**Risk Factors Comparison 2024-02-27 to 2023-02-24 Form: 10-K**

**Legend:** **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

The risks set forth in the following risk factors could have a materially adverse effect on the Company' s business, financial condition, results of operations, and liquidity, and could cause those results to differ materially from those expressed or implied in the Company' s forward- looking statements and forward- looking information (collectively," forward- looking statements"). The information set forth in this Item 1A. Risk Factors should be read in conjunction with the rest of the information included in this annual report, including Item 7. Management' s Discussion and Analysis of Financial Condition and Results of Operations and Item 8. Financial Statements and Supplementary Data. Business and Operational Risks As a common carrier, the Company is required by law to transport dangerous goods and hazardous materials, which could expose the Company to significant costs and claims. Railways, including the Company, are legally required to transport dangerous goods and hazardous materials as part of their common carrier obligations regardless of risk or potential exposure to loss. The Company transports dangerous goods and hazardous materials, including but not limited to crude oil, ethanol, and TIH materials such as chlorine gas and anhydrous ammonia. A train accident involving hazardous materials could result in significant claims against the Company arising from personal injury, property or natural resource damage, environmental penalties, and remediation obligations. Such claims, if insured, could exceed the existing insurance coverage commercially available to the Company, which could have a material adverse effect on the Company' s financial condition, operating results, and liquidity. The Company is also required to comply with rules and regulations regarding the handling of dangerous goods and hazardous materials across its network. Noncompliance with these rules and regulations can subject the Company to significant penalties and could factor in litigation arising out of a train accident. Changes to these rules and regulations could also increase operating costs, reduce operating efficiencies and impact service delivery. The Company faces competition from other transportation providers and failure to compete effectively could adversely affect financial results. The Company faces significant competition for freight transportation across its network, including competition from other railways, motor carriers, ship and barge operators, and pipelines. Competition is based mainly on quality of service, freight rates, and access to markets. Other transportation modes generally use public rights- of- way that are built and maintained by government entities, while the Company and other railways must use internal resources to build and maintain their rail networks. Competition with the trucking industry is generally based on freight rates, flexibility of service, and transit time performance. Any future improvements or expenditures materially increasing the quality or reducing the cost of alternative modes of transportation, or legislation that eliminates or significantly reduces the burden of the size or weight limitations currently applicable to trucking carriers, could have a material adverse effect on the Company' s financial results. The operations of carriers with which the Company interchanges may adversely affect operations. The Company' s ability to provide rail services to customers across its network also depends upon its ability to maintain cooperative relationships with connecting carriers with respect to, among other matters, revenue division, car supply and locomotive availability, data exchange and communications, reciprocal switching, interchange, and trackage rights. Deterioration in the operations or services provided by connecting carriers, or in the Company' s relationship with those connecting carriers, could result in the Company' s inability to meet customers' demands or require the Company to use alternate train routes, which could result in significant additional costs and network inefficiencies and adversely affect our business, operating results, and financial condition. The Company may be affected by acts of terrorism, war, or risk of war. The Company plays a critical role in the North American transportation system and therefore could become the target for acts of terrorism or war. The Company is also involved in the transportation of hazardous materials, which could result in the Company' s equipment or infrastructure being direct targets or indirect casualties of terrorist attacks. Acts of terrorism, or other similar events, any government response thereto, and war or risk of war could cause significant business interruption to the Company and may adversely affect the Company' s results of operations, financial condition and liquidity. The Company **is** ~~may be~~ affected by fluctuating fuel prices. Fuel expense constitutes a significant portion of the Company' s operating costs. Fuel prices can be subject to dramatic fluctuations, and significant price increases could have a material adverse effect on the Company' s results of operations. The Company currently employs a fuel cost adjustment program to help reduce volatility in changing fuel prices, but the Company cannot be certain that it will always be able to fully mitigate rising or elevated fuel ~~costs~~ **prices** through this program. Factors affecting fuel prices include worldwide oil demand, international ~~politics~~ **geopolitics** , weather, refinery capacity, supplier and upstream outages, unplanned infrastructure failures, environmental and sustainability policies, and labour and political instability. The Company relies on technology and technological improvements to operate its business ~~and we are subject to cybersecurity risks. Information technology is critical to all aspects of the Company' s business, and the Company relies on technology systems operated by us or under control of third parties~~ . Although the Company devotes significant resources to protect its technology systems and proprietary data, there can be no assurance that the systems we have designed to prevent or limit the effects of cyber incidents or attacks will be sufficient **in averting** ~~to prevent or detect~~ such incidents or attacks ~~,~~ **. (Please see " Item 1C. Cybersecurity "** ~~or~~ **for further discussion)** ~~to avoid a material adverse impact on our systems after such incidents or attacks do occur~~ . The Company ~~is~~ continually ~~evaluating~~ **evaluates** attackers' techniques ~~and~~ **,** tactics ~~,~~ , and ~~the Company is~~ **motives, and strives to be** diligent in its monitoring, training, planning, and prevention. However, due to the increasing sophistication of ~~CP 2022 ANNUAL REPORT 19~~ cyber- attacks and greater complexity ~~in~~ **within** our IT supply chain, the Company may be unable to anticipate or implement appropriate preventive measures to detect and respond to a security breach. **CPKC 2023 ANNUAL REPORT / 17** This includes the ~~raising~~ - **rising** rates of reported ransomware events, ~~increased~~ human error, or other cyber- attack methods disrupting the Company' s systems or the systems of third parties. If the

