

CANADIAN PACIFIC RAILWAY LTD/CN

Form 6-K

March 23, 2005

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

For the month of March, 2005

CANADIAN PACIFIC RAILWAY LIMITED

(Commission File No. 1-01342)

CANADIAN PACIFIC RAILWAY COMPANY

(Commission File No. 1-15272)

(translation of each Registrant's name into English)

Suite 500, Gulf Canada Square, 401 9th Avenue, S.W., Calgary, Alberta, Canada, T2P 4Z4

(address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F _____ Form 40-F X

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes _____ No X

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):
82-____

This Report furnished on Form 6-K shall be incorporated by reference into each of the following Registration Statements under the Securities Act of 1933 of the registrant: Form S-8 No. 333-13962 (Canadian Pacific Railway Limited), and Form S-8 No. 333-13846 (Canadian Pacific Railway Limited). The Management Proxy Circular attached hereto as Exhibit 2, excluding the portions under the headings Statement of Executive Compensation Compensation Committee Report on Executive Compensation , Performance Graph and Additional Items Corporate Governance and excluding Appendix 1, Appendix 2 and Appendix 3, is incorporated by reference into the Registration Statement on Form F-9 No. 333-114696 (Canadian Pacific Railway Company) as an exhibit thereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CANADIAN PACIFIC RAILWAY LIMITED
CANADIAN PACIFIC RAILWAY COMPANY
(Registrants)

Date: March 22, 2005

Signed: Robert V. Horte

By: Name: Robert V. Horte
Title: Corporate Secretary

DOCUMENTS FILED AS PART OF THIS REPORT ON FORM 6-K

1. Notice of Annual Meeting of Shareholders.
 2. Management Proxy Circular.
 3. Form of Proxy.
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NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the annual and special meeting of shareholders of Canadian Pacific Railway Limited will be held at the TELUS Convention Centre, 120 9th Avenue S.E., Calgary, Alberta, at 9:00 a.m. (Mountain Time) on Thursday, May 5, 2005, for the following purposes:

1. to receive the consolidated financial statements for the year ended December 31, 2004, and the auditors' report thereon;
 2. to elect directors;
 3. to appoint auditors;
 4. consider and, if deemed advisable, to pass, with or without variation an ordinary resolution to approve the reconfirmation, amendment and restatement of the Corporation's Shareholder Rights Plan; and
 5. to transact such other business as may properly come before the meeting or any adjournment thereof.
- Shareholders of record at the close of business on March 11, 2005, will be entitled to vote at the meeting and are encouraged to participate either in person or by proxy.

By order of the board of directors,
Robert V. Horte
Corporate Secretary

Calgary, Alberta
February 21, 2005

NOTE: Registered shareholders of Canadian Pacific Railway Limited wishing to vote by proxy are requested to complete and return the enclosed form of proxy in the envelope provided to the Corporation's transfer agent, Computershare Trust Company of Canada. Registered shareholders may also vote by telephone or Internet by following the instructions provided on the enclosed form of proxy. Non-registered shareholders should refer to page 4 of the management proxy circular for information on how to vote their shares. Proxies must be received by Computershare Trust Company of Canada or Georgeson Shareholder Communications Canada, agents for Canadian Pacific Railway Limited, not less than 24 hours prior to the time fixed for holding the meeting (or any adjournment thereof), in order to be used at the meeting.

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TERMS OF REFERENCE BOARD COMMITTEES

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 4. consider and, if deemed advisable, to pass, with or without variation an ordinary resolution to approve the reconfirmation, amendment and restatement of the Corporation's Shareholder Rights Plan; and
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Calgary, Alberta
February 21, 2005

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**MANAGEMENT PROXY CIRCULAR
GLOSSARY OF TERMS**

In this management proxy circular the following terms shown in quotation marks are defined as set forth below.

Audit Committee	Audit, Finance and Risk Management Committee of the CPRL board of directors
Basic Pension Plan	CPRC's Pension Plan
CEO	President and Chief Executive Officer of CPRL
CFO	Executive Vice-President and Chief Financial Officer of CPRL
Circular	CPRL's Management Proxy Circular
Comparator Group	Large autonomous Canadian companies with annual revenues exceeding \$1 billion
Compensation Committee	Management Resources and Compensation Committee of the CPRL board of directors
Computershare	Computershare Trust Company of Canada
COO	Executive Vice-President and Chief Operating Officer of CPRL
Corporation	Canadian Pacific Railway Limited
CPR	CPRL and its direct and indirect subsidiaries, including CPRC
CPRC	Canadian Pacific Railway Company
CPRL	Canadian Pacific Railway Limited
DSOP	CPRL's Directors' Stock Option Plan
DSU Plan	CPRL's Directors' Deferred Share Unit Plan
DSUs	Deferred Share Units
E&S Committee	Environmental and Safety Committee of the CPRL board of directors
Employee Shares	Shares held by CPR employees under the ESPP
ESPP	CPRL's Employee Share Purchase Plan
Exchange Act	United States Securities Exchange Act of 1934, as amended

Executive DSU Plan	CPRL's Senior Executives' Deferred Share Unit Plan
Executive Officers	Officers of CPR at the level of Vice-President and above
Georgeson	Georgeson Shareholder Communications Canada
Governance Committee	Corporate Governance and Nominating Committee of the CPRL board of directors
LTIP	CPR's Long Term Incentive Plan in place from January 1, 1999 to December 31, 2002
MD&A	Management's Discussion and Analysis
Meeting	CPRL annual and special meeting of shareholders to be held on May 5, 2005
Named Executive Officers	Executive Officers named in the Summary Compensation Table of this Circular
Notice	Notice of the Meeting
NYSE	New York Stock Exchange
NYSE Standards	Corporate governance listing standards of the NYSE
Options	CPRL stock options
Pension Committee	Pension Trust Fund Committee of the CPRL board of directors
Performance Incentive Plan	Canadian Pacific Railway Performance Incentive Plan
Proposed CSA Governance Guidelines	Proposed National Instrument 58-101 and proposed National Policy 58-201
Proposed TSX Guidelines	Amendments to the TSX's corporate governance guidelines published for comment in April and November of 2002
Record Date	March 11, 2005
SARs	Share appreciation rights

SEC	United States Securities and Exchange Commission
Shareholder Rights Plan	The Corporation's Shareholder Rights Plan, the terms of which are set out in the shareholder rights plan agreement between CPRL and Computershare Trust Company of Canada, as rights agent, dated as of July 21, 2001, as amended and restated on February 19, 2002
Shares	CPRL common shares
SOA	United States <i>Sarbanes-Oxley Act of 2002</i>
Sr. VP	Senior Vice-President of CPRC
Stock Option Plan	CPRL's Management Stock Option Incentive Plan
Supplemental Pension Plan	Canadian Pacific Railway's Management Supplemental Plan
TSX	Toronto Stock Exchange
TSX Guidelines	Corporate governance guidelines of the TSX, Part IV, Sections 472-475 of the TSX Company Manual
VP	Vice-President of CPRC

GENERAL INFORMATION

This Circular is furnished in connection with the solicitation of proxies by the management of the Corporation to be used at the Meeting to be held on May 5, 2005, at the TELUS Convention Centre, 120 9th Avenue S.E., Calgary, Alberta, for the purposes set out in the accompanying Notice.

The cost of soliciting proxies will be borne by CPRL. While proxies will be solicited primarily by mail, certain employees of CPRL may also solicit proxies in person or by telephone. CPRL has retained Georgeson, 66 Wellington Street West, Toronto Dominion Bank Tower, Suite 5210, Toronto, Ontario, M5K 1J3, at a fee of approximately \$33,000 plus out-of-pocket expenses, to aid in the solicitation of proxies in Canada and the United States.

Proxies are counted and tabulated by CPRL's transfer agent, Computershare, 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, telephone 1-877-427-7245, toll free in North America or international at 514-982-7555. Computershare maintains the confidentiality of individual shareholder votes. However, proxies will be submitted to management where they contain comments clearly intended for management or to meet legal requirements.

Unless otherwise noted, the information contained in this Circular is given as of February 21, 2005, and all dollar amounts used in this document are in Canadian dollars.

INFORMATION ON VOTING

Voting Shares and Principal Shareholders

At February 21, 2005, there were 158,814,091 Shares outstanding. Each Share carries one vote.

To the knowledge of the directors and officers of CPRL, based on information at February 21, 2005, no individual or corporation beneficially owned, directly or indirectly, or exercised control over, ten per cent or more of the outstanding Shares.

Record Date and Provisions Relating to Voting

The board of directors of CPRL has fixed March 11, 2005, as the Record Date for the purpose of determining shareholders entitled to receive the Notice and vote at the Meeting. Each shareholder is entitled to one vote for each Share held, as shown as registered in such holder's name on the list of shareholders prepared as of the close of business on the Record Date.

Appointment of Proxyholders

Shareholders wishing to be represented by proxy (or legal proxy in the case of non-registered shareholders or holders of Employee Shares) at the Meeting must deposit a properly executed proxy with Computershare or Georgeson, agents for CPRL, not less than 24 hours prior to the time fixed for holding the Meeting (or any adjournment thereof). Registered shareholders may also vote by telephone or over the Internet by following the instructions provided on the enclosed form of proxy.

All Shares represented by a properly executed proxy will be voted or withheld from voting on the matters identified in the Notice in accordance with the instructions of the shareholder as specified thereon. **A shareholder has the right to appoint a person or company other than the named appointee of management to represent such shareholder at the Meeting. To appoint a person or company other than the named appointee, strike out the name of the named appointee and write the name of the person or company you would like to appoint in the space provided.**

Shareholders who have appointed a named appointee of management to act and vote on their behalf, as provided in the enclosed form of proxy, and who do not provide instructions concerning any matter identified in the Notice will have the Shares represented by such proxy voted FOR the election of the persons nominated for election as directors as set forth in this Circular, FOR the appointment of PricewaterhouseCoopers LLP as auditors and FOR the approval of the Shareholder Rights Plan.

