CONTINUITY  CONNECTIVITY  COMMUNITY

Corporate Social Responsibility REPORT

Canadian Pacific
Forward Looking Statements

The following may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (United States) and relevant Canadian legislation relating but not limited to CP’s operations, priorities and plans, anticipated financial performance, business prospects, planned capital expenditures and programs and strategies. This forward looking information also includes, but is not limited to, statements concerning expectations, beliefs, plans, goals, objectives, assumptions information and statements about possible future events, conditions, and results of operations or performance.

Forward-looking information typically contains statements with words such as “anticipate”, “believe”, “expect”, “plan” or similar words suggesting future outcomes.

By its nature, CP’s forward-looking information involves numerous assumptions, inherent risks and uncertainties, including but not limited to the following factors: changes in business strategies; general North American and global economic and business conditions; credit and business conditions; risks in agricultural production such as weather conditions and insect populations; fluctuations in the value of the Canadian dollar relative to the U.S. dollar; the availability and price of energy commodities; the effects of competition and pricing pressures; industry capacity; shifts in market demands; changes in laws and regulations including regulation of rates; changes in taxes and tax rates; potential increases in maintenance and operating costs; uncertainties of litigation; labour disputes; risks and liabilities arising from derailments; transportation of dangerous goods; health, safety and environmental risks; timing of completion of capital and maintenance projects; currency and interest rate fluctuations; effects of changes in market conditions and discount rates on the financial position of pension plans and investments; and various events that could disrupt operations, including severe weather conditions, security threats and governmental response to them, technological changes.
Ensuring Continuity as We Change

Good safety, employee, community, and environmental practices don't just make sense from a corporate responsibility perspective; they are inseparable from sound business practices. And while you expect to hear these things from me, it's better to read real examples about our employees at work and in the communities along our network.

While no company is perfect, I can say that we at Canadian Pacific (CP) are genuine, truthful and transparent. In the pages that follow, we describe our programs and activities through stories about our actual employees; we also tell you about the challenges that we overcame in 2009 with creative solutions, and ones that we are facing today.

While many companies talk safety, we live it. Safety is core to everything we do. Employee injuries declined 31% and train operation incidents declined 10% since 2007. While these are excellent results, I am most proud that 2008 and 2009 were fatality-free years. Throughout 2009, every CP employee truly embraced our vision to be the safest, most fluid railway in North America by making safety a top priority.

Our commitment to safe operations is balanced with our commitment to environmentally sound transportation solutions. We operate through some sensitive areas in North America, and we are diligent in developing and implementing comprehensive and functional programs that balance the need to protect our planet and run our business. With respect to the environmental issue of the day, although trains are already three times more fuel efficient than trucks on a per ton-mile basis, we continue to adopt new technologies to minimize our fuel consumption and greenhouse gases.

Our people are key to delivering innovative transportation solutions to our customers and to ensuring strong relations in the more than 1,100 communities through which we operate. Our ongoing sponsorship of the Vancouver 2010 Winter Games meant that we moved equipment, sponsor materials and supplies to Vancouver using our innovative logistics and transportation solutions.

CP is a storied organization with a 129-year history. Today, more than ever before, we have the opportunity to refocus, reassess and reinvent ourselves. Yet as we change, we will continue to meet our long-held commitment to corporate social responsibility.

CONTINUITY. CONNECTIVITY. COMMUNITY.

Fred Green, President and CEO
Canadian Pacific Railway Limited, through its subsidiaries, operates a transcontinental railway in Canada and the United States and provides logistics and supply chain expertise. Canadian Pacific (CP) provides rail and intermodal transportation services over a network of approximately 15,300 miles, serving the principal business centres of Canada from Montreal to Vancouver, and the U.S. Northeast and Midwest regions. CP’s railway feeds directly into the U.S. heartland from the east and west coasts. Agreements with other carriers extend CP’s market reach east of Montreal in Canada, throughout the U.S. and into Mexico.

CP transports bulk commodities, merchandise freight and intermodal traffic. Bulk commodities include grain, coal, sulphur and fertilizers. Merchandise freight consists of finished vehicles and automotive parts, as well as forest and industrial and consumer products. Intermodal traffic consists largely of high-value, time-sensitive retail goods in overseas containers that can be transported by train, ship and truck, and in domestic containers and trailers that can be moved by train and truck.

### Key Figures (U.S. GAAP)

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue ($ million)</td>
<td>4,754</td>
<td>5,349</td>
<td>4,402</td>
</tr>
<tr>
<td>Net income ($ million)</td>
<td>913</td>
<td>635</td>
<td>555</td>
</tr>
<tr>
<td>Gross ton miles (millions)</td>
<td>246,322</td>
<td>250,991</td>
<td>209,475</td>
</tr>
<tr>
<td>Miles of road operated (year end)</td>
<td>13,199</td>
<td>15,510</td>
<td>15,385</td>
</tr>
<tr>
<td>Employees (average)</td>
<td>14,172</td>
<td>14,340</td>
<td>13,619</td>
</tr>
</tbody>
</table>
The strategic leadership of corporate social responsibility is shared among numerous corporate groups: Health, Safety and Environment, Human Resources, Corporate Services, and Investor Relations. These groups have a mandate to provide strategic-level support within the company. The daily management of corporate responsibility commitments and implementation of programs is led by each respective department. Our approach incorporates management systems, workplace health and safety committees, regular audits, and corrective action tracking.

