Transcript

CPKC 2024 Annual General Meeting

April 24, 2024

Webcast

Corporate Participants:
Isabelle Courville – Chair of the Board of Directors
Keith Creel – President and Chief Executive Officer
Jeffrey Ellis – Executive Vice-President, Chief Legal Officer and Corporate Secretary

Other Participants
Colleen Nielsen, Computershare Trust Company of Canada
Kelly Hirsch, Vancity Savings Credit Union

PRESENTATION

Jeffrey Ellis
Executive Vice-President, Chief Legal Officer and Corporate Secretary

Good morning, ladies and gentlemen. My name is Jeff Ellis. I'm the Executive Vice President, Chief Legal Officer and Corporate Secretary of Canadian Pacific Kansas City Limited. CPKC is committed to diversity and inclusion. In keeping with indigenous protocol and building respectful relationships between indigenous and non-indigenous peoples in Canada, the United States and Mexico, and in the communities in which we operate, I would like to acknowledge that indigenous peoples are the traditional stewards of the lands and waters where CPKC's head office is located and where each of us is participating from in this meeting.

This presentation will contain certain forward-looking statements and forward-looking information within the meaning of applicable securities laws, which I will refer to collectively as forward-looking statements, including but not limited to CPKC's operations, priorities and plans, anticipated financial performance, business prospects information regarding sustainability, related actions we plan to take in the future, including our climate change strategy, our goals and commitments for reducing greenhouse gas emissions, and the benefits of integration of Kansas City Southern and Canadian Pacific. By their nature, forward-looking statements involve numerous assumptions risks and uncertainties that could cause actual results to differ materially from the forward-looking statements.

This presentation will also contain certain non-GAAP measures, which do not have a standardized meaning under generally accepted accounting principles. Further information about CPKC's forward-looking statements and non-GAAP measures is available in the company's annual report on Form 10-K and CPKC's other filings with Canadian and U.S. securities regulators, each of which can be found online on SEDAR, EDGAR and @investor.cpkcr.com.

Isabelle Courville
Chair of the Board of Directors

Good morning, ladies and gentlemen. My name is Isabelle Courville, and I am Chair of the Board of Directors of Canadian Pacific Kansas City Limited. Welcome to the 2024 Annual Meeting of Shareholders of Canadian Pacific Kansas City limited. (Foreign Language)

This year's meeting is being held in a virtual format via live webcast, allowing all shareholders to participate regardless of where they are located. (Foreign Language)

Shareholders will be able to vote on all business brought forth and submit questions for consideration as they would at an in-person shareholder meeting. Voting will be permitted until all resolutions to be voted upon have been put before the meeting.

With that, I welcome all of our shareholders and employees joining us virtually from around the globe. Joining me at the meeting today are: Keith Creel, President and CEO; and Jeff Ellis, Executive Vice President, Chief Legal Officer and Corporate Secretary. Also present today from our Calgary head office

where I am are our Board of Directors nominees for 2024 and our Senior Management team. As indicated in our proxy circular, representatives from Ernst & Young LLP, who are our auditors, are also available at the meeting if there are any questions. We will be considering the regular business of an annual meeting, including our annual non-binding advisory vote, Say on Pay and Say on Climate. We will also consider a shareholder proposal. We will have a Q&A session at the end of Keith Creel's remarks. If your question is not answered during the meeting, we will respond by email after the meeting. As in past years, we expect that the vast majority of votes have been cast in advance of the meeting by proxy through the various available channels. That said, the right to vote and participate in the meeting is very important and we fully support that participation.

Registered shareholders and duly appointed proxy owners who have not voted or wish to change their vote may vote online by clicking on the voting icon. Polls are now open for voting on all five items of business to be voted on at the meeting, as described in the proxy circular. Once discussion on all business items has concluded, I will declare voting closed on all resolutions. Registered shareholders and beneficial shareholders who have appointed themselves as proxy owners can submit questions online now or anytime during the meeting by clicking on the question icon.

Following our usual practice, all meeting materials along with an audio recording of the meeting will be available on CPKC's investor website following the meeting.

