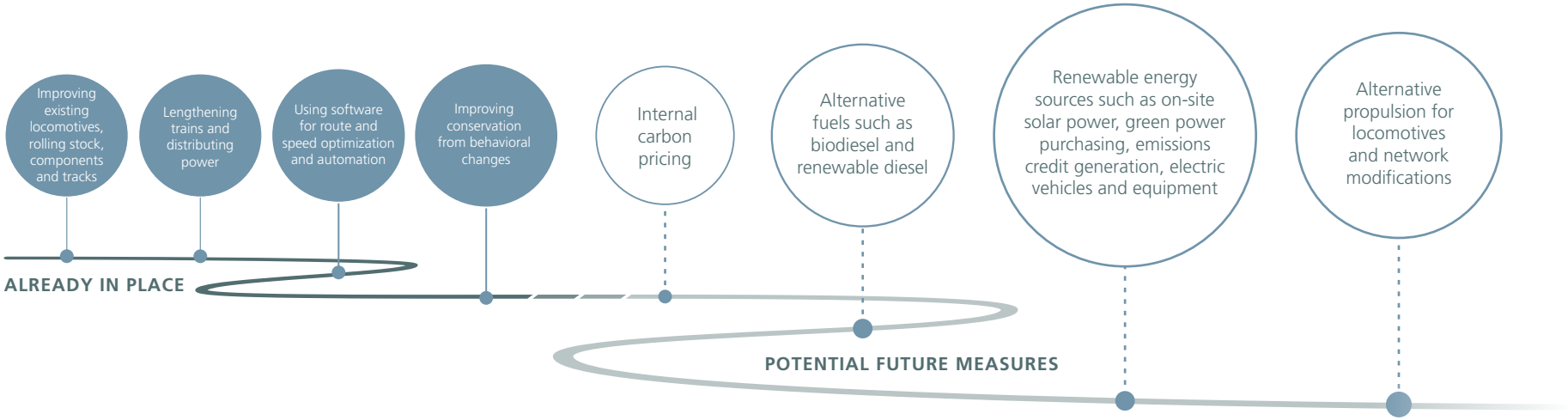
The benefits that can be gained from CP's GHG reduction levers, including emerging low-carbon technologies, extend beyond CP. Many of our customers have their own climate action goals, and care about the changes we make as part of their value chains. Our decarbonization efforts provide an opportunity to build long-lasting and effective partnerships with technology providers in an emerging marketplace. This collaboration is essential to support the development and field testing of new technologies under the challenging conditions Class 1 railways face generally, through daily operations, but also across CP's extensive North American network. These and other opportunities are explored further in the stakeholder engagement pillar of this Climate Strategy.

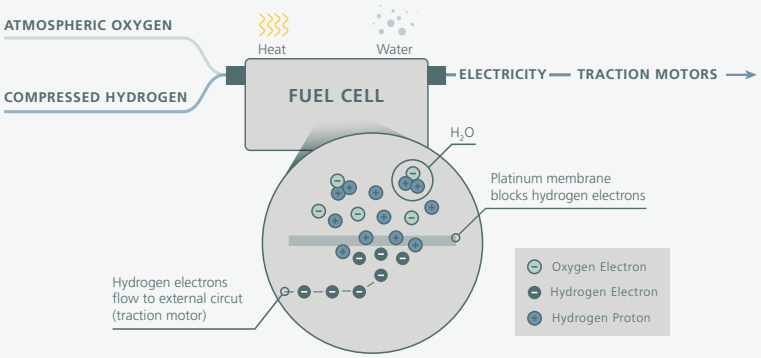
CP Locomotive GHG Emissions Intensity (g CO_2e/RTM) Performance and Target Projection[11]



[11] Scope 3 emissions for 2012 to 2018 have been proportionally estimated based on fuel consumption data for these years. The 2030 target value reflects Scope 1, 2 and 3 emissions.

Actions to Reduce Emissions





Spotlight on Hydrogen Power

Hydrogen fuel cell/battery hybrid propulsion technology is being tested worldwide as a viable alternative fuel for the transportation sector with particular promise for long-haul heavy freight transportation systems including rail. This technology may be capable of eliminating GHG emissions for railway locomotives. In addition to zero-GHG emissions, hydrogen power may offer other benefits, such as reducing operational noise and vibration generated by diesel-electric engines.

