

April 17, 2023



This notice applies to all unionized employees of Canadian Pacific Kansas City Railway (CPKC) and its subsidiary lines in Canada and the United States.

The Company routinely reviews all policies, procedures, and guidelines. We believe the updated Hybrid Discipline & Accountability Guidelines will provide a progressive balance when considering discipline for those events that fall under Major-Life Threatening/Conduct Unbecoming or Non-Major/ Attendance.

With this in mind, **effective April 24, 2023**, the **Hybrid Discipline & Accountability Guidelines** dated April 24, 2023 replaces the current Hybrid Discipline & Accountability Guidelines and the Policy for Employee Accountability (PEAK).

Significant Changes to Note:

Former CP employees:

1. Suspensions will be assessed in calendar days.
2. Major suspensions now start at a minimum of 10 calendar days for a first offence.
3. Additional consequences include demotions/decertification, job restrictions, requalification, training and/or Continued Employment/Last Chance Agreements.

Former KCS Employees:

1. **Demerits** will be used for non-major offences and attendance related matters. Upon accumulating sixty (60) demerits, employees will be subject to dismissal.
2. Employees **subject to five (5) disciplinary events**, during a 12-month period may be subject to dismissal.
3. Employees who are **discipline free** for a cumulative 24-months of active service will regress by one step in the progressive handling of Major-Life Threatening/Conduct Unbecoming Offenses with the associated suspension no longer considered active.
4. Employees who are **discipline free** for a cumulative 12-months of active service will regress by one step in the progressive handling of Non-Major/Attendance Offenses with the associated discipline no longer considered active.
5. Disciplinary Handling for attendance - CP handles attendance violations as non-major discipline offenses.

It is my hope that these changes to which we hold each other accountable will continue to enhance safety through rule compliance and will further benefit each of us in the performance of our jobs.

Sincerely,

Mark Redd
EVP & Chief Operating Officer
Canadian Pacific Kansas City



HYBRID DISCIPLINE & ACCOUNTABILITY GUIDELINES

These Guidelines apply to all unionized employees of CPKC and its subsidiary lines.

EFFECTIVE – April 24, 2023



Overview of Hybrid Discipline & Accountability Guidelines

In an effort to improve accountability, safety/education, and performance while fostering a more positive working relationship with employees, we believe discipline and accountability should focus on **Major-Life Threatening/Conduct Unbecoming Offences** and **Non-Major/Attendance Offences**.

The Company routinely reviews all policies, procedures, and guidelines. We believe the Hybrid Discipline & Accountability Guidelines contained herein will provide a progressive balance when considering discipline for those events that fall under Major-Life Threatening/Conduct Unbecoming or Non-Major/ Attendance.

General

1. Admission of Responsibility (AOR)

The Company believes that the majority of employees take great pride in their work and when involved in an incident, understand and accept when they have made a mistake. As a result, the Company believes it is important to provide employees the option to waive the formal investigation. The Company also believes employees want to learn from their experience and move forward as quickly as possible.

2. Formal Reprimand

A Formal Reprimand may be used for employees who accept responsibility for a first non-major offense and demonstrate a willingness to comply with our rules before proceeding to the next progressive discipline step.

3. Demerits

Demerits apply to Non-Major Offences. Employees who accumulate 60 demerits may be subject to dismissal.

4. Deferred Discipline

In exceptional circumstances, the Company may elect to defer a portion or all of the discipline as an act of leniency.

- a. Deferred discipline may later be activated if it is determined the employee is culpable for a subsequent offence.
- b. Deferred discipline carries the same gravity as served discipline in the consideration of a subsequent disciplinary assessment.
- c. The typical period for deferred suspensions is six (6) months from the date of assessment whereas the typical period for deferred demerits is one (1) year from the date of assessment.



5. Record Suspension

In exceptional circumstances, the Company may elect to assess a record suspension for a portion or all of the discipline as an act of leniency.

- a. A record suspension will not be activated at a later time.
- b. A record suspension carries the same gravity as a served suspension in the consideration of a subsequent disciplinary assessment.
- c. A record suspension will be in addition to any time held out of service unless the employee's collective agreement specifically states otherwise.

6. Employee Notification

Employees will receive a written warning that their continued employment may be in jeopardy when they accumulate either 30 demerits or 30 days of active discipline.

Employees may also be required to have a meeting with management and/or may be required to undergo re-training/re-qualification, as needed.

7. Exceptional Circumstances

Employees **subject to five (5) disciplinary events**, during a 12-month period, may be subject to dismissal. Please consult with Labor Relations.

8. Other Consequences

All situations and the disciplinary consequence will be determined based on the specific circumstances. In addition to formal reprimands, demerits, suspensions or dismissal, consequences may include, but are not limited to, the following:

- Deferred Discipline (partial or full)
- Demotion/Disqualification
- Job Restrictions
- Record Suspensions
- Requalification
- Training
- Continued Employment/Last Chance Agreements (as an alternative to discharge, if conditions warrant)

9. Held Out of Service

Holding an employee out of service pending an investigation is collective agreement specific and can be done for various reasons.



