

CANADIAN PACIFIC RAILWAY CO/NEW

Form 6-K

March 18, 2003

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, 2003

CANADIAN PACIFIC RAILWAY LIMITED/CANADIAN PACIFIC RAILWAY COMPANY

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(Commission File No. 1-01342)

(Commission File No. 1-15272)

(translation of Registrant's name into English)

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

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(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

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

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), Form S-8 No. 333-13846 (Canadian Pacific Railway Limited), and Form S-3 No. 2-98605 (Canadian Pacific Railway Company). The Management Proxy Circular attached hereto as Exhibit 2, excluding the portions under the headings Compensation and Other Information Report on Executive Compensation and Compensation and Other Information Performance Graph and Appendix 1 thereto, is incorporated by reference into the Registration Statement on Form F-9 No. 333-14014 (Canadian Pacific Railway Company) as an exhibit thereto.

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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 18, 2003

By: Signed: Robert V. Horte

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Name: Robert V. Horte  
Title: Senior Assistant Corporate Secretary

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**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
  4. 2002 Annual Report, including Management's Discussion and Analysis (pages 1 to 19 inclusive of Annual Report) and 2002 audited financial statements (pages 20 to 58 inclusive of Annual Report)
  5. Letter of Canadian Pacific Railway dated March 18, 2003, addressed to the Securities Commissions or similar authorities in each of the Provinces of Canada enclosing earnings coverage ratios for the twelve-month period ended December 31, 2002.
  6. Letter of PricewaterhouseCoopers LLP dated March 18, 2003 consenting to the incorporation by reference of its audit report dated February 18, 2003 in the short form prospectus of Canadian Pacific Railway Company dated May 28, 2002.
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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

**NOTICE IS HEREBY GIVEN** that the annual meeting of the shareholders of Canadian Pacific Railway Limited will be held at the Vancouver Convention & Exhibition Centre, 999 Canada Place, Vancouver, British Columbia, at 9:00 a.m. (Pacific Time) on Monday, April 28, 2003, for the following purposes:

1. to receive the consolidated financial statements for the year ended December 31, 2002, and the auditors' report thereon;
  2. to elect directors;
  3. to appoint auditors; and
  4. 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 14, 2003, will be entitled to vote at the meeting.

By order of the board of directors,

Marcella M. Szel, Q.C.  
Vice-President, Strategy and Law,  
Corporate Secretary

Calgary, Alberta  
February 18, 2003

NOTE: Shareholders are entitled to vote at the meeting either in person or by proxy. Registered shareholders wishing to vote by proxy are requested to complete and return the enclosed form of proxy in the envelope provided to the company'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 2 of the management proxy circular for information on how to vote their shares at the meeting. Proxies must be received by Computershare Trust Company of Canada or Georgeson Shareholder Trust Communications Canada, agents for the company, before 5:00 p.m. (Mountain Time) on April 25, 2003, in order to be used at the meeting.

Canadian Pacific Railway

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Dear Shareholder:

The annual meeting of shareholders of Canadian Pacific Railway Limited will be held at the Vancouver Convention & Exhibition Centre in Vancouver, British Columbia, on Monday, April 28, 2003, at 9:00 a.m. (Pacific Time).

We take this opportunity to invite you to attend the meeting in person. However, should you be unable to do so, you can be represented by proxy and ensure that your shares are voted in accordance with your instructions. The form of proxy or voting instruction form (if you are a non-registered shareholder) enables you to vote in advance of the meeting **whether or not** you are able to attend the meeting. As usual, there will be an opportunity to ask questions, to meet the board of directors, senior management and other shareholders.

The matters of business to be dealt with at the meeting are set out in the Table of Contents and in the Notice of the Meeting.

In closing, we would like to thank all of our shareholders for their continued support and investment in the company.

Yours sincerely,

Robert J. Ritchie  
President and Chief Executive Officer

James E. Newall  
Chairman of the Board

Canadian Pacific Railway

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1. to receive the consolidated financial statements for the year ended December 31, 2002, and the auditors' report thereon;
  2. to elect directors;
  3. to appoint auditors; and
  4. 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 14, 2003, will be entitled to vote at the meeting.