I now call the meeting to order. I will act as Chair of the meeting and Jeff Ellis will act as Secretary. I appoint Colleen Nielsen from Computershare Trust Company of Canada, to act as Scrutineer for the meeting. The Secretary has a positive review and affidavit establishing the sending of notice of the time and format of this meeting to each shareholder entitled to vote, to each director, and to the auditors of Canadian Pacific Kansas City Limited, as required by law. The Scrutineer has confirmed that a quorum is present. The Scrutineer's final report will be kept with the records of this meeting. I declare that the meeting has been regularly called and properly constituted for this transaction of business.

Before we commence the formal business of the meeting, I would like to take a moment to reflect on this past year. First, I would like to congratulate our President and CEO, Keith Creel, and the entire CPKC family of railroaders for delivering a truly transformative year. Final STB approval of our combination with Kansas City Southern was received on March 15, 2023, with the two companies combining as of April 14, 2023. I was in Kansas City that day to watch Keith drive the final spike and signal the creation of CPKC. I was honored to be part of that historic moment, one which I believe will serve to strengthen service, safety, and sustainability across the North American freight rail industry. Since April, our Board has been active across the vast new network and has held meetings in all three countries. (Foreign language)

Throughout 2023, CPKC continued to operate as one of the safest railroads in North America, with CPKC leading the North American rail industry with the lowest Federal Railroad Administration reportable train accident frequency rate. As well, we have continued to leverage the strength of our Home Safe program, which has been instrumental in lowering the number of workplace injuries. During 2023, CPKC remained committed to making improvement in sustainability. Our continued focus in this area saw CPKC named to S&P Global Dow Jones Sustainability World Index for the second time and to the Dow Jones Sustainability North America Index for the fourth year in a row.

This was the 25th year of our CPKC Holiday Train, which raised a record CAD1.8 million for food banks across North America. For the first time, the Holiday Train went South of Kansas City and included new

destinations throughout various Midwest and Southern states. We also contributed -- continued the tradition of the Holiday Express, which visited 20 communities, and our Mexican train also went to communities in Mexico. In October, we achieved another global milestone. CPKC and the Kansas City Current women's soccer team announced that the first stadium built for a woman's professional sports team would officially be known as CPKC Stadium. The stadium opened on March 16 with great excitement. This historic naming rights agreement is a continuation of CPKC's long established legacy of investing in women's sport and a groundbreaking commitment to the Kansas City community.

The Board continues to engage with our shareholders. During this past year, we have been focused on the Board's oversight of integration, our ongoing efforts to bring a new standard of safety to the North American rail landscape, our commitment to delivering synergies, our continued progress towards climate goals, and the opportunities arising from technology and artificial intelligence. Shareholders also continue to have the opportunity to provide feedback through our non-binding advisory Say on Climate Vote, which enables shareholders to have a say on our approach to climate change, as described in our proxy circular. We believe that this year's Say on Climate Vote will continue to promote dialogue and help inform on this important topic.

This year, the Board will be returning to 11 members with 10 independent directors. All nominees have agreed to their nomination as directors for the following year. Jill Denham and David Garza-Santos will not be standing for re-election at this meeting. I want to thank Jill for her remarkable eight years of services on the Canadian Pacific and now CPKC Board. I also want to thank David for his dedicated service to Kansas City Southern and his service this past year with CPKC. Being a railway that serves the populations and businesses in three countries, we are working to add another Mexico-based director as soon as possible.

This year, I have witnessed the determination and ability of our world-class railroaders to overcome challenges and work to provide the best freight service in North America. CPKC railroaders are committed and ready to define the future of railroading in North America. I thank you for your ongoing commitment to CPKC. (Foreign language)

We will now proceed with the formal business of the meeting. Please note that after the formal business is concluded and the meeting is terminated, President and CEO, Keith Creel will address shareholders, after which there will be a Q&A period. The Secretary and I will either move or second all motions with respect to the business of this meeting. If you have any questions, these should be submitted now by clicking on the question icon on your phone, computer or tablet.