The enclosed form of proxy, when properly signed, confers discretionary authority on the person or persons named to vote on any amendment to matters identified in the Notice and on any other matter properly coming before the

Meeting. Management is not aware of any such amendment or other matter. If, however, any such amendment or other matter properly comes before the Meeting, the proxies will be voted at the discretion of the person or persons named on the form of proxy, all of whom are officers of CPRL.

Non-registered shareholders, or shareholders that hold their Shares in the name of an intermediary, such as a bank, trust company, securities broker or other financial institution, will have received this Circular and a form of proxy or voting instruction form. Follow the instructions provided in order to vote by mail, telephone or internet.

Non-registered shareholders wishing to vote in person at the Meeting must follow the instructions included with the form of proxy or on the voting instruction form provided by their intermediary and should also refer to the opening paragraph of this section.

Employee Shares held under the ESPP are registered in the name of HSBC Securities (Canada) Inc., and held in a custodial account until such time as the Shares are withdrawn from the ESPP pursuant to its terms and conditions. Voting rights attached to Employee Shares may be exercised through the use of a voting instruction form, which provides instructions regarding the voting of Employee Shares by mail, telephone or Internet. Holders of Employee Shares will have received this Circular together with the voting instruction form from the Corporation's agent, Computershare.

Employee Shares will be voted in accordance with the instructions received from the employee, being the beneficial owner of the Employee Shares. Only those Employee Shares in respect of which a voting instruction form has been signed and returned or in respect of which voting instructions have been conveyed by telephone or Internet will be voted.

Holders of Employee Shares wishing to vote in person at the Meeting must follow the instructions on the voting instruction form provided by the Corporation's agent, Computershare, and should also refer to the opening paragraph of this section.

Revocability of Proxies

A registered shareholder or holder of Employee Shares may revoke a proxy by depositing an instrument in writing executed by such shareholder or by such shareholder's attorney authorized in writing (or, in the case of a corporation, by a duly authorized officer or attorney), either at the Office of the Corporate Secretary, Canadian Pacific Railway, Suite 920, Gulf Canada Square, 401 9th Avenue S.W., Calgary, Alberta, T2P 4Z4, Canada, at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, or with the Chairman of the Meeting on the day of the Meeting, or an adjournment thereof, or in any other manner permitted by law.

If voting instructions were conveyed by mail, telephone or the Internet, the conveying of new instructions by any of these means will supersede the prior instructions.

Non-registered shareholders who have voted and who wish to change their voting instructions should contact their intermediary to discuss the appropriate procedure to follow in this regard.

BUSINESS TO BE TRANSACTED AT THE MEETING

This Circular contains information relating to the receipt of CPRL's audited consolidated financial statements, the election of directors, the appointment of auditors and the approval of the Shareholder Rights Plan.

1. FINANCIAL STATEMENTS

The audited consolidated financial statements of the Corporation for the year ended December 31, 2004, and the report of the auditors thereon will be placed before the Meeting. These audited consolidated financial statements form part of the Annual Report of the Corporation, which was mailed to registered shareholders and to non-registered shareholders who requested it, together with the Notice and Circular. Additional copies of the Annual Report, in English or French, may be obtained from the Corporate Secretary of CPRL upon request and will be available at the Meeting.

2. ELECTION OF DIRECTORS

CPRL's articles provide for the board of directors to consist of a minimum of five and a maximum of 20 directors.

Mr. Jacques Lamarre resigned from the board on October 25, 2004, for personal reasons, and will not be replaced as the size of the board has been reduced from 11 to 10 directors.

The terms of office of each of the current directors will expire at the close of the Meeting and all are proposed for nomination as directors. Shareholders will be asked to elect directors to hold office until the close of the next annual meeting of shareholders or until their successors are otherwise duly elected or appointed.

The persons proposed for nomination are, in the opinion of the board, well qualified to act as directors for the ensuing year. Each nominee has established his or her eligibility and willingness to serve as a director if elected. The persons named in the proxy are officers of CPRL who intend to vote at the Meeting for the election of the nominees whose names are set out below, unless specifically instructed on the proxy to withhold such vote. If, prior to the Meeting, any of the listed nominees becomes unable or unwilling to serve, the persons named in the proxy will have the right to use their discretion in voting for such other properly qualified nominees.

The board has established the following committees: the Audit Committee, the Governance Committee, the E&S Committee, the Compensation Committee and the Pension Committee. The board does not have an Executive Committee.

Nominees for Election to the Board of Directors

The table below provides the names, ages, business experience, qualifications and Committee memberships of persons to be nominated for election as directors.

Stephen E. Bachand^(a)

Director since October 2001

Mr. Bachand, 66, of Ponte Vedra, Florida is the Retired President and Chief Executive Officer of Canadian Tire Corporation, Limited, a hardgoods retailer specializing in automotive, sports and leisure, and home products. He held that position from March 1993 until his retirement in August 2000. He is also a director of the Bank of Montreal and Fairmont Hotels & Resorts Inc. He graduated from Williams College in Williamstown, Massachusetts with a B.A. and from the Darden School of the University of Virginia with an M.B.A.

He is the Chair of the Compensation Committee, and a member of the Audit Committee and the Governance Committee.

John E. Cleghorn, O.C., F.C.A. ^(a)

Director since October 2001

Mr. Cleghorn, 63, of Toronto, Ontario is the Chairman of SNC-Lavalin Group Inc., an international engineering and construction firm. He is the retired Chairman and Chief Executive Officer of the Royal Bank of Canada. He held that position from January 1995 until his retirement in July 2001. He is also a director of Finning International Inc., Molson Coors Brewing Company, Nortel Networks Corporation and Nortel Networks Limited. He is a Member of the Faculty of Management, Advisory Board and Governor Emeritus of McGill University, Immediate Past Chairman of Historica Foundation of Canada, Chancellor Emeritus of Wilfrid Laurier University and a director of Atlantic Salmon Federation. He graduated from McGill University in Montreal with a B.Com. and is a chartered accountant.

He is the Chair of the Pension Committee, and a member of the

Tim W. Faithfull

Director since December 2003

Mr. Faithfull, 60, of Oxford, England is the Retired President and Chief Executive Officer of Shell Canada Limited, an oil and gas company. He held that position from April 1999 until July 2003. He is a director of TransAlta Corporation, AMEC plc and Shell Pensions Trust Limited. From 1996 until 1999 he was Chairman and Chief Executive Officer of Shell Companies in Singapore. During this period he was also a director of DBS Bank and PSA Corporation. Between 1999 and July 2003 he was a member of the boards of Calgary Health Trust and The EPCOR Centre for the Performing Arts. He graduated from the University of Oxford (Keble College), with a B.A. in Philosophy, Politics and Economics and is an alumnus of the London Business School (Senior Executive Program).

He is a member of the Governance Committee, the E&S Committee and the Compensation Committee.

James E. Newall, O.C.

Director since October 2001

Mr. Newall, 69, of Calgary, Alberta is the Chairman of the Board of Directors of the Corporation and Chairman of NOVA Chemicals Corporation, a chemicals company producing sytrenics and olefins and polyolefin products. He has held the latter position since July 1998. In January 2004, he was appointed Chairman of the Board of Directors of Novelis Inc., an aluminium rolled products company. He served as Chief Executive Officer of NOVA Corporation from August 1991 until July 1998. He is also a director of Maple Leaf Foods, Nova Chemicals Corporation and Novelis Inc. He graduated from the University of Saskatchewan with a B.Com.

He is the Chair of the Governance Committee.

Dr. James R. Nininger

Director since October 2001

Dr. Nininger, 68, of Ottawa, Ontario is the Retired President and Chief Executive Officer of The Conference Board of Canada, a private not-for-profit research group. He held that position from September 1978 until his retirement in August 2001. He is also a director of Power Corporation of Canada, a member of the Human Resources Committee of the National Arts Centre, a member of the Board of Directors of Community Foundations of Canada, the Community Foundation of Ottawa and the Canadian Patient Safety Institute. He graduated from the University of Ottawa with a B.Com. from the University of Western Ontario with an M.B.A. and from the University of Michigan with a PhD.

He is a member of the Governance Committee, the E&S Committee and the Compensation Committee.

Madeleine Paquin

Director since October 2001

Ms. Paquin, 43, of Montreal, Quebec is the President and Chief Executive Officer of Logistec Corporation, an international cargo-handling company. She has held that position since January 1996. She is also a director of Sun Life Assurance Company of Canada, Sun Life Financial Inc., Aéroports de Montréal, and the Chamber of Maritime Commerce. She graduated from École des Hautes Études Commerciales, Université de Montréal with a G.D.A.S. and from the Richard Ivey School of Business, University of Western Ontario with a H.B.A.

She is a member of the Audit Committee, the Governance Committee and the E&S Committee.

Michael E.J. Phelps, O.C.

Director since October 2001

Mr. Phelps, 57, of West Vancouver, British Columbia, is the Chairman of Dornoch Capital Inc., a private investment company. He is also Chairman of the Advisory Board, Duke Energy Gas Transmission-Canada, and is Chairman of Fairborne Energy Ltd. He is the former Chairman and Chief Executive Officer of Westcoast Energy Inc. He held that position from June 1988 until March 2002. He is a director of Canfor Corporation, Duke Energy Corporation, and Fairborne Energy Ltd. He is a member of the Advisory Board of Aon Reed Stenhouse Inc. He was appointed an Officer of the Order of Canada in 2001. He graduated from the University of Manitoba with a B.A. and an L.L.B. and from the London School of Economics with an L.L.M.

He is the Chair of the E&S Committee, and a member of the Governance Committee and the Compensation Committee.

Roger Phillips, O.C.

Director since October 2001

Mr. Phillips, 65, of Regina, Saskatchewan, is the Retired President and Chief Executive Officer of IPSCO Inc., a steel manufacturing company. He held that position from February 1982 until his retirement in December 2001. He is also a director of Inco Limited, Toronto Dominion Bank, Imperial Oil Limited and Cleveland-Cliffs Inc. Mr. Phillips is a Fellow of the Institute of Physics and a Member of the Canadian Association of Physicists. He is also President of La Sauciere Investments Inc., a private company. He was appointed an Officer of the Order of Canada in 1999 and was presented with the Saskatchewan Order of Merit in 2002. He graduated from McGill University in Montreal with a B.Sc. in Physics and Mathematics.