By order of the board of directors,

Marcella M. Szel, Q.C.  
Vice-President, Strategy and Law,  
Corporate Secretary

Calgary, Alberta  
February 18, 2003

NOTE: Shareholders are entitled to vote at the meeting either in person or by proxy. Registered shareholders wishing to vote by proxy are requested to complete and return the enclosed form of proxy in the envelope provided to the company'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 2 of the management proxy circular for information on how to vote their shares at the meeting. Proxies must be received by Computershare Trust Company of Canada or Georgeson Shareholder Trust Communications Canada, agents for the company, before 5:00 p.m. (Mountain Time) on April 25, 2003, in order to be used at the meeting.

Canadian Pacific Railway

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MANAGEMENT PROXY CIRCULAR

**General Information**

**This Management Proxy Circular (the Circular ) is furnished in connection with the solicitation of proxies by the management of Canadian Pacific Railway Limited ( CPRL or the Corporation ) to be used at the annual meeting of shareholders or adjournment thereof (the Meeting ) to be held on April 28, 2003, at the Vancouver Convention & Exhibition Centre, 999 Canada Place, Vancouver, British Columbia, and for the purposes set out in the accompanying Notice of Annual Meeting of Shareholders (the Notice of Meeting ).**

The cost of soliciting proxies will be borne by the Corporation. 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 Shareholder Communications Canada ( Georgeson ), 66 Wellington Street West, Toronto Dominion Bank Tower, Suite 5210, Toronto, Ontario, M5K 1J3, at a fee of approximately \$32,500 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 Trust Company of Canada ( Computershare ). 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 18, 2003, and all dollar amounts used in this document are in Canadian dollars.

**Information on Voting**

***Voting Shares and Principal Shareholders***

At February 18, 2003, there were 158,507,786 Common Shares ( Shares ) outstanding. Each Share carries one vote.

To the knowledge of the directors and officers of CPRL, based on information at February 18, 2003, no individual or corporation beneficially owned, directly or indirectly, or exercised control over, more than ten per cent of the outstanding Shares.

***Record Date for Notice of Meeting and Provisions Relating to Voting***

The board of directors of CPRL has fixed March 14, 2003, as the record date (the Record Date ) for the purpose of determining shareholders entitled to receive the Notice of 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 at the Meeting must deposit a properly executed proxy with Computershare or Georgeson, agents for CPRL, prior to 5:00 p.m. (Mountain Time) on April 25, 2003.

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 of Meeting in accordance with the instructions of the shareholder as specified thereon.

**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 of Meeting 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 and FOR the appointment of PricewaterhouseCoopers LLP as auditors.**

**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 of Meeting 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 a nominee, such as a bank, trust company, securities broker or other financial institution, will have received this Circular in a mailing from their nominee, together with a form of proxy or voting instruction form. It is important that non-registered shareholders follow the voting instructions provided to them by their nominee. Since CPRL's registrar and transfer agent, Computershare, does not maintain a record of the names of the Corporation's non-registered shareholders, Computershare will have no knowledge of a non-registered shareholder's right to vote, unless the nominee has appointed the non-registered shareholder as proxyholder. Non-registered shareholders wishing to vote in person at the Meeting must insert their name in the space provided on the form of proxy or voting instruction form, received from their nominee, and adhere to the signing and return instructions provided by their nominee. By doing so, non-registered shareholders are instructing their nominee to appoint them as proxyholder.

Shares held by employees under the CPRL Employee Share Purchase Plan (the Share Purchase Plan) are registered in the name of Computershare, the Share Purchase Plan Administrator, until such time as the Shares are withdrawn from the Share Purchase Plan pursuant to its terms and conditions. The Shares held by employees under the Share Purchase Plan are referred to as Employee Shares.

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.

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 who have appointed Computershare to act and vote on their behalf, as provided for in the enclosed voting instruction form, and who do not provide instructions concerning any matter identified in the Notice of Meeting will have the Employee Shares represented by such voting instruction form voted FOR the election of the persons nominated for election as directors as set forth in this Circular and FOR the appointment of PricewaterhouseCoopers LLP as auditors.**

#### ***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 2000, 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 nominee 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 and the appointment of auditors.

