



# Management Information Circular

and Notice of Annual  
Meeting of Shareholders

April 26, 2016



MAKING THE RIGHT  
CONNECTIONS





# Notice of Annual Meeting of Shareholders

Our annual meeting of holders of common shares will be held at

**Le Windsor  
Windsor Ballroom  
1170 Peel Street  
Montreal, Quebec, Canada**

on **Tuesday, April 26, 2016, at 10:00 a.m.**  
(Eastern Daylight Time) for the purposes of:

1. receiving the consolidated financial statements for the year ended December 31, 2015, and the auditors' reports thereon;
2. electing the directors;
3. appointing the auditors;
4. considering and approving, in an advisory, non-binding capacity, a resolution (the full text of which is set out on page 9 of the accompanying management information circular) accepting the Company's approach to executive compensation as disclosed in the "Statement of Executive Compensation" section of the accompanying management information circular;
5. considering a shareholder proposal described in Schedule "A"; and
6. transacting such other business as may properly be brought before the meeting or any adjournment or postponement thereof.

The directors have fixed March 3, 2016, as the Record Date for the determination of the holders of common shares entitled to receive notice of the meeting and vote at the meeting.

By order of the Board of Directors

A handwritten signature in black ink that reads "Sean Finn".

**Sean Finn**  
Executive Vice-President  
Corporate Services and Chief Legal Officer  
and Corporate Secretary

March 8, 2016  
Montreal, Quebec



March 8, 2016

Dear Shareholder:

On behalf of the Board of Directors and management of Canadian National Railway Company (the "Company"), we cordially invite you to attend the annual meeting of shareholders that will be held this year at Le Windsor, Windsor Ballroom, 1170 Peel Street, Montreal, Quebec (Canada) on Tuesday, April 26, 2016, at 10:00 a.m. (Eastern Daylight Time).

This management information circular (the "Information Circular") describes the business to be conducted at the meeting and provides information on executive compensation and CN's governance practices. In addition to these items, we will discuss at the meeting highlights of our 2015 performance and our plans for the future. You will have the opportunity to meet and interact with your directors and the senior officers of the Company.

Your participation in the affairs of the Company is important to us. If you are unable to attend in person, we encourage you to complete and return the enclosed proxy form or voting instruction form in the envelope provided for this purpose so that your views can be represented. Also, it is possible for you to vote over the internet by following the instructions on the enclosed forms. Even if you plan to attend the meeting, you may find it convenient to express your views in advance by completing and returning the proxy form or voting instruction form or by voting over the internet.

If your shares are not registered in your name but are held in the name of a nominee, you may wish to consult the information on page 6 of the Information Circular with respect to how to vote your shares.

A live webcast of the meeting will be available on the Company's website at [www.cn.ca](http://www.cn.ca).

We look forward to seeing you at the meeting.

Sincerely,

A handwritten signature in black ink that reads "Robert Pace".

**Robert Pace**  
Chair of the Board

A handwritten signature in black ink that reads "Claude Mongeau".

**Claude Mongeau**  
President and Chief Executive Officer

# Proxy Summary

The following summary highlights some of the important information you will find in this Information Circular. We recommend that you read the entire Information Circular before voting.

## Shareholder Voting Matters

VOTING MATTERS	BOARD VOTE RECOMMENDATION	FOR MORE INFORMATION SEE PAGE
Election of 11 Directors	FOR each nominee	8, 10
Appointment of KPMG LLP as Auditors	FOR	8
Advisory Resolution on Executive Compensation	FOR	9, 34
Shareholder Proposal – Audit Engagement	AGAINST	9, 70

## Our Director Nominees

NAME	AGE	DIRECTOR SINCE	POSITION	INDEPENDENT	CURRENT COMMITTEE MEMBERSHIP	ATTENDANCE IN 2015	OTHER PUBLIC BOARDS
D.J. Carty	69	2011	Corporate Director	Yes	Audit (Chair) – Compensation – Environment – Governance – Strategic	100%	3
G.D. Giffin	66	2001	Partner, Dentons US LLP	Yes	Audit – Compensation (Chair) – Donations – Investment – Strategic	100%	4
E.E. Holiday	64	2001	Corporate Director and Trustee	Yes	Audit – Compensation – Finance – Investment (Chair) – Strategic	100%	3
V.M. Kempston Darkes	67	1995	Corporate Director	Yes	Audit – Environment (Chair) – Finance – Governance – Strategic	100%	4
D. Losier	63	1994	Corporate Director	Yes	Compensation – Donations – Governance (Chair) – Investment – Strategic	100%	2
K.G. Lynch	65	2014	Vice-Chair, BMO Financial Group	Yes	Compensation – Finance (Chair) – Governance – Strategic – Investment	100%	2
C. Mongeau	54	2009	President and CEO, CN	No	Donations (Chair) – Strategic	60%	1
J.E. O'Connor	66	2011	Corporate Director	Yes	Audit – Compensation – Environment – Finance – Strategic (Chair)	100%	2
R. Pace	61	1994	Chair of the Board, CN President and CEO, The Pace Group	Yes	Donations – Environment – Governance – Strategic	100%	1
R.L. Phillips	65	2014	President, R.L. Phillips Investments Inc.	Yes	Audit – Compensation – Environment – Governance – Strategic	100%	4
L. Stein	54	2014	Executive Vice-President – General Counsel & Corporate Affairs, The Clorox Company	Yes	Audit – Compensation – Environment – Finance – Strategic	97%	1

## Executive Compensation

### Disciplined Approach to Compensation

CN's approach to executive compensation is driven by a commitment to deliver sustainable and solid returns to shareholders. CN exercises a disciplined approach to executive compensation by ensuring that target compensation, while reasonable, supports attraction and retention of executive talent. In addition, short and long-term incentive plans are structured to align realized pay and shareholder returns. Compensation programs are designed to encourage appropriate behaviours and include appropriate risk mitigation mechanisms. The executive compensation policy aims to position total direct compensation between the median and the 60<sup>th</sup> percentile of the executives' respective comparator group. On a constant currency basis, the year-over-year total compensation decreased by 5.6% for the President and CEO and remained unchanged for the other Named Executive Officers ("NEOs") in 2015.

### Highlights of Corporate Governance Best Practices

CN is committed to adhering to the highest standards of corporate governance and our corporate governance practices were designed in a manner consistent with this objective. Some of our best practices are highlighted in the following table.

Size of Board	11
Number of Independent Director Nominees	10
Annual Election of Directors (no staggered term)	Yes
Directors Elected Individually (no slate voting)	Yes
Majority Voting for Directors	Yes
Separate CEO & Chair Positions	Yes
Common Directorships Guidelines (Board Interlocks)	Yes
Board Tenure and Term Limit Guidelines for Board Chair and Committee Chairs	Yes
Stock Ownership Guidelines for Directors and Executives	Yes
Ownership Requirement for Directors and CEO Beyond Board Tenure	Yes
Director Orientation and Continuing Education	Yes
Diversity Policy for Directors	Yes
Code of Business Conduct and Ethics Program	Yes
Annual Advisory Vote on Executive Compensation	Yes
Formal Board Performance Assessment	Yes

### Best Practices Adopted by CN

- ~ 80% of Named Executive Officers' target total direct compensation is variable and linked to CN's performance
- Incentive payout capped and no guaranteed minimum payout
- Inclusion of a relative total shareholder return condition as a performance measure for Performance Share Units
- Stringent stock ownership requirements
- CEO post-retirement shareholding requirement
- Overlap of performance measures for short and long-term incentives to mitigate risk
- Double trigger change of control policy
- Anti-hedging policy on CN securities
- Executive clawback policy
- No employment contracts for NEOs
- Independent executive compensation consultant retained by the Compensation Committee
- Annual "Say on Pay" vote

### Vote Your Shares

Voting by proxy is the easiest way to vote your shares. Please refer to your proxy form or voting instruction form included in this package or to the "Questions & Answers" section on page 5 of this Information Circular for more information on the voting methods available to you.