We have adopted a range of mandatory policies to govern our behaviour and ensure ethical and responsible operations. CP’s long-standing Code of Business Ethics applies to all employees and addresses, among other things, conflicts of interest, protection and proper use of corporate assets and opportunities, confidentiality of corporate information, and reporting of illegal or unethical behaviour. In 2006, we introduced mandatory online ethics training for all officers and non-union employees. As part of the online ethics training, officers and non-union employees are annually required to acknowledge that they have read, understood and agree to comply with the Code. In addition to a wide-ranging Environment Policy, we adhere to internally developed policies addressing drug and alcohol free workplaces, safety, harassment and discrimination.

About this Report

This report is a tool for customers, communities, shareholders, suppliers, analysts, public officials and our employees to learn about the work we’ve done, the challenges we’ve overcome and the issues we face.

Please keep in mind the following considerations and notes when reading this report:

- References to ‘CP,’ ‘the Company’ or ‘we’ mean Canadian Pacific Railway Limited as a whole. When referring to a subsidiary, we refer to it specifically by name.
- This report covers performance for the year ended December 31, 2009, unless otherwise noted, for Canadian Pacific Railway Limited. Any exceptions are explicitly noted with the relevant data.
- Data measurement techniques and bases for calculations, if not obvious, are included with the data.
- Unless otherwise specified, all monetary references in this report are expressed in Canadian dollars. Please refer to the 2009 Canadian Pacific Railway Limited Annual Report for more details on our financial performance.
- Except where noted, data does not cover contractors or temporary employees.
- The accuracy of this report is of vital concern to CP. We believe it is an accurate representation of our performance. We undertake a variety of internal and external assurance activities on information presented in this report, including financial, environmental, health and safety performance, management system and compliance audits.
Our corporate safety policy states that ‘No job on our railway will ever be so important that we can’t take the time to do it safely.’

The health, safety and security of our employees and the communities in which we operate and through which we travel are fundamental pillars of our company. Although our railway is already the safest in North America, we are continually looking for improvement opportunities.

New technology, increased crossing safety enforcement, education and information, fatigue management programs, peer observation, pre-departure checklists/job briefings, top-down/bottom-up training, ergonomic intervention and motor vehicle accident prevention are just some of the strategies we have in place to help further reduce train accidents and personal injuries.

Sticking it to driving hazards
While most of us are diligent about safety the majority of the time, small helpful reminders are always useful. Preventing motor vehicle accidents was one of our corporate focuses in 2009 as vehicle collisions are the number one cause of workplace fatalities in North America. Almost 45% of all CP motor vehicle accidents in 2008 occurred while operating backwards. A program was launched to help remind employees of the risk.
FOCUS: track and equipment conditions

What We’re Doing

We’re using leading-edge technologies to inspect our equipment and tracks.

<table>
<thead>
<tr>
<th>Technology</th>
<th>Application</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unmanned Inspection</td>
<td>In 2009 we installed a state-of-the-art wayside detector that uses a system of cameras and strobe lights to take photographs of car and locomotive components on trains passing at track speed. This system, known as FaCTIS® (or Fully Automated Car and Train Inspection System) is considered a key element in evolving towards a technology-driven train inspection process that will augment the limited ability of current manual inspection processes. Unmanned detection systems were installed on two locomotives to identify and report impacts to rail equipment from travel over low-quality joints and track. In 2009, fifty-nine track locations were identified automatically for repair. Under a 2009 grant from the U.S. Federal Railroad Administration's Risk Reduction Program, CP is developing an unmanned instrumented freight car capable of continuously measuring track geometry parameters during regular freight train service, and transmitting the results to a database program that identifies areas that are most in need of attention.</td>
</tr>
<tr>
<td>Train Area Marshalling</td>
<td>In 2009 a new version of CP's Train Area Marshalling (TrAM) program was put into production. TrAM is an industry-leading program that assesses the type, weight and position of freight cars placed within a train before departure to ensure that in-train forces are kept within tolerance for each track segment. Originally introduced in 2003, TrAM's new functionality allows us to safely operate long trains using appropriately spaced locomotives (distributed power) to reduce in-train forces and reduce track wear.</td>
</tr>
<tr>
<td>Technologies Undergoing Testing</td>
<td>Several technologies for inspecting track welds and gauges, fastenings, and ties were undergoing testing during 2009. We are analyzing results and will determine if the technologies are worth implementing in our operations.</td>
</tr>
</tbody>
</table>
How We Did

In 2009, CP again led the North American Class 1 rail industry in train accident performance with a record-low accident frequency of 1.49 accidents per million train miles.

Causes of Train Accidents

<table>
<thead>
<tr>
<th>Cause</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human error</td>
<td>50%</td>
</tr>
<tr>
<td>Track defects</td>
<td>25%</td>
</tr>
<tr>
<td>Third party causes</td>
<td>15%</td>
</tr>
<tr>
<td>Equipment causes</td>
<td>10%</td>
</tr>
</tbody>
</table>

Train Accident Improvements from 2008 to 2009

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Improvement in 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total accidents</td>
<td>reduced 23%</td>
</tr>
<tr>
<td>Road accidents</td>
<td>reduced 37%</td>
</tr>
<tr>
<td>Yard accidents</td>
<td>reduced 9%</td>
</tr>
<tr>
<td>Total accident costs</td>
<td>reduced 44%</td>
</tr>
</tbody>
</table>
FOCUS: enforcement and education

What We’re Doing

Through enforcement and education, the CP Police Service works with communities to ensure safe interaction between vehicle and pedestrian traffic and rail movements.

