

CANADIAN PACIFIC RAILWAY LIMITED

AND

CANADIAN PACIFIC RAILWAY COMPANY

BOARD OF DIRECTORS

TERMS OF REFERENCE

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

A. Board of Directors and Procedures

1. Purpose

The Canada Business Corporations Act ("CBCA") provides that the Board of Directors ("Board") shall manage, or supervise the management of, the business and affairs of the Corporation subject to any unanimous shareholder agreement, and further that every director and officer shall: act honestly and in good faith with a view to the best interests of the Corporation; and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

As the Board has overall plenary power, these Terms of Reference are intended not to limit the powers of the Board but to assist the Board in the exercise of its powers and the fulfillment of its duties.

2. Composition of the Board of Directors

The members of the Boards of both CPRL and CPRC shall be identical. The election of directors is by the shareholders; however, it is a policy of the Board that a majority of the Directors shall meet all 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.

3. Election of Directors

The Board shall propose, upon recommendation by its Corporate Governance and Nominating Committee (the "CGNC"), nominees to the Board for election by shareholders at the Corporation's annual meeting of shareholders.

4. Appointment of Board Chair

The Board shall appoint a Chair, who shall meet the independence requirements set forth in paragraph 2 of these Terms of Reference and shall not be an officer of the Corporation or any of its affiliates.

5. Meetings of Independent Directors

The independent Directors on the Board shall meet at regularly scheduled sessions without management participation. The independent Directors shall designate, and the Corporation shall disclose in the Corporation's management proxy circular the name of, the Director who will preside at such executive sessions.

6. Attendance of Others at Board Meetings

At the invitation of the Chair of the Board, individuals who are not Directors may attend any meeting of the Board.

7. Directors' Duties

Each Director is expected to attend each meeting of the Board and the Board committees of which he or she is a member. Information relevant to the Board's or a committee'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 or relevant committee 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.

Each Director is expected to maintain or enhance their skills and abilities as directors, including skills and abilities related to their duties on Board committees.

8. Remuneration of Directors

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. 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.

9. Use of Outside Legal, Accounting or Other Advisers

Individual members of the Board may engage outside, legal, accounting or other advisers, at the expense of the Corporation, to obtain advice and assistance in respect of matters relating to their duties, responsibilities and powers as Directors, provided such engagement is first approved by the CGNC.

B. Mandate

10. Management is responsible for the management of the Corporation. The Board is responsible for the stewardship of the Corporation and for monitoring the actions of, and providing overall guidance and direction to, management.

In fulfilling its mandate, the Board shall, among other things:

Committees and Committee Terms of Reference

- a) establish an Audit Committee, a Finance Committee, a Management Resources and Compensation Committee (the "MRCC"), a Health, Safety, Security and Environment Committee ("the HSSE") and the CGNC, each comprised entirely of independent Directors (except for the HSSE which may have non-independent Directors as members, pursuant to the HSSE Terms of Reference), and may establish such other committees as it deems necessary or desirable, to assist it in the fulfillment of its duties and responsibilities, with such terms of reference as the Board may determine, and may delegate from time to time to such committees or other persons any of the Board's responsibilities that lawfully may be delegated. The Board shall determine whether Directors satisfy the requirements for membership on each such committee;
- b) consider recommendations of the CGNC from time to time regarding the composition and terms of reference of the committees of the Board;

Corporate Governance

- c) consider recommendations of the CGNC regarding the Corporation's approach to governance issues and the adoption of corporate governance principles and guidelines for the Corporation, as well as the disclosure thereof in the Corporation's annual report or management proxy circular;
- d) consider recommendations of the CGNC regarding the adoption of:
 - 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

- a code of ethics applicable to the chief executive officer and senior financial officers of the Corporation prescribing standards that are reasonably designed, in addition to deterring wrongdoing and promoting integrity and honest and ethical conduct, to promote 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 latter code, and accountability for adherence to such code,

and monitor any waivers granted by the CGNC from the aforementioned codes;

- e) develop and annually review a disclosure and insider trading and reporting policy for the Corporation that, inter alia: addresses how the Corporation shall interact with analysts and the public; and contains measures for the Corporation to avoid selective disclosure;
- f) monitor the integrity of the Corporation's internal control, disclosure controls and procedures and management information systems;
- g) develop and periodically review policies with respect to decisions and other matters requiring Board approval;
- h) develop and periodically review policies and procedures for receiving feedback from shareholders with respect to the affairs of the Corporation;