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## Information Circular

This Information Circular is provided in connection with the solicitation of proxies by management of Canadian National Railway Company for use at the annual meeting of its shareholders or at any adjournment or postponement thereof (the "Meeting"). In this document "you" and "your" refer to the shareholders of, and "CN", the "Company", "we", "us", or "our" refer to Canadian National Railway Company. The Meeting will be held on Tuesday, April 26, 2016, at 10:00 a.m. (Eastern Daylight Time) for the purposes set forth in the foregoing Notice of Meeting. The information contained herein is given as at February 26, 2016, except as indicated otherwise.

*IMPORTANT – If you are not able to attend the Meeting, please exercise your right to vote by signing the enclosed form of proxy or voting instruction form and, in the case of registered shareholders by returning it to Computershare Trust Company of Canada in the enclosed envelope, or by voting over the internet no later than 5:00 p.m. (Eastern Daylight Time) on April 25, 2016, or, if the Meeting is adjourned or postponed, by no later than 5:00 p.m. (Eastern Daylight Time) on the business day prior to the day fixed for the adjourned or postponed meeting. If you are a non-registered shareholder, reference is made to the section entitled "How do I vote if I am a non-registered shareholder?" on page 6 of this Information Circular. If you are a holder of Employee Shares (as such term is defined in this Information Circular), reference is made to the section entitled "How do I vote if I own Employee Shares?" on page 6 of this Information Circular.*

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# Questions and Answers

## Voting and Proxies

The following questions and answers provide guidance on how to vote your shares.

### Who can vote?

Shareholders who were registered as at the close of business on March 3, 2016 (the "Record Date"), will be entitled to vote at the Meeting or at any adjournment or postponement thereof, either in person or by proxy.

As of the close of business on February 26, 2016, the Company had 784,156,495 common shares without par value outstanding. Subject to the voting restrictions described below, each common share carries the right to one vote.

### What are the voting restrictions?

Our articles of continuance, as amended, provide that no person, together with his or her associates, shall hold, beneficially own or control, directly or indirectly, voting shares to which are attached more than 15% in the aggregate of the votes attached to all our voting shares that may ordinarily be cast to elect directors of the Company. In addition, where the total number of voting shares held, beneficially owned or controlled, directly or indirectly, by any one person together with his or her associates exceeds such 15% maximum, no person shall, in person or by proxy, exercise the voting rights attached to the voting shares held, beneficially owned or controlled, directly or indirectly, by such person or his or her associates.

To the knowledge of the directors and senior officers of the Company, based on the most recent publicly available information, the only person who beneficially owns, or directly or indirectly exercises control or direction over, shares carrying 10% or more of the voting rights attached to any class of shares of the Company is Mr. William H. Gates, III. Mr. Gates is the sole member of Cascade Investment, L.L.C. ("Cascade"). Cascade held 100,400,770 common shares of the Company as of February 26, 2016, representing 12.80% of the outstanding common shares of the Company. In addition, Mr. Gates is a co-trustee of the Bill & Melinda Gates Foundation Trust ("Foundation"), which held 17,126,874 common shares of the Company as of February 26, 2016, representing 2.19% of the outstanding common shares of the Company. Hence, as of February 26, 2016, Mr. Gates is deemed to have control or direction over 117,527,644 common shares, representing 14.99% of the outstanding common shares of the Company.

As a result of the share repurchases for cancellation conducted by CN on an ongoing basis under its share repurchase program, the combined holdings of Cascade and the Foundation will likely in the near future exceed 15% of CN's outstanding shares. In such instance where the increase above 15% in shareholdings is caused solely by repurchases conducted by CN, the only consequence to Cascade and the Foundation under CN's articles would be that they may not exercise their voting rights in respect of the common shares that are in excess of the 15% maximum. Cascade and the Foundation would continue to receive their full amount of dividends, including on the CN common shares in excess of 15%, but would be precluded by CN's articles (implemented in accordance with the CN Commercialization Act) from acquiring additional CN common shares.

### What will I be voting on?

Shareholders will be voting (i) to elect directors of the Company, (ii) to appoint KPMG LLP as auditors of the Company, (iii) in an advisory, non-binding capacity, on the approach to executive compensation disclosed in the "Statement of Executive Compensation" section of this Information Circular, and (iv) on a shareholder proposal. Our Board of Directors and our management are recommending that shareholders vote FOR items (i), (ii) and (iii) and AGAINST item (iv).

### How will these matters be decided at the Meeting?

A simple majority of the votes cast, in person or by proxy, will constitute approval of these matters.

### Who is soliciting my proxy?

Management of the Company is soliciting your proxy. The solicitation is being made primarily by mail, but our directors, officers or employees may also solicit proxies at a nominal cost to the Company. The Company has retained and will pay for the services of D.F. King Canada, a division of CST Investor Services Inc. ("D.F. King"), for the solicitation of proxies in Canada and the United States, at an aggregate cost estimated to be approximately C\$30,000 plus additional costs relating to out-of-pocket expenses.

### Who can I call with questions?

If you have questions about the information contained in this Information Circular or require assistance in completing your form of proxy, please call D.F. King, the Company's proxy solicitation agent, toll-free in North America at 1-800-239-6813 or at 1-201-806-7301 outside of North America; or by e-mail at [inquiries@dfking.com](mailto:inquiries@dfking.com).

### How can I contact the transfer agent?

You can contact the transfer agent either by mail at Computershare Trust Company of Canada, 100 University Ave., 8<sup>th</sup> Floor, Toronto (Ontario) M5J 2Y1, by telephone at 1-800-564-6253, by fax at 1-888-453-0330 or by internet at [www.investorcentre.com/service](http://www.investorcentre.com/service), or in French at [www.centredesinvestisseurs.com/service](http://www.centredesinvestisseurs.com/service).

### How do I vote?

If you are eligible to vote and your common shares are registered in your name, you can vote your common shares in person at the Meeting or by proxy, as explained below. If your common shares are held in the name of a nominee, please see the instructions below under "How do I vote if I am a non-registered shareholder?"

## How do I vote if I am a registered shareholder?

### 1. Voting by Proxy

You are a registered shareholder if your name appears on your share certificate or Direct Registration System (DRS). If this is the case, you may appoint someone else to vote for you as your proxy holder by using the enclosed form of proxy. The persons currently named as proxies in such form of proxy are the Board Chair and the President and Chief Executive Officer of the Company. **However, you have the right to appoint any other person or company (who need not be a shareholder) to attend and act on your behalf at the Meeting. That right may be exercised by writing the name of such person or company in the blank space provided in the form of proxy or by completing another proper form of proxy. Make sure that the person you appoint is aware that he or she is appointed and that this person attends the Meeting.**

#### ***How can I send my form of proxy?***

You can either return a duly completed and executed form of proxy to the transfer agent and registrar for the Company's common shares, Computershare Trust Company of Canada, in the envelope provided, or you can vote by phone or over the internet by following the instructions on the form of proxy.