Company or third parties whose technology systems we rely on were to experience a significant disruption or failure of one or more of their information technology or communications systems (either as a result of an intentional cyber or malicious act, or an unintentional error) **,** it could result in significant service interruptions ~~or other failures~~ , safety failures ~~,~~ **or** other operational difficulties **such as:** unauthorized access to ~~, the loss of access to or misappropriation of competitively sensitive,~~ confidential or other critical information or systems, loss of customers, financial losses, regulatory fines, and misuse or corruption of critical data and proprietary information, which could have a material adverse effect on the Company' s results of operations, financial condition, and liquidity. The Company also may experience security breaches that could remain undetected for an extended period and, therefore, have a greater impact on the services we offer. In addition, if the Company is unable to acquire or implement new technology in general, the Company may suffer a competitive disadvantage, which could also have an adverse effect on its results of operations, financial condition, and liquidity. Human Capital Risks The availability of qualified personnel could adversely affect the Company' s operations. Changes in employee demographics, training requirements and the availability of qualified personnel, particularly locomotive engineers and trainpersons, could negatively impact the Company' s ability to meet demand for rail services. Unpredictable increases in the demand for rail services may increase the risk of having insufficient numbers of trained personnel, which could have a material adverse effect on the Company' s results of operations, financial condition and liquidity. In addition, changes in operations and other technology improvements may significantly impact the number of employees required to meet the demand for rail services. Strikes or work stoppages ~~could~~ adversely affect the Company' s operations. Class I railways are party to collective bargaining agreements with various labour unions. The majority of the Company' s employees belong to labour unions and are subject to these agreements. Disputes with regard to the terms of these agreements or the Company' s potential inability to negotiate **mutually** acceptable contracts with these unions **, have resulted in, and** could **in the future** result in, among other things, strikes, work stoppages, slowdowns, or lockouts, which could cause a significant disruption of the Company' s operations and have a material adverse effect on the Company' s results of operations, financial condition, and liquidity. Additionally, future national labour agreements, or provisions of labour agreements related to health care, could significantly increase the Company' s costs for health and welfare benefits, which could have a material adverse impact on its financial condition and liquidity. Legal and Regulatory Risks The Company is subject to significant governmental legislation and regulation over commercial, operating and environmental **, climate, sustainability and other** matters. The Company' s railway operations are subject to extensive federal laws, regulations and rules in the countries it operates. Operations are subject to economic and safety regulations in Canada primarily by the Agency and TC. The Company' s U. S. operations are subject to economic and safety regulation by the STB and the FRA. **The Company' s Mexican operations are subject to economic and safety regulations by the SICT and ARTF.** Any new rules from ~~our~~ regulators could have a material adverse effect on the Company' s financial condition, results of operations and liquidity as well as its ability to invest in enhancing and maintaining vital infrastructure. Various other regulators, including the FRA, and its sister agency within the U. S. Department of Transportation, the PHMSA, directly and indirectly affect the Company' s operations in areas such as health, safety, security, environmental and other matters. Together, **the** FRA and **the** PHMSA have broad jurisdiction over railroad operating standards and practices, including track, freight cars, locomotives, and hazardous materials requirements. In addition, the U. S. Environmental Protection Agency (" EPA ") has regulatory authority with respect to matters that impact the Company' s properties and operations. Additional regulation of the rail industry by these regulators or federal and state or provincial legislative bodies, whether under new or existing laws, may result in increased capital expenditures and operating costs and could have a significant negative impact on the Company' s ability to determine prices for rail services and result in a material adverse effect in the future on the Company' s business, financial position, results of operations, and liquidity in a particular year or quarter. This potential material adverse effect could also result in reduced capital spending on the Company' s rail network or in abandonment of lines. The Company is subject to environmental laws and regulations that may result in significant costs. The Company' s operations are subject to extensive federal, state, provincial (Canada) and local environmental laws ~~concerning~~ **and regulations** , ~~among~~ **including those governing air pollutants, GHG emissions, management and remediation of historical contaminant sites, discharges to waters and the handling, storage, transportation, and disposal of waste and** other ~~matters, emissions to the air, land, and water, and the handling of hazardous~~ materials **. (Please see " Environmental Laws, Regulations** and ~~wastes~~ **Strategies " and " Sustainability- Related Laws, Regulations and Strategies " in Item 1. Business for further discussion)** . Violation of these laws and regulations can result in significant fines and penalties, as well as other potential impacts on the Company' s operations. These laws can impose strict, and in some circumstances, joint and several liability on both current and former owners, and on operators of facilities **. If the Company is found to have violated such laws or regulations or to have acted in a manner that is inconsistent with regulatory expectations, such a finding could have a material adverse effect on the Company' s business, financial condition, or operating results** . Such environmental liabilities may also be