#### **Financial Statements**

The audited consolidated financial statements of the Corporation for the year ended December 31, 2002, 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 shareholders with the Notice of Meeting 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.

#### **Election of Directors**

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

CPRL's articles provide for the board of directors to consist of a minimum of five and a maximum of 20 directors. The number of directors has been set by resolution of the board at 11 directors, all of whom are elected annually.

The Corporate Governance and Nominating Committee of the board reviews annually the qualifications of persons proposed for election to the board of directors and submits its recommendations to the board for consideration. 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 form of 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 form of 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 form of proxy will have the right to use their discretion in voting for such other properly qualified nominees.

Information regarding the proposed nominees, including the number of Shares and Deferred Share Units ( DSUs ) of CPRL beneficially owned by each of them, directly or indirectly, or over which they exercise control or direction, is as follows:

***Nominees for Election as Directors***

***Name, municipality of residence,  
director since and CPRL holdings***

**Stephen E. Bachand**  
*Ponte Vedra Beach, Florida*  
*Director since 2001*  
*3,129 Shares*  
*4,397 DSUs*

Stephen Bachand is the former 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.

**John E. Cleghorn, O.C., F.C.A.**  
*Toronto, Ontario*  
*Director since 2001*  
*5,000 Shares*

John Cleghorn is Chairman of SNC-Lavalin Group Inc., an international engineering and construction firm. He is the retired Chairman and Chief Executive Officer of Royal Bank of Canada. He held that position from 1995 until his retirement in July 2001. He is also a director of Finning International Inc. and Nortel Networks Corporation. He is Chancellor of Wilfrid Laurier University, Chairman of the Faculty of Management, International Advisory Board and a Governor of McGill University and Chairman of Historica Foundation of Canada.

**Jacques Lamarre**  
*Montreal, Quebec*  
*Director since 2001*  
*500 Shares*  
*1,143 DSUs*

Jacques Lamarre is President and Chief Executive Officer of SNC-Lavalin Group Inc., an international engineering and construction firm. He has held that position since 1996. He is also Chairman of The Conference Board of Canada and member of the World Economic Forum, Canadian Council on National Issues and the British North American Committee of the C.D. Howe Institute.

**James E. Newall, O.C.**

*Calgary, Alberta  
Director since 2001  
10,000 Shares  
7,838 DSUs*

J. E. (Ted) Newall is Chairman of the Board of Directors of the Corporation and Chairman of NOVA Chemicals Corporation, a chemicals company producing styrenics and olefins and polyolefin products. He has held the latter position since July 1998. He served as Chief Executive Officer of NOVA Corporation from August 1991 until July 1998. He is also a director of Alcan Aluminum Limited, BCE Inc., Bell Canada Ltd., Maple Leaf Foods and Royal Bank of Canada.

**Dr. James R. Nininger**

*Ottawa, Ontario  
Director since 2001  
1,500 Shares*

Dr. James Nininger 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 1978 until his retirement in August 2001. He is also a director of Power Corporation of Canada, a member of the Human Resources and Compensation Committee of the Board of Trustees of the National Arts Centre, a member of the Board of Governors of The Ottawa Hospital and a Senior Visiting Fellow at the Canadian Centre for Management Development in Ottawa.

**Madeleine Paquin**

*Montreal, Quebec  
Director since 2001  
100 Shares  
988 DSUs*

Madeleine Paquin is President and Chief Executive Officer of Logistec Corporation, an international stevedoring company. She has held that position since 1996. She is also a director of Sun Life Assurance Company of Canada, Sun Life Financial Services of Canada Inc., Aeroport de Montreal, Quebec Railway Corporation, and the Chamber of Commerce of Quebec, and is a Member of the Ivey Advisory Board, Richard Ivey School of Business.

**Michael E.J. Phelps, O.C.**

*West Vancouver, British Columbia  
Director since 2001  
10,191 Shares*

Michael Phelps is Chairman of Dornoch Capital Inc., a private investment company. He is also Chairman of the Advisory Board of Duke Energy Gas Transmission-Canada. He is the former Chairman and Chief Executive Officer, Westcoast Energy Inc. He held that position from June 1988 until March 2002. He is also a director of the Canadian Imperial Bank of Commerce, Canfor Corporation and Duke Energy Corporation. He was appointed an Officer of the Order of Canada in 2001.

