

CANADIAN PACIFIC RAILWAY LIMITED

AND

CANADIAN PACIFIC RAILWAY COMPANY

**CORPORATE GOVERNANCE AND NOMINATING COMMITTEE**

**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," "Board of Directors" and "Committee" shall refer to the Board, Directors, Board of Directors, or Committee of CPRL or CPRC, as applicable.*

**A. COMMITTEE AND PROCEDURES**

1. Purpose

The Corporate Governance and Nominating Committee (the "Committee") has overall responsibility for monitoring and assessing the functioning of the Board and the Committees thereof, and for developing and implementing good corporate governance practices. In addition, the Committee:

- (a) identifies individuals qualified to become board members and recommends to the Board the Director nominees for the annual meetings of shareholders; and
- (b) has oversight responsibility in respect of major issues of public policy relevant to the business of the Corporation and its subsidiaries.

2. Composition of Committee

The Committee shall be comprised of not less than three and not more than the number of Directors who are not officers or employees of the Corporation, none of whom is either an officer or employee of the Corporation or any of its subsidiaries. All members of the Committee shall meet all requirements and guidelines for corporate governance and nominating committee service, including being independent and unrelated to the Corporation, set forth in applicable securities laws, securities commission 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 membership on the Committee shall be affirmatively made by the full Board.

3. Appointment of Committee Members

Members of the Committee shall be appointed from time to time by the Board and shall hold office at the pleasure of the Board.

4. Vacancies

Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board. The Board shall fill any vacancy whenever necessary to maintain a Committee membership of at least three Directors.

5. Committee Chair

The Board shall appoint a Chair for the Committee.

6. Absence of Committee Chair

If the Chair of the Committee is not present at any meeting of the Committee, one of the other members of the Committee who is present at the meeting shall be chosen by the Committee to preside at the meeting.

7. Secretary of Committee

The Committee shall appoint a Secretary who need not be a Director of the Corporation.

8. Meetings

The Chair of the Committee or the Chair of the Board or any two of its other members may call a meeting of the Committee. The Committee shall meet at such times during each year as it deems appropriate, and as part of such meeting, shall meet in executive session without management being present.

9. Quorum

Three members of the Committee shall constitute a quorum.

10. Notice of Meetings

Notice of the time and place of every meeting shall be given in writing, by any means of transmitted or recorded communication, including facsimile, telex, telegram or other electronic means that produces a written copy, to each member of the Committee at least 24 hours prior to the time fixed for such meeting; provided, however, that a member may in any manner waive a notice of a meeting. Attendance of a member at a meeting constitutes a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

11. Attendance of Others at Meetings

At the invitation of the Chair of the Committee, individuals who are not members of the Committee may attend any meeting of the Committee.

12. Procedure, Records and Reporting

Subject to any statute or articles and by-laws of the Corporation, the Committee shall fix its own procedures at meetings, keep records of its proceedings and report to the Board when the Committee may deem appropriate (but not later than the next regularly scheduled meeting of the Board).

13. Review of Terms of Reference

The Committee shall review and reassess the adequacy of these Terms of Reference annually or otherwise as it deems appropriate and recommend changes to the Board.

## **B. MANDATE OF COMMITTEE**

14. The Committee shall:

### ***Board Composition, Director Criteria and Director Nominations, Etc.***

- (a) develop, review and monitor, from time to time, and report to the Board 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 identify and recommend to the Board qualified Director nominees for appointment or election at the annual meeting of shareholders consistent with the criteria approved by the Board, and after taking into account the Board Diversity Policy, the aforementioned matters and whether such individuals are able to devote sufficient time and resources to their duties as Board members;

- (b) consider nominees, if any, recommended by the shareholders for election as Directors;
- (c) have sole authority to:
  - (i) retain and terminate any search firm to be used to identify Director candidates; and
  - (ii) to approve the search firm's fees and other retention terms;
- (d) review from time to time the retirement age for Directors (if any);

### ***Directors' Compensation***

- (e) conduct, every two to three years, a review of compensation for Board and Committee service (including compensation for service of Directors as Board and Committee Chairs), taking into account such issues as the time commitment, compensation provided by comparable companies, responsibilities of Directors, and similar matters, and recommend any change in compensation to the Board for its consideration;

### ***Effectiveness of Board, Committees and Directors***

- (f) annually review and evaluate the performance and effectiveness of the Board, its committees, including the Committee, and individual Directors, including the Chair of the Board, and make any recommendations thereon; and in so doing consider:
  - (i) in the case of the Board or a Committee, its terms of reference;

- (ii) in the case of an individual Director, the applicable position description(s), as well as the competencies and skills each individual is expected to bring to the Board; and
- (iii) in the case of the Chair of the Board, such review shall be overseen by the Chair of the Committee, provided that the review shall be overseen by another member of the Committee in the event that the Chair of the Committee is also the Chair of the Board;
- (g) assess the effectiveness of the working relationship and communications between the Board and management of the Corporation and its subsidiaries;
- (h) review any surveys completed by Directors dealing with effectiveness of the operation of the Board;
- (i) assess the availability, relevance and timeliness of information required by the Board;

***Board and Committee Mandates and Committee Composition***

- (j) review from time to time, and at least annually, the terms of reference of the Board and the composition and terms of reference of the various Committees of the Board, and make recommendations thereon to the Board;

***Corporate Governance***

- (k) develop, recommend to the Board, and review from time to time a code of business ethics applicable to the Corporation, a code of ethics applicable to the Chief Executive Officer and senior financial officers of the Corporation (collectively, the "Codes") and a set of corporate governance principles and guidelines for the Corporation;
- (l) monitor compliance with the Codes and waivers from compliance therefrom, and ensure that any issues relating to governance which are identified by the Directors are raised with management;
- (m) review and, if deemed appropriate, approve any waivers of the Codes for executive officers or Directors and promptly disclose such waivers to the shareholders;
- (n) undertake such other initiatives as are necessary or desirable to provide effective corporate governance for the Corporation;
- (o) review the Corporation's disclosure of, or periodically disclose, if required, any significant ways in which the Corporation's governance practices differ from those set forth in the New York Stock Exchange Listing Standards and in the Corporate Governance Guidelines of the Toronto Stock Exchange or, when and if adopted, corporate governance guidelines of the Canadian Securities Administrators;

***Public Policy Review***

- (p) review, from time to time, major issues of public policy relevant to the business of the Corporation and its subsidiaries;

***Directors Orientation and Education***

- (q) in consultation with the Chair of the Board, develop, monitor and review, as applicable, the Corporation's orientation and continuing education programs for Directors;

***Engagement of External Advisers***

- (r) be authorized to approve, in such circumstances as it considers appropriate, the engagement by any one or more Directors of outside advisers, such engagement to be at the Corporation's expense; and

***Miscellaneous***

- (s) perform such other activities, consistent with these Terms of Reference, the Corporation's articles and by-laws and governing law, as the Committee or the Board deems appropriate, and shall have the authority to retain such experts as it may require.

October 20, 2020