

CANADIAN PACIFIC RAILWAY LIMITED

AND

CANADIAN PACIFIC RAILWAY COMPANY

CORPORATE GOVERNANCE PRINCIPLES AND GUIDELINES

The Term "Corporation" herein refers to each of Canadian Pacific Railway Limited ("CPRL") and Canadian Pacific Railway Company ("CPRC"), and the terms "Board", "Directors" and "Board of Directors" refers to the Directors or the Board of Directors of CPRL or CPRC, as applicable.

Introduction

The purpose of these principles and guidelines is to set forth the general principles of corporate governance by which the Corporation shall be managed. The guidelines operate in conjunction with the Corporation's By-laws, Articles, Code of Business Ethics, Code of Ethics for Chief Executive Officer and Senior Financial Officers, and the Terms of Reference of the Board of Directors and Board committees, and are reflected in relevant policies of the Corporation.

Composition of the Board of Directors

A substantial majority of the Board's members shall meet applicable standards with respect to being independent and unrelated to the Corporation, set forth in applicable securities laws, Canadian Securities Administrators' policies and the rules of any stock exchange on which the Corporation's securities are listed for trading. Determinations as to whether a particular Director satisfies the independence requirements for Board membership shall be affirmatively made by the full Board annually, based on a broad consideration of all relevant facts and circumstances. The Board will make regular public disclosure of its independence determinations as may be required from time to time by applicable securities laws, Canadian Securities Administrators' policies and the rules of any stock exchange on which the Corporation's securities are listed for trading.

Subject to the Corporation's Bylaws and Articles, the number of Directors of the Corporation may be fixed from time to time by resolution of the Board.

A Director shall cease to hold office:

- (a) when the Director ceases to be qualified as a Director under the Corporation's Articles of Incorporation; or
- (b) should the Director be a salaried officer of the Corporation other than the Chair of the Board, when the Director ceases to be a salaried officer of the Corporation.

The Board does not have term limits or a mandatory retirement age for Directors. The Board balances the need for experienced Directors who are familiar with the business of the Corporation, with the need for Board renewal, fresh perspectives and a careful assessment of management and its recommendations.

All Directors shall submit promptly for review by the Corporate Governance, Nominating and Social Responsibility Committee of the Board of Directors details of any significant change in their principal occupation or business associations and any developments that might impair such Director's independence, and offer to resign from the Board if so required by that committee. A Director wishing to join any other board of directors, whether a private or public company, or accept any additional

outside board service (including committee, chair and committee chair appointments) shall first request permission from the Chair of the Corporate Governance, Nominating and Social Responsibility Committee so that the appropriate review can be undertaken to ensure that there is no competitive conflict under applicable legislation, nor any other concerns regarding independence or other conflict of interests.

Directors are required to hold equity in the Corporation so they have a stake in the Corporation's future success and their interests are aligned with those of the Corporation's shareholders. Non-executive Directors must hold five times their annual retainer in common shares or director deferred share units within five years of joining the Board. The Chair of the Board is required to hold five times his or her annual retainer in common shares or director deferred share units within five years of his or her appointment as Chair of the Board.

Appointment of Directors

Nominees for Director will be selected on the basis of their experience, background, independent judgment, integrity, ability to make independent analytical inquiries, understanding of the Corporation's business environment and willingness to devote adequate time to Board duties. The Corporate Governance, Nominating and Social Responsibility Committee is responsible for recommending nominees for Director to the Board and in doing so will also give consideration to the Board Diversity Policy. The Corporate Governance, Nominating and Social Responsibility Committee will also consider nominees for Director, if any, properly proposed by shareholders in accordance with the Terms of Reference of the Corporate Governance, Nominating and Social Responsibility Committee and the Corporation's Bylaws and Articles.

In order to be nominated for election or re-election, all proposed nominees and Directors must confirm to the Chair of the Corporate Governance, Nominating and Social Responsibility Committee their agreement to the terms of these principles and guidelines. Additionally, any Director who fails to tender his or her resignation as required by the terms of these principles and guidelines will not be nominated for re-election the following year.

Serving on Multiple Boards

In order to take reasonable steps to ensure the ability of each Director nominee to make the commitment of time necessary to serve on the Board, the Corporate Governance, Nominating and Social Responsibility Committee will consider Director candidates' simultaneous service on the board of directors of other public corporations, including by applying the following guidelines: (i) for candidates that are chief executive officers or other senior executives of public corporations, the Board will prefer individuals who hold no more than two public corporation directorships in total (including CPRL / CPMC and membership on the board of the corporation at which an individual is employed), and (ii) for other candidates, the Board will require individuals to hold no more than five public corporation directorships in total (including CPRL / CPMC). The Corporate Governance, Nominating and Social Responsibility Committee will assess annually if Board candidates meet the above guidelines. For the purpose of assessing the number of public corporation directorships held by a candidate, it is understood that directorships with public entities associated, affiliated or otherwise related together may be considered as constituting only one directorship.