10. Factors to consider when determining the appropriate assessment of discipline:

- Length of Service
- Immediately reporting the incident
- Remorse
- Taking proper protective actions following the incident
- Pre-meditation
- Acknowledging responsibility
- Intent
- Disciplinary History

11. Areas that may require contact with Labor Relations:

- Probationary Employees
- Personal Injury Handling
- Continued Employment/Last Chance Agreements
- Events Governed by Federal Regulations
- Traffic violations in a Company Vehicle
- Drug and Alcohol
- Improper Wage Claims
- Assessments of discipline which may lead to dismissal
- Last Chance Agreements If you require assistance in determining an appropriate assessment of discipline

12. Employee Recognition & Regression of Steps in Hybrid Discipline & Accountability Guidelines

a. Major-Life Threatening/Conduct Unbecoming Offenses:

Employees who are **discipline free** for a cumulative 24-months of active service will regress by one step in the progressive handling of Major-Life Threatening/Conduct Unbecoming Offenses with the associated suspension no longer considered active.

Example: An employee has had one major offense for which discipline was assessed on January 1, 2021. After a cumulative 24-month period of discipline free active service has passed, this major offense will no longer be considered for the purpose of progressive discipline handling.

b. Non-Major/Attendance Offenses:

Employees who are **discipline free** for a cumulative 12-months of active service will regress by one step in the progressive handling of Non-Major/Attendance Offenses with the associated discipline no longer considered active.

Example 1: An employee has three non-major/attendance offenses on record assessed with a Formal Reprimand, 10 demerits and 20 demerits. After a cumulative 12-months of discipline free active service have passed, the employee's record will be viewed as having two active assessments of discipline, a Formal Reprimand and 10 demerits, should the employee be assessed future discipline.



Example 2: An employee has two non-major/attendance offenses assessed with a Formal Reprimand and 10 demerits and one major-life threatening/conduct unbecoming offense assessed as a 20 calendar day suspension on record. After a cumulative 12-months of discipline free active service have passed, the employee's record will be viewed as having the formal reprimand and 20 calendar day suspension on record. After an additional 12-months of discipline free active service have passed, 24 months total, the employee will not be viewed as having any active discipline on record.

Major - Life Threatening & Conduct Unbecoming Offences

Any alleged non-compliance may warrant immediate removal from service pending a formal investigation. Determination of culpability may warrant the assessment of a suspension or in certain cases, dismissal. Depending on the offence, the issuance of a minimum of a **10-calendar day suspension up to and including a 40-calendar day suspension and/or dismissal** may be issued.

Rule violations where a serious collision or derailment, serious injury, fatality or extensive damage to Company or public property occurred or was reasonably foreseeable, including failure to take proper protective measures following an incident, will be considered as a **Major Offence**.

When progressively handling Major Offences the following steps will be used:

First Offence	Second Offence	Third Offence
Minimum 10-Calendar Day Suspension, up to and including a 40-Calendar Day Suspension and/or Dismissal	Minimum 20-Calendar Day Suspension, up to and including a 40-Calendar Day Suspension and/or Dismissal	Minimum 30-Calendar Day Suspension, Up to and including a 40-Calendar Day Suspension and/or Dismissal

Please consult with Labor Relations on whether other consequences should be applied in addition to those outlined above (see pg. 3 Other Consequences above).



The following examples of Major-Life Threatening/Conduct Unbecoming Offenses are for illustrative purposes only and is not intended to be an exhaustive list.

Major-Life Threatening Examples:

1.	FRA decertifying events	8.	Failure to secure or protect cars, locomotives, or a track being worked in
2.	Speeding 10 MPH or greater above authorized speed limit	9.	Signal crossing deactivation violations
3.	Stop signal violations including but not limited to occupying track without authority	10.	Reckless endangerment
4.	Leaving cars in the foul	11.	Tampering with any Safety Device, including Cameras
5.	Failure to provide point protection consistent with rule	12.	Any other Critical Life Saving Rules/events - as bulletined to each respective employee group.
6.	Riding end of car being shoved not properly equipped, or on the coupler or drawbar	13.	Safety violations in and around equipment <ul style="list-style-type: none"> • Three (3) Point Protection • 50 feet separation between equipment • 15 feet when passing around the end of standing equipment
7.	Failure to inspect passing train	14.	Failure to properly line switches for intended movement and or operating through an improperly lined switch

Conduct Unbecoming Examples:

1.	Theft, fraud or the unauthorized taking of time, property or any improper wage claim under the Honor System of Pay	5.	Intentional destruction of Company property
2.	Sleeping on duty	6.	Alcohol & Drug Policies and Procedures (subject to policy changes)
3.	Dishonesty, attempting to “cover up” an incident, making material false statements or concealing material facts concerning matters under investigation	7.	A violation of the following CP Policies: <ul style="list-style-type: none"> • Code of Business Ethics • Workplace Discrimination, Harassment & Violence Prevention Policy • Use of Personal Electronic Devices • SOX Procedures <i>Note: this list is not exhaustive.</i>
4.	Insubordination		



