CPKC

Sustainably Driven

Climate Mileposts

Progress update on climate resilience and the transition to low-carbon freight rail

March 2026

Contents

Cover image: Skid assembly with main components for hydrogen locomotive build

About this report

This report provides a snapshot of near-term actions taken during 2025, alongside directional mileposts that relate to CPKC's longer-term approach to climate action, resilience and fleet decarbonization. These actions include ongoing research and development efforts aimed at enabling fleet-wide decarbonization.

The concept of "mileposts" is used throughout this report to reflect our current thinking about future opportunities. These mileposts are not fixed endpoints, but rather directional indicators that will evolve as new information, technologies and challenges emerge.

As with many companies in energy-intensive industries, CPKC's climate pathway may not follow a linear or consistent year-over-year trajectory. As external data, market conditions, target-setting methodologies, and approaches to climate-related analysis and the availability of climate solutions continue to evolve, we expect to continue to refine our strategic approach to climate change – including reassessing the suitability of both existing and future targets. Additionally, as technology advances and our understanding of hydrogen locomotive deployment deepens, we may adjust our strategy, goals, objectives, priorities, investments and initiatives in this area.

2025 climate action highlights

Improved network capacity and fluidity

By the end of 2025, we have completed 25 siding projects, along with yard and industry lead upgrades, increasing capacity, reducing car dwell time and supporting more fluid train operations. We also installed more than 240 miles of centralized traffic control, improving efficiency, reducing delays and enhancing safety.

Advanced fleet renewal and efficiency in 2025

Integrated 100 new Tier 4 diesel-electric locomotives into our freight rail operations. This acquisition enables the replacement of several line-haul locomotives nearing the end of their service life while also supporting the business for potential future growth.

Launched AI-enabled water hazard monitoring

CPKC's Engineering team developed an artificial intelligence (AI)-powered, satellite-based water body monitoring system, strengthening risk management and asset resilience.

Completed enterprise-wide climate scenario analysis

Conducted an enterprise-wide climate scenario analysis (CSA) assessing physical and transition risks across key markets and suppliers under multiple climate scenarios based on internationally recognized climate science, strengthening long-term strategic planning across the CPKC network.

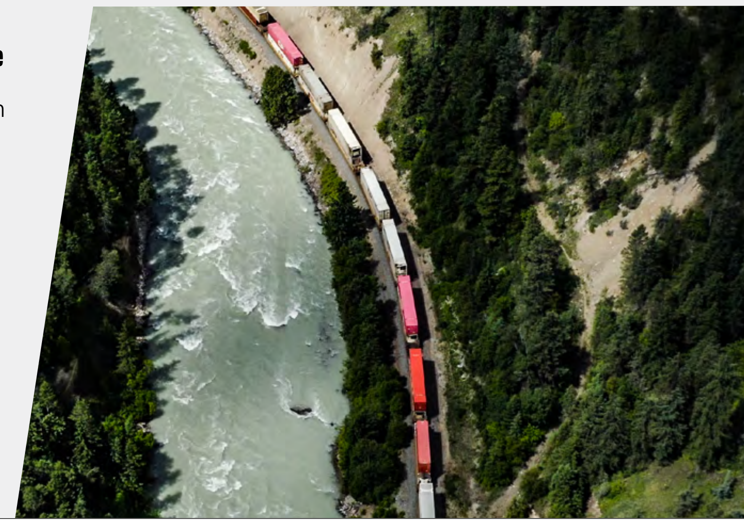
New Wabtec Tier 4 ET44AC locomotive in service

Refrigerated intermodal supporting modal shift to rail

Case study:
Applying engineering innovation to enhance climate resilience

CPKC's Geotechnical Engineering team, in partnership with Tetra Tech, earned recognition at the 2025 Canadian Consulting Engineering Awards for pioneering an AI-driven water body monitoring system. Leveraging satellite-based synthetic aperture radar and AI, the system provides near real-time visibility of 1.2 million water bodies across 12,600 miles of track, to detect emerging hazards such as flooding, beaver dams and water encroachment.

By generating early alerts on water-related risks, we believe this innovation will strengthen climate resilience, reduce operational disruptions and enhance maintenance – demonstrating how CPKC leverages technology to proactively manage climate challenges and set a new benchmark for smart, sustainable infrastructure.



2025 climate action highlights cont.

Advanced network-wide physical climate risk assessment

Completed a physical climate risk assessment covering our 20,000-mile network, including 4,185 bridges, 169 tunnels and 90 railyards, applying climate modelling and geospatial analysis to strengthen long-term planning and network resilience.

CPKC & CSX Transportation launched Hyion Technologies

A joint venture focused on developing modern, low-horsepower locomotives powered by hydrogen and fuel-cell battery systems. The initiative combines Canadian innovation with U.S. manufacturing capability and aims to accelerate the rail industry's transition to lower greenhouse gas (GHG) operations. Learn more at hyion.com.

