

CANADIAN PACIFIC RAILWAY LIMITED
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 Board, Directors or 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, CEO/CFO Code of Ethics, and the Terms of Reference of the Board of Directors and Board committees and are reflected in relevant policies of the Corporation.

Director Qualifications

Nominees for Director will be selected on the basis of their experience, background, judgment, integrity, ability to make independent analytical inquiries, understanding of the Corporation's business environment and willingness to devote adequate time to Board duties.

A majority of the Board's members shall meet applicable requirements and guidelines for Board 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 or 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 requirements for Board membership shall be affirmatively made by the full Board based on a broad consideration of all relevant facts and circumstances.

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;
- (b) should the Director be a salaried officer of the Corporation other than the Chairman of the Board, when the Director ceases to be a salaried officer of the Corporation.

All Directors shall submit promptly for review by the Corporate Governance and Nominating Committee of the Board of Directors details of any significant change in their principal occupation or business associations and offer to resign from the Board if so required by that committee.

All Directors shall meet the requirements established by the Board of Directors from time to time regarding shareholdings of Directors in the Corporation.

Election of Directors

In any election of Directors, the form of proxy shall provide the shareholders with the opportunity to vote for, or withhold their vote from, each nominee for Director.

Any nominee for Director, in an uncontested election of Directors, who receives from the votes cast a greater number of votes "withheld" from his or her election than votes "for" his or her election shall immediately following the certification of the shareholder vote submit his or her resignation, to take effect upon acceptance by the Board.

The Corporate Governance and Nominating Committee shall consider the offer of resignation, and make a recommendation to the Board as to whether to accept it. Unless there are exceptional circumstances that the Committee believes warrant delaying or rejecting the acceptance of the resignation, the Committee will recommend that the resignation be accepted.

The Board shall act on the recommendation of the Corporate Governance and Nominating Committee within 90 days of the certification of the shareholder vote. The Board will accept the resignation, except in situations where exceptional circumstances would warrant the director to continue to serve on the Board. The Board shall immediately publicly disclose its decision whether to accept a Director's offer of resignation in a press release disseminated in the same manner as press releases of material announcements of the Corporation and shall provide a copy of same to the Toronto Stock Exchange.

The resigning Director(s) shall not participate in the Corporate Governance and Nominating Committee or Board deliberations concerning his or her offer of resignation. Directors who are not independent shall not participate in the Board deliberations concerning an offer of resignation.

If a sufficient number of Directors receive withhold votes to prevent a quorum of the Board or the Board having a majority of independent directors, the offer of resignation of the number of Directors required to constitute a quorum and/or meet the independence requirements shall be refused. Resignations will be refused of the resigning independent Directors who receive the greatest number of affirmative votes from the shareholders until there is a quorum of the Board and the independence requirements are met.

If a majority of the members of the Corporate Governance and Nominating Committee fail to receive a majority of affirmative votes from the shareholders voting, a special committee of the members of the Corporate Governance and Nominating Committee receiving a majority affirmative vote shall be formed to consider the offers of resignation of the Directors who failed to receive a majority of affirmative votes.

The Board may fill any vacancy among the Directors resulting from the acceptance of the offer of resignation of a Director who has failed to receive a majority affirmative vote of the shareholders.

In order to be nominated for election, all proposed nominees and directors must agree to the terms of this Policy. Any director who does not tender his or her resignation as required by this Policy will not be nominated for election the following year.

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 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 each meeting. At all of such regularly-scheduled meetings, the non-management Directors will meet without management present. 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 will, whenever possible, be distributed to Directors sufficiently in advance of the meeting date to permit Directors to prepare for a discussion of such matters. Sensitive subject matters may be discussed at meetings of the Board without written materials being distributed to Directors.

Directors may consider the interests of constituencies such as employees, customers, suppliers and the public at large in determining the long and short-term interests of the Corporation and its shareholders.

Board Committees

The Board currently has the following committees:

- Audit Committee;
- Finance Committee;
- Management Resources and Compensation Committee;
- Corporate Governance and Nominating Committee; and
- Safety, Operations and Environment 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 or 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 or 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 Committee, which will meet at least four times annually. Directors are expected to attend all meetings of the Board committees on which they serve.

Board and Committee Chairs

A Chairman of the Board and a Chairman 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 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 and Nominating Committee from such code of business ethics.

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 and Nominating Committee from such code.

Conflicts of Interest

Directors shall promptly disclose to the Chief Executive Officer and the Chairman 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 and Nominating 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 and Nominating Committee, and taking into account such issues 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, so that they fully understand the role of the Board and its committees, as well as the contribution individual Directors are expected to make (including, in particular, the commitment of time and energy that the Corporation expects from its Directors), as well as the nature and operation of the Corporation's business. The Board shall also provide continuing education opportunities for all Directors, so that they may maintain or 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. It is the Board's intention that a periodic non-binding advisory vote by shareholders will form 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.

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 Chairman of the Board

The processes for assessment of the Board, the Board Committees, including the Corporate Governance and Nominating Committee, and individual Board members, including the Chairman of the Board and Board Committee Chairs, are managed by the Corporate Governance and Nominating Committee. The formal assessment is performed annually and includes Corporate Governance and Nominating 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 Chairman of the Board, 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.

As of December 17, 2018