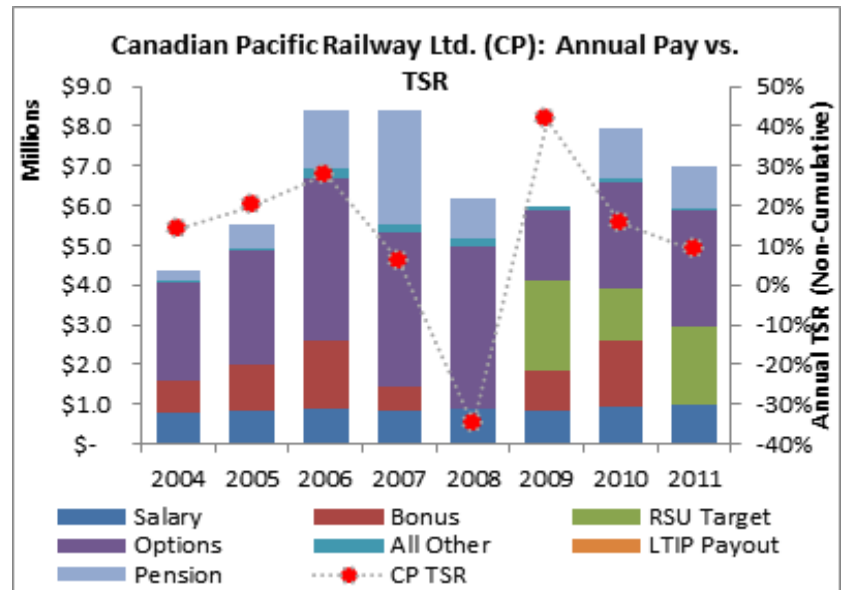
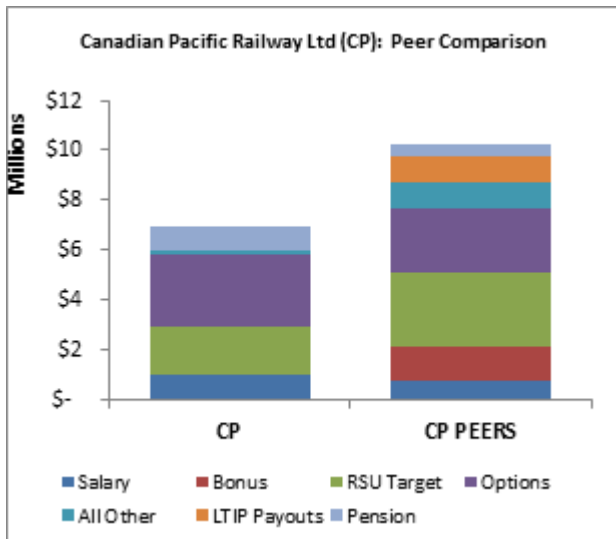


Canadian Pacific Railway Ltd (CP): 2004-2011 Pay for Performance

| PAY FOR PERFORMANCE SCORE | | | | |
|---------------------------|------------|------------|------------|--------------|
| 1 YEAR = 1 | 4 YEAR = 2 | 6 YEAR = 1 | 8 YEAR = 8 | TOTAL: 12/24 |

CP's annual CEO bonus in 2011 was entirely based on Operating Income. Since OI targets were missed for the year, bonus payouts were \$0. Nonetheless, CP ranked 6th out of 11 peers in ROE and 8th out of 11 peers in ROA, and the CEOs of each of those peers received bonuses of at least \$300,000.

CP's TSR of 8.9% ranked 4th out of 11 peers in 2011. As a result of the \$0 bonus payout, however, CEO pay change was negative, thus resulting in misalignment for that year. **TSR performance has been quite strong over our 8 year observation (104%) with the 2008 crisis year being the only period of negative performance (-35% TSR).** CEO pay, however, has been quite volatile, resulting in a **general lack of alignment between CEO pay and TSR in our shorter term observations (1-, 4- and 6-year).**



| COMPANY'S DISCLOSED PEER FIRMS | |
|--------------------------------|------------------------------------|
| TICKER | NAME |
| TSE:CNR | Canadian National Railway Company |
| TSE:WN | George Weston Limited |
| TSE:THI | Tim Hortons Inc. |
| TSE:TA | TransAlta Corp. |
| TSE:SLF | Sun Life Financial Inc. |
| TSE:SC | Shoppers Drug Mart Corporation |
| TSE:PWT | Penn West Petroleum Ltd. |
| TSE:MG | Magna International Inc. |
| TSE:IMO | Imperial Oil Limited |
| TSE:CNQ | Canadian Natural Resources Limited |

| FY 2011 FINANCIAL PERFORMANCE RANKINGS | | | | | | |
|--|---------------|-------------|---------------|--------------|---------------|-------------|
| # | PEER | TSR | PEER | ROE | PEER | ROA |
| 1 | TSE:CNR | 22.9% | TSE:THI | 33.2% | TSE:THI | 17.5% |
| 2 | TSE:THI | 21.9% | TSE:IMO | 25.3% | TSE:IMO | 13.3% |
| 3 | TSE:IMO | 12.9% | TSE:CNR | 23.0% | TSE:CNR | 9.4% |
| 4 | TSE:CP | 8.9% | TSE:SC | 14.4% | TSE:SC | 8.4% |
| 5 | TSE:TA | 4.8% | TSE:WN | 12.7% | TSE:MG | 6.7% |
| 6 | TSE:SC | -7.2% | TSE:CP | 12.3% | TSE:CNQ | 5.6% |
| 7 | TSE:WN | -9.1% | TSE:MG | 12.0% | TSE:PWT | 4.1% |
| 8 | TSE:PWT | -10.8% | TSE:CNQ | 11.5% | TSE:CP | 4.0% |
| 9 | TSE:CNQ | -13.2% | TSE:TA | 10.7% | TSE:TA | 3.0% |
| 10 | TSE:MG | -32.9% | TSE:PWT | 7.0% | TSE:WN | 2.8% |
| 11 | TSE:SLF | -36.4% | TSE:SLF | -2.3% | TSE:SLF | -0.1% |