Director Responsibilities and Board Functions

The Board is elected by the shareholders to oversee management and ensure that the long-term interests of the shareholders are served. It is the ultimate decision-making authority within the Corporation, except with respect to those matters, including the election of Directors that are reserved to the Corporation's shareholders.

The independent members of the Board shall meet *in camera* at each Board meeting. The Audit and Finance Committee and the Management Resources and Compensation Committee shall include at least one *in camera* session of independent Directors at the beginning and/or end of each meeting.

The full Board shall hold a minimum of four regularly-scheduled meetings per year, with additional meetings held as necessary. Each Director is expected to attend and contribute at all meetings of the Board and committees on which they sit. The minimum attendance requirement is no less than 75% of Board and committee meetings, unless there is a valid reason that a Director is unable to attend (e.g. illness or emergency). All Directors are also expected to attend the Annual Meeting of Shareholders.

Information relevant to the Board's consideration of matters to be discussed at a meeting, together with an agenda for the meeting, will, whenever possible, be made available to Directors sufficiently in advance of the meeting date to permit Directors to prepare for a discussion of such matters. Directors are expected to review meeting materials prior to Board and committee meetings and, when possible, should communicate in advance of meetings any questions or concerns that they wish to discuss so that management will be prepared to address the same. Sensitive subject matters may be discussed at meetings of the Board without written materials being distributed to Directors.

When acting with a view to the best interests of the Corporation, Directors may consider, but are not limited to, the following factors: (a) the interests of (i) shareholders, (ii) employees, (iii) retirees and pensioners, (iv) creditors, (v) consumers, and (vi) governments; (b) the environment; and (c) the long-term interests of the Corporation.

Board Committees

The Board currently has the following committees:

- Audit and Finance Committee;
- Risk and Sustainability Committee;
- Management Resources and Compensation Committee; and
- Corporate Governance, Nominating and Social Responsibility Committee.

These committees may be changed or re-named, and additional committees may be appointed, from time to time at the discretion of the Board, provided that the Board shall maintain at all times a nominating committee, an audit committee and a compensation committee with such powers and responsibilities as may be prescribed by applicable securities laws, Canadian Securities Administrators' policies and the rules of any stock exchange on which the Corporation's securities are listed for trading. All Board committees will meet applicable requirements and guidelines for committee service, including requirements and guidelines with respect to being independent and unrelated to the Corporation, set forth in applicable securities laws, Canadian Securities Administrators' policies and the rules of any stock exchange on which the Corporation's securities are listed for trading.

Each of such committees will have written Terms of Reference. The Terms of Reference, along with these Corporate Governance Guidelines, will be posted on the Corporation's website at www.cpr.ca. The Corporation's annual report to shareholders will disclose that such documents will be so posted and that a printed copy of the same will be available to any shareholder who requests it.

Each of the Board committees will meet at least twice annually, with the exception of the Audit and Finance Committee, which will meet at least four times annually. Directors are expected to attend and contribute at all meetings of the Board committees on which they serve.

Board and Committee Chairs

The Chair of the Board shall be an independent Director. A Chair of the Board and a Chair of each of the Board committees shall be appointed on an annual basis by at least a majority vote of the remaining directors. The Board considers that Board and Board committee chairs should be rotated, where appropriate and practical, while preventing loss of experience and expertise and maintaining continuity. Generally, consideration is given to rotating a Board or Board committee chair after approximately five to seven years of service as chair. The Board strives to select new Board committee chairs from Directors who have prior experience on the relevant Committee.

Codes of Ethics

The Board shall adopt and maintain a code of business ethics ("Code") applicable to Directors, officers and employees of the Corporation, prescribing standards that are reasonably designed to promote integrity and honest and ethical conduct and deter wrongdoing, and shall monitor any waivers granted by the Corporate Governance, Nominating and Social Responsibility Committee from such code of business ethics. The Board shall also adopt and maintain a policy applicable to Directors, officers, employees and certain other persons retained by the Corporation to act on its behalf or to perform services on behalf of the Corporation, establishing the processes and procedures to report concerns regarding conduct within the Corporation, including questionable management and/or corporate practices, potential violations of any law or potential violations of the Code.