CPKC x CSXT hydrogen locomotive joint venture

Climate-related capital expenditures

CPKC continues to strategically invest capital to advance our climate strategy and reduce emissions. These investments are toward initiatives that are intended to reinforce our long-term climate resilience, facilitate our transition to a lower-carbon economy and align with our strategic approach to climate change. These climate-related investments have been made alongside our broader capital programs focused on safety, network capacity and operational performance – reflecting an integrated approach to building a more sustainable, efficient and future-ready operation.

Our Engineering team is also advancing fuel efficiency by improving network infrastructure. Through siding extensions and track upgrades, we are reducing fuel use and enhancing train flow across key corridors. In line with our commitments to the U.S. Surface Transportation Board following the CPKC combination, we have allocated significant capital to upgrade portions of our network between Chicago, Illinois and Beaumont, Texas – investments that we believe will strengthen operational efficiency and support long-term sustainability.

Emissions reduction initiatives for non-locomotive operations:

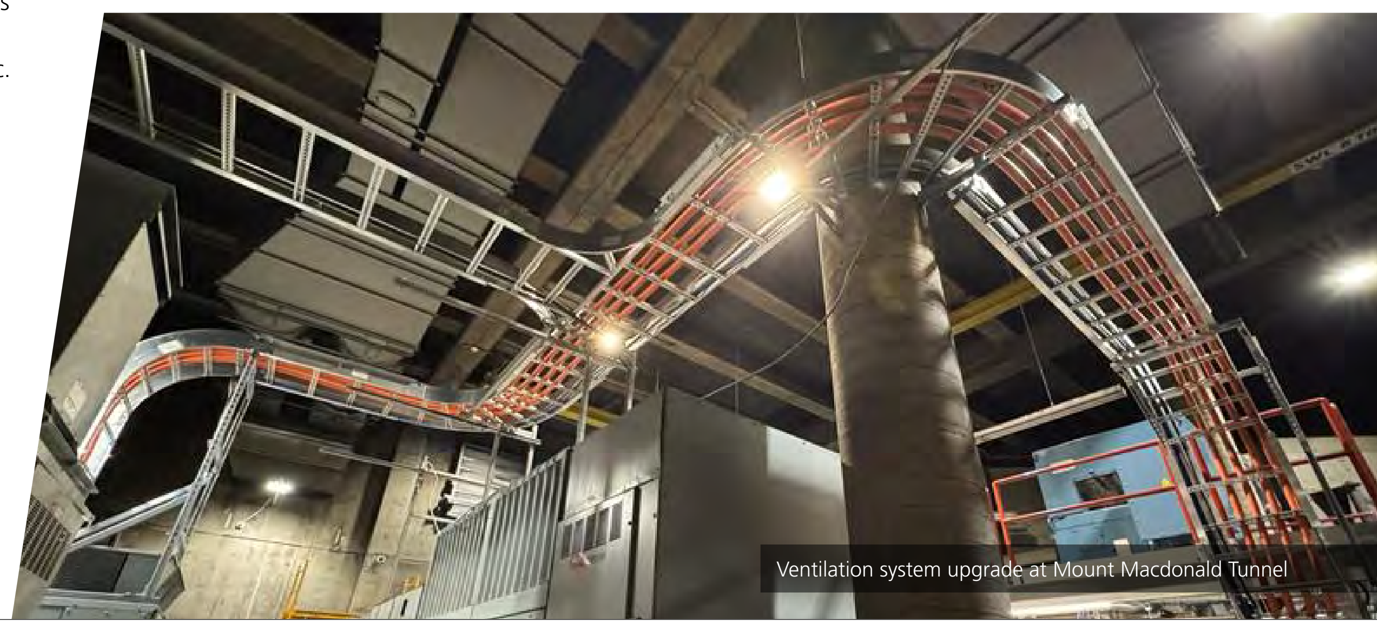
CPKC also evaluates opportunities to reduce the climate impact of our non-locomotive operations. Recent initiatives include:

- Building on the success of our first passive solar heating system or SolarWall in Winnipeg in 2023, which has resulted in $17,000 in annual savings, in 2025 we installed a second SolarWall to support our Winnipeg operations. These systems use solar radiation to preheat air for indoor heating systems in cold climates, significantly reducing energy demand for space heating.
- CPKC began introducing electric vehicles and charging infrastructure in 2023. To date, CPKC has deployed 30 electric light-duty vehicles and installed charging infrastructure to support our employee, visitor and CPKC fleet vehicles at 27 of our operating locations in Canada, the U.S. and Mexico.
- In 2025, LED upgrades at CPKC buildings delivered $24,400 in annual savings at Winnipeg operations and reduced power consumption by a total 9,157W at CPKC locations in Ontario and Québec.
- In 2025, we upgraded ventilation systems in the Mount Macdonald Tunnel in British Columbia – North America's longest railway tunnel – installing high-efficiency fans, modernized controls and enhanced air-monitoring. These upgrades are expected to reduce fan energy demand by approximately 40% (about 5.6 GWh annually) while improving safety and reliability.
- In 2024, we opened our U.S. operations centre in Kansas City, incorporating 596 bi-facial solar panels to support facility operations.