**Roger Phillips, O.C.**

*Regina, Saskatchewan  
Director since 2001  
3,088 Shares  
2,766 DSUs*

Roger Phillips is the retired President and Chief Executive Officer of IPSCO Inc., a steel manufacturing company. He held that position from 1982 until his retirement at the end of 2001. He is also a director of Toronto Dominion Bank, Fording Inc., 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.

**Robert J. Ritchie**

*Calgary, Alberta  
Director since 2001  
74,034 Shares  
49,172 DSUs*

Robert Ritchie is President and Chief Executive Officer of CPRL. He is also President and Chief Executive Officer of Canadian Pacific Railway Company, a position that he has held since 1995. He is on the board of directors of ShawCor Ltd. and on the Advisory Board of Willis Canada. He is also a director and Vice-Chair of the Railway Association of Canada and a director of the Association of American Railroads and the Van Horne Institute.

**The Rt. Hon., The Viscount Weir**

*Ayrshire, Scotland  
Director since 2001  
2,541 Shares*

Viscount Weir is Chairman of Balfour Beatty plc, (formerly BICC plc) an international construction group. He has held that position since February 1999. He was Chairman of the Weir Group PLC from 1983 to January 1999. He is also Chairman of CP Ships Limited and a director of St. James s Place Capital plc and formerly of the Bank of England and British Steel Corp.

**Michael W. Wright**

*Longboat Key, Florida  
Director since 2001  
1,000 Shares  
3,875 DSUs*

Michael Wright is the retired Chairman of the Board 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 and a director 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. and is on the Board of Trustees of the University of Minnesota Law School Board of Visitors and the Board of Overseers of the Carlson School of Management at the University of Minnesota.

The committees of the board are composed of the following directors:

Audit, Finance and Risk Management:

Messrs. Phillips (Chairman), Bachand, Cleghorn, Newall and Wright

Corporate Governance and Nominating:

Messrs. Newall (Chairman), Bachand, Cleghorn, Lamarre, Phelps, Phillips, Wright, Dr. Nininger, Ms. Paquin and Lord Weir

Environmental and Safety:

Messrs. Phelps (Chairman), Lamarre, Newall, Dr. Nininger, Ms. Paquin and Lord Weir

Management Resources and Compensation:

Messrs. Bachand (Chairman), Newall, Phelps, Wright and Dr. Nininger

Pension Trust Fund:

Messrs. Cleghorn (Chairman), Lamarre, Newall, Phillips and Lord Weir

The board does not have an executive committee.

**Appointment of Auditors**

There will be submitted to the Meeting a resolution appointing PricewaterhouseCoopers LLP as auditors of CPRL for a term expiring at the close of the 2004 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 Canadian Pacific Railway Company for more than five years and have been the Corporation s auditors since October 1, 2001.

COMPENSATION AND OTHER INFORMATION

**Report on Executive Compensation by the Management Resources and Compensation Committee**

The Management Resources and Compensation Committee (the Compensation Committee) is accountable to the board of directors to ensure that the human resource strategies of the Corporation and its subsidiaries, including Canadian Pacific Railway Company (collectively CPR) support overall business goals, thereby contributing to the creation of shareholder value. The Compensation Committee's mandate includes discharging the board's responsibilities relating to:

- the appointment, compensation and reporting relationships of CPR's executive officers at the level of Vice President or higher (Executive Officers);
- the compensation philosophy of CPR;
- the adoption and amendment of stock option and retirement plans;
- the establishment of performance objectives and the conduct of performance evaluations for certain Executive Officers;
- CPR's organizational effectiveness; and
- CPR's succession planning activities.

Specifically during 2002, the Compensation Committee:

- developed a formal performance evaluation process for the chief executive officer (the CEO), including the establishment of key accountabilities;
- assessed the bench strength of the organization to ensure succession plans for key senior executive positions were in place;
- reviewed a report on key human resource metrics and the overall effectiveness of the organization;
- redesigned the annual incentive plan to place a stronger focus on the recognition of individual performance; and
- reviewed executive compensation levels and policies.