There are five matters set out in the notice of this meeting to be voted on by shareholders. We are conducting voting on all items at once online. If you are a registered shareholder or a proxy holder, and if you have not already done so prior to today, you can vote now by clicking on the voting icon on your phone, computer or tablet. The poll will close once all business matters have been presented. A voting user guide was distributed to shareholders with the meeting materials and is available online at CPKC's investor website at investor.cpkcr.com.

I kindly request that the Secretary read out the items that are being voted upon.

Jeffrey Ellis

Thank you, Madam Chair. Again, if you have submitted your vote prior to this meeting, there is nothing for you to do unless you wish to change your vote. Each shareholder or proxy holder may vote on all matters at this meeting.

In particular, One, the appointment of an auditor by selecting either for or withhold. Two the company's approach to executive compensation, commonly known as Say on Pay by selecting either for or against. Three, our approach to climate change, referred to as Say on Climate, by selecting either for or against. Four, the election of directors, by selecting the names of the nominees for whom they wish to vote, by selecting either for or against for each nominee. And Five, shareholder Proposal number one, by selecting either for, against or abstain.

As set out in our proxy circular and Appendix A delivered prior to the 2024 Annual Meeting of Shareholders, the CPKC Board unanimously recommends that you vote for items 1 through 4 and against Item 5. Preliminary results will be announced later in the meeting after all matters have been voted on.

Isabelle Courville

The first step in today's meeting is the receipt of the consolidated financial statements, as included in the 2023 Annual Report. A copy of the Annual Report has been made available to shareholders in either hard copy or electronic. A copy of the Annual Report is also found at investor.cpkcr.com and is found on the annual meeting site.

I now place before the meeting the consolidated financial statements of the company and report of the auditor thereon for the year-ended December 31, 2023. The first item of business to be voted on is the appointment of an auditor. I move that Ernst & Young, LLP, be appointed auditor of Canadian Pacific Kansas City Limited from old office until the close of the next annual meeting of shareholders.

Jeffrey Ellis

Madam Chair, I second the motion.

Isabelle Courville

The next item of business is a non-binding advisory vote to approve compensation of CPKC's named executive officers, commonly known as Say on Pay. I move that, on an advisory basis and not to diminish the role and responsibilities of the Board of Directors, that the shareholders accept the company's approach to the compensation of the named executives of Canadian Pacific Kansas City Limited as disclosed in the company's proxy circular delivered prior to this 2024 Annual Meeting of Shareholders.

Jeffrey Ellis

Madam Chair, I second the motion.

Isabelle Courville

The next item of business is a non-binding advisory vote to approve our approach to climate change, which is also referred to as Say on Climate. I move that, on an advisory basis and not to diminish the role and responsibilities of the Board of Directors, that the shareholders approve the company's approach to climate change as disclosed in the company's proxy circular delivered prior to this meeting.

Jeffrey Ellis

Madam Chair, I second the motion.

Isabelle Courville

The next item of business is the election of directors. In accordance with the articles and bylaws of Canadian Pacific Kansas City Limited, the Board of Directors has determined that 11 directors are to be elected at this time. The following are the 11 director nominees as set out in the policy circular and delivered prior to this meeting. The Honorable John Baird, Isabelle Courville, Keith Creel, Ambassador Antonio Garza, the Honorable Edward Hamberger, Janet Kennedy, Henry Maier, Matthew Paull, Jane Peverett, Andrea Robertson, and Gordon Trafton.

Jeffrey Ellis

I move that the persons nominated be elected directors of Canadian Pacific Kansas City Limited, each to hold office until the close of the next annual meeting of shareholders or until such person's successor is elected or appointed.

Isabelle Courville

I second the motion. The next item of business is shareholder Proposal number one. We invite Kelly Hirsch from Vancity Savings Credit Union to speak to the proposal before this meeting.

Kelly Hirsch
Vancity representative
Great. Thank you. Good morning, and thank you for having me here today to speak on behalf of Vancity Investment Management on the merits of our shareholder proposal. We are a socially responsible asset manager with a fiduciary duty to our clients on whose behalf we manage over CAD3.8 billion in assets.