The CP Police Service focuses attention on crossing safety and trespassing on rail property. Although level crossings are engineered to provide a safe interaction between train and other traffic, unfortunately, crossing accidents still happen. To prevent accidents, CP Police enforce trespass rules and educate the public about the dangers of trespassing. Within our yards, CP Police monitor speed, safety signs, lane changes, turns and passing, and other issues.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operation Lifesaver</td>
<td>Operation Lifesaver is a multi-stakeholder public education program designed to heighten general public awareness of the potential hazards of railway crossings and of trespassing on railway property. CP is a proud collaborator in this program.</td>
</tr>
<tr>
<td>Safe Passage</td>
<td>This program gives the public an outlet to report concerns or incidents involving grade crossings. Every crossing in this program is marked with a unique identification number and contact information. The number of calls we have received has grown steadily over the past few years.</td>
</tr>
<tr>
<td>Rail Safety Week</td>
<td>For one week every year, CP Police hit the streets at hundreds of events throughout Canada with the message of staying safe around railway property. In addition to interactive educational presentations, CP Police step up warnings and enforcement of rules at crossings, yards and schools. Rail Safety Week is an industry-wide joint program with Transport Canada.</td>
</tr>
</tbody>
</table>

How We Did

In 2009, the CP Police Service dealt with 19,944 requests for service.

In 2009, CPPS identified 6,073 traffic offences, mainly at crossings, and a small number in CP yards, resulting in 3,102 charges or citations issued and 18 warnings. High-visibility counter trespasser patrols interdicted 3,966 trespassers on our property, of which 2,146 were either charged or arrested.

Our CP Police communications centre is central to providing effective and timely security. In 2009, the centre handled 61,197 incoming calls. Of the calls received, 4,857 were on the Community Connect line, a new function added to the Police Control Centre. Approximately 18% of calls were from the Safe Passage program.
FOCUS: health, safety and security training

What We’re Doing

With more than 90% completion of on-line programs in 2008-2009, health and safety training for CP managers moved to the classroom. The focus of our 2009-2010 courses is on:

• preventing slips, trips, sprains and strains—the leading causes and most frequent injuries reported at CP;
• reducing cost and adverse injury impact to employees through early intervention and return to work programs;
• investigating human factor causes for accidents and executing systemic corrective action plans; and
• preventing hydrocarbon (e.g., fuel) spills

In 2009, we implemented a comprehensive policy aimed at reducing accidents and injuries resulting from workplace distractions caused by use of cell phones and other electronic devices. This initiative expands on distracted driving laws that exist in many states and provinces where we operate.

CP won the 2009 Railway Association of Canada award for safety with its release of a new updated Customer Safety Handbook. The handbook provides current railway health, safety, security and environmental best practices, including information on restricted clearances, track maintenance procedures and proper handling and loading of railway equipment. By working closely with our customers to focus on common safety interests, we have reduced third-party-caused train accidents by 64% since 2001.

We recently revised our Minimum Safety Requirements for Contractors. All contractors working on our property must undergo safety and security orientation training and security screening.

During 2009, transition teams were busy integrating safety programs of DM&E Railroad, a company we acquired in 2008. The teams implemented the Safety Integration Plan (SIPA). Many of the SIPA items that were planned for 2010 were implemented ahead of schedule in 2009. SIPA activities in 2009 were focused on installing a number of control and operating systems, establishing CP’s safety planning processes, getting core safety documents (such as CP’s Customer Safety Handbook) in place and filling a number of training gaps for managers and employees. Most 2010 safety metrics will now include DM&E performance consolidated with CP core operations.

How We Did

In 2009, CP had its second best year (after 2008) for employee injury performance with a frequency of 1.85 per 200,000 hours worked. We have also gone fatality-free for two consecutive years.
FOCUS: emergency preparedness

Emergency response plans are like insurance policies: we invest the time and resources developing them in the hope that we never need to use them.

Transportation of dangerous goods requires an effective emergency response plan to minimize potential harm to people and the environment. Proactively sharing, testing, rehearsing and updating plans through exercises with key stakeholders help us better understand and perform our roles in actual emergencies. These activities help us quickly identify priorities and minimize harmful impacts on people and the environment when emergencies do occur.

What We’re Doing

Transportation Community Awareness and Emergency Response (TransCAER) is a national information and training program for communities through which dangerous goods are transported. As active supporters of this voluntary program, CP and the chemical industry co-host community leaders and emergency responders at information and training sessions on emergency response measures.

In 2009, two full-scale emergency response exercises were completed with communities. The exercises included participation from fire departments, police, EMS, hospitals, public works, surrounding facilities (e.g., schools), and others. Exercises typically involve simulated releases of dangerous commodities from rail equipment to test both the community and CP emergency response plans.

In addition to the full-scale exercises, we also conducted the following activities in 2009 with local communities, emergency responders and/or regulators:

• Eighteen emergency response awareness sessions on rail cars containing dangerous commodities;
• Seven table top sessions/mock exercises to test CP emergency response plans; and
• Fifteen information meetings/presentations discussing emergency response capabilities.
How We Did

In 2009, CP’s safety record in the transportation of dangerous goods improved relative to our performance in 2008; there were a total of 84 incidents in 2009 compared with 91 in 2008. No accidents involved the release of dangerous goods and no evacuations of third parties were required.

CP teams up with communities for safety

Every year, field managers across our network plan 15-20 local emergency response training activities. Communities and local emergency response personnel have shown keen interest in our tabletop or full-scale mock disaster exercises, as the exercises help communities strengthen their own emergency response plans and identify gaps.
FOCUS: transportation of regulated commodities

Many people may not realize that railways in Canada and the U.S. are bound by a common carrier obligation that legally requires railways to transport regulated commodities, also known as dangerous goods. In other words, railways cannot refuse service merely because of real or perceived inconvenience or liability.