Non-Major/Attendance Offences

When progressively handling Non-Major Offences the following steps will be used:

First Offence	Second Offence	Third Offence	Fourth Offence	Fifth Offence
<p>Employee option:</p> <p>Admit culpability and waive a formal investigation*</p> <p>Formal Reprimand</p> <p>Or;</p> <p>Elect a formal investigation and if found culpable may be assessed</p> <p>10 Demerits</p>	<p>Employee option:</p> <p>Admit culpability and waive a formal investigation*</p> <p>10 Demerits</p> <p>Or;</p> <p>Elect a formal investigation and if found culpable may be assessed</p> <p>15 Demerits</p>	<p>Employee option:</p> <p>Admit culpability and waive a formal investigation*</p> <p>15 Demerits</p> <p>Or;</p> <p>Elect a formal investigation and if found culpable may be assessed</p> <p>20 Demerits</p>	<p>30 Demerits up to and including Dismissal</p> <p>At Company discretion up to a 30-Calendar Day Suspension or 30 Demerits deferred in lieu of Dismissal for accumulation of demerits</p> <p>Consider Continued Employment/Last Chance Agreement (Consult with LR)</p>	<p>Any combination thereof up to and including Dismissal</p>

*Admission of Responsibility/ Waiver as provided for in the employee's Collective Agreement (see Q&A 4)



The following examples of **Non-Major Offenses** are for illustrative purposes only and is not intended to be an exhaustive list.

1.	Attendance Management Violations	8.	Improperly mounting and dismounting <u>moving</u> equipment
2.	Rule violations that result in FRA reportable train accidents not considered Major Offences	9.	Failing to have or an inadequate job briefing
3.	Failure to properly coordinate between crews working in same or adjacent tracks	10.	Speeding less than 10 MPH above authorized speed limit for on track equipment
4.	Violations of radio rules, including: CROR Rule 136(c) – read and repeat violation	11.	In some situations, late reporting of an injury (contact Labor Relations)
5.	Failure to restore a derail and travelling over derail	12.	Failure to comply with qualification or certification requirements
6.	Handbrakes not released	13.	Failure to adhere to communicated customer service and performance metrics
7.	Violations causing significant operational impact	14.	Releasing or tying handbrakes from ground



The following Questions and Answers are for illustrative purposes only. In all circumstances where there is a discrepancy, the Hybrid Discipline and Accountability Guidelines document applies.

Questions and Answers

General Questions

Question 1 How will any previous discipline that I have been assessed be handled after this Guideline is in effect?

Answer: Prior assessments of discipline will not be modified to conform to these Guidelines. Active discipline will remain on your record subject to discipline free service as outlined on pg. 4. Further discipline will be assessed based on the next step in the progressive discipline process.

Question 2 What if an incident is not listed in this document?

Answer: The offences listed in this document are examples only and not all-inclusive.

Question 3 Are suspensions in calendar days or working days?

Answer: Suspensions are issued in calendar days.

Question 4 My Collective Agreement does not provide for an Admission of Responsibility. May I choose to sign one anyways?

Answer: We recognize that in some cases, the Collective Agreement may not have an Admission of Responsibility provision; however, this does not restrict you from involving your union and electing a decision that best meets your needs.

Question 5 I accidentally made an error/violated a rule/policy (non-major) and immediately notified my supervisor. I have accepted full responsibility for the incident, what will I get for discipline? As information, I am currently at Step 1 of the Non-Major/Attendance Offenses and have a Formal Reprimand on file for missing a call.



Answer: As this is your second Non-Major/Attendance offense you will be at Step 2 of the process. If you waive your rights to a formal investigation, you may receive 10 demerits for this incident.

Question 6 If I am involved in three (3) major incidents in a 12-month period, would I be dismissed?

Answer: Every incident is considered on its own merits. As outlined above, a third Major-Life Threatening/Conduct Unbecoming offense will warrant a minimum 30-calendar day suspension, up to and including a 40-calendar day suspension and/or dismissal.

Question 7 I am an employee with a Major offence on my record that resulted in a 10-calendar day suspension. I am now involved in a non-major disciplinary incident, what are the possible disciplinary consequences that I may face?

Answer: If this is your first offence under the Non-Major category, discipline is based on your decision to accept responsibility and waive the formal investigation; or elect the formal investigation. If you elect admission of responsibility, the maximum discipline you will receive is a formal reprimand whereas you may receive 10 demerits under the formal handling process.

Question 8 I work in the Engineering Department and have received a 10-calendar day suspension. I work a 7 day on, 7 day off work cycle. Will actual calendar days be used when serving suspension purposes?

Answer: Yes.

Question 9 I have no active discipline on my record and am involved in a Non-Major incident and would like to accept responsibility and waive the formal investigation; however, my crewmate is at the fourth step under the Non-Major category. What will occur in the circumstances?

Answer: You will have the option to accept responsibility and will receive a Formal Reprimand; however, you may also be called to attend a statement if your testimony is required to determine what occurred in the incident in question and your crewmate's culpability, if any.