raised by adjacent landowners or third parties. In addition, in operating a railway, it is possible that releases of hazardous materials during derailments or other accidents may occur that could cause harm to human health or to the environment. Costs of remediation, damages and changes in regulations could materially affect the Company' s operating results and reputation. The Company has been, and may in the future be, subject to allegations or findings to the effect that it has violated, or is strictly liable under, environmental laws or regulations. The Company currently has obligations at existing sites for investigation, remediation and monitoring, and will likely have obligations at other sites in the future. The actual costs associated with both current and long- term liabilities may vary from the Company' s estimates due to a number of factors including, but not limited to changes in: the content or interpretation of environmental laws and regulations; required remedial actions; technology associated with site **18 / CPKC 2023 ANNUAL REPORT** investigation or remediation; and the involvement and financial viability of other parties that may be responsible for portions of those liabilities. ~~20 CP 2022 ANNUAL REPORT~~ The Company **' s Mexican operations are subject to Mexican federal and state laws and regulations relating to the protection of the environment concerning, among other matters,**

**emissions to the air, land, and water, and the handling of hazardous materials and wastes, and are also subject to the compliance with standards for water discharge, water supply, emissions, noise pollution, hazardous substances and transportation and handling of hazardous and solid waste. The Mexican government** may ~~be~~ **bring administrative and criminal proceedings, impose economic sanctions against companies that violate environmental laws, and temporarily or even permanently close non- complying facilities. The Company is** subject to claims and litigation that could result in significant expenditures. Due to the nature of its operations, the Company is exposed to the potential for claims and litigation arising out of personal injury, property damage or freight damage, employment, labour ~~,~~ contract or other commercial disputes, and environmental **, climate or sustainability,** or other liability. The Company accrues for potential losses in accordance with applicable accounting standards, based on ongoing assessments of the likelihood of an adverse result in a claim or litigation together with the monetary relief or other damages sought or potentially recoverable. Material changes to litigation trends, a significant rail or other incident or series of incidents involving freight damage or loss, property damage, personal injury, or environmental **, climate or sustainability,** or other liability, and other significant matters could have a material adverse impact to the Company' s operations, reputation, financial position or liquidity. Supply Chain Risks Disruptions within the supply chain could negatively affect the Company' s operational efficiencies and increase costs. The North American transportation system is integrated. The Company' s operations and service may be negatively impacted by service disruptions of other transportation links, such as ports, handling facilities, customer facilities, and other railways. A prolonged service disruption at one of these entities could have a material adverse effect on the Company' s results of operations, financial condition, and liquidity. The Company is dependent on certain key suppliers of core railway equipment and materials that could result in increased price volatility or significant shortages of materials, which could adversely affect results of operations, financial condition, and liquidity. Due to the complexity and specialized nature of core railway equipment and infrastructure (including rolling stock equipment, locomotives, rail and ties), there **are** ~~can be~~ a limited number of suppliers of rail equipment and materials available. Should these specialized suppliers cease production or experience capacity or supply shortages, this concentration of suppliers could result in the Company experiencing cost increases or difficulty in obtaining rail equipment and materials, which could have a material adverse effect on the Company' s results of operations, financial condition, and liquidity. Additionally, the Company' s operations are dependent on the availability of diesel fuel. A significant fuel supply shortage arising from production decreases, increased demand in existing or emerging foreign markets, disruption of oil imports, disruption of domestic refinery production, damage to refinery or pipeline infrastructure, political unrest, war or other factors could have a material adverse effect on the Company' s results of operations, financial position, and liquidity in a particular year or quarter. Risks Related to the Kansas City Southern Transaction ~~Following~~ **The conditions imposed by** the **STB** ~~closing of the KCS acquisition into a voting trust, although the Company does not control KCS, KCS~~ ' s ~~operational and financial performance~~ **March 15, 2023 final decision** could have an adverse effect on the Company' s **businesses, results of operations,** financial condition **, cash flows or the market value of the Company' s common stock and debt securities, or reduce the anticipated benefits of the combination. In connection with the STB' s March 15, 2023 final decision, the STB imposed a number of conditions, including among others (i) commitments by the combined company to keep gateways open on commercially reasonable terms and create no new bottlenecks, (ii) environmental- related conditions, (iii) data reporting and retention requirements, and (iv) a seven- year oversight period** ~~or~~ **for the STB to monitor adherence to** ~~results of operations. On December 14, 2021, the~~ **these conditions. In addition, the Company inherits conditions previously imposed by the STB on** KCS ~~acquisition closed into a voting trust, whereby the Company indirectly acquired a 100 % beneficial ownership interest~~ in **connection with various prior** KCS ~~but does not control KCS.