What We’re Doing

Since carrying regulated commodities is a daily reality, we continue to support and participate in various events, including but not limited to:

- education & awareness development of municipal officials
- mock disasters/exercises, drills and table top exercises
- awareness sessions with first responders
- education and audits for hazmat shippers
- regional/national meetings and workshops of TransCAER (Transportation Community Awareness and Emergency Response — a voluntary outreach effort)

How We Did

In 2009, we reduced our number of regulated commodity incidents by approximately 8% from 91 in 2008 to 84 in 2009. This included 42 non-accident releases (NAR), which involve the unintentional release of a hazardous material during any transportation phase. NARs can result from splashes, improperly secured or defective valves, fittings and tank shells and venting of gases from safety relief devices. In 2009, there were no train accidents that resulted in any loss of a hazardous commodity.
What We’re Doing

Customers are the core of our business. Every year we move millions of tons of goods and raw materials safely and efficiently. We ship everything from cars, coal, fertilizer, forest products, grain, industrial products, containers, machinery, sulphur and truck trailers.

In addition to community and network safety, the CP Police also protect customer assets. Regular inspections of container seals at various locations, but particularly at interchange points, deter criminal activity and proactively addresses customers’ concerns.

CP Police routinely inspect trains and containers to monitor missing or broken seals or other types of exceptions. Our Customer Service Team addresses customer inquiries when they discover a new seal has been applied. CP Police report that break and enter offences decreased 19% in 2009, particularly in major urban centres.

In 2009, CP presented 38 customers in Canada and the U.S. with Chemical Shipper Safety Awards. These awards recognize outstanding performance from companies that ship more than 400 loads per year of regulated chemicals without a non-accident release (NAR).

Please visit the customer section of our website to learn how CP can provide you with the best customer experience, bar none.
Our environmental programs are focused on cleaning up our past, managing our present, and protecting our future.

At CP, we recognize that we are part of a larger global community and that our decisions and policies have lasting impacts beyond our day-to-day operations, including on the air, water, and land. That is why we are committed to conducting our operations in an environmentally responsible way. We believe this commitment will help sustain the ecosystem that keeps us all healthy and thriving.

In 1990, CP adopted our Environmental Protection Policy. CP's executive team routinely recommits to the policy.

To effectively and accurately monitor and assess environmental performance, we use a comprehensive environmental management system that incorporates the five elements of ISO 14001:
- Policy
- Planning
- Implementation and operation
- Checking and corrective action
- Management review

Our procedures minimize our impact on ecologically sensitive areas and help prevent spills and other incidents.

CP undertakes environmental compliance audits of all operating facilities to monitor our environmental policies and performance against municipal, provincial, state and federal regulations. All corrective actions must be complete within two years of the audit. Our environmental management program is fully integrated with our business. Every department has specific environmental targets that are integrated into their annual business plans. Progress is tracked and reported to senior management quarterly and to the Board of Directors semi-annually.

In accordance with regulations, CP undertakes environmental assessments of proposed construction activities to identify and eliminate or mitigate any adverse environmental effects of the projects.
## Initiative Description

**Locomotive fleet renewal**

Since 1995, CP has invested over $1.2 Billion in new emission-friendly, fuel-efficient, higher horsepower alternating current (AC) locomotives, allowing the phase-out of older locomotives. Recent acquisitions of 200 GE Evolution® series locomotives now represent 17% of our line-haul fleet. These locomotives use 3% less fuel and emit 40% less smog producing pollutants than previous models.

**Fuel consumption optimization**

Following operational testing indicating potential fuel savings of 6-10%, we have equipped 200 locomotives with Fuel Trip Optimizer (FTO). FTO is an advanced energy management system that optimizes fuel consumption based on factors such as train length and weight, grade, track conditions, weather and locomotive performance. FTO calculates the most efficient way of running the train while maintaining smooth train handling.

**Anti-idling technology**

By applying automatic engine start/stop technology to 95% of our yard engines and 80% of our line-haul fleet we have limited idling to only what is necessary to protect the locomotive engine, consequently reducing fuel consumption by 45 million litres since introduction of the technology to our fleet in 2002. We are testing a new generation of anti-idling technology that could save up to three times as much fuel as current technology and will operate without temperature restrictions (current automatic shutdowns only engage at temperatures above freezing).

**Locomotive Hybrid Testing**

With the support of Transport Canada’s Freight Technology Demonstration Fund, we have acquired two new hybrid locomotives for testing in southern Ontario. These units could reduce fuel consumption by up to 40% and air pollutants by 80-90% compared to existing switching locomotives. We continue to test 4-axle power (yard switcher) hybrid technology. To date, we have evaluated four prototypes with two more scheduled for spring 2010.

**Rail Lubrication**

In areas with high track curvature, wear on the track and wheels affects fuel consumption. We are implementing a total friction management approach that uses gauge face and top-of-rail lubrication to reduce rail and wheel wear on high curvature track. The focus has been a 900-mile section in Western Canada where more than 300 top-of-rail lubrication systems have been installed. In combination with existing gauge face lubrication sites, the estimated annual fuel savings is almost 7 million litres.

**Biodiesel Demonstration Project**

CP has partnered with Natural Resources Canada to test the reliability of a 5% biodiesel blend fuel in cold weather conditions. Over a five-month period we operated four biodiesel-powered locomotives daily between Calgary and Edmonton. Results have been shared with the federal government and other railways in advance of emerging biodiesel regulations.