CP has initiated a program to convert three different types of diesel-electric locomotives into zero-emissions hydrogen-powered locomotives using fuel cells and batteries to power electric traction motors. Supported by a $15 Million grant from Emissions Reduction Alberta, the project will include installing hydrogen production and fueling facilities at two CP rail yards in Alberta. This program will demonstrate and evaluate the technical performance of hydrogen-powered locomotives and fueling infrastructure in real-world rail operations and is, thus, expected to generate critical industry knowledge and experience to inform potential commercialization and future development.

Responding to Physical Risks from Climate Change

A changing climate presents both chronic and acute physical risks to CP's network and assets. Throughout our 140-year history, CP has been challenged by remarkable changes in operating practices, technology advancements, transportation policy, and transformation across the industries we serve. We believe that our continued success necessitates being well-equipped to meet the multifaceted challenges of climate change. CP's success is founded on our proven ability to adapt and innovate, including the recent expansion of our network and ongoing improvements to our infrastructure and operating practices. We actively manage our network to ensure continuity in our operations, and invest in hardening our assets to ensure our infrastructure is resilient to future change.

To support the resilience of our business, we are aligning our technical expertise and network management systems with leading climate science. Using current climate models under a range of future scenarios, with analysis tailored to CP's business, we have reviewed the potential physical risks of climate change at a strategic level. We have also identified areas where new or different data are required to support additional predictive studies. This will help us assess and understand potential risks and opportunities that may arise, strengthen data collection, monitor changes and prioritize our mitigation efforts.

Continually improving our physical risk identification and assessment mechanisms will inform CP's climate-related strategies and guide investments in our network and assets. Together, these activities support CP's resilience in the face of a range of potential climate outcomes.

Due to the vast distances and remote nature of CP's rail network, and the infrastructure required to operate the freight transport business, severe weather conditions can pose a risk to our business. Reputable climate models indicate that these weather events and associated risks are likely to increase. It will be important to be proactive, and we have been evaluating various ways to mitigate climate-related risks to our network through active monitoring and focused efforts to harden our infrastructure.

For example, in 2019 a major flood along the Mississippi River affected our rail network around Davenport, Iowa. In response, and to keep our trains operational during future flood events, CP raised approximately three miles of track by three feet at a cost of approximately $11 million (CAD). These measures have reduced the potential impact on rail operations from future flooding events at this key location.

SLOW SPEED AHEAD: A CP freight train passes over newly raised tracks in downtown Davenport, Iowa, on April 3, 2019. CP has elevated signal bungalows in downtown Davenport to keep wiring and circuitry dry during flood events.

Integrating Climate Factors Across Our Business

The implementation of this Climate Strategy will require leadership and coordination to cascade its commitments across CP's business and our value chain. Although this commitment comes from the top, successful execution requires a broad understanding of the risks and opportunities of climate change and the company's commitment to climate action. Raising organizational awareness and fostering understanding of climate risks and opportunities is essential to ensure climate factors are integrated into planning and decision-making processes across our business.

CP recognizes the need for incorporating climate change risks and opportunities into business planning, and we are enhancing our governance to drive effective management of our climate change commitments and actions. Our business integration plans are aligned with the practices recommended by the TCFD.

To support the execution of this Climate Strategy, we are strengthening roles and responsibilities for climate governance. The Risk and Sustainability Committee of our Board of Directors provides oversight and reviews climate-related risks and opportunities. We plan to integrate the climate-related risks and opportunities identified to date into relevant business processes, including (but not limited to) enterprise risk management, capital expenditures and strategic planning. Integrating climate factors could include the creation of specific low-carbon budgets and inclusion of a shadow price on carbon in our capital expenditures process. Integration will also involve building awareness and capacity related to the other pillars identified in this Climate Strategy.

Whether they are directly involved in testing emerging technologies (e.g., through our hydrogen locomotive program), developing more sustainable operating practices or finding other ways to contribute to our goals for GHG emissions reduction across the business, CP's Board of Directors, the Risk and Sustainability Committee, members of the senior leadership team and our employees are excited to be a part of this journey. We look forward to sharing and celebrating our progress with our workforce, at all levels of our organization.