SolarWall in CPKC's Winnipeg operations

EV charging station, Monterrey

Ventilation system upgrade at Mount Macdonald Tunnel



Ventilation system upgrade at Mount Macdonald Tunnel

Case study: Investing in long-term climate resilience at Tank Hill

Tank Hill, located along the Thompson River in British Columbia (B.C.), is a location where both CPKC's Thompson Subdivision and the Trans-Canada Highway infrastructure have faced significant climate risks. Historically prone to erosion, debris flows and extreme hydraulic events, the site suffered major damage in both 1963 and again in 2021, when an atmospheric river destroyed the elevated highway-rail grade separation and impacted road and rail operations.

In the aftermath of the 2021 event, CPKC collaborated with the BC Ministry of Transportation and Infrastructure to develop a long-term, climate-resilient redesign of the corridor. Hydrological conditions in the upstream canyon had shifted dramatically due to recent wildfires and flooding, altering runoff patterns and increasing peak flow risks. Project engineers incorporated new modelling into the redesign and upgraded drainage and hydraulic systems to handle higher, more variable flows.

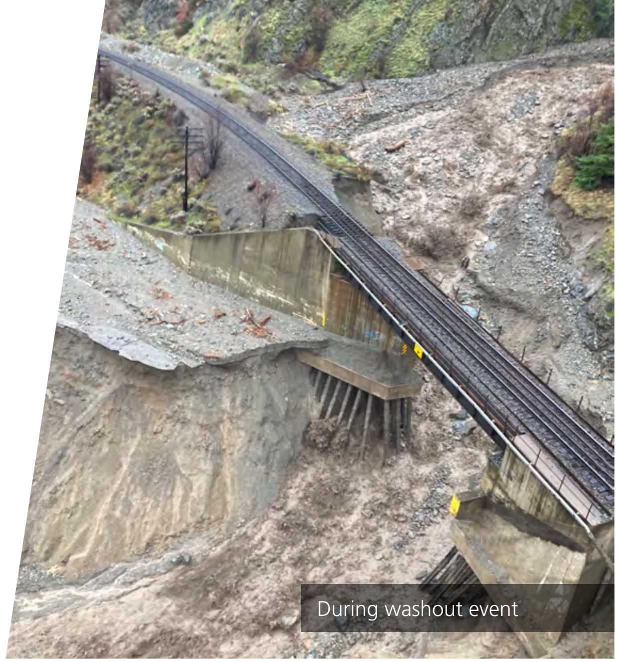
A key component of the resilience strategy was expanding culvert and channel capacity, along with constructing an upstream catchment system to intercept debris before it could impact the rail line or block key drainage routes, reducing the likelihood of washouts during future storm events. From 2023 onward, CPKC advanced construction of a permanent 250-foot rail bridge featuring multiple spans and deep-seated piles socketed into bedrock, improving structural resistance to debris impact and extreme flood forces.

Parallel to rail infrastructure upgrades, the Province undertook major reconstruction of Highway 1 at Tank Hill, restoring grade separation and completing a new overpass in 2025. The upgrades significantly improved drainage, resilience and long-term operational reliability for both highway and rail users.

To strengthen preparedness, CPKC and the Province also implemented a real-time water and debris flow monitoring system to provide earlier warnings of changing conditions in the catchment basin.

Together, these investments demonstrate a proactive, climate-informed approach to protecting a critical transportation corridor and ensuring safe, reliable operations in a rapidly changing environment.

Photo credit: The Province of British Columbia



During washout event

Impact following washout

Completed Tank Hill redesign

Update on our pathways to emissions reduction

We believe that the actions detailed in the following pages reflect tangible progress against the mileposts first outlined in our 2025 *Climate Mileposts* report. Together, these initiatives demonstrate how CPKC is operationalizing the pathways identified in its inaugural *Climate Mileposts* report to support long-term sustainability and future locomotive decarbonization.

Hydrogen fueling - Golden, B.C.

Pathways to reduce emissions

Key potential pathways to reduce locomotive GHG emissions fall into four categories:

Fuel efficiency
Implementing technologies and work practices to improve the fuel efficiency of railway operations

Fleet renewal
Investing in newer, more efficient locomotives and modernizing existing assets to improve performance and reduce emissions

Renewable fuels
Increasing the use of biofuels and other renewable energy sources to power locomotives

Alternative fuels
Developing locomotives primarily or exclusively powered by a zero-emission energy source

CPKC
Low-carbon freight rail

Update on our pathways to emissions reduction cont.

Fuel efficiency

Implementing technologies and work practices to improve fuel efficiency of railway operations.

- **Enhanced fuel-efficient train handling practices, incentives and recognition**
  Expanded the HyperMiler reward program into the U.S. to further incentivize fuel-efficient train handling by locomotive engineers.
- **Expanded and enhanced locomotive energy management systems**
  Increased use of Wabtec's Trip Optimizer™ Energy Management System across Mexico and refined performance in the U.S. and Canada. Initiated deployment of the Talos™ Train Automation system for the Progress Rail locomotive fleet.
- **Planned deployment of advanced train automation in 2026**
  Expand deployment of the Talos™ Train Automation system for more than 100 Progress Rail locomotives in 2026. Initial operation will be in the U.S. while enabling the system for future deployment in Canada and Mexico.

Fleet renewal

Investing in newer, more efficient locomotives and modernizing existing assets to improve performance and reduce emissions.