#### ***What is the deadline for receiving the form of proxy?***

The deadline for receiving duly completed forms of proxy or a vote over the internet is 5:00 p.m. (Eastern Daylight Time) on April 25, 2016, or if the Meeting is adjourned or postponed, by no later than 5:00 p.m. (Eastern Daylight Time) on the business day prior to the day fixed for the adjourned or postponed meeting.

#### ***How will my common shares be voted if I give my proxy?***

Your common shares will be voted or withheld from voting in accordance with your instructions indicated on the proxy. If no instructions are indicated, your common shares represented by proxies in favour of the Board Chair or the President and Chief Executive Officer will be voted as follows:

**FOR** the election of management's nominees as directors,

**FOR** the appointment of KPMG LLP as auditors,

**FOR**, in an advisory, non-binding capacity, the approach to executive compensation disclosed in the "Statement of Executive Compensation" section of this Information Circular,

**AGAINST** the approval of the shareholder proposal,

and at the discretion of the proxy holder in respect of amendments to any of the foregoing matters or on such other business as may properly be brought before the Meeting. Should any nominee named herein for election as a director become unable to accept nomination for election, it is intended that the person acting under proxy in favour of management will vote for the election in his or her stead of such other person as management of the Company may recommend. Management has no reason to believe that any of the nominees for election as directors will be unable to serve if elected to office and is not aware of any amendment or other business likely to be brought before the Meeting.

### ***If I change my mind, how can I revoke my proxy?***

You may revoke your proxy at any time by an instrument in writing (which includes another form of proxy with a later date) executed by you, or by your attorney (duly authorized in writing), and (i) deposited with the Corporate Secretary of the Company at the registered office of the Company (935 de La Gauchetière Street West, Montreal, Quebec, Canada, H3B 2M9) at any time up to and including 5:00 p.m. (Eastern Daylight Time) on the last business day preceding the day of the Meeting or any adjournment or postponement thereof, or (ii) filed with the chair of the Meeting on the day of the Meeting or any adjournment or postponement thereof, or in any other manner permitted by law or in the case of a vote over the internet, by way of a subsequent internet vote.

### 2. Voting in person

If you wish to vote in person, you may present yourself to a representative of Computershare Trust Company of Canada at the registration table, the day of the Meeting. Your vote will be taken and counted at the Meeting. **If you wish to vote in person at the Meeting, do not complete or return the form of proxy.**

### **How do I vote if I am a non-registered shareholder?**

If your common shares are not registered in your name and are held in the name of a nominee such as a trustee, financial institution or securities broker, you are a "non-registered shareholder". If your common shares are listed in an account statement provided to you by your broker, those common shares will, in all likelihood, not be registered in your name. Such common shares will more likely be registered under the name of your broker or an agent of that broker. Without specific instructions, brokers and their agents or nominees are prohibited from voting shares for the broker's client. If you are a non-registered shareholder, there are two ways you can vote your common shares, as listed below:

#### 1. Giving your voting instructions

Applicable securities laws require your nominee to seek voting instructions from you in advance of the Meeting. Accordingly, you will receive or have already received from your nominee a voting instruction form for the number of common shares you hold. Every nominee has its own mailing procedures and provides its own signature and return instructions, which should be carefully followed by non-registered shareholders to ensure that their common shares are voted at the Meeting.

#### 2. Voting in person

However, if you wish to vote in person at the Meeting, insert your own name in the space provided on the voting instruction form provided by your nominee to appoint yourself as proxy holder and follow the signature and return instructions of your nominee. Computershare Trust Company of Canada must receive your appointment no later than 5:00 p.m. (Eastern Daylight Time) on April 25, 2016. Non-registered shareholders who appoint themselves as proxy holders should present themselves at the Meeting to a representative of Computershare Trust Company of Canada. Do not otherwise complete the voting instruction form sent to you as you will be voting at the Meeting.

Non-registered shareholders are either "objecting beneficial owners" or "OBOs" who object that intermediaries disclose information about their ownership in the Company, or "non-objecting beneficial owners" or "NOBOs", who do not object to such disclosure. The Company pays intermediaries to send proxy-related materials to OBOs and NOBOs.



## How do I vote if I own Employee Shares?

Common shares purchased by employees of the Company under its Canadian and U.S. Employee Share Investment Plans and its Union and Management Savings Plans for U.S. operations (the “Plans”), are known as “Employee Shares”. Employee Shares remain registered in the name of the Plans’ Custodian (the “Custodian”), unless the employees have withdrawn their common shares from the Plans in accordance with their provisions.

Voting rights attached to the Employee Shares that are registered in the name of the Custodian can be exercised by employees, or their attorneys authorized in writing, by indicating on the enclosed voting instruction form the necessary directions to the Custodian or any other person or company (who need not be a shareholder) as to how they wish their Employee Shares to be voted at the Meeting. Beneficial owners of Employee Shares may also give such voting instructions by telephone or over the internet. The Employee Shares will be voted pursuant to the directions of the beneficial owner. If no choice is specified for an item, the Employee Shares will be voted in accordance with management’s recommendations mentioned above and at the discretion of the Custodian or such other person indicated, in respect of amendments to the items mentioned on the enclosed voting instruction form or on such other business as may properly be brought before the Meeting. Only Employee Shares in respect of which a voting instruction form has been signed and returned (or in respect of which the employee has given voting instructions by telephone or over the internet) will be voted. If you wish to vote Employee Shares in person at the Meeting, refer to paragraph 2 of the section entitled “How do I vote if I am a non-registered shareholder?”

A holder of Employee Shares may revoke his or her directions, as indicated on a voting instruction form, at any time by an instrument in writing executed by the holder of Employee Shares, or by the holder’s attorney duly authorized in writing, provided such written instrument indicating the holder’s intention to revoke is (i) deposited with the Corporate Secretary of CN at the registered office of CN at any time up to and including 5:00 p.m. (Eastern Daylight Time) on the last business day preceding the day of the Meeting or any adjournment or postponement thereof, or (ii) filed with the chair of the Meeting on the day of the Meeting or any adjournment or postponement thereof, or in any other manner permitted by law, or in the case of directions given by telephone or over the internet, by way of subsequent telephone or internet directions.

The voting instruction form must be used only with respect to Employee Shares. In the event that an employee holds common shares outside the Plans, he or she must also complete the enclosed form of proxy with respect to such additional common shares. No form of proxy is to be completed with respect to Employee Shares.

# Business of the Meeting

## Financial Statements

Our consolidated financial statements for the year ended December 31, 2015, together with the auditors' reports thereon, are included in the 2015 Annual Report of the Company, available on our website at [www.cn.ca](http://www.cn.ca), on SEDAR at [www.sedar.com](http://www.sedar.com), in the Company's annual report on Form 40-F available on EDGAR at [www.sec.gov](http://www.sec.gov), and in print, free of charge, to any shareholder who requests a copy by contacting our Corporate Secretary at (514) 399-7091 or Investor Relations at (514) 399-0052.

## Election of Directors

Our articles, as amended, provide that our Board of Directors shall consist of a minimum of seven and a maximum of 21 directors (hereinafter the "Board" or "Board of Directors"). Pursuant to a resolution of the Board of Directors, 11 persons are to be elected as directors for the current year, each to hold office until the next annual meeting of shareholders or until such person's successor is elected or appointed.

The term of office of each of the present directors expires at the close of the Meeting. The persons named in the section entitled "Nominees for Election to the Board—Description of Nominees" will be presented for election at the Meeting as management's nominees. All of the nominees proposed for election as directors are currently directors of the Company. All persons nominated were recommended to the Board of Directors by the Corporate Governance and Nominating Committee.