~~ **acquisitions, including in relation to** KCS' s ~~voting~~ **commitment to keep the Laredo gateway open on commercially reasonable terms in connection with its prior acquisition of The Texas Mexican Railway.Furthermore,the STB has noted its authority to issue supplemental orders to address issues or concerns that may arise in the future.These conditions could disrupt the Company** ' s businesses,and uncertainty about the outcome of that review **could divert management' s attention and resources,and reduce the anticipated benefits of the combination,and** may have an adverse effect on the ~~Company or the~~ combined company ~~.The attention of the Company' s management may be directed towards obtaining final approval from the STB and addressing related requests from the third parties for conditions on STB approval and may be diverted from the day- to- day business operations of the Company.Matters related to the combination may require commitments of time and resources that could otherwise have been devoted to other opportunities that might have been beneficial to the Company~~ .Further,the combination may give rise to potential liabilities,including as a result of pending and future shareholder lawsuits **and other litigation** relating to the combination.In addition,the Company has incurred,and expects to incur additional,material non- recurring expenses in connection with the completion of the combination **and integration activities** .Any of these matters could adversely affect the businesses of,or harm the results of operations,financial condition or cash flows of the Company ~~,~~ and the market value of the **Company' s common** stock ~~was deposited into a voting trust that insulates KCS from control by the Company. The Company will not control KCS until STB control approval is obtained. Until that time, KCS will be managed by its own executive team overseen by its own Board of Directors~~ and **debt securities** ~~the voting trust. The voting trust precludes the Company from exercising control over the business strategy or other operational aspects of KCS. The Company' s investment in this unconsolidated entity was considered significant under Rule 3- 09 of Regulation S- X for the year ended December 31, 2022. The Company cannot provide assurance that KCS will operate in a manner that will increase the value of the Company' s investments, that the Company' s income or losses from KCS will continue at the current level in the future, or that the Company will not incur losses from KCS. Write- downs to the carrying amount of the Company' s equity interest could adversely impact the Company' s results of operations~~ . The Company incurred substantial indebtedness in connection with consummation of the acquisition, which may pose risks and / or intensify existing risks. Prior to the **KCS acquisition** closing into voting trust that occurred on December 14, 2021, the Company incurred additional indebtedness of approximately U. S. $ 6. 7 billion and $ 2. 2 billion notes

~~and a U. S. $ 500 million term loan~~ to indirectly fund the acquisition. The foregoing indebtedness, as well as any additional indebtedness we may incur, could have the effect, among other things, of reducing our liquidity and may limit our flexibility in responding to other business opportunities and increasing our vulnerability to adverse economic and industry conditions. Our ability to make payments of principal and interest on our indebtedness depends upon our future performance, which will be subject to general economic, financial and business conditions, ~~sufficient cash flow from KCS during the period in which it is in the voting trust, the implementation of the integration with KCS (if the STB approves our assuming control of KCS),~~ and other factors affecting our operations, many of which are beyond our control. In addition, we may be **CPKC 2023 ANNUAL REPORT / 19** required to redeem all of the outstanding 2. 450 % notes due 2031 and 3. 000 % notes due 2041 pursuant to a special mandatory redemption requirement of those notes, which could have a significant adverse impact on the business and financial condition of the Company ~~. For more information, see" The combination is subject to final approval by the STB, and there can be no assurance as to whether and when it may be approved or if such approval will be granted with conditions acceptable to the parties; accordingly, the combination may be delayed, jeopardized or prevented entirely and the anticipated benefits of the combination could be reduced"~~ . Our increased indebtedness could also reduce funds available for working capital, capital expenditures, acquisitions and other general corporate purposes and may create competitive disadvantages relative to other companies with lower debt levels. If we ~~obtain control of KCS but we~~ do not achieve the ~~CP 2022 ANNUAL REPORT 21~~ expected benefits and cost savings from the combination, or if the financial performance of the combined company does not meet current expectations, then our ability to service our indebtedness may be adversely impacted. The agreements that govern the indebtedness that has been incurred in connection with the KCS acquisition contain various affirmative and negative covenants that may, subject to certain customary exceptions, restrict our ability to, among other things, create liens over our property, change our line of business and / or merge or consolidate with any other person or sell or convey certain of our assets to another person. In addition, some of the agreements that govern our debt financings contain a financial covenant that requires us to maintain certain financial ratios. Various risks, uncertainties and events beyond our control could affect our ability to comply with these covenants and failure to comply with them could result in an event of default, which, if not cured or waived, could accelerate our repayment obligations. Under these circumstances, we may not have sufficient funds or other resources to satisfy all of our obligations. Moreover, we may be required to raise substantial additional financing to fund working capital, capital expenditures, acquisitions or other general corporate requirements. Our ability to arrange additional financing or refinancing will depend on, among other factors, our financial position and performance, as well as prevailing market conditions and other factors beyond our control. There can be no assurance that we will be able to obtain additional financing or refinancing on terms acceptable to us or at all. The pendency of the STB' s regulatory...... financial condition of the Company. The Company may be unable to integrate KCS successfully, and the Company may not experience the growth being sought from the combination. **CPRL** ~~The Company~~ and KCS ~~have~~ operated **independently** ~~and,~~ until the **Control Date** ~~receipt of final approval from the STB, will continue to operate, independently~~ . ~~22 CP 2022 ANNUAL REPORT~~ Integrating KCS with **CPKC** ~~CP following STB approval of CP control~~ will involve operational, technological and personnel- related challenges. This process **is** ~~will be~~ time- consuming and expensive, may disrupt the businesses of either or both of the companies ~~,~~ and may reduce the growth opportunities sought from the combination. There can be no guarantee of the successful integration of KCS or that the combined company will realize the anticipated benefits of the business combination, whether financial, strategic or otherwise, and this may be exacerbated by changes to the economic, political and global environment