Strategy and Operations

- i) adopt a strategic planning process and annually approve a strategic plan which takes into account, among other things, the opportunities and risk of the Corporation's business;
- j) with the assistance of the HSSE, oversee management in its execution of operational activities/plans;

Audit

- k) authorize the Audit Committee to assist the Board in overseeing:
 - (i) the review of the annual and interim financial statements of the Corporation;

- (ii) the integrity and quality of the Corporation's financial reporting and systems of internal control and risk management;
 - (iii) the Corporation's compliance with applicable legal and regulatory requirements;
 - (iv) the qualifications, independence, engagement, compensation (which compensation must be approved by the Board itself) and performance of the Corporation's external auditors; and
- (v) the performance of the Corporation's internal audit function;

Finance

- l) authorize the Finance Committee, in consultation, as appropriate and as applicable law and regulations may require, with the Audit Committee, to assist the Board in overseeing:
- (i) the Corporation's financial position, financing plans and programs and dividend policy and actions;
 - (ii) strategic options and opportunities for the Corporation, including acquisitions and divestitures; and
 - (iii) oversight of the pension plans sponsored by the Corporation and its subsidiaries from time to time;

Environmental and Safety Matters

- m) consider reports and recommendations of the HSSE with respect to the Corporation's environmental and safety policies and procedures and any issues relating to environmental and safety matters and management's response thereto;

Succession Planning

- n) develop, upon recommendation of the MRCC, and monitor a succession plan for senior officers of the Corporation, including appointing, training and monitoring senior management;

Oversight and Compensation of Management

- o) consider recommendations of the MRCC with respect to:
- (i) the appointment of officers of the Corporation and the compensation of Senior Vice Presidents and above, other than the Chief Executive

Officer (whose compensation must be approved by the independent Directors);

- (ii) the compensation philosophy and programs of the Corporation generally;
 - (iii) the adoption of any incentive compensation and equity based plans, including stock option, stock purchase or other similar plans, in which officers are or may be eligible to participate;
 - (iv) the establishment of performance objectives and the conduct of performance evaluations for certain senior officers; and
 - (v) the amendment of the Corporation's retirement plans;
- p) to the extent feasible, satisfy itself as to the integrity of the Chief Executive Officer and other executive officers and that the Chief Executive Officer and other executive officers create a culture of integrity throughout the organization;
- q) communicate to management and periodically review the Board's expectations regarding management's performance and conduct of the affairs of the Corporation;

Risks

- r) with the assistance of the Board committees, identify the principal risks of the Corporation's business and ensure the implementation of appropriate risk assessment and risk management policies and processes to manage these risks, and review and provide guidance to management on any outcomes, findings and issues arising in connection with the risk assessment and risk management policies and processes;

Directors Qualifications, Compensation, Education and Orientation

- s) consider the advice and input of the CGNC regarding:
- (i) the competencies and skills that the Board, as a whole, should possess;
 - (ii) the competencies, skills and personal and other qualities that the existing Directors possess;
 - (iii) a process to determine, in light of the opportunities and risks facing the Corporation, what competencies, skills and personal qualities are required for new Directors in order to add value to the Corporation;

and

- (iv) a policy respecting the size of the Board, with a view to facilitating effective decision- making;

and propose nominees for election as Directors;

- t) consider recommendations of the CGNC with respect to the level and forms of compensation for Directors, which compensation shall reflect the responsibilities and risks involved in being a Director;
- u) develop a program for the orientation and education of new Directors, and to ensure that prospective candidates for Board membership understand the role of the Board and its committees and the contributions that individual Directors are expected to make, and develop a program of continuing education for all Directors, so that they may maintain or enhance their skills and abilities as directors and ensure that their knowledge and understanding of the Corporation's business remains current;

Position Descriptions

- v) develop clear position descriptions for the Chairman of the Board and the Chairs of each of the Board committees and, together with the Chief Executive Officer, develop a clear position description for the Chief Executive Officer which delineates management's responsibilities; and

Assessment of Board and Committee Effectiveness

- w) consider recommendations of the CGNC for the development and monitoring of processes for assessing the effectiveness of the Board, the committees of the Board and the contribution of individual Directors, which assessments shall be made annually.

December 15, 2015