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### FoCus: air quality

#### What We’re Doing

We are implementing numerous initiatives to reduce our air emissions.

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### How We Did

In 2009, CP’s total GHG emissions, as measured in CO₂e, were 2,808 kilotonnes — 10% below 1990 levels even with an 18% increase in revenue-ton miles (RTM) over the same period. Our emissions of GHG per unit RTM have decreased by 26% between 1990 and 2009.
FOCUS: land stewardship

With more than 15,000 miles of track, including 100 feet of right-of-way on either side of the track across North America, we implement a number of programs and engage key partners to help us meet our commitments to being good stewards of the land.

What We’re Doing

Cleaning Up Our Past

We spend approximately $20-25 million per year remediating historically impacted sites with a target of achieving a 10% reduction in environmental liability per year. In 2009, we achieved a 10.7% reduction. A total of $210 million has been spent since program inception in 1995. At the end of 2009, we estimated probable remaining environmental liability at $119 million.

Managing Our Present

Waste management is an area of increasing concern so we manage our materials to minimize waste, maximize recycling, and ensure appropriate disposal. Waste management facilities and service providers are regularly audited to ensure they have required permits, controls and management systems.

- Typical wastes produced at railway facilities include oil, fuel, fuel/oil-water mixtures, sludge, solvent, paint and soaps. In 2009, approximately 84% of these wastes were recycled.
- In 2009, more than 900,000 new and second-hand rail ties were installed across the system and more than one million scrap ties were disposed, of which 94% were sent to co-generation facilities (burned to produce energy).
- Recycling of scrap steel (e.g., rail, cars, wheels, and axles) continued in 2009, with an estimated 150,000 tonnes of steel recycled from across the system.

We contract third parties to conduct routine environmental audits of our own facilities to ensure compliance with applicable regulations, and conformance to company policies and industry standards. Action items arising from audits were achieved within targeted time periods in 2009.

We experienced 167 environmental incidents in 2009. The cause of each incident is recorded to allow for corrective actions to reduce future incidents. CP considers an environmental incident to be a release of any amount of a pollutant into the air, water or soil. A pollutant is any gas, liquid or solid that can have a negative impact on the environment. Pollutants can be dangerous or non-dangerous goods.
Protecting Our Future

CP undertakes environmental assessments of all proposed maintenance and construction activities. These environmental assessments range from voluntary initial environmental screenings to identify and eliminate or mitigate any adverse environmental effects, to full-scale federal environmental assessments under the Canadian Environmental Assessment Act, or National Environmental Protection Act (U.S.).

In 2009, various levels of environmental assessment were conducted for four major projects; six capital projects; 75 service area maintenance projects; and 10 unexpected projects. In compliance with regulatory approvals, CP is also completing post-construction monitoring activities of six projects to assess the effectiveness of environmental mitigation and enhancement measures previously implemented.

In 2009, we wrapped up 84% of our national, multi-year, Crossing Sightline Improvement Program that began in 2006. By achieving a stable, low-growing plant community at crossings, this program reduces long-term maintenance and habitat disturbance, minimizes the amount of herbicides used, and lessens the potential for crossing accidents. Since the program began, more than 3,880 crossings across our network have been treated.

To reduce environmental risk, we spent more than $4 million in our capital infrastructure program in 2009. Projects in 2009 included upgrades to process control instrumentation, spill containment trays, waste product recovery systems, fuel pipelines, sewer pipelines and oil/water separators.
FOCUS: water management

Water is a finite and shared resource that is critical to the quality of life in the communities in which we operate. We work to use this precious resource as efficiently as possible, reducing our water consumption through conservation and reuse. We also take measures to ensure that our wastewater is handled properly.

What We’re Doing

With minor exceptions, municipal water services supply our potable water. In remote locations, wells supply water for sanitary and personal hygiene purposes. Third-party experts routinely monitored all wells to ensure water quality standards are observed.

We use water in day-to-day rail yard operations such as locomotive servicing, and washing and maintenance activities. Wastewater from these operations is collected and pre-treated (e.g., oil separation, pH control) before discharge to municipal sanitary sewer systems. In some locations we discharge treated wastewater to surface water bodies. We monitor effluent quality to ensure compliance with local or permitted discharge criteria.

At our facilities, storm water that may become impacted by petroleum product handling, transfer and storage operations, is pre-treated, at a minimum, by oil separation before discharge to either municipal storm water systems or in some locations to surface waters. In addition, at some of our larger facilities, storm water is held in lagoons to allow for settlement of suspended solids before discharge.

How We Did

For our 2009 wastewater management program all regulatory environmental monitoring, reporting and submission requirements were met. No non-compliance orders or penalties were issued to our facility wastewater operations.

In 2009, we instituted a new policy eliminating the distribution of bottled water to employees who have ready access to municipally supplied drinking water. Since introduction of this policy, we have reduced our bottled water consumption by more than 22%.

Toronto Yard Storm Water Lagoon

The Toronto Yard storm water lagoon provides storm water quality control and treatment for oil and grease contaminants from a yard of approximately 70 hectares. The treated storm water is discharged into a nearby creek.

In March 2009, visual observations were made of impaired water quality, notably a green discoloration from an unknown chemical with dye-like characteristics.

To prevent a release of the chemical and collected storm water from the lagoon, we worked with our staff, government officials, and consultants to implement immediate emergency response, attempt to identify the unknown chemical, and assess water quality impacts. Based on a review of water sampling results the chemical was never identified. However, it was determined that it was not toxic or harmful to aquatic species or their receiving waters.