- **Integrated 100 new Tier 4 diesel-electric locomotives into our freight rail operations**
  This acquisition enables the replacement of several line-haul locomotives nearing the end of their service life while also supporting the business for potential future growth.
- **Enhanced existing locomotive performance**
  Remanufactured 137 locomotives, including 32 units upgraded with FDL Advantage technology featuring improved air handling and high-pressure common-rail fuel injection.
- **Advancing the next phase of fleet renewal in 2026 and beyond**
  In January 2026, CPKC announced plans to acquire an additional 135 Tier 4 locomotives as part of a multi-year US $800 million fleet-modernization investment. Of these, 100 new units are scheduled for delivery in 2026. For more information about our fleet renewal and the benefits of Tier 4 locomotives, please see our *Climate Insights* report at cpkcr.com/sustainability.


HyperMiler program

Update on our pathways to emissions reduction cont.

Renewable fuels

Increasing the use of biofuels and other low-carbon renewable energy sources to power locomotives.

- **Advanced into the final phase of our three-year biodiesel locomotive trial**
  Continued testing of ten locomotives powered by a B20 blend – 20 percent biodiesel and 80 percent conventional diesel – in demanding operating conditions, including high utilization and extreme cold, with more than 1,100 fueling events consuming approximately 10.2 million liters during 2025.
- **Achieved key emissions testing milestones**
  Following 24 months of biodiesel use, two locomotives underwent emissions testing, which contributed to the original equipment manufacturer granting conditional approval of B20 – a critical milestone for broader biofuel adoption.

- **Expanding renewable fuel use through customer engagement**
  In 2026, we continue our biofuel trial in British Columbia and are actively evaluating potential opportunities to expand testing of renewable fuel use in our operation.

Update on our pathways to emissions reduction cont.

Alternative fuels

Exploring hydrogen as a potential long-term decarbonization solution for locomotive operations through rigorous testing focused on safety, reliability and operational feasibility.

- **Advanced the Hydrogen Locomotive Program from prototype to scaled real-world testing**

  By the end of 2025, CPKC advanced its Hydrogen Locomotive Program from early prototype trials toward scalable platforms, supported by broadened switcher and line-haul testing environments.
  Key 2025 milestones included:

  - Eight hydrogen locomotives in active testing – six switchers and two line-haul units
  - 17,000 miles of freight-service testing completed across diverse duty cycles
  - 33 mainline revenue test runs completed by the line-haul locomotives in the Canadian Rockies
  - 84 days of revenue switching service delivered by CP 1100
  - 25 mainline revenue runs each by CP 1003 and CP 1004, supporting assessment of performance and reliability
  - Over 100 hydrogen refueling events, contributing to operational readiness insights

  Together, these achievements strengthened the program's technical validation, expanded operational learning and advanced CPKC toward scalable hydrogen locomotive deployment.

- **Broadened the scope of program development and industry-leading innovation**
  Continued to refine safety, ventilation and hydrogen-leak detection systems that are embedded into locomotive design.

- **Expanded hydrogen fueling infrastructure**
  Installed new high-capacity hydrogen storage and dispensing systems in Golden and Lethbridge to support ongoing high-horsepower testing and daily operational use, enabling consistent and reliable refueling to sustain expanding test operations.

The accomplishments of CPKC's Hydrogen Locomotive Program have been made possible in part by funding from:

- **Positioned the program for wider deployment and commercialization readiness**
  With early fleet expansion, increased revenue service operating miles and additional fueling capacity, CPKC is now generating valuable real-world performance data to help evaluate the potential for long-term scalability. For more on our Hydrogen Locomotive Program testing and evaluation approach and long-term decarbonization pathway, see our 2025 *Climate Mileposts* report at: cpkcr.com/sustainability.

CPKC hydrogen locomotive test fleet

(as of March 2026)

CPKC unit #	Initial in-service year
Switcher locomotives	
1001*	2021
1002**	2023
1003	2025
1004	2025
1005	2026
1100	2025
1101	2025
1102	2026
1104	Production in 2026
Line-haul locomotives	
1200	2024
1201	2025
H_2 Fuel tender cars	
10001	2024
10002	2026 (Final commissioning)

* CP 1001 enhanced to Generation IV technology in 2025

** CP 1002 enhanced to Generation IV technology in 2025 and redesignating as CP 1103

Review of GHG emissions target

To guide our carbon reduction efforts, in 2023, we established a Science Based Targets initiative (SBTi)-validated 2030 GHG emissions reduction target for our locomotive operations. At the same time, we announced a commitment to establish an emissions reduction target aligned with a 1.5°C future.

Following a strategic review in 2025, we have chosen to defer formal validation of a 1.5°C-aligned target through the SBTi. This decision reflects several key considerations, including that SBTi continues to update its Corporate Net-Zero Standard 2.0 (which is currently in draft form), and the fact that SBTi has not yet developed a freight rail-specific methodology that supports an intensity-based approach aligned with the 1.5°C pathway. We also considered the evolving and diverging expectations from governments, regulators, standard setters, investors and other stakeholders across the jurisdictions in which we operate, as well as the availability of commercially viable low-emission technologies for the freight rail sector at this time.