He is the Chair of the Audit Committee, and a member of the Governance Committee and Pension Committee.

Robert J. Ritchie

Director since October 2001

Mr. Ritchie, 60, of Calgary, Alberta, is the President and Chief Executive Officer of the Corporation. He is also President and Chief Executive Officer of CPRC, a position that he has held since March 1995. He is a director of ShawCor Ltd. and is on the Advisory Board of Willis Canada Inc. He is also a director and Chair of the Railway Association of Canada and a director of the Association of American Railroads and the Van Horne Institute. He graduated from McGill University in Montreal with a B.Sc. and from the University of Western Ontario with an M.B.A.

Michael W. Wright

Director since October 2001

Mr. Wright, 66, of Longboat Key, Florida, is the Retired Chairman of the Board and Chief Executive Officer of SUPERVALU INC., a food distributor and grocery retailer. He was Chairman and Chief Executive Officer from June 1981 to June 2001 and Chairman until June 2002. He is also a past chairman of Food Distributors International and the Food Marketing Institute. He is a director of Wells Fargo & Company, Honeywell International, Inc., S.C. Johnson & Son, Inc., and Cargill Inc. He is a Trustee Emeritus of the University of Minnesota Foundation and is a member of the University of Minnesota Law School Board of Visitors and the Board of Trustees of St. Thomas Academy. He graduated from the University of Minnesota with a B.A. and from the University of Minnesota Law School with a J.D. (Honours).

He is a member of the Audit Committee, the Governance Committee and the Compensation Committee.

- (a) S.E. Bachand was a director of Krystal Bond Inc. when it was subject to a cease trade order on April 12, 2002 for failure to file financial statements. It has since ceased to operate as a going concern. J.E. Cleghorn, a director of Nortel Networks Corporation and Nortel Networks Limited is subject to a cease trade order issued in May 2004, for failure to file certain financial statements, by the Ontario Securities Commission against directors, officers and certain other current and former employees prohibiting trading in Nortel Networks securities.

Interlocking Directorships

As at December 31, 2004 there were no interlocking directorships between the Corporation's directors.

Directors Meeting Attendance

Directors are expected to attend all board meetings and committee meetings on which they serve.

The following table is a summary of each director's attendance at board and committee meetings in 2004:

Name	Board (5 meetings)		Audit Committee (6 meetings)		Governance Committee (6 meetings)		E&S Committee (2 meetings)		Pension Committee (2 meetings)		Compensation Committee (5 meetings)	
	#	%	#	%	#	%	#	%	#	%	#	%
S.E. Bachand	5	100	6	100	6	100					5	100
J.E. Cleghorn	5	100	6	100	6	100			2	100		
T.W. Faithfull (a)	4	80			6	100	2	100	1/1	100	4/4	100
J.E. Newall	5	100			6	100						

J.R. Nininger	5	100			6	100	2	100		5	100
M. Paquin ^(a)	5	100	4/4	100	6	100	2	100			
M.E.J. Phelps	5	100			6	100	2	100		5	100
R. Phillips	5	100	6	100	6	100			2	100	
R.J. Ritchie ^(b)	5	100									
M.W. Wright	5	100	6	100	6	100				5	100

(a) Was not a member of certain committees for the entire year.

(b) Attends committee meetings, in full or in part, as appropriate, as a non-voting director at the request of the committees.

Directors Share Ownership Requirements

To ensure that directors' interests are aligned with those of shareholders, non-employee directors are required to hold \$125,000 in Shares/DSUs within five years of their initial election or appointment to the board. The

Chairman of the Board is required to hold \$750,000 in Shares/DSUs. These amounts represent five times their respective annual cash retainers. Mr. R.J. Ritchie, CEO is required to hold four times his base salary in Shares/DSUs pursuant to the ownership guidelines for Executive Officers.

The following table sets out each director's equity ownership interest in the Corporation as at December 31, 2003 and 2004, and the total value of Shares and DSUs held.

Each director has surpassed the amount required to meet the minimum share ownership guidelines.

Director	Year	Number of common shares	Number of DSUs	Total number of common shares and DSUs	Total value of common shares and DSUs (\$) ^(a)
S.E. Bachand	2004	3,129	14,260	17,389	714,688
	2003	3,129	8,195	11,324	414,232
	Change	0	6,065	6,065	300,456
J.E. Cleghorn	2004	5,000	4,894	9,894	406,643
	2003	5,000	1,576	6,576	240,550
	Change	0	3,318	3,318	166,093
T.W. Faithfull	2004	1,460	7,937	9,397	386,217
	2003	0	3,777	3,777	138,163
	Change	1,460	4,160	5,620	248,054
J.E. Newall	2004	20,000	23,640	43,640	1,793,604
	2003	20,000	14,905	34,905	1,276,825
	Change	0	8,735	8,735	516,779
J.R. Nininger	2004	1,500	2,624	4,124	169,496
	2003	1,500	450	1,950	71,331
	Change	0	2,174	2,174	98,165
M. Paquin	2004	100	5,344	5,444	223,748
	2003	100	2,168	2,268	82,963
	Change	0	3,176	3,176	140,785
M.E.J. Phelps	2004	16,479	2,624	19,103	785,133
	2003	13,479	450	13,929	509,523
	Change	3,000	2,174	5,174	275,610
R. Phillips	2004	3,088	10,318	13,406	550,987
	2003	3,088	5,660	8,748	320,002
	Change	0	4,658	4,658	230,985
R.J. Ritchie	2004	75,942	50,512	126,454	5,197,259
	2003	73,963	49,743	123,706	4,525,165
	Change	1,979	769	2,748	672,094

M.W. Wright	2004	1,000	13,313	14,313	588,264
	2003	1,000	7,452	8,452	309,174
	Change	0	5,861	5,861	279,090
TOTAL	2004	127,698	135,466	263,164	10,816,040
	2003	121,259	94,376	215,635	7,887,928
	Change	6,439	41,090	47,529	2,928,112

(a) Total values determined by reference to the closing price of Shares on the TSX and DSUs owned by the directors on December 31, 2004 (\$41.10) and December 31, 2003 (\$36.58), and exclude options.

As at December 31, 2004, the total numbers of Shares and DSUs held by non-employee directors were 51,756 and 84,954, respectively. These Shares and DSUs had a combined total value of \$5,618,781.

Directors Compensation**Philosophy**

Directors who are also employees of CPR do not receive any compensation for board or committee service.

The comparator group used to establish competitive pay practices for the directors continues to be a subset of Canadian autonomous companies with annual revenues between \$2 billion and \$10 billion. Cash compensation is targeted at the 50th percentile and stock-based compensation at the 75th percentile, resulting in a total direct compensation target between the 50th and 75th percentiles of the comparator group.

Following a review by the Governance Committee in July 2004, it was decided that no increases to directors compensation were required.

Fees

Directors receive an annual retainer for participating on the board and its committees. They also receive a fee for every meeting attended. At times, meetings are scheduled over a two-day period. In these instances, directors receive a fee for each day.

Non-employee directors not resident in Canada are paid the same face amount of annual retainers and meeting fees in U.S. dollars. Non-employee directors are also reimbursed for travel and out-of-pocket expenses related to the board and committee meetings.

The all-inclusive annual cash retainer for the board chairman includes participation (in-person or by phone) at all board/ committee meetings. The board chairman is also reimbursed for travel and out-of-pocket expenses related to the board and committee meetings.

The table below sets out the fee schedule for non-employee directors for 2004.

	Board Chair (\$)^(a)	Audit Committee Chair (\$)	Other Committee Chairs (\$)	Audit Committee Members (\$)	Other Committee Members (\$)
Board member annual retainer	150,000	25,000	25,000	25,000	25,000
Stock based compensation (DSUs)	133,000	70,000	70,000	70,000	70,000
Committee chair/ member annual retainer	N/A	10,000	5,000	6,000	3,000
Board attendance fee per meeting	N/A	1,500	1,500	1,500	1,500
Committee attendance fee per meeting	N/A	1,500	1,500	1,500	1,500

(a) All inclusive

Total Compensation Paid in 2004

The following table provides the total compensation paid to non-employee directors in 2004. Except as indicated all amounts are in Canadian dollars. Some directors have elected to receive all or a portion of their cash compensation in DSUs.

Name	Fees Paid			Stock Based Compensation (DSUs)(\$)	Total Compensation (\$)
	Amount paid in DSUs (\$)	Amount paid in cash (\$)	Total fees (\$)		
S. E. Bachand ^(a)	81,000	0	81,000	70,000	151,000
J.E. Cleghorn	38,250	38,250	76,500	70,000	146,500
T.W. Faithfull ^(a)	32,750	32,750	65,500	70,000	135,500
J. Lamarre ^(b)	20,166	20,166	40,333	66,667	107,000
J.E. Newall	150,000	0	150,000	133,000	283,000
J.R. Nininger	0	67,000	67,000	70,000	137,000
M. Paquin	33,500	33,500	67,000	70,000	137,000
M.E.J. Phelps	0	72,000	72,000	70,000	142,000
R. Phillips	81,500	0	81,500	70,000	151,500
Viscount Weir ^{(a)(c)}	0	14,333	14,333	5,000	19,333
M.W. Wright ^(a)	76,000	0	76,000	70,000	146,000

(a) paid in US dollars;

(b) resigned from the board of directors on October 25, 2004;

(c) retired from the board of directors at the 2004 annual meeting of shareholders

The total amount of cash compensation paid to the directors in 2004 was approximately \$855,426.

Directors' Deferred Share Unit Plan (DSU Plan)

Under the DSU Plan, the directors may elect annually to receive all or a portion of their annual retainer and committee and meeting fees in the form of DSUs. A DSU is a bookkeeping entry having the same value as one Share, but is not paid out in cash until the director leaves the board, thereby providing an ongoing equity stake in the Corporation throughout the director's tenure. DSUs attract dividends in the form of additional DSUs at the same rate as dividends on Shares. After leaving the board, the director will receive a cash amount equal to the value of the DSUs held by such director, based on the market value of the Shares at that time, minus applicable taxes.