We obtained all necessary approvals before discharging the water.
FOCUS: wildlife protection

Our transportation network runs through many diverse ecosystems in Canada and the U.S., including provincial, state and national parks and environmentally sensitive wildlife habitats. CP is committed to reducing our impacts on habitat and wildlife.

What We’re Doing

We incorporate wildlife considerations into construction plans, and conduct monitoring activities as part of our day-to-day railroad management processes.

Environmental screenings are conducted before any maintenance or construction activity is undertaken. This process identifies potential environmental impacts and ensures avoidance or mitigation plans are in place.

It is unfortunate that as animals cross or move along rail tracks they are sometimes struck by trains. We are committed to reducing spilled grain, which can attract wildlife to the tracks. We recently completed year three of our grain car gate refurbishment program. Of the 6,296 federally owned grain cars in the program, approximately 75% have been refurbished. We continue to remove spilled grain from our tracks through Banff and Yoho national parks using custom-built grain vacuum equipment.

CP supports scientific research and dialogue in the hopes of reducing human-wildlife conflict. We sponsored the third International Bear-People Conflicts Workshop in Canmore, Alberta in November 2009. The workshop focused on conservation and ways for people to co-exist with bears.

How We Did

Railway-related mortalities of one grizzly bear and three black bears were confirmed in 2009, within Banff and Yoho National Parks.
What We’re Doing

Senior levels of government are focused on reducing greenhouse gas emissions, conserving energy and decongesting public highways. CP is working with provincial and state authorities to expand passenger rail so people can travel by train instead of by car.

For example the U.S. Federal Railroad Administration has announced an $813-million program for the State of Wisconsin to develop higher speed passenger rail. CP is working with state officials to deploy $299 million of this funding to improve CP track, signals, crossing warning systems and bridges between Milwaukee and Watertown, Wisconsin. These improvements will enable an extension of Amtrak passenger service that currently operates on CP lines between Chicago and Milwaukee.

CP is similarly working with the Agence Metropolitaine de Transport in Montreal and GO Transit in Toronto to develop investments that will enable expansion of urban commuter service on CP lines.

CP hosts the operation of more than 33,000 passenger trains per year on its lines in Canada and the U.S. More than 20 million passengers per year travel on these trains.
COMMUNITY RELATIONS

We do more than just run trains through 1,100 communities; in fact, we strive to do everything we can to uphold our reputation as an integral part of the social fabric that holds communities together. Being a valued member of a community means knowing what matters to local residents and doing the best we can every time.
FOCUS: community investment

Our community investment program focuses on the historic ties we have with the communities along our tracks, and our goal of making a significant and lasting contribution to the quality of life in the towns and cities through which we operate.

We focus on three primary investment areas: community; safety; and the environment. We have established long-term partnerships with selected charitable organizations in Canada and the U.S. We strive to ensure that funded projects are meaningful to, and include the participation of, employees, customers and community stakeholders.

What We’re Doing

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Holiday Train</td>
<td>Our Holiday Train program, which celebrated its 11th anniversary in 2009, travels across Canada and the U.S. every December, raising food, funds and awareness for local food banks. Since its launch, the Holiday Train has raised $4.7 million and 2.2 million pounds of food for local charities.</td>
</tr>
<tr>
<td>United Way</td>
<td>CP is a long-standing supporter of the United Way, donating more than $1 million in 2009 to local United Way campaigns across the CP network. In 2009, employee volunteers in more than 8 CP locations held their own fundraising events to collect an additional $90,000.</td>
</tr>
<tr>
<td>2010 Vancouver Olympic Winter Games Sponsorship</td>
<td>In 2007, CP became proud supporters of the Vancouver 2010 Olympic and Paralympic Winter Games. In 2008, we announced the launch of CP’s Spirit Train. This traveling ambassador brought the Olympic spirit to communities across the country, while celebrating Canadian athletes and Canada’s Olympic heritage.</td>
</tr>
</tbody>
</table>
### Initiative Description

**Community Connect Line**

In 2000, CP launched the Community Connect Line, a toll-free service that provides education and addresses caller inquiries about CP and its operations. It offers a single point of contact for local governments, residents, and stakeholders and ensures issues are managed promptly and consistently. Issues can range from proximity concerns such as railway noise, to level crossings, to questions about railway safety and train frequencies. CP is the only North American railway to offer a service dedicated specifically to direct community dialogue and issues resolution. Awareness of the service has increased significantly over the years. In 2009, almost 6,230 people in Canada and the U.S. contacted Community Connect.

**Community Advisory Panels**

In locations where our railway plays a significant role in local life, community relations staff will occasionally establish a joint railway and Community Advisory Panel (CAP). To maintain and build on our reputation as a responsible neighbour, we have established CAPs in more than 14 communities. CAPs, with representatives from municipal government, local CP managers, local members of the community and, occasionally, adjacent customer operations, serve as a forum for addressing rail-related issues such as safety, new facility construction, traffic and noise concerns and incident response.

**Aboriginal Relations**

More than 100 Aboriginal communities border our tracks in Canada. Each aboriginal group offers a unique cultural and historical perspective on how we do business. We frequently meet with our Aboriginal neighbours to discuss issues ranging from safety and taxation, to fencing and the environment.
Our people are key to delivering innovative transportation solutions to our customers and to ensuring safe train operations in the communities through which we operate. People are the backbone of our success.

**FOCUS:** keeping employees healthy

Our employees’ health is directly related to productivity and overall business results. Our health programs cover the full range from pre-employment physicals, to return to work processes following absences caused by a medical condition, to active management of on-duty and off-duty injuries and disabling medical conditions.