in which the merged company would **operates. Risks related to Operations in Mexico The Mexican concession of CPKCM is subject to revocation or termination in certain circumstances, which would prevent CPKCM from conducting rail operations under the Concession and would have a material adverse effect on the Company' s consolidated financial statements. CPKCM operates under the Concession granted by the Mexican government for a period of 50 years which is renewable under certain conditions for additional periods, each of up to 50 years. The Concession gives CPKCM exclusive rights to provide freight transportation services over its rail lines through 2037 (the first 40 years of the 50- year Concession), subject to certain trackage and haulage rights granted to other freight rail concessionaires, and subject to trackage and haulage rights afforded to concessionaires of concessions that may be granted by the SICT to provide passenger rail service in the future. The SICT and ARTF, which are principally responsible for regulating railroad services in Mexico, have broad powers to monitor CPKCM' s compliance with the Concession, and they can require CPKCM to supply them with any technical, administrative and financial information they request. Among other obligations, CPKCM must comply with the investment commitments established in its business plan, which forms an integral part of the Concession, and must update the plan every three years. The SICT treats CPKCM' s business plans confidentially. The SICT and ARTF also monitor CPKCM' s compliance with efficiency and safety standards established in the Concession. The SICT and ARTF review, and may amend, these standards from time to time. COFECE also has the authority to regulate railroad service in Mexico, having powers to monitor compliance with the antitrust laws as well as to investigate and determine remedies for anticompetitive practices. Under the Concession, CPKCM has the right to** operate **its rail lines, but it does not own the land, roadway or associated structures. If the Mexican government legally terminates the Concession, it would own, control, and manage such public domain assets used in the operation of CPKCM' s rail lines. All other property not covered by the Concession, including all locomotives and railcars otherwise acquired, would remain CPKCM' s property. In the event of early termination, or total or partial revocation of the Concession, the Mexican government would have the right to cause the Company to lease all service related assets to it for a term of at least one year, automatically renewable for additional one- year terms for up to five years. The amount of rent would be determined by experts appointed by CPKCM and the Mexican government. The Mexican government must exercise this right within four months after early termination or revocation of the Concession. In addition, the Mexican government would also have a right of first refusal with respect to certain transfers by CPKCM of railroad equipment within 90 days**

**after revocation of the Concession. The Mexican government may also temporarily seize control of CPKCM' s rail lines and its assets in the event of a natural disaster, war, significant public disturbance or imminent danger to the domestic peace or economy. In such a case, the SICT may restrict CPKCM' s ability to operate under the Concession in such manner as the SICT deems necessary under the circumstances, but only for the duration of any of the foregoing events. Mexican law requires that the Mexican government pay compensation if it effects a statutory appropriation for reasons of the public 20 / CPKC 2023 ANNUAL REPORT interest. With respect to a temporary seizure due to any cause other than international war, the Mexican Regulatory Railroad Service Law and regulations provide that the Mexican government will indemnify an affected concessionaire for an amount equal to damages caused and losses suffered. However, these payments may not be sufficient to compensate CPKCM for its losses and may not be made timely. The SICT may revoke the Concession if CPKCM is sanctioned for the same cause at least three times within a period of five years for any of the following: unjustly interrupting the operation of its rail lines or rendering its public services for charging rates higher than those it has registered with the ARTF; unlawfully restricting the ability of other Mexican rail operators to use its rail lines; failing to make payments for damages caused during the performance of services; failing to comply with any term or condition of the Mexican Regulatory Railroad Service Law and regulations or the Concession; failing to make the capital investments required under its three- year business plan filed with the SICT; or failing to maintain an obligations compliance bond and insurance coverage as specified in the Mexican Regulatory Railroad Service Law and regulations. In addition, the Concession would terminate automatically if CPKCM changes its nationality or assigns or creates any lien on the Concession, or if there is a change in control of CPKCM without the SICT' s approval. The SICT may also terminate the Concession as a result of CPKCM' s surrender of its rights under the Concession, or for reasons of public interest or upon CPKCM' s liquidation or bankruptcy. If the Concession is terminated or revoked by the SICT for any reason, CPKCM would receive no compensation and its interest in its rail lines, and all other fixtures covered by the Concession, as well as all improvements made by it, would revert to the Mexican government. Revocation or termination of the Concession could have a material adverse effect on the Company' s consolidated financial statements. The Company' s ownership of CPKCM and operations in Mexico subject it to Mexican economic and political risks. The Mexican government has exercised, and continues to exercise, significant influence over the Mexican economy. Accordingly, Mexican governmental actions concerning the economy and state-owned enterprises could have a significant impact on Mexican private sector entities in general and on CPKCM' s operations in particular. For example, CPKCM operations could be impacted with the introduction of new legislation or policies to regulate the railway industry, the energy market, or labour and tax conditions. The Company cannot predict the impact that the political landscape, including multiparty rule, social unrest and civil disobedience, will have on the Mexican economy or CPKCM' s operations. For example, from time to time, teachers' protests in Mexico have resulted in service interruptions on CPKCM' s right of ways. The Company' s consolidated financial statements and prospects may be adversely affected by currency fluctuations, inflation, interest rates, regulation, taxation and other political, social and economic developments in or affecting Mexico. For example, the Company has a tax contingency