Unless authority is withheld, the persons designated in the accompanying form of proxy or voting instruction form intend to vote FOR the election of the persons named in the section entitled "Nominees for Election to the Board—Description of Nominees". These nominees are, in the opinion of the Board of Directors and management, well qualified to act as directors of the Company for the ensuing year and have confirmed their willingness to serve as directors. The Board of Directors and management do not contemplate that any of these nominees will be unable to serve as a director, but should that occur for any reason before the Meeting, the persons designated in the accompanying form of proxy or voting instruction form reserve the right

to vote for another nominee at their discretion unless the shareholder who has given such proxy or voting instruction form has directed that the common shares be withheld from voting on the election of any of the directors.

### Majority Voting Policy

The Board of Directors has adopted a policy which is part of our Corporate Governance Manual, to the effect that a nominee for election as a director of the Company who receives a greater number of votes "withheld" than votes "for", with respect to the election of directors by shareholders, will be expected to offer to tender his or her resignation to the Board Chair promptly following the meeting of shareholders at which the director is elected. The Corporate Governance and Nominating Committee will consider such offer and make a recommendation to the Board of Directors whether to accept it or not. The Board of Directors will make its decision and announce it in a press release within 90 days following the meeting of shareholders. The director who offered to tender his or her resignation should not be part of any committee or Board of Directors deliberations pertaining to the resignation offer. This policy only applies in circumstances involving an uncontested election of directors. An "uncontested election of directors" means that the number of director nominees is the same as the number of directors to be elected to the Board and that no proxy material is circulated in support of one or more nominees who are not part of the candidates supported by the Board of Directors.

## Appointment of Auditors

The Board of Directors and the Audit Committee recommend that KPMG LLP be appointed to serve as the Company's auditors until the next annual meeting of shareholders.

KPMG LLP has served as the Company's auditors since 1992. For the years ended December 31, 2015 and 2014, the fees for audit, audit-related, tax and all other services provided to the Company by KPMG LLP were the following:

FEES (IN THOUSANDS)	2015 (C\$)	2014 (C\$)
Audit	2,708	2,728
Audit-related	1,039	1,162
Tax	913	746
All other	17	92
<b>Total Fees</b>	<b>4,677</b>	<b>4,728</b>

Pursuant to the terms of its charter, the Audit Committee approves all audit and audit-related services, audit engagement fees and terms and all non-audit engagements provided by the external auditors. The Audit Committee pre-approved all the services performed by the auditors for audit-related and non-audit related services for the years ended December 31, 2015 and 2014.

The nature of the services under each category is described below.

### Audit Fees

Consist of fees incurred for professional services rendered by the auditors in relation to the audit of the Company's consolidated annual financial statements and those of its subsidiaries, and the audit relating to the Company's internal control over financial reporting.

### Audit-related Fees

Audit-related fees were incurred for professional services rendered by the auditors in relation to the audit of the financial statements for the Company's pension plans, and for attestation services in connection with reports required by statute or regulation and due diligence and other services, including comfort letters, in connection with the issuance of securities.

## Tax fees

Consist of fees incurred for consultations on cross-border tax implications for employees and tax compliance.

## All other fees

Consist primarily of fees related to data analytics assistance (2015) and for services related to a foreign subsidiary (2014).

Unless authority is withheld, the persons designated in the accompanying form of proxy or voting instruction form intend to vote FOR the appointment of KPMG LLP as auditors of the Company to hold office until the next annual meeting of shareholders.

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## Advisory Vote on Executive Compensation

The Company is again providing its shareholders with an opportunity to cast at the Meeting an advisory vote on the Company's approach to executive compensation, as disclosed in the "Statement of Executive Compensation" section of this Information Circular. Such section describes the role of the Human Resources and Compensation Committee in overseeing compensation of executives and ensuring that it is linked to the Company's three-year business plan. The section also describes the Company's executive compensation principles, the structure of the compensation plans for executives, and the alignment of such plans with the interests of our shareholders.

The Board of Directors recommends that shareholders vote FOR the resolution set out below and, unless otherwise instructed, the persons designated in the form of proxy intend to vote FOR the following resolution:

"RESOLVED that, on an advisory basis and not to diminish the role and responsibilities of the Board of Directors, the shareholders accept the approach to executive compensation disclosed in the section entitled 'Statement of Executive Compensation' of the Information Circular of the Company dated March 8, 2016."

The Board of Directors has adopted a policy to the effect that, if a majority of the shares represented in person or by proxy at the meeting are voted against the above non-binding advisory resolution, the Board Chair or the Chair of the Human Resources and Compensation Committee will oversee a process to engage with shareholders with a view to giving them the opportunity to express their specific concerns. The Board of Directors and the Human Resources and Compensation Committee will consider the results of this process and, if appropriate, review the Company's approach to executive compensation in the context of shareholders' specific concerns.

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## Considering a Shareholder Proposal

You will be voting on a shareholder proposal that has been submitted for consideration at the Meeting. The full text of the proposal and supporting statement, together with the Board of Directors' recommendation, is set out in Schedule "A".

The Board of Directors recommends that shareholders vote AGAINST the shareholder proposal set out in Schedule "A", and unless otherwise instructed, the persons designated in the form of proxy or voting instruction form intend to vote AGAINST the shareholder proposal.

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## Other Business

Following the conclusion of the formal business to be conducted at the Meeting, we will:

- discuss highlights of our 2015 performance and plans for the future, and
- invite questions and comments from shareholders.

As of the date of this Circular, management is not aware of any changes to these items and does not expect any other items to be brought forward at the Meeting. If there are changes or new items, your proxyholder can vote your shares on these items as he or she sees fit.

# Nominees for Election to the Board

## Description of Nominees

The following tables set out information as of February 26, 2016, unless otherwise indicated, and include a profile of each nominated director with an explanation of his or her experience, qualifications, top three competencies, participation on the Board and its committees, ownership of securities of CN, as well as participation on the boards of other public companies during the past five years. A more detailed description of our directors' competencies can be found under the heading "Competency Matrix" in the section entitled "Statement of Corporate Governance Practices". All nominees are current directors of the Company.



**Donald J. Carty,  
O.C., LL.D.**  
**Corporate Director**  
Age: 69<sup>(1)</sup>  
**Texas, U.S.A.**  
Director Since:  
**January 1, 2011**  
**Independent**

### Principal Competencies

- Strategy
- Finance/Accounting
- Human Resources

MEMBER OF <sup>(6)</sup>	ATTENDANCE 2015
Board	100%
Audit Committee (Chair)	100%
Corporate Governance and Nominating Committee	100%
Environment, Safety and Security Committee	100%
Human Resources and Compensation Committee	100%
Strategic Planning Committee	100%
<b>2015 VOTES IN FAVOUR</b>	<b>99.19%</b>

Mr. Carty retired as Vice-Chairman and Chief Financial Officer of Dell, Inc. (computer manufacturer) a position he assumed from January 2007 until June 2008 and as Chairman and CEO of AMR Corporation and American Airlines in 2003, after 30 years in the airline business, where he previously served as President and Executive Vice-President of Finance & Planning of AMR Airline Group and American Airlines. He was President and CEO of CP Air from 1985 to 1987.

In the voluntary sector, Mr. Carty is on the Executive Board of the SMU Cox School of Business. He is a former Chairman of Big Brothers Big Sisters of America. In 1999, Board Alert named Mr. Carty one of the year's Outstanding Directors and in 2015, he was named to the top 100 of the National Association of Corporate Director's List. He was named an Officer of the Order of Canada in 2003.

In addition to serving on the public boards mentioned in the following table, Mr. Carty serves as Chairman of the board of Porter Airlines, Inc.

