



Joint Forced Labour and Child Labour Report

Reporting Period

January 1, 2023 to December 31, 2023

Reporting Entities

This joint report (**Report**) is prepared to address the requirements of the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (Canada) (the **Act**) for:

- Canadian Pacific Kansas City Limited (**CPKC**) and
- Canadian Pacific Railway Company (**CPRC**), a direct wholly-owned subsidiary of CPKC (each a **Reporting Entity** and together **Reporting Entities**).

The Report outlines the steps taken by the Reporting Entities during their previous financial year (the "**Reporting Period**") to prevent and reduce the risk that forced labour or child labour is used at any step of the production of goods in Canada or elsewhere, or of goods imported into Canada. Many of these steps are taken by CPRC as the principal operating company in Canada.

Structure, Activities and Supply Chains

Structure of the Reporting Entities

CPKC was formed by the combination of Canadian Pacific Railway Ltd. and Kansas City Southern Railway Co. in April 2023. CPKC is the first and only single-line transnational railway linking Canada, the United States and México, with access to ports from Vancouver to Atlantic Canada to the Gulf of México to Lázaro Cárdenas, México. Stretching approximately 20,000 route miles and employing 20,000 railroaders, CPKC, through its subsidiaries, provides North American customers with rail service and has network reach to key markets across the continent.

CPKC is a widely held publicly traded entity with all but one director (the President and CEO) being considered independent for purposes of Canadian and United States securities laws. The principal operating company in Canada is CPRC. The directors of CPKC simultaneously serve as directors of CPRC.

Operations of the Reporting Entities

CPKC's head office is based in Calgary, Alberta with operations, through its subsidiaries, across Canada, the United States and México. CPKC, through its subsidiaries, transports freight consisting of bulk commodities, merchandise, and intermodal traffic. The principal place of operations of each Reporting Entity is in Canada.

Supply Chains

CPRC's multi-tiered supply chain includes a diverse and global pool of suppliers from which CPRC purchases goods and services for its corporate office, projects and operations. In the 2023 fiscal year, the largest procurement categories included direct goods and services related to the operation and maintenance of CPRC's rail fleet and network, environmental services, energy and fuel used in the transportation of customers' goods, and IT goods and services.

Policies and Due Diligence Processes

CPKC has a culture of strong corporate governance. The Reporting Entities regularly review their policies and practices and make changes and improvements where appropriate. Supplier due diligence and contractual processes are conducted through CPRC's centralized procurement function.

CPKC and CPRC have a clear governance structure to communicate and respond to environmental, social and governance (ESG) matters, while implementing their commitments and practices. The Board of Directors of CPKC and CPRC, is responsible for monitoring and overseeing key risks, strategies and sustainability topics.

With oversight from the President and CEO of the Reporting Entities, implementation of the Reporting Entities' sustainability objectives is guided by a cross-functional executive Sustainability Steering Committee. Updates and progress reports on the Reporting Entities' sustainability objectives and management approach to sustainability topics are regularly provided to the Risk and Sustainability Committee of the Boards of the Reporting Entities.

CPRC is covered by the governance, policies, procedures and systems of CPKC, including those relating to Risk Management, Procurement and Human Resources, and has implemented additional policies, procedures and systems at the operating level. Senior management and employees working in the Risk Management, Procurement and Human Resources departments employed by CPRC are responsible for the oversight (within the parameters of their respective responsibilities) of CPRC.

The Reporting Entities' applicable governance policies and practices are publicly disclosed through their sustainability reporting and include:

- **CPKC's Code of Business Ethics¹ ("Code")** sets out CPKC's expectations for conduct. The Code applies to directors, officers, employees (unionized and non-unionized), contractors and suppliers who work for

the Reporting Entities. The directors, officers and non-union employees of the Reporting Entities must acknowledge every year that they have read, understood and agree to comply with the Code. Interactive web-based learning has been provided for the Code.

- **CPRC's Human Rights Policy²** articulates CPRC's commitment to respect the universal human rights of all people throughout its operations, including its employees, the communities in which it operates and its supply chain. As a participant in the United Nations Global Compact ("**UNGC**"), CPRC commits to support and respect the protection of internationally proclaimed human rights and ensure that CPRC is not complicit in human rights abuses.
- **CPRC's Supplier Code of Conduct³** defines the expectations CPRC maintains for its suppliers, including specific expectations of suppliers to comply with CPRC's Human Rights Policy regarding issues such as forced labour and child labour. CPRC has implemented language into all of its contract and purchase order documentation requiring suppliers to agree to the Supplier Code of Conduct.

Forced Labour and Child Labour Risks

CPRC has implemented a structured supplier segmentation framework to classify its supply chain and identify critical suppliers. Through this process, suppliers are characterized by risk, spend and the availability of a particular service or product. Classifying suppliers allows CPRC to understand and manage risk profiles across the supply chain, highlighting key dependencies. CPRC's critical suppliers are all required to attest to its Supplier Code of Conduct. CPRC aims to review and classify its suppliers on an annual basis.