related to an audit assessment, which is currently in litigation, for the CPKCM 2014 Mexico tax return. An adverse resolution of these matters could have a material adverse effect on the Company' s consolidated financial statements in a particular quarter or period. Tax contingencies are further discussed in Notes 6 and 26 of Item 8. Financial Statements and Supplementary Data. The social and political situation in Mexico could adversely affect the Mexican economy and CPKCM' s operations, and changes in laws, public policies and government programs could be enacted, each of which could also have a material adverse effect on the Company' s consolidated financial statements. The Mexican economy in the past has suffered balance of payment deficits and shortages in FX reserves. Although Mexico has imposed foreign exchange controls in the past, there are currently no exchange controls in Mexico. Any restrictive exchange control policy could adversely affect the Company' s ability to obtain U. S. dollars or to convert Mexican pesos into dollars for purposes of making payments. This could have a material adverse effect on the Company' s consolidated financial statements. Downturns in the United States economy or in trade between the United States and Asia or Mexico and fluctuations in the peso- dollar exchange rates could have material adverse effects on the Company' s consolidated financial statements. The level and timing of the Company' s Mexican business activity is heavily dependent upon the level of United States-Mexican trade and the effects of current or future multinational trade agreements on such trade. The Mexican operations depend on the United States and Mexican markets for the products CPKCM transports, the relative position of Mexico and the United States in these markets at any given time, and tariffs or other barriers to trade. Failure to preserve trade provisions conducive to trade, or any other action imposing import duties or border taxes, could negatively impact KCS customers and the volume of rail shipments, and could have a material adverse effect on the Company' s consolidated financial statements. Downturns in the United States or Mexican economies or in trade between the United States and Mexico could have material adverse effects on the Company' s consolidated financial statements and the Company' s ability to meet debt service obligations. In addition, the Company has invested significant amounts in developing its intermodal operations, including the Port of Lázaro Cárdenas, in part to provide Asian importers with an alternative to the west coast ports of the United States, and the level of intermodal traffic depends, to an extent, on the volume of Asian shipments routed through Lázaro Cárdenas. Reductions in trading volumes, which may be caused by factors beyond the Company' s control, including increased government regulations regarding the safety and quality of Asian- manufactured products, could have a material adverse effect on the Company' s consolidated financial statements. Additionally, fluctuations in the peso- dollar exchange rates could lead to shifts in the types and volumes of Mexican imports and exports. Although a decrease in the level of exports of some of the commodities that CPKCM transports to the United States may be offset by a subsequent increase in imports of other**

**commodities CPKCM hauls into Mexico and vice versa, any offsetting increase might not occur on a timely basis, if at all. Future developments in CPKC 2023 ANNUAL REPORT / 21 United States- Mexican trade beyond the Company' s control may result in a reduction of freight volumes or in an unfavourable shift in the mix of products and commodities CPKCM carries. Extreme volatility in the peso- dollar exchange rate may result in disruption of the international foreign exchange markets and may limit the ability to transfer or convert Mexican pesos into U. S. dollars. Although the Mexican government currently does not restrict, and for many years has not restricted, the right or ability of Mexican or foreign persons or entities to convert pesos into U. S. dollars or to transfer foreign currencies out of Mexico, the Mexican government could, as in the past, institute restrictive exchange rate policies that could limit the ability to transfer or convert pesos into U. S. dollars or other currencies for the purpose of making timely payments and meeting contractual commitments. Fluctuations in the peso- dollar exchange rates also have an effect on the Company' s consolidated financial statements. A weakening of the peso against the U. S. dollar would cause reported peso- denominated revenues and expenses to decrease, and could increase reported foreign exchange loss due to the Company' s net monetary assets that are peso- denominated. Exchange rate variations also affect the calculation of taxes under Mexican income tax law, and a weakening of the peso against the U. S. dollar could cause an increase in the Company' s cash tax obligation and effective income tax rate** . Climate- Related Risks Climate change presents both physical and transition risks to our business. A summary of climate- related risks that could adversely affect our business, operations and financial results is discussed below. Physical Risks Changing climate conditions, severe weather or natural disasters could result in significant business interruptions and costs to the Company. The Company is exposed to severe weather conditions and natural disasters, including earthquakes, **volcanism,** hurricanes, tropical storms, tornadoes, floods, fires, avalanches, mudslides, extreme temperatures, and significant precipitation **have** ~~that may cause~~ **caused** track outages, severe damage to infrastructure, and business interruptions that ~~can~~ **have** adversely ~~affect~~ **affected** the Company' s entire rail network. These events **have resulted and** can result in substantial costs to respond during the event and recover following the event. Costs can include modifications to existing infrastructure or implementation of new infrastructure to prevent future impacts to our business. Impacts from these types of events are highly variable based on the severity and length of the event and scope of network impact. Climate- related changes such as rising mean temperatures and severe weather events can increase physical climate risk potentially compounding impacts to the business and operations. Such events have had and in the future could have a material adverse effect on the Company' s results of operations, financial condition, and liquidity. Insurance maintained by the Company to protect against loss of business and other related consequences resulting from these natural occurrences is subject to coverage limitations, depending on the nature of the risk insured. This insurance may not be sufficient to cover all of the Company' s damages or damages to others, and may not continue