In light of considerations including the ones referenced above, we believe deferring SBTi validation is a deliberative and responsible choice for CPKC at this time. This choice does not change our ongoing climate actions. CPKC remains committed to advancing meaningful emissions reductions and continues to pursue opportunities to modernize our locomotive fleet, reduce GHG emissions and invest in the development of low-carbon technologies. We continue to assess our target-setting practices in this area on an ongoing basis. We also uphold a strong standard of transparency in reporting our progress.

Climate scenario analysis

In 2025, CPKC conducted a CSA regarding the climate-related risks and opportunities across our rail operations and value chain. This assessment included the potential of physical and transition impacts on suppliers, core operations and key market segments such as intermodal, energy chemicals and plastics (ECP) and grain. This CSA built upon prior assessments by examining additional risks and opportunities and evaluated potential impacts under a 1.5°C warming scenario.

Risks and opportunities were analyzed across three time-horizons:

- **Short-term:** 1 to 5 years
- **Medium-term:** 6 to 15 years
- **Long-term:** 16 to 25 years

The analysis incorporated both physical and transition risks using a range of emissions scenarios supported by data from internationally recognized organizations. Transition scenario selection was aligned with those used in prior CSAs, consistent with industry practices and designed to reflect a broad spectrum of plausible future conditions. Physical risk scenarios were informed by the Intergovernmental Panel on Climate Change's (IPCC) Shared Socioeconomic Pathways (SSPs), which relate to alternative global development trajectories and their implications for climate outcomes. The table below summarizes the physical and transition climate scenarios used to assess potential risks and opportunities.

As part of this CSA, we evaluated climate-related risks and opportunities covering five key topics: renewable fuels, ECP, agriculture, intermodal and critical suppliers.

These topics represent current strategic market segments and areas of emerging risks and focus for CPKC and our stakeholders. Across these topics, 20 distinct assessments were conducted, each exploring how specific climate factors could potentially influence CPKC's operations or affect components of our upstream or downstream value chain.

Each assessment was evaluated for exposure, consequence and overall impact, with select cases under-going additional financial impact analysis. The overall impact was estimated based on the level of exposure and consequence, as well as factors such as potential likelihood, frequency, severity, strategic relevance to CPKC's business planning and the potential to generate decision-useful insights or address emerging risks.

We believe the CSA results help us refine our understanding of the most relevant climate-related risks and opportunities for CPKC. The risks and opportunities outlined below draw upon the results of the CSA, which builds upon the foundation established in previous CSAs and contributes to our evolving approach to climate change and related programs.

Scenario type	Scenario name	Developments and impacts intended to be considered under scenario
Physical[1]		
	Low-emissions (SSP1-2.6)	Low-emissions, sustainability-focused scenario with strong climate action, environmental conservation and reduced inequality.
	Middle of the road (SSP2-4.5)	Moderate-emissions, "middle-of-the-road" scenario with moderate progress on climate mitigation and adaptation.
	High-emissions (SSP3-7.0)	High-emissions scenario with weak global cooperation, regional fragmentation and significant environmental degradation.
Transition[2]		
	Net zero by 2050	Low-emissions scenario aligned with the Paris Agreement's 1.5°C goal; assumes ambitious global climate action.
	Announced policies	Moderate-emissions scenario assuming full implementation of current government and industry climate commitments.
	Current measures	High-emissions, status quo scenario assuming no new climate policies beyond those already in place.

1 SSPs scenarios developed for the IPCC's 6th Assessment Report.

2 Scenarios are based on models and pathways developed by organizations including the Network for Greening the Financial System, International Energy Agency (IEA), Canada Energy Regulator, U.S. Energy Information Administration and Organization for Economic Co-operation and Development.

Identified climate-related risks and opportunities

Climate-related risks

Change in demand for carbon intensive energy commodities

Shifting consumer demand to lower-carbon products and increased climate-focused regulations, such as carbon pricing and fuel regulations, may lead to a broad transition in the energy sector. If such a transition occurs, demand for certain commodities, such as crude oil and petroleum, may decline, while demand for alternatives such as renewable fuels may increase, creating potential volatility in future revenue streams. Introduction of, or changes to, regulations by government bodies in response to climate change that increase the cost of carbon emissions could result in a significant increase in expenses and could adversely affect our business performance, results of operations, financial position and liquidity.

Programs that place a price on carbon emissions or other government restrictions on certain market sectors may further impact current and potential freight rail customers in the energy sector. A comprehensive transition in the energy sector could significantly impact the markets of CPKC's energy customers or lead to market differentiation through geographic variation in policies and demand trends. A portion of CPKC's business could be materially affected by potential future changes and instability that may be related to such a transition.

Based on CPKC's CSA, market demand for crude oil and petroleum could decline across all evaluated time horizons and scenarios in both the U.S. and Canada. The estimated severity of this risk depends on the scenario, with the most pronounced potential impact occurring in the long-term under the Net Zero by 2050 scenario.

Wind blades and turbines on the move

Identified climate-related risks and opportunities cont.