The Board shall also ensure that there is in place a code of ethics ("CEO and Senior Financial Officers' Code") for the Chief Executive Officer and senior financial officers, reasonably designed to deter wrongdoing and to promote honest and ethical conduct, full, fair, accurate, timely and understandable disclosure in accordance with applicable legal requirements, compliance with applicable governmental laws, rules and regulations, the prompt internal reporting of violations of the CEO and Senior Financial Officers' Code, and accountability for adherence to such code, and shall monitor any waivers granted by the Corporate Governance, Nominating and Social Responsibility Committee from such code.

Conflicts of Interest

Directors shall promptly disclose to the Chief Executive Officer and the Chair of the Board all conflicts, or potential conflicts, of interest and must resign if such conflict or conflicts cannot be resolved.

Director Access to Management

The Board, and any individual Director or group of Directors, will have full access to all employees of the Corporation and its subsidiaries. The Board encourages the Chief Executive Officer to invite non-Director members of management to address the Board in those instances where a manager's expertise can enhance the Board's understanding of an issue under its consideration.

Retention of Independent Advisors

The Board and each of its committees will have the authority to retain, at the Corporation's expense, independent financial, legal, accounting and other advisors.

Director Compensation

Management will report to the Corporate Governance, Nominating and Social Responsibility Committee on an annual basis as to how the Corporation's Director compensation practices compare with those of public companies of comparable size and complexity. Changes in the compensation of Directors will be made by the full Board, acting upon the recommendation of the Corporate Governance, Nominating and Social Responsibility Committee, and taking into account such factors as the time commitment, compensation provided by comparable companies, responsibilities of Directors, and similar matters.

Directors who are also officers of the Corporation shall not be entitled to receive any Directors' fees or other compensation in respect of their duties as Directors of the Corporation.

Except for Directors who are also officers of the Corporation, no Director shall receive from the Corporation any compensation other than the fees to which he or she is entitled as a Director of the Corporation or a member of a committee of the Board.

Director Orientation and Continuing Education

The Board shall ensure that all new Directors receive a comprehensive orientation to ensure they fully understand the role of the Board and its committees. This orientation includes an education regarding the contribution individual Directors are expected to make (including, in particular, the commitment of time and energy that the Corporation expects from its Directors) and the nature and operation of the Corporation's business, including through tutorials, seminars, and site visits. The Board shall also provide both internal and external continuing education opportunities for all Directors, so that Directors may maintain and enhance their skills and abilities as directors, as well as to ensure their knowledge and understanding of the Corporation's business remains current.

Management Succession

The Board, with input from the Management Resources and Compensation Committee, will at all times maintain a succession plan for the Chief Executive Officer and other senior executives, including policies and principles for Chief Executive Officer selection and performance review, as well as policies regarding succession in the event of an emergency or the retirement of the Chief Executive Officer.

Shareholder Advisory Vote on Approach to Executive Compensation

Shareholders shall have the opportunity to review the Corporation's approach to executive compensation disclosed in the management proxy circular. A periodic non-binding advisory vote by shareholders forms an important part of the ongoing process of shareholder engagement with the Board. As this is an advisory vote, the results will not be binding upon the Board, but will give the Board important feedback on this issue.

Annual Performance Evaluation of the Chief Executive Officer

The Management Resources and Compensation Committee shall design the performance evaluation process and establish performance objectives and measures for the Chief Executive Officer, and shall conduct an annual performance evaluation of the Chief Executive Officer in accordance therewith. The Management Resources and Compensation Committee and the independent members of the Board will take this evaluation into account in considering the compensation of the Chief Executive Officer.

Annual Performance Evaluation of the Board, Board Committees, Directors, Board Committee Chairs, and Chair of the Board

The processes for assessment of the Board, the Board Committees, including the Corporate Governance, Nominating and Social Responsibility Committee, and individual Board members, including the Chair of the Board and Board Committee Chairs, are managed by the Corporate Governance, Nominating and Social Responsibility Committee. The formal assessment is performed annually and includes Corporate Governance, Nominating and Social Responsibility Committee and Board discussions as well as confidential one-on-one interviews with each Board member.

Communications and Shareholder Engagement

The Board welcomes engagement with shareholders and encourages them to express their views. Shareholders may communicate with independent directors by writing to the Chair of the Board, c/o Office of the Corporate Secretary, Canadian Pacific Railway, 7550 Ogden Dale Road SE, Calgary, Alberta, Canada, T2C 4X9, or by email to shareholder@cpr.ca.

Amendment

These guidelines will be periodically reviewed by the Board and may be amended from time to time.

October 25, 2022