to be available at commercially reasonable rates. Even with insurance, if any natural occurrence leads to a catastrophic interruption of services, the Company may not be able to restore services without a significant interruption in operations. Transition Risks Reputational Risks The Company has established **a** ~~GHG emission reduction targets to guide the implementation of the Company' s Climate Strategy. The Company' s inability to achieve~~ GHG emissions reduction **target, and may establish updated or new** targets **in the future to guide the implementation of the Company' s carbon reduction efforts. The Company' s inability to achieve the current GHG emissions reduction target or any future targets we may establish** could negatively impact **the Company, including** both our reputation and financial results. The Company has established ~~two~~ **a** science- based GHG emissions reduction **target (please see " Sustainability- Related Laws, Regulations and Strategies — Climate Change " in Item 1. Business for further discussion). Our current GHG emissions reduction target and any future GHG emissions reduction** targets **we may establish are subject** to ~~address~~ a **number** ~~substantial portion~~ of ~~the Company' s Scope 1, Scope 2 and Scope 3 emissions by 2030. The primary~~ risks ~~associated with achieving these commitments~~ **, assumptions and uncertainties that** include **,** but are not limited to **: changes in carbon markets; evolving sustainability strategies and scientific, methodological or technological developments, including** future investments in and the availability of GHG emissions- reduction tools and technologies, **shifts in the science, data, methodology and legal and financial considerations underlying our climate and sustainability- related analysis and strategy, including those developed and used by organizations such as SBTi, the ability of the Company to successfully implement its climate and sustainability- related strategies and initiatives (including actions and plans undertaken by the Company to reduce GHG emissions),** significant changes in the Company' s GHG emissions profile as a result of changes to its railway asset base, the Company' s ability to work with governments and third parties to mitigate the impacts of climate change, domestic and international economic conditions, including exchange rates, the effects of competition and regulation, uncertainties in the financial markets, capital spending, actions of vendors, the willingness of customers to acquire our services, cost of network expansion, maintenance and retrofits, and physical impact of climate change on our business. ~~Our~~ **In addition, the accuracy, consistency and usefulness of climate or sustainability- related data (including data underlying our current or future** targets **and** ~~are subject to the~~ **their** ~~successful implementation~~ **baselines) could be impacted by a number** of **factors, including** ~~the actions and plans outlined in the Climate Strategy as well as~~ the accuracy of the assumptions in the science- based methodology used to calculate **this data, improvement in our data collection and measuring systems, activities such as joint ventures, mergers and acquisitions or divestitures, and industry- driven changes to methodologies. Further, as we continue to integrate KCS, we are conducting additional data- gathering and intend to further assess the climate and sustainability strategies and initiatives for the combined company, and may make changes to our existing strategies and initiatives as a result. 22 / CPKC 2023 ANNUAL REPORT As a result of** these **and other factors, we may not achieve our current GHG emissions reduction target or any future GHG emissions reduction** targets **we may establish** . We cannot assure that the Company' s **current or future** plans to reduce GHG emissions will be viable or successful. Inability to meet **our current GHG emissions reduction target or any future** GHG emissions reduction targets **we may establish, including our ability do so in a manner that meets standards and expectations developed by third parties such as SBTi,** could have a material adverse effect on the Company' s reputation, **legal risks,** results of operations, ~~or~~ **and** financial position. Policy and Regulatory Risks An escalating price on carbon emissions could materially increase direct costs related to fuel purchases and indirect expenses related to purchased goods, materials, and electricity required to operate our business. As a fuel- intensive operation, the Company is exposed to both emerging and escalating carbon pricing regulations. The Company is regulated under multiple carbon taxation systems and cap and trade market mechanisms in the Canadian provinces in which we operate. **The** ~~Approximately 75 % of the~~ Company ~~'~~ **'** s Scope 1 and Scope 2 GHG emissions ~~are~~ generated through our operations in Canada and **Mexico** are impacted by carbon pricing mechanisms ~~. In most provinces, energy providers and utilities are directly regulated through carbon pricing programs. The Company' s carbon costs are generally assessed by our primary fuel suppliers based on fuel purchase transactions. The amount collected by our suppliers follows current regulatory carbon pricing rates multiplied by the total volume of fuel purchased. The Company' s carbon costs are also paid to a province as part of tax returns in some locations, based on reported locomotive fuel consumption in a specific region~~ . The Company is further exposed to carbon pricing through electricity purchases, where electric utilities pass on carbon costs to customers. Introduction of, or changes to, regulations by government bodies in response to climate change that increase the cost of carbon emissions could result in a significant increase in expenses and could adversely affect our business performance, results of operations, financial position, and liquidity. ~~CP 2022 ANNUAL REPORT 23~~ **Please see " Sustainability- Related Laws, Regulations and Strategies " in Item 1. Business for further discussion of climate- and other sustainability- related laws and regulations (including the rulemaking activities of securities regulatory authorities in Canada and the United States) that could materially affect the Company' s operating results, financial condition, and reputation.