Mr. Carty holds a B.A. and an Honorary Doctor of Laws from Queen's University and an MBA from Harvard Business School.

OTHER PUBLIC BOARDS DURING PAST 5 YEARS	
EMC Corporation	(2015-present)
VMWare, Inc.	(2015-present)
Virgin America Inc. (Chairman)	(2006-present)
Talisman Energy Inc.	(2009-2015)
Gluskin, Sheff & Associates Inc.	(2006-2013)
Barrick Gold Corporation	(2006-2013)
Dell, Inc.	(1992-2013)
Hawaiian Holdings, Inc.	(2004-2011)

SECURITIES HELD	
VALUE AT RISK	C\$6,132,584 <sup>(3)</sup>
Common Shares Owned or Controlled <sup>(2)</sup>	
February 2016	77,678
February 2015	56,667



**Ambassador  
Gordon D. Giffin**  
**Partner, Dentons  
US LLP**  
Age: 66<sup>(1)</sup>  
**Georgia, U.S.A.**  
Director Since:  
**May 1, 2001**  
**Independent**

### Principal Competencies

- Public Policy
- Legal
- Human Resources

MEMBER OF <sup>(6)</sup>	ATTENDANCE 2015
Board	100%
Human Resources and Compensation Committee (Chair)	100%
Audit Committee	100%
Donations and Sponsorships Committee <sup>(5)</sup>	100%
Investment Committee of CN's Pension Trust Funds <sup>(5)</sup>	100%
Strategic Planning Committee	100%
<b>2015 VOTES IN FAVOUR</b>	<b>95.63%</b>

Mr. Giffin is a Partner and the Chair of the Public Policy and Regulation practice at Dentons US LLP (law firm), where he maintains offices in Washington, D.C. and Atlanta. He has been engaged in the practice of law or government service for more than thirty-five years. Mr. Giffin was United States Ambassador to Canada from 1997 to 2001.

Mr. Giffin is a member of the Board of Trustees of the Jimmy Carter Presidential Center and is a member of the Council on Foreign Relations and the Tri-Lateral Commission.

In addition to serving on the public boards mentioned in the following table, Mr. Giffin serves on the Board of Counsellors of McLarty Global.

Mr. Giffin holds a B.A. from Duke University and a J.D. from Emory University School of Law.

OTHER PUBLIC BOARDS DURING PAST 5 YEARS	
Element Financial Corporation	(2013-present)
Canadian Natural Resources Limited (Lead Director)	(2002-present)
TransAlta Corporation (Chair)	(2002-present)
Canadian Imperial Bank of Commerce	(2001-present)
Just Energy Group Inc.	(2006-2015)

SECURITIES HELD	
VALUE AT RISK	C\$7,252,946 <sup>(3)</sup>
Common Shares Owned or Controlled <sup>(2)</sup>	
February 2016	91,869
February 2015	87,265



**Edith E. Holiday**  
**Corporate Director & Trustee**

Age: 64<sup>(1)</sup>

Florida, U.S.A.

Director Since:  
**June 1, 2001**

**Independent**

**Principal Competencies**

- Legal
- Public Policy
- Strategy

Ms. Holiday is a Corporate Director and Trustee and a former General Counsel, United States Treasury Department and former Secretary of the Cabinet, The White House.

Ms. Holiday serves on the public boards mentioned in the following table.

She was also the recipient of the Direct Women's 2009 Sandra Day O'Connor Board Excellence Award, which honours women who have served with distinction on the board of a public company and advanced the value of diversity in the workplace. She is also the recipient of the Secretary of the Treasury's highest award, the Alexander Hamilton Award.

Ms. Holiday holds a B.S. and a J.D. from the University of Florida, and she was admitted to the bars of the states of Florida, Georgia and the District of Columbia.

MEMBER OF <sup>(6)</sup>	ATTENDANCE 2015
Board	100%
Investment Committee of CN's Pension Trust Funds <sup>(5)</sup> (Chair)	100%
Audit Committee	100%
Corporate Governance and Nominating Committee <sup>(6)</sup>	100%
Finance Committee	100%
Human Resources and Compensation Committee	100%
Strategic Planning Committee	100%
<hr/>	
2015 VOTES IN FAVOUR	98.59%

OTHER PUBLIC BOARDS DURING PAST 5 YEARS	
White Mountains Insurance Group, Ltd.	(2004-present)
Franklin Templeton Group of Funds (various companies)	(1996-present)
Hess Corporation	(1993-present)
RTI International Metals, Inc.	(1999-2015)
H.J. Heinz Company	(1994-2013)

SECURITIES HELD	
VALUE AT RISK	C\$8,370,861 <sup>(3)</sup>
<hr/>	
Common Shares Owned or Controlled <sup>(2)</sup>	
February 2016	106,029
February 2015	101,737



**V. Maureen Kempston Darkes,**  
**O.C., D. COMM., LL.D.**  
**Corporate Director**

Age: 67<sup>(1)</sup>

Ontario, Canada  
 Florida, U.S.A.

Director Since:  
**March 29, 1995**

**Independent**

**Principal Competencies**

- Transport Industry/ Safety
- Sales/Marketing
- Human Resources

Ms. Kempston Darkes is the retired Group Vice-President and President Latin America, Africa and Middle East, General Motors Corporation. In 2009, she ended a 35-year career at GM during which she attained the highest operating position ever held by a woman at GM. From 1994 to 2001, she was President and General Manager of General Motors of Canada Limited and Vice-President of General Motors Corporation.

She is an Officer of the Order of Canada, a member of the Order of Ontario and was ranked by Fortune magazine in 2009 as the 12<sup>th</sup> Most Powerful Woman in International Business and amongst the top 100 most powerful women in Canada in 2012. In 2006, she was the recipient of the Governor General of Canada's Awards in Commemoration of the Persons Case and was inducted as a fellow of the Institute of Corporate Directors in 2011. She has also been appointed by the Government of Canada to the Science, Technology and Innovation Council and the Advisory Council for Promoting Women on Boards. In addition to serving on the public boards mentioned in the following table, Ms. Kempston Darkes is also a director of Irving Oil Company Ltd.

Ms. Kempston Darkes has received Honorary Doctor of Law Degrees from the University of Toronto and the University of Victoria, as well as an Honorary Doctor of Commerce from Saint Mary's University. She holds a B.A. in history and political science from Victoria University and the University of Toronto and an LL.B. from the University of Toronto Faculty of Law.

MEMBER OF <sup>(6)</sup>	ATTENDANCE 2015
Board	100%
Environment, Safety and Security Committee (Chair)	100%
Audit Committee	100%
Corporate Governance and Nominating Committee	100%
Finance Committee	100%
Human Resources and Compensation Committee <sup>(6)</sup>	100%
Strategic Planning Committee	100%
<hr/>	
2015 VOTES IN FAVOUR	96.51%

OTHER PUBLIC BOARDS DURING PAST 5 YEARS	
Schlumberger Limited	(2014-present)
Balfour Beatty Plc.	(2012-present)
Enbridge Inc.	(2010-present)
Brookfield Asset Management Inc.	(2008-present)

SECURITIES HELD	
VALUE AT RISK	C\$14,521,590 <sup>(3)</sup>
<hr/>	
Common Shares Owned or Controlled <sup>(2)</sup>	
February 2016	183,934
February 2015	179,464



**The Hon. Denis Losier,**  
P.C., LL.D., C.M.

**Corporate Director**

Age: 63<sup>(1)</sup>

**New Brunswick, Canada**

Director Since:  
**October 25, 1994**

**Independent**

**Principal Competencies**

- Finance/Accounting
- Human Resources
- Sales/Marketing

The Honorable Denis Losier is the retired President and Chief Executive Officer of Assumption Life (life insurance company). Between 1989 and 1994, Mr. Losier held various cabinet level positions with the government of the Province of New Brunswick, including Minister of Fisheries and Aquaculture and Minister of Economic Development and Tourism.