The director must elect to participate in this aspect of the DSU Plan prior to the beginning of each calendar year. In addition, the DSU Plan provides for all directors to receive 100% of their long-term compensation in the form of DSUs. Newly-appointed or elected directors are entitled to receive an initial grant of \$100,000 in DSUs upon joining the board and thereafter an annual grant of \$50,000 in DSUs following each annual meeting of shareholders. Only non-employee directors participate in the DSU Plan.

Directors Stock Option Plan (DSOP)

On July 21, 2003, the board of directors suspended all further grants of Options under the DSOP. The DSOP previously provided grants of Options to purchase 8,000 Shares to each newly-appointed or elected non-employee director. Non-employee directors also received annual grants of 4,000 Options on the third trading day of the TSX following each annual meeting of shareholders at which directors were elected. The exercise price for Options was set at the market value of Shares at the time of grant. Subject to applicable securities rules, Options granted under the DSOP may be exercised from time to time on and after the date of the grant for a period of 10 years. Outstanding Options granted prior to the suspension of the DSOP on July 21, 2003, remain in effect with no

amendments. The maximum number of Shares approved for issuance under the DSOP is 500,000. As of December 31, 2004, there were 340,000 Options remaining in the pool.

Each of the current directors, other than Mr. Faithfull (who joined the board following the suspension of the DSOP) hold 16,000 Options. The aggregate number of Options held by current and former directors, all of which remain unexercised, was 160,000 as at December 31, 2004.

The table below shows the details of the grants of Options made to each eligible non-employee director under the DSOP.

Date of Grant	Expiry Date	Exercise Price	Number of Options Granted
Oct. 17, 2001	Oct. 17, 2011	\$27.62	8,000
April 17, 2002	April 17, 2012	\$33.60	4,000
May 1, 2003	May 1, 2013	\$32.82	4,000

3. APPOINTMENT OF AUDITORS

A resolution will be submitted to the Meeting appointing PricewaterhouseCoopers LLP as auditors of CPRL for a term expiring at the close of the 2006 annual meeting of shareholders. To be effective, the resolution must be approved by a majority of the votes cast by the shareholders voting in respect of the resolution. Representatives of PricewaterhouseCoopers LLP will be present at the Meeting with the opportunity to make a statement if they so desire and to respond to appropriate questions.

PricewaterhouseCoopers LLP and its predecessor firm have acted as the auditors of the Corporation's wholly-owned subsidiary, CPRC, for more than five years and have been the Corporation's auditors since October 1, 2001.

Audit and Non-Audit Fees and Services 2004 & 2003

Fees payable to PricewaterhouseCoopers LLP for the years ended December 31, 2004, and December 31, 2003, totaled \$1,898,000 and \$1,501,000, respectively, as detailed in the following table:

	Year ended December 31, 2004	Year ended December 31, 2003
Audit Fees	\$ 1,005,000	\$ 855,000
Audit-Related Fees	\$ 543,000	\$ 329,000
Tax Fees	\$ 350,000	\$ 310,000
All Other Fees	\$ 0	\$ 7,000
TOTAL	\$ 1,898,000	\$ 1,501,000

The nature of the services provided by PricewaterhouseCoopers LLP under each of the categories indicated in the table is described below.

Audit Fees

Audit fees were for professional services rendered for the audit of CPR's annual financial statements and services provided in connection with statutory and regulatory filings or engagements.

Audit-Related Fees

Audit-related fees were for assurance and related services reasonably related to the performance of the audit or review of the annual statements and are not reported under **Audit Fees** above. These services consisted of: special attest services as required by various government entities; accounting consultations and special audits in connection with acquisitions; the audit of financial statements of certain subsidiaries and of various pension and benefits plans of CPR; assistance with prospectus filings; access fees for technical accounting database resources; and assistance with preparations for compliance with Section 404 of the SOA of 2002.

Tax Fees

Tax fees were for tax compliance, tax advice and tax planning professional services. These services consisted of: tax compliance including the review of tax returns; assistance with questions regarding tax audits, the preparation of

employee tax returns under CPR's expatriate tax services program and assistance in completing routine tax schedules and calculations; tax planning and advisory services relating to common forms of domestic and international taxation (i.e. income tax, capital tax, goods and services tax, and valued added tax); and access fees for taxation database resources.

All Other Fees

Fees disclosed under this category were for products and services other than those described under Audit Fees, Audit-Related Fees and Tax Fees, above. In 2004, there were no services in this category, and in 2003, these services consisted of assistance in reviewing an agreement and proposed transaction.

4. SHAREHOLDER RIGHTS PLAN

The board of directors of CPRL adopted the Shareholders Rights Plan on July 30, 2001, with effect as of October 1, 2001. The Shareholder Rights Plan was ratified, confirmed and approved by shareholders of the Corporation at the 2002 annual and special meeting of CPRL shareholders.

Amendment and Reconfirmation of Shareholder Rights Plan

In order for the Shareholder Rights Plan to continue in effect, shareholders of CPRL must reconfirm it at the Meeting. The board of directors of CPRL has determined that it is in the best interest of shareholders that the Shareholder Rights Plan be reconfirmed. The board of directors of CPRL has further determined that it is in the best interest of shareholders that the Shareholder Rights Plan be amended to reflect such reconfirmation and to make certain other amendments to reflect comments received from professional commentators on shareholder rights plans and to conform the Shareholder Rights Plan to plans currently in place for other senior Canadian public companies. Accordingly, shareholders will be asked at the Meeting to consider and, if thought appropriate, to pass a resolution approving the amendment and restatement and reconfirmation of the Shareholder Rights Plan. To be effective, the resolution must be approved by a majority of the votes cast by the shareholders voting in respect of the resolution.

Purpose of the Plan

The Shareholder Rights Plan is designed to provide CPRL with sufficient time to explore and develop alternatives for maximizing shareholder value in the event of a take-over bid and to provide every shareholder with an equal opportunity to participate in the bid.

Summary

The following is a summary of the principal terms of the Shareholder Rights Plan, which summary is qualified in its entirety by reference to the text of the Shareholder Rights Plan. A shareholder or any other interested party may obtain a copy of the Shareholder Rights Plan by contacting the Corporate Secretary, Canadian Pacific Railway Limited, Suite 920 Gulf Canada Square, 401 - 9th Avenue S.W., Calgary, AB T2P 4Z4; telephone (403) 319-7538 or toll free 1-866-861-4289, fax (403) 319-6770 or by accessing the Corporation's publicly filed documents, including the Shareholder Rights Plan, on SEDAR at www.sedar.com.

Effective Date

The Shareholder Rights Plan took effect on October 1, 2001 (the Effective Date), the effective date of the Plan of Arrangement involving Canadian Pacific Limited and its subsidiaries, including CPRL.

Term

The term is ten years from the Effective Date, subject to the Shareholders of CPRL approving the Shareholder Rights Plan by a majority vote at the meeting and at every third annual meeting thereafter. **If the Shareholder Rights Plan is not reconfirmed at the meeting, the Shareholder Rights Plan will cease to have effect.**

Issue of Rights

On the Effective Date, one right (a Right) was issued and attached to each Share outstanding of CPRL and attaches to each Share of CPRL subsequently issued.

Rights Exercise Privilege

The Rights will separate from the Shares and will be exercisable 10 trading days (the Separation Time) after a person has acquired, or commenced a take-over bid to acquire, 20% or more of the Shares, other than by an acquisition pursuant to a take-over bid permitted by the Shareholder Rights Plan (a Permitted Bid). The acquisition by any person (an Acquiring Person) of 20% of the Shares, other than by way of a Permitted Bid, is referred to as a Flip-in Event. Any Rights held by an Acquiring Person will become void upon the occurrence of a Flip-in Event. Ten trading days after the occurrence of the Flip-in Event, each Right, (other than those held by an Acquiring Person), will permit the purchase by holders of Rights, other than an Acquiring Person, of Shares at a 50% discount to their market price. The issue of the Rights is not initially dilutive. Upon a Flip-in Event occurring and the Rights separating from the Shares, reported earnings per share of the CPRL on a fully diluted or non-diluted basis may be affected. Holders of Rights not exercising their Rights upon the occurrence of a Flip-in Event may suffer substantial dilution.

Lock-Up Agreements

A bidder may enter into lock-up agreements with the shareholders of CPRL whereby such shareholders agree to tender their Shares to the take-over bid (the Subject Bid) without a Flip-in Event occurring. Any such agreement must permit the shareholder to withdraw the Shares to tender to another take-over bid or to support another transaction that exceeds the value of the Subject Bid by as much or more than a specified amount, which specified amount may not be greater than 7%. As discussed below, it is proposed that the definition of Lock-up Agreement be amended to provide that no break up fees or other penalties exceeding the thresholds described below be payable under such agreements.

Certificates and Transferability

Prior to the Separation Time, the Rights are evidenced by a legend imprinted on certificates for the Shares and are not transferable separately from the Shares. From and after the Separation Time, the Rights will be evidenced by Rights certificates which will be transferable and traded separately from the Shares.

Permitted Bid Requirements

The requirements for a Permitted Bid include the following: (i) the take-over bid must be made by way of a take-over bid circular; (ii) the take-over bid must be made to all shareholders of CPRL; (iii) the take-over bid must be outstanding for a minimum period of 60 days, and Shares tendered pursuant to the take-over bid may not be taken up prior to the expiry of the 60-day period and only if at such time more than 50% of the Shares of CPRL held by shareholders, other than the bidder, its affiliates and persons acting jointly or in concert and certain other persons (the Independent Shareholders), have been tendered to the take-over bid and not withdrawn; and (iv) if more than 50% of the Shares held by Independent Shareholders are tendered to the take-over bid within the 60-day period, the bidder must make a public announcement of that fact, and the take-over bid must remain open for deposits of Shares for not less than 10 Business Days from the date of such public announcement.

The Shareholder Rights Plan allows for a competing Permitted Bid (a Competing Permitted Bid) to be made while a Permitted Bid is in existence. A Competing Permitted Bid must satisfy all the requirements of a Permitted Bid except that it may expire on the same date as the Permitted Bid, subject to the requirement that it be outstanding for a minimum period of 35 days.