| CEO COMPENSATION RANKINGS AGAINST COMPANY'S DISCLOSED PEER FIRMS | | | | | | | | | | |
|--|---------------|--------------------|---------------|------------------|---------------|-------------|---------------|------------------|---------------|--------------------|
| | PEER | TOTAL PAY | PEER | SALARY | PEER | BONUS | PEER | TOTAL CASH | PEER | TOTAL EQUITY |
| 1 | TSE:CNR | \$11,192,910 | TSE:SLF | \$1,086,090 | TSE:MG | \$6,852,034 | TSE:MG | \$7,159,140 | TSE:CNR | \$7,760,858 |
| 2 | TSE:MG | \$10,963,496 | TSE:TA | \$1,025,000 | TSE:CNR | \$2,112,055 | TSE:CNR | \$3,076,428 | TSE:SLF | \$7,517,528 |
| 3 | TSE:THI | \$10,300,889 | TSE:WN | \$1,000,000 | TSE:WN | \$1,000,000 | TSE:WN | \$2,000,000 | TSE:CP | \$4,871,883 |
| 4 | TSE:SLF | \$10,022,637 | TSE:CP | \$985,873 | TSE:TA | \$904,050 | TSE:TA | \$1,929,050 | TSE:CNQ | \$4,860,000 |
| 5 | TSE:CNQ | \$7,722,768 | TSE:CNR | \$964,373 | TSE:THI | \$645,107 | TSE:SLF | \$1,586,090 | TSE:SC | \$4,418,053 |
| 6 | TSE:CP | \$6,974,095 | TSE:SC | \$837,039 | TSE:SLF | \$500,000 | TSE:THI | \$1,463,147 | TSE:MG | \$3,426,017 |
| 7 | TSE:SC | \$6,848,792 | TSE:THI | \$818,040 | TSE:CNQ | \$500,000 | TSE:SC | \$1,149,539 | TSE:THI | \$2,814,346 |
| 8 | TSE:TA | \$5,264,977 | TSE:CNQ | \$600,000 | TSE:PWT | \$375,000 | TSE:CNQ | \$1,100,000 | TSE:IMO | \$2,192,320 |
| 9 | TSE:IMO | \$4,348,470 | TSE:PWT | \$525,000 | TSE:IMO | \$362,604 | TSE:CP | \$985,873 | TSE:TA | \$1,742,760 |
| 10 | TSE:WN | \$3,131,014 | TSE:IMO | \$524,223 | TSE:SC | \$312,500 | TSE:PWT | \$900,000 | TSE:PWT | \$1,631,250 |
| 11 | TSE:PWT | \$2,620,915 | TSE:MG | \$307,106 | TSE:CP | \$0 | TSE:IMO | \$886,827 | TSE:WN | \$0 |

PAY FOR PERFORMANCE SCORING

For 2012, the Clarkson Centre for Board Effectiveness (CCBE), prepared a Pay for Performance report for each firm currently listed on the TSX 60 Index that has at least 8 years of historical compensation or share price data available. The CCBE's Performance Score measures how closely CEO pay and TSR are aligned over four different time horizons. Compensation data is gathered from the firm's public filings, and valued at the time of grant. Options are valued using the binomial tree fair value method, and PSUs are valued at the grant date value of the target payout. TSR is calculated using a 30-day average start and end date share price, and assumes the reinvestment of dividends.

CCBE collected pay and performance data for up to ten peer companies for each TSX 60 constituent. Peer companies were selected from each TSX 60 constituent's performance benchmarking peer group, as disclosed in its most recent Management Information Circular. If a performance peer group was not disclosed, the CCBE collected information on the disclosed constituents of the total pay benchmarking peer group. If a peer group had more than 10 constituents, we randomly selected ten from among the disclosed list.

Our Pay for Performance Score takes into account alignment between change in CEO pay and TSR in 1-, 4-, 6- and 8-year observations. CEO pay change is 'smoothed' to account for outlying years. For example, in our 8-year observation we calculate CEO pay change as the percent change of the sum of total CEO pay from 2004-2007 against the sum of total CEO pay from 2008-2011. This helps to normalize our longer observations for unusual events like CEO turnover and large one-time payouts. The Pay for Performance Score gives significantly more weight to longer-term observations than shorter ones.

| 1-YEAR SCORE | 4-YEAR SCORE | 6-YEAR SCORE | 8-YEAR SCORE |
|--------------|--------------|--------------|--------------|
| A = 3 | A = 4 | A = 7 | A = 10 |
| B = 3 | B = 3 | B = 5 | B = 8 |
| C = 2 | C = 2 | C = 3 | C = 5 |
| D = 1 | D = 1 | D = 1 | D = 3 |
| E = 0 | E = 0 | E = 0 | E = 0 |