Risk Assessment and Identification

CPRC's approach to human rights, including the use of forced labour and child labour, is founded on the principles established by the United Nations Guiding Principles on Business and Human Rights. In addition to its policy commitment, CPRC has undertaken a company-specific human rights due diligence project through which it identified the human rights issues most salient to its operations. As a result of this identification and assessment process, CPRC has identified its supply chain as an area where it is focusing its efforts.

¹ [CPKC Code of Business Ethics](#)

² [CPRC Human Rights Policy](#)

³ [CPRC Supplier Code of Conduct](#)

Risk Management and Mitigation

CPRC is actively working to manage human rights issues throughout its decision-making processes and through specific actions, including increasing supplier requirements and verification. CPRC is defining and implementing comprehensive ESG supplier assessment measures, including:

- **Supplier Code of Conduct:** CPRC requires all suppliers to agree to its Supplier Code of Conduct. Supplier compliance with the Code of Business Ethics and Supplier Code of Conduct is a provision in CPRC's contract terms and conditions. CPRC is in the process of implementing an attestation process to document this commitment for all new and current suppliers.
- **Supplier registration:** CPRC has implemented a new supplier registration process and, as part of this process, has implemented a specific supplier ESG questionnaire (discussed below) to identify potential ESG risk exposure. The supplier registration questionnaire requests suppliers to provide information on ESG governance including, human rights and environmental practices and policies, business ethics, and other relevant topics.
- **Supplier ESG questionnaire:** CPRC has expanded the scope of its supplier risk assessment to include broader ESG risks through the use of a supplier ESG questionnaire. The ESG questionnaire is included in CPRC's supplier registration process. Key criteria include regulatory compliance, business ethics, and labour and human rights practices. This process will enable CPRC to assess and manage supplier risk through a holistic lens and incorporate ESG risks in the supplier selection process. The supplier ESG questionnaire has been included in all requests for proposals issued by CPRC since July 2022.
- **Supplier audits:** As CPRC gains a stronger understanding of supplier ESG risks, it is defining an approach to auditing suppliers. If the responses to the supplier ESG questionnaire indicate a heightened ESG risk profile, CPRC reserves the right to conduct an audit of suppliers' processes and require a corrective action plan.

Training

In addition to the annual Code of Business Ethics training, CPKC's procurement personnel and designated business personnel receive training on the Supplier Code of Conduct and

the supplier ESG questionnaire. The Procurement Department also works closely with CPKC's Sustainability Team, which engages with third-party organizations on human rights and sustainable supply chain topics to identify best practices and further build internal capacity in these areas. Examples of the Sustainability Team's engagement include participation in the Canadian Business for Social Responsibility's Sustainable Procurement Fellowship program and the UNGC Network for Canada's Human Rights Accelerator program.

Remediation Measures

To support effective remediation and remedies, CPRC provides several different mechanisms through which affected persons can register a grievance or suggest an improvement to CPRC's existing systems and processes. These mechanisms include:

- The **Ethics Line⁴** is a confidential, anonymous, and independent third party administered website and hotline established for reporting concerns related to ethical business practices, violation of the Code and other policies, environmental and safety violations, and accounting and auditing misconduct. The Ethics Line is publicly available on CPKC's corporate website.
- The **Community Connect⁵** platform can be used by members of the public to submit feedback on any matter. Each concern is treated individually and confidentially by a trained member of CPRC's team. The platform is publicly available on CPKC's corporate website.

Once reports are received, CPRC assigns the most appropriate internal teams to conduct a thorough and prompt investigation. Throughout the process, CPRC maintains confidentiality and provides protection from retaliation when reporting in good faith.

If an investigation determines that remedial action is required, this action may include disciplinary action against any offending employees or contractors, up to and including, unpaid suspension or termination of employment or any other working relationship that the offending party may have with CPRC. It should be noted that CPRC has not received any human rights issues regarding a supplier to date.

Remediation of Loss of Income

CPKC has not been made aware of any instances of forced labour or child labour occurring in the Reporting Entities' supply chain in the reporting period.

⁴ CPKC Ethics Line

⁵ CPKC Community Connect



Assessing Effectiveness

To ensure that CPRC’s supply chain quality standards are met, CPRC conducts ad hoc audits of suppliers for its operational and engineering activities to confirm that products and services are delivered to the standards it expects.

Authority of Report

This Joint Report was approved by:

The board of directors of CPKC, on its own behalf, and on behalf of the other Reporting Entity as its controlling shareholder on January 30, 2024.

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the Report for the entities listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the Report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

Jane Peverett
Chair of the Audit and Finance Committee

I have the authority to bind Canadian Pacific Kansas City Limited.