Climate-related risks

Changing climate conditions, extreme weather and natural disasters

The Company is exposed to extreme weather events such as hurricanes, tropical storms, tornadoes, floods, wildfires, extreme temperatures, drought, significant precipitation and natural disasters including earthquakes, volcanism, avalanches and mudslides that have caused and in the future can cause track outages, severe damage to infrastructure and business interruptions that adversely affect the Company's rail network. These events have resulted and may in the future result in substantial costs to respond during the event and recover following the event. Costs have and in the future can include modifications to existing infrastructure or implementation of new infrastructure to prevent future impacts on our business.

Impacts from these extreme weather events or natural disasters are highly variable based on the severity and length of the event and scope of network impact. Climate change may cause or contribute to the frequency, duration and intensity of some extreme weather events and natural disasters, increasing the Company's exposure to chronic and acute physical climate risks. The impacts from these events can vary significantly by region and over time, with examples including extreme heat, prolonged droughts, regional water stress, increased wildfire risk and severe precipitation – all of which may compound operational challenges across the rail network. These impacts have necessitated and in the future could necessitate significant capital investments to enhance infrastructure resilience; however, even with such investments, the Company may still face increased maintenance costs and potential service disruptions due to the unpredictability of extreme weather events or natural disasters as they become more severe and as circumstances otherwise evolve, and there is no guarantee that we will be able to quickly and effectively respond or restore operations following extreme weather events or natural disasters. The resulting impacts may materially affect the Company's operating results, financial condition and liquidity, as well as its ability to meet customer service commitments and maintain network efficiency.

Insurance maintained by the Company to protect against loss of business and other related consequences resulting from extreme weather events and natural disasters is subject to coverage limitations, depending on the nature of the risk insured. This insurance may not be sufficient to cover all of the Company's damages or damages to others, and may not continue to be available at commercially reasonable rates. Even with insurance, if any extreme weather event or natural disaster leads to a catastrophic interruption of services, the Company may not be able to restore services without a significant interruption in operations.

CPKC wildfire response

Potential effects of increasing daily maximum temperature

Crops such as corn, soybeans, canola and wheat are vulnerable to heat stress, particularly during peak growing seasons. These commodities are sensitive to elevated temperatures, which can reduce yields and affect producer demand for transportation services.

CPKC serves numerous agricultural customers across Canada and the U.S., transporting crops that are sensitive to adverse climate conditions. Our CSA results indicated that the number of days exceeding 30°C during the growing season is projected to rise across all time horizons and emissions scenarios. This trend could lead to reduced crop productivity in certain areas of our network, affecting the availability of key commodities and lowering demand for freight rail transportation.

Grain transportation represents more than 50 percent of our bulk commodities revenue. Declining yields may result in unused capacity and increased operational costs. CPKC continues to monitor these risks and engage with agricultural stakeholders to better understand and respond to evolving climate-related impacts.

Identified climate-related risks and opportunities cont.

Climate-related opportunities

Growth in liquified petroleum gas, plastics and renewable fuels

Liquified petroleum gas (LPG) is widely recognized as a lower-carbon alternative to traditional fossil fuels, with demand showing growth under all climate scenarios. Its versatility in industrial applications such as heating, metal processing and chemical production positions LPG as a growth opportunity. We believe CPKC's existing capabilities and network coverage in LPG transportation could enable us to support this transition effectively.

Plastics, while typically fossil-based, may experience demand growth in low-ambition climate scenarios, where mitigation efforts are less aggressive. In these conditions, plastics could remain a lightweight and cost-effective material for sectors such as healthcare, automotive and packaging. In our opinion, CPKC is well positioned to serve this demand through our established infrastructure for transporting plastic feedstocks and related petrochemical products. This near- to mid-term opportunity also underscores the importance of monitoring policy developments and circular-economy initiatives that could reshape long-term demand trajectories.

Meanwhile, renewable fuels including ethanol, biodiesel and renewable diesel may see strong growth under higher-ambition climate scenarios driven by regulatory requirements and decarbonization policies. CPKC serves several customers that produce approximately two billion gallons of ethanol production annually, originating primarily in Iowa and Minnesota and transported to refineries. Driven by an increase in Ontario and Québec's ethanol blend walls from 10 to 15 percent, the CPKC network is expected to benefit from growth in ethanol demand into Eastern Canada.

Our U.S. West division provides the shortest and most direct rail connection between Western Canada and the Midwest U.S., reaching deep into key agricultural regions where we move grain for export and ethanol for use in biofuels. We believe this connectivity allows CPKC to link areas of production with areas of growing demand across North America, and to support both emerging renewable fuel markets in the scenarios that align with a broader transition toward lower-carbon energy systems. As the energy landscape continues to evolve, we believe CPKC is positioned to experience freight-volume growth under a range of climate scenarios whether through transitional fuels like LPG, demand-driven materials like plastics or policy-supported renewable fuels. This diversified market exposure is expected to enhance our resilience and long-term value as a logistics provider in a lower-carbon economy.

CPKC transports grains and products used in renewable fuel production

Identified climate-related risks and opportunities cont.