Waiver

The board of directors of CPRL, acting in good faith, may, prior to the occurrence of a Flip-in Event, waive the application of the Rights Plan to a particular Flip-in Event where the take-over bid (an Exempt Acquisition) is made by a take-over bid circular to all holders of Shares of CPRL. Where the board of directors exercises the waiver power for one take-over bid, the waiver will also apply to any other take-over bid for CPRL made by a take-over bid circular to all holders of Shares prior to the expiry of any other bid for which the Shareholder Rights Plan has been waived.

Redemption

The board of directors of CPRL with the approval of a majority of the votes cast by shareholders (or holders of Rights if the Separation Time has occurred) voting in person or by proxy at a meeting duly called for that purpose

may redeem the Rights at \$0.000001 per Common Share. Rights will be deemed to have been redeemed by the board of directors following completion of a Permitted Bid, Competing Permitted Bid or Exempt Acquisition.

Amendment

The board of directors of CPRL may amend the Shareholder Rights Plan with the approval of a majority of the votes cast by Independent Shareholders (or the holders of Rights if the Separation Time has occurred) voting in person and by proxy at a meeting duly called for that purpose. The board of directors without such approval may correct clerical or typographical errors and, subject to approval as noted above at the next meeting of the shareholders (or holders of Rights, as the case may be) may make amendments to the Rights Plan to maintain its validity due to changes in applicable legislation.

Board of Directors

The Shareholder Rights Plan will not detract from or lessen the duty of the board of directors of CPRL to act honestly and in good faith with a view to the best interests of CPRL. The board of directors, when a Permitted Bid is made, will continue to have the duty and power to take such actions and make such recommendations to shareholders as are considered appropriate.

Exemptions for Investment Advisors

Investment advisors (for fully managed accounts), trust companies (acting in their capacities as trustees and administrators), statutory bodies whose business includes the management of funds and administrators of registered pension plans acquiring greater than 20% of the Shares of CPRL are exempted from triggering a Flip-in Event, provided that they are not making, or are not part of a group making, a take-over bid.

Proposed Amendments

The following is a summary of the proposed amendments to the Shareholder Rights Plan:

to amend the date for reconfirmation of the Shareholder Rights Plan from the annual meeting of the Corporation in 2005 to the annual meeting of the Corporation in 2008;

to amend the definition of Lock-up Agreement to provide that no break up fees or other penalties that exceed in the aggregate the greater of 2¹/₂% of the price or value of the consideration payable under the Subject Bid and 50% of the increase in the consideration resulting from another take-over bid or transaction shall be payable by shareholders if the shareholders fail to tender their Shares to the Subject Bid; and

certain other amendments to reflect comments received from professional commentators on shareholder rights plans and to reflect the restatement of the Shareholder Rights Plan.

The board of directors of CPRL has determined that the proposed amendments and the restatement of the Shareholder Rights Plan are in the best interest of the Corporation and its shareholders. **The board of directors unanimously recommends that shareholders vote in favour of the resolution.**

Proposed Resolution of Shareholders

At the meeting, the following resolution will be placed before shareholders for approval:

BE IT RESOLVED AS A RESOLUTION OF THE SHAREHOLDERS THAT:

1. The Shareholder Rights Plan dated as of July 31, 2001 and amended and restated as of February 19, 2002 between Canadian Pacific Railway Limited and Computershare Trust Company of Canada, as rights agent, be amended and restated as described in the Management Proxy Circular of the Corporation dated February 21, 2005;
2. The making on or prior to the date hereof of any revisions to the Shareholder Rights Plan as may be required by any stock exchange or by professional commentators on shareholder rights plans in order to give effect to the foregoing revisions or to conform the Shareholder Rights Plan to versions of shareholder rights plans then prevalent for public reporting issuers in Canada, as may be approved by any two of the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, any Vice-President or a director, is hereby approved;
- 3.

The Shareholder Rights Plan, as amended and restated in accordance with paragraphs 1 and 2 above, is hereby reconfirmed and approved;

4. Any director or officer of the Corporation, is hereby authorized, for and on behalf of the Corporation, to execute and deliver such other documents and instruments and take such other actions as such director or officer may determine to be necessary or advisable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of such documents or instruments and taking of any such actions.

Under the Shareholder Rights Plan, the resolution requires the approval of a majority of the votes cast at the meeting by Independent Shareholders. In effect, all shareholders will be considered Independent Shareholders provided they are not, at the relevant time, an Acquiring Person or making a take-over bid for the Corporation. The Corporation is not aware of any shareholder who will be ineligible to vote on such resolution at the meeting.

REPORTS OF COMMITTEES OF THE BOARD

REPORT OF THE AUDIT COMMITTEE

The Audit Committee is comprised of five directors, all of whom are unrelated and independent. Its purpose is to fulfill applicable public company audit committee legal obligations and to assist the board in fulfilling its responsibilities in relation to the disclosure of financial statements and information derived from financial statements and in relation to risk management matters, including the integrity and quality of the Corporation's financial reporting and systems of internal control and risk management, the Corporation's compliance with legal and regulatory requirements, the qualifications, independence, engagement, compensation and performance of the Corporation's external auditors, and the performance of the Corporation's internal audit function.

The Audit Committee reviewed its Terms of Reference in 2004, taking into account, among other things, the NYSE Standards, the SOA, the TSX Guidelines and Proposed TSX Guidelines, and the Proposed CSA Governance Guidelines. Changes to the Terms of Reference were approved by the board as recommended to it by the Audit Committee. A copy of the revised Terms of Reference is attached to this Circular in Appendix 3.

In addition to other matters dealt with in 2004, the Audit Committee:

Financial Reporting

reviewed with management and the external and internal auditors prior to publication, the annual consolidated financial statements and notes thereto, the annual MD&A, the interim financial statements and notes thereto, the interim MD&A, and the Annual Information Form;

reviewed a report on all critical accounting policies and practices to be used, and all alternative treatments of financial information within generally accepted accounting principles that had been discussed with management;

Internal Controls Over Financial Reporting

approved the engagement of external resources to assist in the Corporation's internal control review initiative in preparation for the filing with the SEC in 2006 of management's first annual report on internal controls over financial reporting;

reviewed the Corporation's plans with respect to, received reports on, and monitored the progress of, the aforementioned initiative;

received quarterly reports from the Corporation's Disclosure Policy Committee with respect to management's quarterly reviews of key internal controls over financial reporting and disclosure controls and procedures;

External Auditors

reviewed and confirmed the independence of the Corporation's external auditors, based on the external auditors disclosure of its relationships with the Corporation and its affiliates;

reviewed a report of the external auditors on the auditors' internal quality controls;

approved a plan for the transition of the lead partner of the external auditors;

reviewed the performance and qualifications of the external auditors and recommended their re-appointment for shareholder approval;

reviewed with management and the external auditors the scope and plans of the annual audit;

met privately with representatives of the external auditors to discuss audit matters, the relationship and communications between the external auditors and management, and other issues which the external auditors or the Audit Committee wished to discuss;

reviewed and pre-approved the provision by the external auditors of certain non-audit services not prohibited by the SOA and approved a pre-approval policy for audit and non-audit services to be provided by the external auditors;

Internal Auditors

reviewed the experience, skills and performance of the internal auditors and approved a program for the rotation of selected high-potential employees through one- to two-year postings with the internal audit department;

reviewed the annual work plan of the internal auditors, including resources;

reviewed and discussed with the board and management reports by the internal auditors on the audits performed, and monitored management's responses to matters set forth therein;

met privately with the Director, Internal Audit, from time to time and prior to approving the annual and interim financial results press releases, financial statements, notes, MD&As and other financial reporting documents, to discuss relevant issues;

Internal Controls and Financial Reporting Processes

reviewed with management and the internal and external auditors the adequacy of the internal controls and disclosure controls and procedures and reviewed reports thereon provided by the Disclosure Policy Committee;

Finance and Treasury

approved and monitored the financing plan for 2004;

reviewed all major financings;

reviewed the activities and plans of the Treasury Department;

Risk Management

received reports on, and reviewed with management, matters relating to the enterprise risk management program, including insurance matters.

Throughout 2004, the Audit Committee met regularly with the external auditors, the Director, Internal Audit, the Executive Vice-President and Chief Financial Officer, the Vice-President and Comptroller, the Vice-President and Treasurer and other members of management.

The Audit Committee is satisfied that it has fulfilled all of its responsibilities under its Terms of Reference in 2004.

R. Phillips (Chair)

S.E. Bachand

J.E. Cleghorn

M. Paquin

M.W. Wright

REPORT OF THE GOVERNANCE COMMITTEE

The Governance Committee is comprised of all nine independent and unrelated members of the board. It has overall responsibility for monitoring and assessing the functioning of the board and its committees, and for developing and implementing good corporate governance practices. In addition, the Governance Committee identifies individuals qualified to become board members and recommends to the board the director nominees for the annual meetings of shareholders. It also has oversight responsibility in respect of major issues of public policy relevant to the business of the Corporation and its subsidiaries.

The Governance Committee reviewed its Terms of Reference in 2004, taking into account, among other things, the NYSE Standards, the SOA, the TSX Guidelines, the Proposed TSX Guidelines, and the Proposed CSA Governance Guidelines. Changes to the Terms of Reference were approved by the board as recommended by the Governance Committee. A copy of the revised Terms of Reference is attached to this Circular in Appendix 3.

In addition to other matters dealt with in 2004, the Governance Committee:

reviewed what competencies and skills the board as a whole should possess, what competencies, skills and personal and other qualities the existing directors possess, and the appropriate size of the board with a view to facilitating effective decision-making;

reviewed and assessed potential new board candidates having regard to the foregoing and other relevant matters;

recommended to the board the nominees to stand for election as directors at the Meeting;

reviewed matters relating to the independence of each director and recommended approval by the board of revised criteria for director independence and of the Governance Committee's assessment of the independence of each director;

conducted an evaluation of the effectiveness of the board, its committees and each director, including the Chairman of the Board;

reviewed and recommended to the board the director compensation philosophy and compensation to be paid to non-employee directors;

approved amendments to the Corporation's Corporate Governance Principles and Guidelines;

evaluated the performance of the CEO and, upon recommendation by the Compensation Committee, approved the compensation to be paid to him in 2004;

reviewed and monitored matters relating to CPR's approach to corporate governance, in order to maintain the highest standards in that regard; and

reviewed potential senior officer succession candidates and matters relating to senior officer succession planning.