Mr. Losier was co-chair of the University of Moncton's Excellence Campaign. In 2008, he was named a member of the Security Intelligence Review Committee of Canada, and, as such, became a member of the Privy Council. In addition to serving on the public boards mentioned in the following table, Mr. Losier is a director of Enbridge Gas New Brunswick and is the past chair of the board of directors of Invest N.B. He is also a past member and director of the New Brunswick Business Council and Canadian Blood Services, respectively. Mr. Losier was appointed a Member of the Order of Canada in 2011. Mr. Losier holds a Bachelor of Economics from the University of Moncton and a Masters of Economics from the University of Western Ontario. Mr. Losier was awarded an Honorary Doctorate Degree in Business Administration from the University of Moncton.

MEMBER OF <sup>(6)</sup>	ATTENDANCE 2015
Board	100%
Corporate Governance and Nominating Committee (Chair)	100%
Audit Committee <sup>(8)</sup>	100%
Donations and Sponsorships Committee <sup>(5)</sup>	100%
Human Resources and Compensation Committee	100%
Investment Committee of CN's Pension Trust Funds <sup>(5)</sup>	100%
Strategic Planning Committee	100%
<hr/>	
2015 VOTES IN FAVOUR	96.36%

OTHER PUBLIC BOARDS DURING PAST 5 YEARS	
Capital DGMC Inc. (Chairman)	(2013-present)
Plaza Retail REIT	(2007-present)
NAV CANADA	(2004-2013)
XL-ID Solutions Inc. (formerly, Excellium Inc.)	(2013)
<hr/>	
SECURITIES HELD	
VALUE AT RISK	C\$22,426,931 <sup>(3)</sup>
Common Shares Owned or Controlled <sup>(2)</sup>	
February 2016	284,065
February 2015	288,532



**The Hon. Kevin G. Lynch,**  
P.C., O.C., PH.D., LL.D.

**Vice-Chair, BMO  
Financial Group**

Age: 65<sup>(1)</sup>

**Ontario, Canada**

Director Since:  
**April 23, 2014**

**Independent**

**Principal Competencies**

- Public Policy
- Finance/Accounting
- Strategy

The Honorable Kevin G. Lynch is Vice-Chair, BMO Financial Group. In this role, Dr. Lynch is a key strategic advisor to senior management. He represents BMO in domestic and international markets.

Prior to joining BMO, Dr. Lynch built a distinguished career in the Government of Canada. Before his retirement in 2009, he served as Clerk of the Privy Council, Secretary to the Cabinet, and Head of the Public Service of Canada. Dr. Lynch began his public service career at the Bank of Canada in 1976 and has held a number of senior positions in the Government of Canada. These included the post of Deputy Minister of Industry, from 1995 to 2000, and Deputy Minister of Finance, from 2000 to 2004. From 2004 to 2006, he served as Executive Director (for the Canadian, Irish and Caribbean constituency) at the International Monetary Fund in Washington, D.C.

In addition to serving on the public boards mentioned in the following table, Dr. Lynch is the past Chair of the Board of Governors of the University of Waterloo, the Chancellor of King's University and serves on several other boards, including those of the Asia Pacific Foundation, the Rideau Hall Foundation and the Ditchley Foundation. Dr. Lynch is also a member of the World Economic Forum's Global Policy Councils.

Dr. Lynch has received honorary degrees from eight Canadian universities and was made a Member of the Queen's Privy Council for Canada in 2009, and an Officer of the Order of Canada in 2011. He has been awarded the Distinguished Alumni Award from McMaster University and the Queen's Golden Jubilee Medal.

The Honorable Kevin G. Lynch earned his master's in Economics from the University of Manchester and a doctorate in Economics from McMaster University.

MEMBER OF <sup>(6)</sup>	ATTENDANCE 2015
Board	100%
Corporate Governance and Nominating Committee	100%
Environment, Safety and Security Committee <sup>(8)</sup>	100%
Finance Committee (Chair)	100%
Human Resources and Compensation Committee	100%
Investment Committee of CN's Pension Trust Funds <sup>(5)</sup>	100%
Strategic Planning Committee	100%
<hr/>	
2015 VOTES IN FAVOUR	99.69%

OTHER PUBLIC BOARDS DURING PAST 5 YEARS	
CNOOC Limited	(2014-present)
Empire Company Limited (Sobey's)	(2013-present)
<hr/>	
SECURITIES HELD	
VALUE AT RISK	C\$1,004,402 <sup>(3)</sup>
Common Shares Owned or Controlled <sup>(2)</sup>	
February 2016	12,722
February 2015	6,752



**Claude Mongeau**  
**President & CEO, CN**

Age: 54<sup>(1)</sup>

Quebec, Canada

Director Since:  
**October 20, 2009**

**NOT Independent**

**Principal Competencies**

- Strategy
- Transport Industry/Safety
- Finance/Accounting

Mr. Mongeau became President and Chief Executive Officer of the Company on January 1, 2010. In 2000, he was appointed Executive Vice-President and Chief Financial Officer of the Company and held such position until June 1, 2009. Prior to this, he held the positions of Vice-President, Strategic and Financial Planning and Assistant Vice-President, Corporate Development upon joining the Company in 1994. In 2005, he was selected Canada's CFO of the Year by an independent committee of prominent Canadian business leaders.

Prior to joining CN, Mr. Mongeau was a partner with Secor Group, a Montreal-based management consulting firm. He also worked in the business development unit of Imasco Inc. and as a consultant at Bain & Company.

Mr. Mongeau also serves as Chairman of the Board of the Railway Association of Canada.

Mr. Mongeau holds an MBA from McGill University.

MEMBER OF <sup>(6)</sup>	ATTENDANCE 2015
Board	64%
Donations and Sponsorships Committee (Chair) <sup>(5)</sup>	67%
Strategic Planning Committee	33%
<hr/>	
2015 VOTES IN FAVOUR	98.42%

OTHER PUBLIC BOARDS DURING PAST 5 YEARS	
TD Bank	(2015-present)
SNC-Lavalin Group Inc.	(2003-2015)

SECURITIES HELD			
VALUE AT RISK		C\$44,902,576 <sup>(3)</sup>	
Common Shares Owned or Controlled <sup>(2)</sup>		Stock Options Held <sup>(4)</sup>	
February 2016	568,747	February 2016	1,748,000
February 2015	477,653	February 2015	1,738,000



**James E. O'Connor**  
**Corporate Director**

Age: 66<sup>(1)</sup>

Florida, U.S.A.

Director Since:  
**April 27, 2011**

**Independent**

**Principal Competencies**

- Strategy
- Engineering/Environment
- Human Resources

Mr. O'Connor is the retired chair of the board of directors of Republic Services, Inc., a leading provider of non-hazardous solid waste collection, recycling and disposal services in the United States. From 1998 to 2011, Mr. O'Connor was chair and Chief Executive Officer of Republic Services, Inc. Prior to 1998, he had held various management positions at Waste Management, Inc.