**What We’re Doing**

Our team of health professionals help ensure employees are fit, well and able to safely perform their duties. They assist and guide annual planning sessions that involve over 1,000 employees on local Health & Safety Committees to:

- set local safety directions and goals
- generate safety action plans
- identify safety alerts
- review and communicate significant accidents, injuries and corrective actions
- report requirements for occurrences with follow-up processes
- involve management and unionized staff and their representatives
- perform safety inspections
- participate in executive safety walkabouts at select locations each year

Our Wellness Program promotes a healthy workplace, healthy living practices and the reduction of health risk factors leading to chronic illnesses and lost productivity. Many of our health and wellness activities are listed on the next page, with additional activities included online.
**FOCUS: keeping employees healthy**

**What We’re Doing**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>We are using web and recording technology to increase awareness among employees and their families on various topics ranging from healthy sleep to weight and stress management, from prostate cancer to managing cholesterol.</td>
</tr>
<tr>
<td>Preventive Health Initiatives</td>
<td>Our 2009 initiatives included: flu vaccination, in person and online health screenings, personalized coaching for screened employees at high risk, smoking cessation programs, shift work and alertness training, and educational sessions in healthy living, stress management and illness prevention.</td>
</tr>
<tr>
<td>Health Challenge</td>
<td>A five-week olympic-themed team challenge promoting healthy nutrition, physical activity, emotional health, safety and environmental stewardship. Fifty nine teams from across CP participated.</td>
</tr>
<tr>
<td>Employee and Family Assistance Program (EFAP)</td>
<td>Since 1994, EFAP has helped employees, family members and pensioners on personal problems.</td>
</tr>
<tr>
<td>Fitness For Duty Programs</td>
<td>Health Services handles pre-employment, fitness-for-duty, and return-to-work physical exams. Certain employees are periodically tested and monitored for vision, hearing, lead and other occupational health conditions that could affect their health &amp; safety.</td>
</tr>
<tr>
<td>Case Management</td>
<td>Health Services actively monitors employees with recurring medical conditions such as diabetes, hypertension, seizure disorders, sleep apnoea and cardiac conditions. They also manage disability and return to work plans for on-duty injury cases.</td>
</tr>
<tr>
<td>Wellness Subsidy</td>
<td>Employees have access to a wellness subsidy, which reimburses 50% — up to $300 per calendar year, for fitness activity, weight management or smoking cessation.</td>
</tr>
</tbody>
</table>
FOCUS: sustaining an effective workforce

A skilled, dedicated and focused team enhances profitability and creates long-term value for our organization. On the other side of the equation, engaging, developing and rewarding employees puts a human face on corporate social responsibility.

What We’re Doing
We have various policies and programs in place that assist employees in achieving objectives, developing their skills, operating in an ethical manner, recognizing their contributions and creating a fair and equitable workplace.

Wages or salaries are only one element of total compensation. Our employees’ total compensation includes base pay, an annual incentive plan, benefits, a pension plan, and for those who wish to participate, a CP share purchase plan. We provide our employees and their dependants with comprehensive and flexible benefits packages to promote physical and mental health and well-being.

We publish timely, relevant and regular information for our employees through various communication tools. Information sharing among all employee levels builds a shared comprehension of the organization’s mission, values, goals and priorities.

In 2009, we recognized dozens of our employees through safety awards, President’s awards and Traction awards.

How We Did
For 2009, CP had on average 13,619 employees. About 75% of our workforce is in Canada.

Approximately 75% of our workforce is unionized. There are seven bargaining units representing CP employees in Canada and 30 representing employees at our U.S. operations. For more information on labour relations, please visit our website.
CP is committed to measuring and reporting our Corporate Responsibility performance in a transparent manner.