Engaging With Our Stakeholders

Internal and external stakeholder engagement will be a key success factor as CP implements this Climate Strategy. CP will drive internal alignment while engaging suppliers, customers, rail transportation peers and policymakers to help lead industry-wide change.

The core components for our stakeholder climate engagement include education, partnerships, policy and disclosure. These efforts will support the preceding pillars, helping CP to better understand climate-related impacts, stay connected with emerging scientific and engineering advances that support emissions reductions and infrastructure hardening, and intentionally build capacity and awareness to integrate climate considerations across our business. Underpinning this, we recognize that sharing experiences and insights with our external stakeholders will also add value to CP's climate programs, supporting collaboration and learning from different perspectives.

Education

Building internal and external awareness of climate risks and opportunities associated with CP's value chain is essential to driving change. Internal education will promote an understanding of roles, challenges and the underlying value in executing CP's Climate Strategy, with the goal of ensuring commitments are supported throughout our organization. External to CP, dialogue will focus on opportunities for CP's climate ambitions to support our customers' climate objectives. Ongoing engagement with our investors and communities can demonstrate CP's leadership position as we stay informed of evolving expectations.

Partnerships

CP is well-positioned to pursue partnerships with industry associations, other railways, equipment manufacturers, communities and other stakeholders. Through strategic partnerships, there are opportunities for collaboration to drive innovation, advance and improve the accessibility of emerging technology and take action to decarbonize the rail sector. CP is currently working with the Railway Association of Canada, the Association of American Railroads and Transport Canada to promote climate resilience in the rail sector. As a leader in this field, we are open to new pathways for partnerships, including existing and prospective suppliers, academia, railway peers and other institutions.

Policy

Globally, climate-related legislation and regulations are emerging in response to growing scientific evidence and societal awareness of climate change. As one of seven Class 1 North American railroads, CP frequently engages on regulatory issues that impact our business and the rail transportation sector in Canada and the U.S. Our strategic engagements support our Climate Strategy, including topics related to cap-and-trade, carbon taxes, fuel efficiency standards, renewable fuel standards and emissions reporting programs.

Disclosure

CP benefits from strong sustainability disclosure through our Sustainably Driven website, which includes CP's Climate Statement, CDP responses and efforts to manage energy efficiency and emissions. With a keen interest in climate planning, action and disclosure, CP recognizes the importance of keeping the investment community informed as this Climate Strategy is implemented and advanced. In line with the recommendations of the TCFD, CP has conducted its scenario analysis and issued this Climate Strategy, and will further enhance its climate-related financial disclosures in 2021 and beyond. Starting in 2022, CP will annually report to shareholders on updates and progress towards our climate strategy. Our shareholders are encouraged to provide feedback on our efforts through an advisory vote at our annual general meeting.

INVESTMENT

In order to position CP as a leader in the transition to a low-carbon economy and fully execute this Climate Strategy, we recognize that new approaches will be required to deploy capital, operating budgets and people in the most efficient and effective ways possible. CP currently expends significant amounts of capital to maintain and upgrade our locomotive fleet and network, to improve overall efficiency and ensure system reliability. We anticipate that new approaches to deploy these resources will be necessary to assess and utilize the new data systems, technologies and fuels required to mitigate GHG emissions in the coming years.

Evaluating resource needs associated with each of the pillars in this Climate Strategy, as well as accessing low-cost capital, will be part of ensuring successful outcomes. Ultimately, we recognize that our most valuable asset is our people. To fully execute this Climate Strategy, our leadership is dedicated to our continued investment in attracting, retaining and developing the best talent and providing them with a work environment that supports diversity, inclusion, innovation and creativity. We believe that approach has already resulted in CP being a railroad industry leader and that it will continue to deliver strong results as CP executes this Climate Strategy.

List of Acronyms

GHG – greenhouse gas
TCFD – Task Force on Climate-related Financial Disclosures
IPCC – Intergovernmental Panel on Climate Change
IEA – International Energy Agency
SBTi – Science Based Targets initiative
RTM – revenue ton-mile

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