***Composition of the Management Resources and Compensation Committee***

The Compensation Committee is composed of five directors of CPRL who are neither officers nor employees of CPR. During 2002, the following individuals served as members of the Compensation Committee: Stephen E. Bachand (Chairman), James E. Newall, O.C., Dr. James R. Niningger, Michael E.J. Phelps, O.C. and Michael W. Wright.

***Compensation Philosophy and Process***

CPR's executive compensation program is designed to attract and retain talented executives and to focus their efforts on performance improvement and sustained shareholder value creation. Total compensation for each Executive Officer, including those named in the Summary Compensation Table (the Named Executive Officers), is designed to be between the 50th and 75th percentiles of comparable positions in large autonomous Canadian companies with revenues in excess of \$1 billion (the comparator group). This design is accomplished through targeting base salary and annual incentive compensation at the 50th percentile of the comparator group while placing stock-based compensation at the 75th percentile of the comparator group.



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

### ***Composition of Executive Compensation***

Direct compensation for Executive Officers is comprised of base salary and annual incentive and stock-based compensation. The percentage mix 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 percentage of direct compensation relating to both short and long-term performance incentive plans ranges from 55% for vice presidents to 75% for the CEO, with approximately 20% of this variable compensation relating to the annual incentive plan.

### ***Base Salary***

The Compensation Committee recommends to the board of directors the base salaries of the Executive Officers, following a review of market data. Salaries are adjusted, as needed, based on individual performance, responsibility and experience, to ensure that they reflect the contribution of each Executive Officer. In establishing the base salary for each Executive Officer, a benchmark of average base salaries paid to the comparable executive officers of the comparator group is used.

### ***Annual Incentive Plan***

CPR's Performance Incentive Plan provides an opportunity for participants, including all Executive Officers, to earn an annual cash award based on the achievement of individual performance criteria and corporate financial targets. The financial targets are set annually by the board of directors upon recommendation by the Compensation Committee. Financial performance is measured by comparing actual results against targets established at the beginning of the year. The degree to which CPR achieves these financial targets determines the amount of funds available for distribution to participants, and the ultimate award payable to the participant is based on the degree to which the individual achieves his or her personal objectives. The financial and individual performance criteria vary, based upon the responsibilities of the participant. For selected participants, a portion of their awards is based on the achievement of individual objectives independent of CPR's performance against its financial targets. For two Named Executive Officers, these objectives relate to specific operational targets, and the portion of their awards based on such objectives represented 25% of their target award level in 2002. For 2002, the financial targets approved by the board of directors were CPR's operating income and proceeds generated from real estate disposition and property lease revenue.

Potential awards are expressed as a percentage of base salary. For the Named Executive Officers, target award levels in 2002 ranged between 35% and 60% of base salary when CPR and individual performance targets were achieved. The maximum bonus opportunity for exceptional CPR performance was 200% of the target award level.

For the 2002 plan year, CPR exceeded its performance expectations regarding real estate disposition and property lease revenue, but only partially achieved its operating income target. The fund available for distribution to plan participants, including the Named Executive Officers, that would otherwise have resulted through a strict application of the plan's provisions relating to the operating income target was adjusted from 35% of target award levels to 61% of target award levels. This adjustment, approved by the board, was in recognition of CPR's successful management of reduced revenues caused primarily by depressed coal markets and a decline in grain transportation revenues due to a drought on the Canadian prairies through expense reduction initiatives, which led to record operating income in 2002. In addition, CPR exceeded its diluted earnings per share and net income targets for the year.

### ***Stock Option Plan***

The purpose of the Management Stock Option Incentive Plan (the "Stock Option Plan") is to encourage key officers and employees of CPR to increase shareholder value and to participate in the growth and development of CPR. The Compensation Committee makes recommendations to the board of directors regarding grants of stock options to Executive Officers. In determining the size of a new option grant, 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 stock options to employees within certain defined parameters. Participants in the Stock Option Plan are granted a number of options exercisable at the last closing market price on the Toronto Stock Exchange of Shares prior to the approval of the grant. The maximum number of Shares approved for issuance under the Stock Option Plan is 11,000,000.