Transparency holds us accountable to our shareholders, employees, community members and customers. Performance reporting also helps us identify areas for improvement.
<table>
<thead>
<tr>
<th>Indicator</th>
<th>Units</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ENVIRONMENTAL</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Air Emissions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GHGs</td>
<td>thousand tonnes CO₂e</td>
<td>3,236</td>
<td>3,430</td>
<td>3,322</td>
<td>2,808</td>
</tr>
<tr>
<td><strong>Chemical and Waste Management</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liquid wastes</td>
<td>thousand litres</td>
<td>7,700</td>
<td>6,600</td>
<td>5,700</td>
<td>5,500</td>
</tr>
<tr>
<td>Liquid wastes recycled</td>
<td>%</td>
<td>N/A</td>
<td>N/A</td>
<td>87</td>
<td>85</td>
</tr>
<tr>
<td>Solid wastes</td>
<td>tonnes</td>
<td>600</td>
<td>660</td>
<td>970</td>
<td>725</td>
</tr>
<tr>
<td>Solid wastes recycled</td>
<td>%</td>
<td>N/A</td>
<td>N/A</td>
<td>36</td>
<td>29</td>
</tr>
<tr>
<td>Steel recycled</td>
<td>tonnes</td>
<td>125,000</td>
<td>122,700</td>
<td>191,000</td>
<td>83,000</td>
</tr>
<tr>
<td>Ties disposed</td>
<td>#</td>
<td>700,000</td>
<td>870,000</td>
<td>1,000,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Portion of ties burned to produce energy</td>
<td>%</td>
<td>93</td>
<td>86</td>
<td>99</td>
<td>94</td>
</tr>
<tr>
<td><strong>Environmental Incidents</strong>¹</td>
<td>#</td>
<td>141</td>
<td>143</td>
<td>151</td>
<td>167</td>
</tr>
<tr>
<td><strong>Grizzly Bear Mortalities (Banff and Yoho NP)</strong></td>
<td>#</td>
<td>0</td>
<td>4</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td><strong>Remediation of Contaminated Sites – Environmental Liability Reduction</strong></td>
<td>% reduced (Target: 10% reduction)</td>
<td>12.2</td>
<td>11.5</td>
<td>12.3</td>
<td>10.7</td>
</tr>
<tr>
<td>Provision for environmental remediation</td>
<td>$ million</td>
<td>129.8</td>
<td>114.5</td>
<td>102.4</td>
<td>118.6</td>
</tr>
<tr>
<td>Spent on remediation</td>
<td>$ million</td>
<td>19.5</td>
<td>14.0</td>
<td>12.6</td>
<td>18.4</td>
</tr>
<tr>
<td><strong>SOCIAL</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees²</td>
<td>#</td>
<td>15,327</td>
<td>14,172</td>
<td>15,107</td>
<td>13,619</td>
</tr>
<tr>
<td>Employees in Employee Unions or Associations</td>
<td>%</td>
<td>N/A</td>
<td>N/A</td>
<td>78</td>
<td>75</td>
</tr>
<tr>
<td><strong>Employee Safety</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reportable injury rate³</td>
<td>cases/200,000 hours worked</td>
<td>2.10</td>
<td>1.51</td>
<td>1.85</td>
<td></td>
</tr>
<tr>
<td>Recordable injury rate³</td>
<td>cases/200,000 hours worked</td>
<td>3.80</td>
<td>4.12</td>
<td>4.23</td>
<td></td>
</tr>
<tr>
<td>Motor vehicle accident rate³</td>
<td></td>
<td>5.32</td>
<td>5.63</td>
<td>5.17</td>
<td></td>
</tr>
<tr>
<td>Fatalities</td>
<td>#</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>Train Safety</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reportable train accident rate⁴</td>
<td>accidents/million train-miles</td>
<td>2.05</td>
<td>1.93</td>
<td>1.49</td>
<td></td>
</tr>
<tr>
<td>Recordable train accident rate⁴</td>
<td></td>
<td>24.47</td>
<td>24.11</td>
<td>22.41</td>
<td></td>
</tr>
<tr>
<td>Grade crossing accident rate⁴</td>
<td></td>
<td>2.57</td>
<td>2.62</td>
<td>2.46</td>
<td></td>
</tr>
<tr>
<td><strong>Workforce Diversity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Women</td>
<td>%</td>
<td>9.3</td>
<td>9.5</td>
<td>9.9</td>
<td>9.7</td>
</tr>
<tr>
<td>Visible minorities</td>
<td>%</td>
<td>7.2</td>
<td>7.2</td>
<td>7.1</td>
<td>7.2</td>
</tr>
<tr>
<td>Persons with a disability</td>
<td>%</td>
<td>4.5</td>
<td>4.4</td>
<td>4.4</td>
<td>4.4</td>
</tr>
<tr>
<td>Aboriginal</td>
<td>%</td>
<td>3.2</td>
<td>3.5</td>
<td>3.5</td>
<td>3.4</td>
</tr>
<tr>
<td>Community Investments</td>
<td>$</td>
<td>754,000</td>
<td>922,000</td>
<td>1,056,000</td>
<td>769,000</td>
</tr>
</tbody>
</table>

(1) Any pollutant inadvertently released into the air, water or soil is considered an environmental incident.
(2) Average number of active employees, excluding employees working on capital projects
(3) Lost time, modified duty & medical treatment injuries per 200,000 employee hours
(4) Injuries not requiring medical attention per 200,000 employee hours
(5) Highway vehicle accidents per million vehicle miles
(6) Accidents with over $11,000 damage per million train miles (excluding crossing accidents)
(7) Accidents below $11,000 damage per million train miles (excluding crossing accidents)
(8) Highway/rail grade crossing collisions per million train miles
COMMITMENTS TO EXTERNAL INITIATIVES

SmartWay
Transport Partnership

CP is a partner in the U.S. Environmental Protection Agency’s SmartWay program that identifies products and services that reduce transportation-related air emissions.

TransCAER® — Transportation Community Awareness and Emergency Response is a voluntary outreach effort that focuses on assisting communities prepare for and respond to a possible hazardous material transportation incident.

Recognition

CP is a current and founding member of the Network for Business Sustainability, a membership organization established in 2007 to foster collaboration between industry and academia on topics relating to sustainable development, social responsibility and green management. The Network funds cutting-edge sustainability research.

<table>
<thead>
<tr>
<th>Recognition</th>
<th>Awarded to</th>
<th>Recognized by</th>
<th>For</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada’s 50 Most Socially Responsible Corporations</td>
<td>CP</td>
<td>Jantzi-Maclean’s CSR Report 2009</td>
<td>Programs and performance in many areas</td>
</tr>
<tr>
<td>RAC Safety Award</td>
<td>CP</td>
<td>Railway Association of Canada</td>
<td>Customer Safety Handbook</td>
</tr>
<tr>
<td>AAR Employee Environmental Excellence Award</td>
<td>LeeAnn Thomas</td>
<td>Railway Association of Canada</td>
<td>Innovative tools and processes for data management and decision support systems for CP’s environmental accrual program.</td>
</tr>
<tr>
<td>Employee Environmental Excellence Award</td>
<td>Karine Desjardins</td>
<td>CP</td>
<td>Establishing programs at our St. Luc facilities to encourage anti-idling and recycling behaviours amongst employees.</td>
</tr>
</tbody>
</table>