Climate-related opportunities

Demand for low-emissions freight transport

Rail transportation is more fuel-efficient compared to many long-distance trucking alternatives. This advantage is expected to persist even when accounting for possible efficiency gains in the trucking sector[1]. According to the International Energy Agency, carbon prices in developed countries could reach roughly US $250 per metric tonne of CO_2 by 2050, which could potentially increase the cost of emissions-intensive transportation[2]. This shift may drive greater demand for fuel-efficient freight transportation solutions, creating a strategic opportunity for CPKC.

Given this advantage, and our ability to move high volumes of goods over long distances, we believe CPKC's rail service is well positioned to benefit from this trend, supported by our extensive network across Canada, the U.S. and Mexico. In Canada, this opportunity would be most pronounced under low-ambition scenarios, with moderate growth potential across all time horizons. As the ambition reflected by the scenario increases, opportunities could expand in both Canada and the U.S., with incremental growth expected in the short-, medium- and long-term. Under the most ambitious transition scenarios, the opportunity could become most significant in the long-term, with additional potential emerging in Mexico.

To the extent that carbon costs rise and customers seek more sustainable logistics solutions, CPKC could see increased demand for our rail services. This shift may result in higher freight volumes and revenue, particularly in sectors sensitive to carbon pricing. We believe CPKC's energy efficient advantage could position the company as a preferred transportation provider in a low-carbon economy.

1 EIA's Annual Energy Outlook 2023 Table: Table 7 - Transportation Sector Key Indicators and Delivered Energy Consumption

2 IEA (2021) Net Zero by 2050: A Roadmap for the Global Energy Sector: Table 2.2 - CO_2 prices for electricity, industry and energy production in the NZE

Monterrey, Mexico, a strategic node in CPKC's single-line North American network

Forward-looking information

This *Climate Mileposts* report contains certain forward-looking information and forward-looking statements (collectively, "forward-looking information") within the meaning of applicable securities laws relating to our compensation programs, operations, anticipated financial performance, business prospects, planned capital expenditures and strategies, and board and committee composition and roles, among other things, including with respect to the environment, social, governance and sustainability priorities, policies, practices, programs, goals, targets, strategies and objectives of CPKC. Any statements about our expectations, beliefs, plans, goals, targets, predictions, forecasts, objectives, assumptions, information and statements about possible future events, conditions and results of operations or performance are not historical facts and may be forward-looking. Forward-looking information in this report includes, but is not limited to, plans or objectives of management for future operations; information regarding sustainability-related actions we plan to take in the future, including our climate approach and our goals and commitments for reducing greenhouse gas (GHG) emissions, or other sustainability-related commitments; the availability of carbon emissions-reduction tools and technologies; and assumptions related to the foregoing. Forward-looking information is often, but not always, made through the use of words or phrases such as "anticipates", "aims", "believes", "can", "could", "may", "predicts", "potential", "should", "will", "estimates", "plans", "targets", "milestones", "projects", "continuing", "ongoing", "expects", "intends" and similar words or phrases suggesting future outcomes.

The forward-looking statements contained in this *Climate Mileposts* report are based on current expectations, estimates, projections and assumptions, having regard to the Company's experience and its perception of historical trends, and include, but are not limited to, expectations, estimates, projections and assumptions related to: changes in business strategies; North American and global economic growth and conditions; commodity demand growth; sustainable industrial and agricultural production; commodity prices and interest rates; foreign exchange rates; effective tax rates; performance of our assets and equipment; sufficiency of our budgeted capital expenditures in carrying out our business plan; geopolitical conditions; applicable laws, regulations and government policies, including, without limitation, those relating to regulation of rates, tariffs, import/export, trade, taxes, wages, labour and immigration; the availability and cost of labour, services and infrastructure; labour disruptions; the satisfaction by third parties of their obligations to the Company; and carbon markets, evolving sustainability strategies, and scientific or technological developments. Although the Company believes the expectations, estimates, projections and assumptions reflected in the forward-looking statements presented herein are reasonable as of the date hereof, there can be no assurance that they will prove to be correct. Current conditions, economic and otherwise, render assumptions, although reasonable when made, subject to greater uncertainty.