The Governance Committee is satisfied that it has fulfilled all of its responsibilities under its Terms of Reference in 2004.

J.E. Newall (Chair)

S.E. Bachand

J.E. Cleghorn

T.W. Faithfull

J.R. Nininger

M. Paquin

M.E.J. Phelps

R. Phillips

M.W. Wright

REPORT OF THE E&S COMMITTEE

The E&S Committee is comprised of four directors, all of whom are unrelated and independent. Its purpose is to review and evaluate with management the environmental and safety practices, policies and procedures of CPR to ensure their effective implementation and compliance with applicable legislation, regulatory requirements and

industry standards. The E&S Committee also reviews reports on, and monitors, specific environmental and safety issues and incidents, provides advice and direction to management thereon, and makes reports and recommendations to the board on environmental and safety matters.

The E&S Committee reviewed its Terms of Reference in 2004 and determined that no changes were required. A copy of the Terms of Reference is attached to this Circular in Appendix 3.

In addition to other matters dealt with in 2004, the E&S Committee:

reviewed with management all significant environmental matters relating to CPR, including legal and regulatory issues, the status of specific environmental issues, including the environmental audit program and corrective actions, CPR's overall environmental remediation plan and resources, and wildlife mortality on the railway, and provided direction and guidance to management thereon; and

reviewed with management all significant safety matters relating to CPR, including legal and regulatory issues, CPR's overall approach to safety issues, its record of personal injuries and other accidents during 2004 and the status of specific personal injury incidents and fatalities, and provided direction and guidance to management thereon.

The E&S Committee is satisfied that it has fulfilled all of its responsibilities under its Terms of Reference in 2004.

M.E.J. Phelps (Chair)

T.W. Faithfull

J.R. Nininger

M. Paquin

REPORT OF THE PENSION COMMITTEE

The Pension Committee is comprised of two directors, both of whom are unrelated and independent. Its purpose is to assist the board in overseeing the administration and governance of the pension plans of CPRC, in order to meet applicable legal and fiduciary obligations to plan members.

The Pension Committee reviewed its Terms of Reference in 2004 and determined that no amendment was required.

A copy of the Terms of Reference is attached to this Circular in Appendix 3.

In addition to other matters dealt with in 2004, the Pension Committee:

reviewed the status of the Corporation's initiative to outsource certain pension fund management matters to external investment and asset managers;

reviewed and monitored the performance of the defined benefit and defined contribution pension funds;

approved amendments to the defined benefit plan statement of investment policies and procedures;

reviewed the financial status of, and funding issues related to, the defined benefit pension option;

reviewed a report regarding compliance of employer contributions with funding policy and legislation and compliance by external investment and asset managers with respect to relevant policies, laws and regulations;

reviewed and approved the pension plan audited financial statements;

approved transaction approval and execution authorities for pension trust fund administrative matters; and

appointed PricewaterhouseCoopers, LLP as auditor of the Canadian Pacific Railway Company Pension Plan.

The Pension Committee is satisfied that it has fulfilled all of its responsibilities under its Terms of Reference in 2004.

J.E. Cleghorn (Chair)

R. Phillips

REPORT OF THE COMPENSATION COMMITTEE

The Compensation Committee is comprised of five directors, all of whom are unrelated and independent. Its purpose is to fulfill applicable public company compensation committee legal obligations and to discharge the board's responsibilities relating to:

the appointment, compensation and reporting relationships of the Executive Officers;

the compensation philosophy of the Corporation;

the adoption and amendment of incentive compensation plans, equity based plans and retirement plans, subject to shareholder approval if required;

the establishment of performance objectives and the conduct of performance evaluations for certain Executive Officers;

CPR's organizational health; and

succession planning.

The Compensation Committee reviewed its Terms of Reference in 2004, taking into account, among other things, the NYSE Standards, the SOA, the TSX Guidelines, the Proposed TSX Guidelines, and the Proposed CSA Governance Guidelines. Changes to the Terms of Reference were approved by the board as recommended to it by the Compensation Committee. A copy of the revised Terms of Reference is attached to this Circular in Appendix 3.

In addition to other matters dealt with in 2004, the Compensation Committee:

reviewed the structure and reporting relationships of senior management;

extensively reviewed throughout the year succession plans for the CEO and development plans for internal CEO candidates;

completed a full review of succession plans for members of the CPR Executive Committee and other Executive Officers;

reviewed and made recommendations to the board for two Executive Officer appointments;

reviewed with the assistance of an independent compensation consultant current trends in compensation, CPR's overall compensation philosophy and the level of compensation to be paid to Executive Officers;

approved the 2004 performance objectives of the CEO and the 2005 performance objectives of the CEO, COO and CFO;

recommended to the Governance Committee the compensation to be paid to the CEO in 2004;

recommended to the board a grant of Options pursuant to the Stock Option Plan, including setting the performance vesting targets for the performance Options;

approved an allocation of Options available in 2005 for granting by the CEO from time to time to eligible employees in accordance with the Stock Option Plan;

recommended to the board an amendment to the Executive DSU Plan;

reviewed the payout level under the Performance Incentive Plan for the 2003 plan year;

reviewed the progress of corporate performance as against the 2004 Performance Incentive Plan targets and as against the performance vesting targets for all outstanding performance Options;

recommended to the board the targets for the 2005 Performance Incentive Plan awards; and

reviewed and discussed with management CPR's organizational health and effectiveness.

The Compensation Committee is satisfied that it has fulfilled all of its responsibilities under its Terms of Reference in 2004.

S.E. Bachand (Chair)

T.W. Faithfull

J.R. Nininger
M.E.J. Phelps
M.W. Wright

**STATEMENT OF EXECUTIVE COMPENSATION
COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION**

Executive Compensation Philosophy

CPR's executive compensation philosophy is based on:

attracting, retaining and motivating talented executives in a challenging business environment;

focusing the efforts of executives on performance improvement;

recognizing individual contributions as well as overall business results; and

sustaining shareholder value creation by aligning the interests and awards of executives with those of the company shareholders

Compensation Strategy

Total compensation for each Executive Officer, including those named in the Summary Compensation Table, is designed to be between the 50th and 75th percentiles of corresponding positions in the Comparator Group. This design is accomplished through targeting base salary and annual incentive compensation at the 50th percentile of the Comparator Group while positioning long-term compensation at the 75th percentile of the Comparator Group. Positions below the executive level target the 50th percentile of the Comparator Group for base salary, annual incentive compensation and long-term compensation.

The compensation of Executive Officers, including the Named Executive Officers, is evaluated and recommended by the Compensation Committee to the Governance Committee in the case of the CEO, and to the board of directors in the case of all the other Executive Officers. To establish competitive levels of executive compensation, the Compensation Committee reviews information obtained through independent compensation consultants.

Compensation Mix

The compensation mix for Executive Officers is comprised of base salary and annual and long-term incentives. The percentage of each element varies in accordance with the level of the individual's position in the organization and is regularly reviewed against competitive practice.

The following table shows the percentage breakdown of direct compensation:

	CEO %	COO/CFO %	Sr. VP %	VPs %
Base	24	34	38	43
Short-term	17	15	14	13
Long-term	59	51	48	44
Total	100	100	100	100

1. Base Salary

The Compensation Committee recommends to the board of directors, and in the case of the CEO, to the Governance Committee, the base salaries of the Executive Officers, following a review of market data. Actual individual salary levels are based on a number of factors, including the individual's performance, responsibilities and experience, to ensure that the salaries reflect the contribution of each Executive Officer. In establishing the base salary for each Executive Officer, the Corporation targets the market median (50th percentile) paid to the comparable executive officers of the Comparator Group. Executive Officers are, on average, at the 50th percentile of the Comparator Group.

2. Annual Incentive Plan

The Corporation believes that incentive pay encourages employees to contribute to CPR's overall performance. To this end, CPR's Performance Incentive Plan provides an opportunity for participants (including all Executive Officers and non-unionized employees) to earn an annual cash award based on the achievement of corporate targets (the corporate component) and individual performance objectives (the individual component). Each year, key performance measures are set by the board in respect of the corporate component. Performance measures relating to the individual component are set by individual employees (including all Executive Officers) with their managers, or in the case of the CEO, with the Compensation Committee.

The award payable under the corporate component is dependent on the Corporation's performance against target. Any award payable under the corporate component is subject to a specified threshold of corporate performance, which is

also set annually by the board.

Individual measures reflect the achievement of established individual performance objectives calibrated through CPR's performance management program. Any award payable under the individual component is subject to a minimum level of corporate performance, which is set annually by the board.

The weighting of the corporate and individual components is dependent on an employee's level in the organization. Weightings for the 2004 annual incentive plan are as follows:

Level	Target Award Level as a % of base salary (%)	Corporate Component Weighting (%)	Individual Component Weighting (%)
CEO	70	75	25
Other Named Executive Officers	30 45	75	25
Other Executive Officers	30	75	25
Senior Managers	20 25	60	40
Remaining Participants	5 15	50	50

The maximum bonus opportunity for exceptional CPR financial performance and individual contribution is 200% of the target award level.

Following a year-end assessment, the Compensation Committee reviews and approves individual awards for each of the Executive Officers, and the aggregate of all awards payable under the annual incentive plan.

For the 2004 plan year, the performance measure for the corporate component was operating income adjusted to accommodate fluctuations in the US dollar exchange rate and fuel prices. CPR exceeded its operating income target. The board, upon recommendation from management, approved a payout of 137% of the target award level applicable to the corporate performance component, and a payout on the individual performance component, the level of which varies depending on the individual's performance as calibrated through CPR's performance management program. For the Named Executive Officers, the individual performance ratings ranged from 120% to 145% of the individual component target.

3. Long-Term Incentives

Stock Option Plan

The purpose of the Stock Option Plan is to focus management's performance on key financial and shareholder metrics, align the interests of management with those of shareholders and encourage participation in the long-term growth and financial success of CPR, thereby increasing shareholder value.