There are two types of options: regular stock options and performance-accelerated stock options.

Regular stock 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. Share appreciation rights (SARs) are attached to half the regular options granted. The vesting requirements and term of SARs are consistent with the regular stock options to which they are attached.

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. For 2002, specific operating ratio targets were adopted as the performance criteria. There is a minimum one-year vesting requirement, even if the performance criteria have been achieved prior to that time. Aside from an initial grant of performance stock options to all participants in October 2001 in recognition of CPRL becoming a publicly-traded company, grants of performance stock options are restricted to executives and are designed to provide additional incentive opportunity, increasing their target long-term incentive opportunity from the median to the 75th percentile of the comparator group.

***Share Ownership Guidelines***

To further align the interests of Executive Officers with those of shareholders, 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 base salary, that the individual is required to hold. The ownership guideline levels range from 100% of base salary for vice presidents to 400% of base salary for the CEO. Each Executive Officer is expected to achieve the applicable minimum level of share ownership over a five-year period. Each Named Executive Officer is at or above his share ownership guideline level as of February 18, 2003.

***Deferred Share Unit Plan***

To support the accumulation of Shares by its Executive Officers, CPR introduced the Senior Executives' Deferred Share Unit Plan pursuant to which Executive Officers may acquire deferred share units ( DSUs ) of CPRL. A DSU has the equivalent value of one Share and attracts dividends in the form of additional DSUs at the same rate as dividends are paid on Shares.

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 CPR will contribute one DSU for each three Shares or DSUs acquired by the individual. Following that six-month period, CPR will contribute one DSU for each four Shares or DSUs acquired by the Executive Officer. The CPR match is capped at the minimum level required to meet the share ownership guidelines when combined with the Executive Officer's contribution. The matching DSUs will vest if the underlying Shares or DSUs are held for a three-year period.

Executive Officers may also 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 Senior Executives' Deferred Share Unit 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.

Executive Officers may only redeem their DSUs upon 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***

CPR maintains a Share Purchase Plan for eligible employees of CPR. Under the Share Purchase Plan, 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 Share Purchase Plan. CPR will purchase and contribute one Share for each three Shares purchased on behalf of each eligible employee under the Share Purchase Plan. In no case will Shares be issued from treasury pursuant to the Share Purchase Plan. Rather, the Share Purchase Plan's Administrator, Computershare, will purchase all Shares to be contributed under the Share Purchase Plan on the open market. Shares contributed by CPR will not vest in favour of the eligible employee until the end of the first 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 Share Purchase Plan at the time of vesting in order to receive the CPR match. The Named Executive Officers are among the approximately 56% of employees who are participants in the Share Purchase Plan.

### ***Long-Term Incentive Plan***

Prior to 2002, Executive Officers also participated in a Long-Term Incentive Plan ( LTIP ), which is no longer in existence. LTIP was a four-year plan focused on railway-specific goals critical to CPR 's success. As a result of CPRL becoming a publicly traded company in October 2001, the performance period was shortened by one year to December 31, 2001. The cash award, paid out at the end of 2002, was based upon the achievement of the LTIP targets which were comprised of two equally weighted performance measures: average return on capital employed, and cumulative operating income. Both of these measures were adjusted to account for the impact of CPR becoming a publicly traded company and for the revised performance period. DSU 's were credited to Named Executive Officers in 2002 in lieu of all or a portion of their cash award, in order to assist the Named Executive Officers in meeting their minimum shareholding requirements. For the Named Executive Officers, the awards ranged from 94% to 125% of base salary.

### ***Chief Executive Officer Compensation***

The pay-for-performance philosophy of CPR 's executive compensation program applies to CPR 's CEO, Mr. R.J. Ritchie. On an annual basis, the Compensation Committee reviews the compensation paid to chief executive officers at the comparator group of companies (i.e., large autonomous Canadian companies with revenues in excess of \$1 billion), 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 board after careful assessment of his personal contribution to CPR 's performance. This assessment is based on a number of quantitative and qualitative factors, including CPR 's financial results, strategy formulation and implementation, and the CEO 's personal leadership and external relationships.