Undue reliance should not be placed on forward-looking statements as actual results may differ materially from those expressed or implied by forward-looking statements. By their nature, forward-looking statements involve numerous inherent risks and uncertainties that could cause actual results to differ materially from the forward-looking statements, including, but not limited to, the following factors: changes in business strategies and strategic opportunities; general Canadian, U.S., Mexican and global social, economic, political, credit and business conditions; risks associated with agricultural production such as weather conditions and insect populations; the availability and price of energy commodities; the effects of competition and pricing pressures, including competition from other rail carriers, trucking companies and maritime shippers in Canada, the U.S. and Mexico; North American and global economic growth and conditions; industry capacity; shifts in market demand; changes in commodity prices and commodity demand; uncertainty surrounding timing and volumes of commodities being shipped by the Company; inflation; geopolitical instability; changes in laws, regulations and government policies, including, without limitation, those relating to regulation of rates, tariffs, import/export, trade, wages, labour and immigration; changes in taxes and tax rates; potential increases in maintenance and operating costs; changes in fuel prices; disruption of fuel supplies; uncertainties of investigations, proceedings or other types of claims and litigation; compliance with environmental regulations; labour disputes; changes in labour costs and labour difficulties; risks and liabilities arising from derailments; transportation of dangerous goods; timing of completion of capital and maintenance projects; sufficiency of budgeted capital expenditures in carrying out business plans; services and infrastructure; the satisfaction by third parties of their obligations; currency and interest rate fluctuations; exchange rates; effects of changes in market conditions and discount rates on the financial position of pension plans and investments; trade restrictions, including the imposition of any tariffs, or other changes to international trade arrangements; the effects of current and future multinational trade agreements on or other developments affecting the level of trade among Canada, the U.S. and Mexico; climate change and the market and regulatory responses to climate change; anticipated in-service dates; success of hedging activities; operational performance and reliability; customer, regulatory and other stakeholder approvals and support; regulatory and legislative decisions and actions; the adverse impact of any termination or revocation by the Mexican government of Kansas City Southern de Mexico, S.A. de C.V.S. concession; public opinion; various events that could disrupt operations; including severe weather, such as droughts, floods, avalanches, volcanism and earthquakes, and cybersecurity attacks, as well as security threats and governmental response to them, and technological changes; acts of terrorism, war or other acts of violence or crime or risk of such activities; insurance coverage limitations; material adverse changes in economic and industry conditions; the outbreak of a pandemic or contagious disease and the resulting effects on economic conditions; the demand environment for logistics requirements and energy prices; restrictions imposed by public health authorities or governments; fiscal and monetary policy responses by governments and financial institutions; disruptions to global supply chains; the realization of anticipated benefits and synergies of the Canadian Pacific Railway Limited (CP) and Kansas City Southern (KCS) (CP-KCS) transaction and the timing thereof; the satisfaction of the conditions imposed by the U.S. Surface Transportation Board (STB) in its March 15, 2023 decision; the successful integration of KCS into the Company; the focus of management time and attention on the CP-KCS integration and other disruptions arising from the CP-KCS integration; estimated future dividends; financial strength and flexibility; debt and equity market conditions, including the ability to access capital markets on favourable terms or at all; cost of debt and equity capital; improvement in data collection and measuring systems; industry-driven changes to methodologies; and the ability of the management of the Company to execute key priorities, including those in connection with the CP-KCS transaction. The foregoing list of factors is not exhaustive.

These and other factors that could cause actual results to differ materially from those described in the forward-looking statements contained in this *Climate Mileposts* report are detailed from time to time in reports filed by the Company with securities regulators in Canada and the United States, which can be accessed on SEDAR+ (www.sedarplus.ca) and EDGAR (www.sec.gov). Reference should be made to "Part I – Item IA – Risk Factors" and "Part II – Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations – Forward Looking Statements" in the Company's annual report on Form 10-K and "Part II – Item IA – Risk Factors" and "Part I – Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations – Forward-Looking Statements" in the Company's interim reports on Form 10-Q. The forward-looking statements contained in this *Climate Mileposts* report are made as of the date hereof. Except as required by law, the Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements, or the foregoing assumptions and risks affecting such forward-looking statements, whether as a result of new information, future events or otherwise.

Additional report information

This document incorporates or otherwise relies upon data from third parties, which may have been prepared in ways that are not consistent with our methodologies or practices. We do not independently verify such third-party information. As a result of these and other factors, including our ongoing sustainability integration and factors described elsewhere in this document, information disclosed in this document might differ from that contained in prior disclosures (including prior KCS disclosures). In future disclosures, we may change or update the mileposts, plans, targets, objectives and other information contained herein or include disclosures that otherwise differ from those contained in or implied by this document. We undertake no obligation to update the information in this report or prior disclosures, except to the extent required by law.

Our approach to the disclosures included in this document differs from our approach to other disclosures, including our filings with the SEC and any disclosures we may make under any other regulatory frameworks. This document is intended to provide information from a different perspective and in some cases in greater detail than is required to be included in such other reports. The terms "materiality" and "materiality assessment" are used specifically to refer to the process we use to identify the sustainability topics most relevant to our business or our stakeholders. The specific meaning of the term "materiality" in this context differs from the meaning of the terms "material" or "materiality" under any law or regulation or when used in connection with public disclosure of material financial information, including financial filings with securities regulators. Such terms as well as other words used in this document (including any references to "significance," "importance," "priority," "transition planning," climate-related scenario analysis," "sustainable," "impact," "emissions reduction" or "sustainability" or similar terms) should not be read to have the meanings ascribed to them under any securities laws or regulations or any other applicable legal requirements in any jurisdiction. Unless otherwise stated, we use such words in this document to refer to our internal criteria, processes and approaches. Scenario analysis involves significant assumptions and uncertainties and the results of the analysis are not meant to indicate a forecast or projection of future results but rather presents a range of potential financial impacts.

All references to websites, reports or other documents in this report are for your information only. The content of such websites, reports or other documents (or any other information they refer to) is not incorporated by reference into this report.

CPKC

CPKC Global Headquarters
7550 Ogden Dale Road S.E. Calgary,
AB Canada T2C 4X9

sustainability@cpkcr.com

CPKCR.COM