The Compensation Committee makes recommendations to the board of directors regarding grants of Options to Executive Officers. In determining the size of a new grant of Options, neither the amount nor the terms of previously granted Options are taken into consideration. The CEO, as well as the Chairman of the Board and the Chairman of the Compensation Committee, also have authority to grant Options to employees within certain defined parameters. In 2004, grants under this authority were minimal (i.e. 1600 Options).

Participants in the Stock Option Plan are granted a number of Options exercisable at the last closing market price of Shares on the TSX prior to the approval of the grant. The maximum number of Shares approved for issuance under the Stock Option Plan is 11,000,000. As at December 31, 2004, 2,873,843 Options were remaining in the pool.

CPR has two types of Options: regular Options and performance-accelerated Options. Regular Options expire ten years from the date of grant. Half of the regular Options become exercisable on the second anniversary of the grant and the balance on the third anniversary. Tandem SARs may be attached to half the regular Options granted. The

vesting requirements and term of SARs are consistent with the regular Options to which they are attached. Grants of regular Options are designed to position long-term incentives at the 50th percentile of the Comparator Group. Performance-accelerated Options expire five years after the date of the grant and become exercisable on the fourth anniversary of the grant, or earlier, upon the achievement by CPR of specified performance criteria. Similar to previous years' grants, the performance Options granted in 2004 had specific operating ratio targets as the performance criteria. None of the performance Options granted to date have had vesting accelerated by performance. There is a minimum one-year vesting requirement, even if the performance criteria have been achieved prior to that time. Grants of performance Options made in 2004 are provided only to executives and are designed to provide additional incentive opportunity, increasing their target long-term incentive opportunity from the 50th to the 75th percentile of the Comparator Group.

Fifty percent of the 2004 performance Options vest on or after the achievement of an annual operating ratio of 76.5 percent, and the remaining 50 percent on or after the achievement of an annual operating ratio of 76.0 percent. The accelerated operating ratio targets are premised on certain assumptions regarding fuel prices and the US dollar exchange rate.

In October 2001, CPR issued an initial grant of performance-accelerated Options to all Option plan participants as part of CPR's new status as a public company. As at December 31, 2004, 2,040,820 Options from this grant were outstanding. These performance Options will vest in October 2005 (four years after the grant) as the performance criteria for accelerated vesting have not been achieved. Such Options will expire, if not exercised, in October 2006.

Share Ownership Guidelines

It is CPR's belief that stock ownership further aligns the interests of the management team with those of shareholders. CPR encourages stock ownership and demonstrates this commitment by paying a significant portion of Executive Officer compensation through stock based compensation programs (DSUs, performance Options and regular Options). CPR has share ownership guidelines in place for each of its Executive Officers. The guidelines set a level of share ownership, expressed as a multiple of the Executive Officer's current base salary, that the individual is required to hold as long as he or she is employed. Shares and DSUs are included in determining an Executive Officer's ownership level. The ownership guidelines are as follows:

Level	Multiple of Salary
CEO	4X
COO	3X
CFO	2X
Sr. VP and VPs	1X

Each Executive Officer is expected to achieve the applicable minimum level of share ownership over a five-year period. Executive Officers promoted to a higher ownership level are expected to achieve the new level within five years from the date of the promotion.

As of February 21, 2005, all Named Executive Officers have achieved their respective levels of share ownership.

Executive DSU Plan

The Executive DSU Plan was developed to strengthen the alignment of interests between executives and shareholders. Under the Plan, Executive Officers may elect to receive all or a portion of their annual incentive award in DSUs. The Executive Officer must elect to participate in this aspect of the Executive DSU Plan prior to the beginning of the calendar year for which the annual incentive award is paid. When the annual incentive award is determined, the amount elected is converted to DSUs, which have a value equal to the average market price of a Share for the ten trading days immediately prior to December 31st of the calendar year for which the award is paid.

To assist in the attainment of an Executive Officer's share ownership guideline, during the first six months following the appointment of the Executive Officer or a change in their ownership level requirement, CPR will contribute one DSU for each three Shares or DSUs acquired by the individual. For the next 54 months following that six-month period, CPR will contribute one DSU for each four Shares or DSUs acquired by the Executive Officer. The matching DSUs will vest if the underlying Shares or DSUs are held for a three-year period. The CPR match is capped at the minimum level required to meet the share ownership guidelines when combined with the Executive Officer's contribution.

Executive Officers may only redeem their DSUs after termination of employment or retirement. The value of the DSU at the time of payment will be based on the average market price of a Share for the ten trading days immediately

preceding the payment date.

Employee Share Purchase Plan

Established in 2001, the ESPP is designed to promote the alignment of employees' interests with that of shareholders in keeping with the Corporation's belief that all employees have an impact on CPR's success. The ESPP provides a mechanism for eligible CPR employees to acquire Shares through payroll deductions.

Under the ESPP, contributions by CPR and by eligible employees are used to make purchases of Shares on the open market. Each eligible employee may contribute up to six percent of the employee's salary to the ESPP. CPR will purchase and contribute one Share for each three Shares purchased on behalf of each eligible employee under the ESPP. In no case will Shares be issued from treasury pursuant to the ESPP. Shares contributed by CPR will not vest in favour of the eligible employee until the end of the calendar quarter in which the underlying Shares purchased by the employee's contribution have been held for a period of one year. Employees must remain participants of the ESPP at the time of vesting in order to receive the CPR match.

All of the Named Executive Officers are among the approximately 61% of employees who are participants in the ESPP.

CEO Compensation

The CEO, Mr. R.J. Ritchie, is also governed by the pay-for-performance philosophy of CPR's executive compensation program. On an annual basis, the Compensation Committee reviews the compensation paid to chief executive officers of the Comparator Group, in order to assess the competitiveness of the CEO's compensation. Based upon the recommendation of the Compensation Committee, the compensation of the CEO is approved by the Governance Committee after careful assessment of his personal contribution to CPR's performance. This assessment is based on a number of quantitative and qualitative factors, which are set annually by the Compensation Committee.

Mr. Ritchie is a participant in CPR's Performance Incentive Plan, Stock Option Plan and ESPP. His base salary and annual incentive compensation are targeted at the 50th percentile of the Comparator Group, while the stock based compensation is targeted at the 75th percentile to bring his total direct compensation between the 50th and 75th percentile of CEOs in the Comparator Group. Mr. Ritchie's 2004 compensation is positioned at these targeted percentiles.

(a) Base Salary

In April 2004, Mr. Ritchie's annual salary was increased to \$825,000.

(b) Annual Incentive Plan

Under the Performance Incentive Plan, Mr. Ritchie's target award level was increased to 70% of base salary in 2004. The weighting continues to be 75% on corporate component and 25% on individual component. The performance measure for the corporate component of the plan was operating income, adjusted to accommodate the fluctuations in the US dollar exchange rate and fuel prices.

The payout in respect of the corporate component was 137% of the target level. In Mr. Ritchie's case this amounted to \$593,381. With respect to the individual component, Mr. Ritchie achieved 143% of his individual performance target, or \$206,619, based on his performance against his individual objectives relating to:

40% financial metrics, including operating income, top-line revenue growth from yield, operating ratio, free cash after dividends, and controls;

20% people/ organization strengthening CPR leadership, succession planning, performance differentiation, and employee engagement;

15% specified strategic initiatives; and

25% service, safety (as measured by personal injuries and train accidents) and environmental (corrective actions and planning).

Mr. Ritchie's total award under PIP was \$800,000 representing 97% of his base salary and 139% of his target.

(c) Stock Option Plan

Under the Stock Option Plan Mr. Ritchie was granted 98,900 regular Options and 109,900 performance Options on February 19, 2004, at an exercise price of \$32.50, the market price immediately preceding the date of the grant.

(d) Relative Weightings

The relative weightings of the various components of the 2004 design of Mr. Ritchie's total compensation, based on his target award levels under the Performance Incentive Plan and the Stock Option Plan, are set forth in the following table:

Compensation Component	Percentage of Total Compensation
Base Salary	22%
Performance Incentive Plan	15%
Stock Option Plan	54%
Benefits and Perquisites	1%
All Other Compensation (including pension)	7%
Total	100%

The foregoing report has been made by the members of the Compensation Committee:

S.E. Bachand (Chair)

T.W. Faithfull

J.R. Nininger

M.E.J. Phelps

M.W. Wright

SUMMARY COMPENSATION TABLE

The following disclosure of executive compensation provides information on the compensation of CPR's Named Executive Officers, being the CEO, CFO and CPR's next three most highly compensated Executive Officers, during the year ended December 31, 2004.

Name and Principal Position	Year	Annual Compensation			Long-term Compensation			
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$) ^(d)	Awards Securities Under Restricted Options & SARs Granted (#) ^(e)	Shares or Restricted Share Units (\$)	Payouts LTIP Payouts (\$) ^(f)	All Other Compensation (\$) ^(g)
R.J. Ritchie	2004	806,250	800,000	25,764	208,800	0	0	15,964
President and	2003	743,750	84,375	24,046	207,000	0	0	14,726
Chief Executive Officer	2002	718,750	265,350	18,354	177,900	0	873,600	143,907
M.T. Waites ^(a)	2004	385,000	234,321	9,922	62,000	0	0	1,270
Executive Vice-President	2003	376,667	32,484	9,456	57,900	0	0	6,308
and Chief Financial Officer;	2002	332,500	98,088	6,517	47,900	0	333,775	160,699
Chief Executive Officer, US Network								
F.J. Green ^(b)	2004	398,988	285,143	6,448	62,000	0	0	118,986
Executive Vice-President and	2003	286,000	12,513	4,827	33,900	0	0	12,163
Chief Operating Officer	2002	277,266	72,235	3,182	30,600	0	238,680	70,490
N.R. Foot	2004	292,750	137,064	4,385	38,200	0	0	5,796
Senior Vice-President,	2003	286,000	12,513	4,277	33,900	0	0	5,663
Operations	2002	277,266	73,323	3,166	31,200	0	238,680	69,924
M.M. Szel ^(c)	2004	270,750	114,675	4,207	28,700	0	0	5,361
Vice-President,	2003	256,000	14,513	4,103	28,600	0	0	5,069
Marketing and Sales-Bulk	2002	247,875	45,750	3,039	24,600	0	226,044	66,663

Notes:

(a) Mr. Waites was appointed Executive Vice-President and Chief Financial Officer; Chief Executive Officer US Network in March 2003.