Mr. Ritchie is a participant in CPR 's Performance Incentive Plan, Stock Option Plan and Share Purchase Plan. 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 at the comparator group of companies.

In 2002, Mr. Ritchie 's annual salary was increased to \$725,000. He was granted an annual incentive award of \$265,350 based on 2002 performance, all of which he elected to receive in DSUs. The performance criteria used to establish the amount of the award were CPR 's performance, as measured against its operating income target, and the Compensation Committee 's assessment of his individual performance against specific objectives relating primarily to financial performance, strategy formulation and organizational leadership. Mr. Ritchie 's award was adjusted from 35% of his target award level to 61% of his target award level for the reasons described in the third paragraph of the section herein titled Annual Incentive Plan . Mr. Ritchie received an LTIP award of \$873,600, of which he elected to receive \$389,027 in DSUs and the remainder in cash. As indicated earlier, the LTIP performance period expired as of December 31, 2001, although the final awards thereunder were paid at the end of 2002. Such awards were not included in setting compensation levels in 2002. An aggregate of 177,900 options were granted to Mr. Ritchie under the Stock Option Plan on February 19, 2002. Mr. Ritchie also received matching DSUs under the Senior Executives Deferred Share Unit Plan, in respect of Shares held by him.

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The relative weightings of the various components of the 2002 design of Mr. Ritchie's total compensation, based on his target award levels under the Performance Incentive Plan and Stock Option Plan are set forth in the following table:

Compensation Component	Percentage of Total Compensation
Base Salary	21%
Performance Incentive Plan	13%
Stock Option Plan	54%
Benefits and Perquisites	1%
All Other Compensation (including pension)	11%
<b>Total</b>	<b>100%</b>

The foregoing report has been made by the members of the Management Resources and Compensation Committee of the board of directors:

Stephen E. Bachand (Chairman), James E. Newall, O.C., Dr. James R. Nininger, Michael E.J. Phelps, O.C., Michael W. Wright

### Performance Graph

The following Performance Graph illustrates the cumulative total shareholder return on CPRL Shares (assuming reinvestment of dividends) compared with the cumulative total return of the S&P/TSX Composite Index (formerly the TSE 300 Composite Index) from the period beginning October 3, 2001, the date on which CPRL Shares began to publicly trade, and ending December 31, 2002.

The dollar amounts indicated in the graph above and in the chart below are as of October 3, 2001, December 31, 2001, and December 31, 2002.

	Oct 2001	Dec 2001	Dec 2002
CPRL	100.00	142.60	140.57
S&P/TSX Composite Index	100.00	111.82	97.91

**Executive Compensation**

The following disclosure of executive compensation provides information on the compensation of CPR's Named Executive Officers, the CEO and CPR's next four most highly compensated Executive Officers, during the year ended December 31, 2002.

**Summary Compensation Table**

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation			
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$) (e)	Awards		Payouts	
					Securities Under Options & SARs Granted (#) (f)	Restricted Shares or Restricted Share Units (\$)	LTIP Payouts (\$) (g)	All Other Compensation (\$) (i)
R.J. Ritchie President and Chief Executive Officer	2002	718,750	265,350	18,354	177,900	0	873,600	143,907
	2001	656,250	179,638	0	383,900	0	1,660,152(h)	597,149
	2000	518,750	271,950	0	45,000	0	620,000	0
E.V. Dodge (a) Executive Vice-President and Chief Operating Officer	2002	434,750	106,872	10,857	62,700	0	464,100	244,734
	2001	387,842	73,477	0	141,200	0	0	85,504
	2000	358,675	163,759	0	16,000	0	326,244	0
M.T. Waites (b) Executive Vice-President and Chief Financial Officer	2002	332,500	98,088	6,517	47,900	0	333,775	160,699
	2001	315,000	70,461	0	112,825	0	0	3,837
	2000	265,612	125,367	0	33,900	0	114,514	0
N.R. Foot (c)	2002	277,266	73,323	3,166	31,200	0		