In 2001, Mr. O'Connor was the recipient of the Ellis Island Medal of Honor from the National Ethnic Coalition of Organizations (NECO) which rewards Americans who exemplify outstanding qualities in both their personal and professional lives, while continuing to preserve the richness of their particular heritage. He was named to the list of America's Best CEOs each year, between 2005 and 2010. In 2011, Mr. O'Connor was named to the Institutional Investors' All American Executive Team. He is also active in many community causes, especially those that benefit children. Mr. O'Connor has served on the board of directors of the SOS Children's Village. In addition to serving on the public boards mentioned in the following table, Mr. O'Connor also serves on the board of directors of the South Florida P.G.A. of America Foundation.

Mr. O'Connor holds a Bachelor of Science in Commerce (concentration in accounting) from DePaul University.

MEMBER OF <sup>(6)</sup>	ATTENDANCE 2015
Board	100%
Strategic Planning Committee (Chair)	100%
Audit Committee	100%
Environment, Safety & Security Committee	100%
Finance Committee	100%
Human Resources and Compensation Committee	100%
<hr/>	
2015 VOTES IN FAVOUR	99.75%

OTHER PUBLIC BOARDS DURING PAST 5 YEARS	
Casella Waste Systems, Inc. (Lead Director)	(2015-present)
Clean Energy Fuels Corp.	(2011-present)
Republic Services, Inc.	(1998-2011)

SECURITIES HELD			
VALUE AT RISK		C\$2,018,089 <sup>(3)</sup>	
Common Shares Owned or Controlled <sup>(2)</sup>			
February 2016		25,562	
February 2015		21,678	



**Robert Pace,**  
D. COMM.  
**Chair of the Board, CN  
President & CEO,  
The Pace Group**

Age: 61<sup>(1)</sup>

Nova Scotia, Canada

Director Since:  
October 25, 1994

Independent

**Principal Competencies**

- Human Resources
- Transport Industry/Safety
- Strategy

Mr. Pace is President and Chief Executive Officer, The Pace Group (radio broadcasting, real estate development and environmental services). He began his professional career practicing law in Halifax. In 1981, he accepted an appointment to act as the Atlantic Advisor to the Prime Minister of Canada, the Right Honorable Pierre Elliott Trudeau, in Ottawa.

In addition to serving on the public boards mentioned in the following table, Mr. Pace is also Chairman of the Walter Gordon Foundation, a director of the Atlantic Salmon Federation and former director of the Asia Pacific Foundation.

Mr. Pace holds an MBA and an LL.B from Dalhousie University and holds an Honorary Doctor of Commerce Degree from Saint Mary's University.

Mr. Pace has also completed Corporate Director education programs at both Harvard and Chicago Business Schools.

MEMBER OF <sup>(6)</sup>	ATTENDANCE 2015
Board (Chair)	100%
Corporate Governance and Nominating Committee	100%
Donations and Sponsorships Committee <sup>(5)</sup>	100%
Environment, Safety & Security Committee	100%
Human Resources and Compensation Committee <sup>(8)</sup>	100%
Strategic Planning Committee	100%
<b>2015 VOTES IN FAVOUR</b>	<b>96.71%</b>

OTHER PUBLIC BOARDS DURING PAST 5 YEARS	
High Liner Foods Incorporated	(1998-present)
Hydro One Inc.	(2007-2015)
SECURITIES HELD	
VALUE AT RISK	C\$24,309,968 <sup>(3)</sup>
Common Shares Owned or Controlled <sup>(2)</sup>	
February 2016	307,916
February 2015	299,124



**Robert L. Phillips**  
**President, R.L. Phillips  
Investments Inc.**

Age: 65<sup>(1)</sup>

British  
Columbia, Canada

Director Since:  
April 23, 2014

Independent

**Principal Competencies**

- Transport Industry/Safety
- Strategy
- Sales/Marketing

Mr. Phillips is the President of R.L. Phillips Investments Inc. and was previously President and Chief Executive Officer and director of British Columbia Railway Company Limited from 2001 to 2004. Mr. Phillips was Executive Vice-President, Business Development and Strategy for MacMillan Bloedel Ltd. and, before that, held the position of Chief Executive Officer at PTI Group and Dreco Energy Services Limited. He also enjoyed a prestigious career as a corporate lawyer and was appointed to the Queen's Counsel in Alberta in 1991.

Mr. Phillips serves on the public boards mentioned in the following table. He has also served as a director of the Canadian Chamber of Commerce, as a member of the Alberta Economic Development Authority (AEDA) and as a director of the Export and Trade Committee of the AEDA.

Mr. Phillips received his Bachelor of Laws (Gold Medalist), and Bachelor of Science, Chemical Engineering (Hons) from the University of Alberta.

MEMBER OF <sup>(6)</sup>	ATTENDANCE 2015
Board	100%
Audit Committee	100%
Corporate Governance and Nominating Committee	100%
Environment, Safety & Security Committee	100%
Human Resources and Compensation Committee	100%
Strategic Planning Committee	100%
<b>2015 VOTES IN FAVOUR</b>	<b>98.87%</b>

OTHER PUBLIC BOARDS DURING PAST 5 YEARS	
West Fraser Timber Co. Ltd (Lead Director)	(2005-present)
Precision Drilling Corporation (Chairman)	(2004-present)
MacDonald Dettwiler & Associates Ltd. (Chairman)	(2003-present)
Canadian Western Bank (Chair)	(2001-present)
Axia NetMedia Corporation	(2000-2014)
Epcor Utilities Inc.	(2005-2014)
Capital Power Corporation	(2009-2013)
Terra Vest Income Fund	(2004-2012)
SECURITIES HELD	
VALUE AT RISK	C\$1,446,206 <sup>(3)</sup>
Common Shares Owned or Controlled <sup>(2)</sup>	
February 2016	18,318
February 2015	12,377





**Laura Stein**  
**Executive Vice-President – General Counsel & Corporate Affairs, The Clorox Company**

Age: 54<sup>(1)</sup>

California, U.S.A.

Director Since:  
**April 23, 2014**

**Independent**

**Principal Competencies**

- Legal
- Engineering/Environment
- Finance/Accounting

Ms. Stein is the Executive Vice-President – General Counsel & Corporate Affairs of The Clorox Company (marketer and manufacturer of consumer products) where she serves on the executive committee. From 2000 to 2005, Ms. Stein was Senior Vice-President, General Counsel of the H.J. Heinz Company. She was also previously a corporate lawyer with Morrison & Foerster in San Francisco and Hong Kong. Ms. Stein is a director of Franklin Resources, Inc. and a former director of Nash Finch Company and serves on the boards of several not-for-profit organizations, including Corporate Pro Bono, Equal Justice Works, the Leadership Council on Legal Diversity and the Association of General Counsel. Previously, Ms. Stein was chair of the Association of Corporate Counsel, co-chair of the General Counsel Committee of the ABA Business Law Section and a director of the Pittsburgh Ballet Theater.

Ms. Stein has received the Margaret Brent Award, the American Bar Association’s highest award for women lawyers; the Sandra Day O’Connor Board Excellence Award; and the Corporate Board Member America’s Top General Counsel Recognition Award.

Ms. Stein received her J.D. from Harvard Law School, and is a graduate of Dartmouth College where she earned an undergraduate and master’s degrees.