We believe that paid sick leave is a vital component of effective human capital management in addition to being critical to strong health and safety practices. Providing paid sick leave without penalty signals to employees that a company prioritizes both their well-being and the well-being of the communities they operate in.

Paid sick leave is particularly material in the rail industry where most unionized employees hold safety critical roles where a small lapse in attention can have extremely serious consequences. We undertake due diligence as part of our investment process, which includes consulting with stakeholders. We have communicated with a number of rail unions regarding our concerns with rail safety.

In these discussions, it became apparent that the provision of paid sick leave is a priority in this area and that they have had difficulty negotiating with CPKC compared to peers. At the heart of the proposal is a concern with rail safety and how human factors contribute to safe operation. The horrific events that occurred at Lac-Megantic, Quebec, where 47 people were killed and the town was destroyed, highlight how severe the consequences of errors in rail operations can be.

While precision scheduled railroading has brought needed efficiencies to the industry, it has also created new safety challenges. The significantly longer and heavier trains, tighter schedules, and less employees to monitor issues, it is extremely important that all work is done diligently by healthy and alert employees and that safety is treated as a top priority.

The current crisis at Boeing is a prominent example of what can happen when safety isn't prioritized in safety-critical industries. It is well-recognized that the issues at Boeing stem from corporate decisions made over 20 years ago, that deprioritize safety, that is, only in recent years that the severe consequences of these decisions have become apparent. As long-term investors in CPKC, we don't want the company to be in the same position as Boeing in the future.

We have held CP Rail for many years and filed a total of six shareholder proposals with the company over that time. None of these were presented at CP's AGM as we were able to have meaningful engagement with the company prior to the deadline to reach withdrawal agreements.

We filed a similar proposal with CN under similar timelines as CPKC this year, and were able to have productive discussions prior to CN finalizing their proxy circular. Given our long-standing relationship with CP, we were quite surprised that CPKC had not allowed time for shareholder engagement between their proposal filing deadline and the legal deadline to distribute the proxy circular. This is unfortunate as we would have appreciated the opportunity to have a substantive discussion that could have led to a mutually beneficial outcome and the withdrawal of this proposal like those that we filed before.

In conclusion, we would like to reiterate that paid sick leave is an investment in human capital and would benefit shareholders through improved employee morale, reduced accidents, and reduced exposure to reputational, regulatory, and direct financial risks associated with train derailment. Therefore, we urge shareholders to vote for this proposal. Thank you very much for your time.

Jeffrey Ellis

Thank you. The company's response is set out at Appendix A to the proxy circular, and I now put this matter to a vote.

Isabelle Courville

As discussion on all business matters has now concluded. I declare that the polls are now closed. The Scrutineer has provided the preliminary report based on proxies received prior to the meeting. I call on the Secretary to report on the preliminary results of the votes. I note that the company will report the detailed final voting results, including those votes submitted online at the meeting, once the tabulation is complete after the meeting.

Jeffrey Ellis

Ernst & Young LLP has been appointed auditor of Canadian Pacific Kansas City Limited with 9.83% of the votes in favor of their appointment. Say On Pay vote received 94.05% of the votes cast in favor of the resolution. Say On Climate vote received 89.26% of the votes cast in favor of the resolution. Each of the 11 nominees has been elected as a director of Canadian Pacific Kansas City Limited with at least 96.21% of votes in favor of their election. The shareholder Proposal number one vote received 86.13% of the votes cast against the resolution.

Isabelle Courville

I adopt the preliminary report of the Scrutineer and declare the 11 director nominees duly elected directors of Canadian Pacific Kansas City Limited. Items of business 1 to 4 passed and item 5 failed. I direct that the Scrutineer's report be annexed to the meaning of the meeting.

Ladies and gentlemen, your duly elected directors of Canadian Pacific Kansas City Limited are: the Honorable John Baird, Isabelle Courville, Keith Creel, Ambassador Antonio Garza, the Honorable Edward Hamberger, Janet Kennedy, Henry Maier, Matthew Paull, Jane Peverett, Andrea Robertson and Gordon Trafton.