** Market Risks A number of the sectors the Company serves have the potential to be significantly impacted by climate- related transitional risks, including increased regulations, technology changes, and shifts in consumer preferences. The Company' s business is based on transporting a wide variety of commodities from suppliers to the marketplace. The Company regularly transports energy commodities that serve refineries, processing locations, and end- users across North America and global markets. The Company' s business lines include thermal and metallurgical coal, crude oil and petroleum products, including liquefied petroleum gas, fuel oil, asphalt, gasoline, condensate (diluent), and lubricant oils. Shifting consumer demand to lower- carbon products and increased climate- focused regulations, such as carbon pricing and fuel regulations, may instigate a broad transition in the energy sector. Programs that place a price on carbon emissions or other government restrictions on certain market sectors may further impact current and potential freight rail customers in the energy sector. A comprehensive transition in the energy sector could significantly impact the markets of the Company' s energy customers or lead to market differentiation through geographic variation in policies and demand trends. A portion of the Company' s business could be materially affected by potential future changes and instability **that may be related to** such a transition **. Please see " Sustainability- Related Laws, Regulations and Strategies " in Item 1. Business for further discussion of climate- and other sustainability- related laws, regulations and other legal developments that could materially affect the preferences, activities, and financial conditions of our customers and other stakeholders, as well as the Company' s operating results, financial condition, and reputation** . General Risk Factors Global Risks Global economic **and public health** conditions could negatively affect demand for commodities and other freight transported by the Company. A decline or disruption in domestic, cross border or global economic conditions **, including fluctuations in interest rates,** that affect the supply or demand for the commodities that the Company transports may decrease the Company' s freight volumes and ~~may~~ **would** result in a material adverse effect on the Company' s financial or operating results and liquidity. Economic conditions resulting in bankruptcies of one or more large customers could have a significant impact on the Company' s financial position, results of operations, and liquidity in a particular year or quarter. **We** ~~Our business, financial condition, and results of operations have been adversely affected, and in the future, could be adversely affected by pandemics or other public health crises. The future impacts of COVID- 19 on the Company' s business or operating and financial results~~ are ~~unpredictable and cannot be identified or assessed with certainty at this time. The~~ **also subject to outbreaks of infectious disease, such as risks related to the global** COVID- 19 pandemic ~~has~~ **, which had** ~~adversely~~ -- **adverse impacts on** ~~affected the global economy and resulted in a widespread~~ economic ~~downturn which has adversely impacted~~ and **market conditions** ~~could continue to adversely impact demand for our services~~ and ~~otherwise cause interruptions~~ **the Company' s business. Public health crises** , including ~~fluctuations to commodity prices, disruptions or restrictions on the ability to transport freight in the ordinary course, temporary closures of facilities and ports, or the facilities and ports of our customers, partners, suppliers or other third- party service providers, and / or changes to export / import restrictions. The pandemic caused by~~ COVID- 19 ~~has impacted~~ **, have created,** and **in the future** may **create, significant volatility, uncertainty** ~~continue to impact the seasonal trends that typically characterize our revenues~~ and **economic disruption in** ~~operating income. There is no assurance that~~ the **regions in which the Company operates** ~~pandemic will not continue to have a material~~ and **therefore** ~~adverse~~ **adversely** ~~impact on our~~ **affect the Company' s** business ~~or results of operations. Additionally, our operations could be further negatively affected if a significant number of our employees are unable to perform their normal duties, including because of contracting COVID- 19 or based on further direction from governments, public health authorities or regulatory agencies. The extent of the impact, if any, will depend on developments, many of which are beyond our control, including actions taken by governments, financial institutions, monetary policy authorities, and public health authorities to contain and respond to public health concerns and general economic conditions as a result of the pandemic. The COVID- 19 pandemic may also result in continued substantial market volatility and declines, which could adversely impact future net periodic benefit costs and funding requirements of the Company' s pension plans. Furthermore, certain impacts of the COVID- 19 pandemic, including demand for our services and to economic conditions generally, could continue following the pandemic or the expiration or termination of government actions in respect of the pandemic. We will continue to actively monitor the situation and may take further actions that alter our business operations as may be required or recommended by federal, provincial, state or local authorities, or that we determine are in the best interests of our employees, customers, partners,~~

~~suppliers, shareholders, and other stakeholders. We cannot be certain of potential effects that any such alterations or modifications may have on our business or operating and financial results in future fiscal periods. To the extent COVID- 19 adversely affects our business or operating and financial results, it may also have the effect of heightening many of the other risks described above and below. In addition, we could be materially and adversely affected by other public health crises, including another widespread epidemic or pandemic~~ . Liquidity Risks The state of capital markets could adversely affect the Company' s liquidity. Weakness in the capital and credit markets could negatively impact the Company' s access to capital. From time to time, the Company relies on the capital markets to provide some of its capital requirements, including the issuance of long- term debt instruments and commercial paper. Significant instability or disruptions of the capital markets and the credit markets, or deterioration of the Company' s financial condition due to internal or external factors could restrict or eliminate the Company' s access to, and / or significantly increase the cost of, various financing sources, including bank credit facilities and issuance of corporate bonds. Instability or disruptions of the capital markets and deterioration of the Company' s financial condition, alone or in combination, could also result in a reduction in the Company' s **CPKC 2023 ANNUAL REPORT / 23** credit rating to below investment grade, which could also further prohibit or restrict the Company from accessing external sources of short- term and long- term debt financing, and / or significantly increase the associated costs. ~~24 CP 2022 ANNUAL REPORT~~