(b)

Mr. Green was appointed Senior Vice-President, Marketing and Sales in April 2002, Executive Vice-President, Operations and Marketing in January 2004 and Executive Vice-President and Chief Operating Officer in October 2004.

- (c) Ms. Szel was appointed Vice-President, Marketing and Sales Bulk in February 2004. In February 2005, she was appointed Senior Vice-President, Bulk Commodities and Government Affairs.
- (d) The value of perquisites and other personal benefits is not greater than the lesser of \$50,000 and 10% of the total annual salary and bonus of each Named Executive Officer. These values represent the dividend equivalents accrued during each year in respect of DSUs awarded under the Executive DSU Plan.
- (e) Represents Options granted under the Stock Option Plan.
SARs are attached to 50% of the Options set out in the table with the exclusion of performance-accelerated Options.
- (f) Payouts for 2002 were made under the CPR LTIP in place from January 1, 1999 to December 31, 2002. As a result of CPRL becoming a publicly traded company, the performance period was shortened by one year to December 31, 2001. The cash payout was based on measurable operational and financial targets at the end of the revised performance period adjusted for the impact of becoming public. The cash payout was made on December 31, 2002.
- (g) Represents the value of Shares purchased by CPR pursuant to the matching provisions of the ESPP. It also includes the value of matching DSUs awarded under the Executive DSU Plan.

OPTIONS AND SAR GRANTS DURING 2004

The following table shows Options and SARs granted under the Stock Option Plan for each of the Named Executive Officers for the fiscal year ended December 31, 2004.

Name	Securities, Under Options/SARs Granted (#) (a)	% of Total Options/ SARs Granted to Employees in Fiscal Year	Exercise or Base Price (\$/Security)	Market Value of Securities Underlying Options/SARs on the Date of Grant (\$/Security)	Expiration Date
R.J. Ritchie	98,900	5.7	32.50	32.50	February 19, 2014
	109,900	6.3	32.50	32.50	February 19, 2009
M.T. Waites	33,800	1.9	32.50	32.50	February 19, 2014
	28,200	1.6	32.50	32.50	February 19, 2009
F.J. Green	33,800	1.9	32.50	32.50	February 19, 2014
	28,200	1.6	32.50	32.50	February 19, 2009
N.R. Foot	21,400	1.2	32.50	32.50	February 19, 2014
	16,800	1.0	32.50	32.50	February 19, 2009
M.M. Szel	13,600	0.8	32.50	32.50	February 19, 2014
	15,100	0.9	32.50	32.50	February 19, 2009

Note:

(a) Under the Stock Option Plan each Named Executive Officer was granted regular and performance-accelerated Options to purchase Shares on February 19, 2004, at an exercise price of \$32.50. SARs are attached to 50% of the regular Options, which expire February 19, 2014. Performance-accelerated Options expire February 19, 2009. One half of regular Options and SARs granted become exercisable two years after the grant and the balance become exercisable three years after the grant. Performance-accelerated Options become exercisable on the fourth anniversary of the grant or earlier upon the achievement by CPR of specified performance criteria. There is a minimum one-year vesting limit, even if the performance criteria have been achieved prior to the expiration of that time.

AGGREGATED OPTIONS AND SAR EXERCISES DURING 2004 AND YEAR-END OPTIONS AND SAR VALUES

The following table sets out information on the exercise by each of the Named Executive Officers of Options and SARs granted under the Stock Option Plan for the fiscal year ended December 31, 2004, and the Options and SARs values at December 31, 2004.

Value of Unexercised

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options & SARs at Fiscal Year-End		In-The-Money Options & SARs at Fiscal Year-End	
			Exercisable (#)(a)(b)	Unexercisable	Exercisable (\$)(c)	Unexercisable
R.J. Ritchie	Nil	Nil	224,150	753,450	3,622,528	7,956,384
M.T. Waites	Nil	Nil	55,525	225,100	930,589	2,410,383
F.J. Green	Nil	Nil	20,100	154,800	237,250	1,582,017
N.R. Foot	Nil	Nil	23,300	140,600	288,452	1,514,811
M.M. Szel	Nil	Nil	26,475	110,950	467,142	1,192,300

Notes:

(a) SARs are attached to 50% of the number of Options set out in the table, with the exclusion of performance-accelerated Options granted under the Stock Option Plan.

- (b) One half of regular Options and SARs granted become exercisable two years after the grant, and the balance become exercisable three years after the grant. Performance-accelerated Options become exercisable on the fourth anniversary of the grant, or earlier upon the achievement by CPR of specified performance criteria. There is a minimum one-year vesting limit, even if the performance criteria have been achieved prior to the expiration of that time.
- (c) The value of unexercised in-the-money Options at December 31, 2004, is the difference between their exercise price and the fair market value of the underlying Shares on December 31, 2004. The value of such underlying Shares on such date was \$41.10. These Options have not been, and may never be, exercised, and actual gains, if any, on exercise will depend on the value of the Shares on the date of exercise.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table shows, as of December 31, 2004, compensation plans under which equity securities of the Corporation are authorized for issuance upon the exercise of options outstanding under the Stock Option Plan and the DSOP. The table also shows the number of Shares remaining available for issuance and includes 340,000 Shares under the DSOP although grants under this plan are currently suspended.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	7,752,080	\$ 29.32	3,213,843
Equity compensation plans not approved by security holders	Nil	Nil	Nil
Total	7,752,080	\$ 29.32	3,213,843

The material features of the equity compensation plans referred to in the above table are described in Note 21 to the Corporation's audited consolidated financial statements for the year ended December 31, 2004, and elsewhere in this Circular.

PENSION PLANS

As at December 31, 2004, CPR maintained a contributory defined benefit Basic Pension Plan pursuant to which pensions are paid to eligible employees of CPR at retirement. Under the Basic Pension Plan, the amount of a non-unionized employee's pension is based on 2% of the average of the best five consecutive years or final 60 months of pensionable earnings multiplied by credited years of service up to a maximum of 35, inclusive of pensions under the Canada Pension Plan or Quebec Pension Plan. The normal retirement age under the Basic Pension Plan is 65. The pension is payable for the lifetime of the former Basic Pension Plan member and continues to the surviving spouse at

rates set forth in the Basic Pension Plan. A portion of the pension is indexed at 50% of the change in the Consumer Price Index to a maximum of 3%. Under the Basic Pension Plan, the pension benefit is limited to the maximum amount prescribed under the *Income Tax Act*.

CPR also maintains a non-contributory Supplemental Pension Plan in which Executive Officers participate. The Supplemental Pension Plan provides pension benefits in excess of the maximum permitted under the Basic Pension Plan. Annual incentive plan awards and notional awards approved by the Compensation Committee are included in the calculation of pensionable earnings (the best five-year average of such awards is limited to the individual's target level at retirement). Members of the Basic Pension Plan and the Supplemental Pension Plan can retire with an unreduced pension when their age plus credited service equals 85 years, with a minimum age of 55, subject to employer consent. Members of the Supplemental Pension Plan may also retire with an unreduced pension at age 60. The Supplemental Pension Plan also provides additional benefits for executives who join the Basic Pension Plan in mid-career.

A defined contribution (DC) pension option was introduced in both the Basic Pension Plan and Supplemental Pension Plan effective January 1, 2001. Non-unionized employees were given the opportunity at that time to participate in the DC pension option and to convert past service defined benefit entitlements as an initial deposit to their DC account. All newly-hired non-unionized employees have the option to participate in either the defined benefit or DC pension option.

The following table shows the aggregate annual retirement benefits payable under the Basic Pension Plan and the Supplemental Pension Plan upon retirement at age 65, based upon the defined benefit pension provisions in effect during 2004 (exclusive of the amounts paid under the Canada Pension Plan or Quebec Pension Plan):

ANNUAL PENSION PAYABLE UPON RETIREMENT AT NORMAL RETIREMENT AGE

Remuneration Including annual bonus \$	Years of Service				
	15	20	25	30	35
	\$	\$	\$	\$	\$
300,000	155,828	174,138	186,601	194,891	200,425
400,000	213,221	236,729	252,731	263,374	270,425
500,000	273,883	301,241	319,864	332,251	340,425
600,000	330,613	363,444	385,791	400,656	410,425
700,000	387,344	425,646	451,718	469,060	480,425
800,000	444,075	487,848	517,645	537,464	550,425
900,000	518,368	560,371	588,963	607,981	620,425
1,000,000	577,050	623,720	655,488	676,620	690,425
1,200,000	694,413	750,418	788,540	813,897	830,425
1,400,000	811,777	877,116	921,592	951,175	970,425
1,600,000	929,141	1,003,814	1,054,644	1,088,453	1,110,425
1,700,000	987,823	1,067,163	1,121,169	1,157,092	1,180,425

Additional Pension Benefit Disclosure

Additional disclosure with respect to the pension benefits for the Named Executive Officers is provided in the following table. The amounts disclosed are estimates only and are subject to change over time. The 2004 current service cost and the accrued obligation at December 31, 2004 have been calculated using the same assumptions used to calculate the Company's 2004 current service cost and December 31, 2004 benefit obligation for pensions as summarized in note 20 to the Company's December 31, 2004 consolidated financial statements, with the exception of the assumed retirement date. Named Executive Officers who have exceeded the assumed retirement date as per the assumptions referenced above (R. Ritchie and N. Foot) are assumed to retire at the end of the current year, although their actual retirement dates may differ.

Named Executive Officer	2004 Current Service Cost^(a) (\$)	Accrued Obligation at December 31, 2004 (\$)	Years of Credited Service at December 31, 2004^(b)	Years of Credited Service at Age 65^(c)	Projected Annual Benefit Payable at Age 65^(d) (\$)
R.J. Ritchie	262,000	10,350,000	34.50	35	875,000
M.T. Waites	144,000	1,230,000	16.08	35	310,000
F. Green	69,000	3,740,000	26.58	35	435,000
N. Foot	85,000	2,920,000	29.83	35	265,000