As there is no other business that may properly be brought before the meeting. This concludes the formal business of the meeting. I wish to thank you all for participating and I now declare this meeting adjourned.

Mr. Keith Creel will now provide his address to shareholders. If you have any questions, you may submit them by clicking on the question icon at any time. Mr. Ellis will then read back the questions after the CEO address.

Over to you, Keith.

Keith Creel
President & Chief Executive Officer

Thank you, Isabelle. Shareholders, fellow railroaders and guests, good morning. I want to welcome those who are participating in the meeting online from coast to coast and across the globe.

This past year, our first as a united CPKC family was certainly one for the history books. We began a forever story at CPKC last April, started to deliver right out of the gate. I'd like to begin this morning by thanking the many thousands of CPKC railroaders who are doing an incredible job integrating two Class 1 railroads. There certainly have been challenges to overcome and opportunities to succeed. Our teams are embracing them in a true railroader style. Our team is united in working together to deliver a unique outcome that will benefit our railroaders, our customers, our communities, and the economies

of these three great nations that we serve. We've created something special that simply cannot be duplicated.

One year into our forever story, we're building an unparalleled network that's on the path of becoming the most relevant in North America. We're enhancing what we have and we're increasing capacity through investments in our network to support safety and the growth that our combination enables. Make no mistake, growth defines this combination. The long-term opportunities for our railway are unique and undeniable.

We're changing the industry, we're creating competition, we're creating new relationships that capitalize on our unique access to Mexico. With our first month as a combined company, we launched our Mexico Midwest Express premium intermodal service. The MMX is the only dedicated single line premium intermodal service between the U.S., Midwest, and Mexico. It offers consistent truck competitive service to a market that prior to our combination simply did not have a single line intermodal option.

Last summer, we reached an agreement to acquire subject to right to approval a portion of the Meridian & Bigbee railroad to forge a new direct connection with CSX in the East. CPKC and CSX have committed to use that new connection to create a new East-West Class 1 free corridor that links CPKC-served markets in Mexico with CSX served markets in the southeastern U.S. When it comes to operating sustainably and making a positive contribution to our industry, we're setting the course through leadership and action as well. Transportation by rail is already one of the most environmentally responsible ways to move freight and we're taking action to make it even better to help protect our environment.

As we look to the future, we see great potential for our hydrogen power to play an important role in this space. We continue to make exciting progress with our unique hydrogen locomotive program. In 2023, our two low horsepower locomotives entered local revenue service here in our Calgary terminal. Our high horsepower locomotive has completed its first movement and ramped up testing in the first quarter of this year. Last summer, we announced a pilot program of Teck Resources to integrate our hydrogen locomotives into Teck’s supply chain and we've reached agreement with CSX to build and deploy hydrogen locomotive conversion kits for diesel electric low horsepower locomotives.

Safety remains foundational to everything we do at CPKC. Operating safely is our commitment and it's our obligation. CPKC railroaders embrace safety as a journey, it's not a destination. And we'll always work toward being safer tomorrow than we were yesterday. In 2023, CPKC led the industry with the lowest FRA train accident frequency among Class 1 railroads, building on CP's legacy of 17 consecutive years leading the industry. That's impressive. I'm proud of our industry-leading accomplishments in this space and they will continue. Still, safety is something we must continue to work on every day.

I'll close by saying that while our playing field has grown, our commitment to delivering safely and sustainably for customers, communities, shareholders and each other remains the same. We're moving the commerce of today and we're helping to grow the commerce of tomorrow. Our future is full of opportunities. Thank you.

Jeffrey Ellis

Thank you again for participating in today's meeting. For the Q&A session, we appreciate and look forward to addressing your questions.

Madam Chair, Mr. Creel, there are no further questions.

Isabelle Courville

Thank you, Jeff. Ladies and gentlemen, that concludes the management Q&A session. (Foreign language) On behalf of CPKC, I would like to thank each of you for attending this virtual annual shareholder meeting. We look forward to continuing to build our CPKC advantage and to meeting again next year.