MEMBER OF <sup>(6)</sup>	ATTENDANCE 2015
Board	91% <sup>(7)</sup>
Audit Committee	100%
Environment, Safety & Security Committee	100%
Finance Committee	100%
Human Resources and Compensation Committee	100%
Strategic Planning Committee	100%
<b>2015 VOTES IN FAVOUR</b>	
	<b>99.74%</b>

OTHER PUBLIC BOARDS DURING PAST 5 YEARS	
Franklin Resources Inc.	(2005-present)
SECURITIES HELD	
VALUE AT RISK	C\$968,544 <sup>(3)</sup>
Common Shares Owned or Controlled <sup>(2)</sup>	
February 2016	12,268
February 2015	6,610

- (1) The age of the directors is provided as at April 26, 2016, the date of the Meeting.
- (2) The information regarding common shares beneficially owned, controlled or directed has been furnished by the respective nominees individually and includes Deferred Share Units (“DSUs”) under the Deferred Share Unit Plan for Directors (“DSU Plan”) in the case of non-executive directors. In the case of Claude Mongeau, it includes DSUs under the Company’s Voluntary Incentive Deferral Plan (“VIDP”), but does not include common shares under stock options. For further details on the VIDP, please see the “Deferred Compensation Plans” section and for further information on the DSU Plan, please see the “Board of Directors Compensation” section of this Information Circular.
- (3) The Value at Risk represents the total value of common shares and DSUs, which total value is based on the February 26, 2016 closing price of the common shares on the Toronto Stock Exchange (C\$78.95) or, for Donald J. Carty, Ambassador Gordon D. Giffin, Edith E. Holiday, James E. O’Connor and Laura Stein, the New York Stock Exchange (U.S.\$58.42) using the closing exchange rate (U.S.\$1.00 = C\$1.3514) on the same date.
- (4) The information regarding stock options comprises the stock options granted to Claude Mongeau under the Management Long-Term Incentive Plan. For further details on the plan, please see the “Statement of Executive Compensation” section of this Information Circular.
- (5) The Donations and Sponsorships Committee and the Investment Committee of CN’s Pension Trust Funds are mixed committees composed of both members of the Board of Directors, as well as officers of the Company.
- (6) For a detailed review of the Board and committee attendance by director nominees, please refer to the Attendance Table found in the “Statement of Corporate Governance Practices” section of this Information Circular.
- (7) Laura Stein attended 10 out of 11 Board meetings in 2015. She was unable to participate in one telephonic special Board meeting.
- (8) Stepped down from the Committee on April 21, 2015.

## Additional Disclosure Relating to Directors

As of the date hereof, to the knowledge of the Company and based upon information provided to it by the nominees for election to the Board of Directors, no such nominee is or has been, in the last 10 years, a director or executive officer of any company that, while such person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, except for the following:

- (i) Mr. Mongeau, a director and the President and Chief Executive Officer of the Company, became a director of Nortel Networks Corporation (“NNC”) and Nortel Networks Limited (“NNL”) on June 29, 2006. On January 14, 2009, NNC, NNL and certain other Canadian subsidiaries initiated creditor protection proceedings under the CCAA in Canada. Certain U.S. subsidiaries filed voluntary petitions in the United States under Chapter 11 of the U.S. Bankruptcy Code, and certain Europe, Middle East and Africa subsidiaries made consequential filings in Europe and the Middle East. Mr. Mongeau resigned as a director of NNC and NNL effective August 10, 2009;
- (ii) Ms. Kempston Darkes, a director of the Company, was an officer of General Motors Corporation (“GM”) when GM filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code on

June 1, 2009. None of the operations for which she was directly responsible in Latin America, Africa and the Middle East were included in the bankruptcy filing. GM emerged from bankruptcy protection on July 10, 2009, in a reorganization in which a new entity acquired GM’s most valuable assets. Ms. Kempston Darkes retired as a GM officer on December 1, 2009;

- (iii) Mr. Giffin, a director of the Company, was a director of AbitibiBowater Inc. AbitibiBowater Inc. and certain of its U.S. and Canadian subsidiaries filed voluntary petitions in the United States under Chapter 11 of the U.S. Bankruptcy Code on April 16, 2009. AbitibiBowater Inc. and certain of its Canadian subsidiaries filed for creditor protection under the CCAA in Canada on April 17, 2009. Mr. Giffin resigned as a director of AbitibiBowater Inc. on January 22, 2009; and
- (iv) Mr. Losier, a director of the Company, was a director of XL-ID Solutions Inc. (formerly, Excellium Inc.) (“XL-ID”) from July 23, 2013 to August 29, 2013. On January 3, 2014, XL-ID announced that it had submitted a proposal to its creditors under the *Bankruptcy and Insolvency Act* (Canada). On February 13, 2014, XL-ID announced that it had received a final order from the Superior Court of Quebec approving the proposal approved by its creditors.

# Board of Directors Compensation

CN's compensation program is designed to attract and retain the most qualified people to serve on CN's Board and its committees and takes into account the risks and responsibilities of being an effective director. To reflect the Company's extensive operations in the United States and the Company's need to attract and retain directors with experience in doing business in the United States, the compensation of the non-executive directors of the Company is designed to be comparable to that of large U.S.-based companies.

The Board sets the compensation of non-executive directors based on the Corporate Governance and Nominating Committee's recommendations. This Committee regularly reviews the compensation of non-executive directors and recommends to the Board such adjustments as it considers appropriate and necessary to recognize the workload, time commitment and responsibility of the Board and committee members and to remain competitive with director compensation trends in Canada and the U.S. Any director who is also an employee of the Corporation or of any of its affiliates, does not receive any compensation as a director.

In 2014 the Corporate Governance and Nominating Committee undertook a review of compensation arrangements for non-executive directors, which had last been reviewed in 2011. In October 2014, the Corporate Governance and Nominating Committee retained the

services of Willis Towers Watson to provide expertise and advice on a compensation market review for the non-executive directors. For this study, the Corporate Governance and Nominating Committee asked Willis Towers Watson to assist in the determination of the appropriate comparator groups for CN non-executive directors, review the level and form of directors' compensation for the comparator groups, and review the trends in level and form of director compensation in Canada and the U.S.

Following such review of the compensation arrangements for non-executive directors, the Board, upon the advice of the Corporate Governance and Nominating Committee, approved revisions to non-executive directors' compensation, which became effective on January 1, 2015, and consisted of the adoption of an all-inclusive annual retainers structure. Board and committee meeting attendance fees, as well as travel attendance fees were eliminated and such variable compensation is now included in the existing Board and committee retainers which have been increased slightly given that they now apply regardless of the number of meetings attended by directors. The new flat fee compensation structure was set for two years starting in 2015. This approach was found to be consistent with the compensation trends of the comparator groups, adds predictability of compensation paid to non-executive directors, and is simpler to administer.

## Comparator Groups

In late 2014, Willis Towers Watson compared CN's non-executive directors compensation against three separate comparator groups: (i) selected Class I Railroads (see following table) composed of the same companies used for benchmarking the Named Executive Officers' compensation, given CN is one of the Class I Railroads; (ii) a Canadian peer group of companies (see following table) with comparable size to CN in terms of revenues and market capitalization, given CN is a Canadian company competing to attract and retain Canadian directors; and (iii) the U.S. companies comprised of the Standard and Poor's 500 Index, given CN's extensive operations in the U.S. and because CN needs to attract and retain several U.S.-based directors. When compared to these comparator groups, Willis Towers Watson indicated that CN's compensation for non-executive directors was well-aligned with the upper end of each of these comparator groups.

### Selected Class I Railroads

#### COMPANY NAME

Union Pacific Corporation (U.S.)  
Norfolk Southern Corporation (U.S.)  
Canadian Pacific Railway Ltd. (Cdn.)  
CSX Corporation (U.S.)

### Canadian Peer Group of Companies

COMPANY NAME	PRIMARY INDUSTRY
Agrium Inc.	Chemicals
Air Canada	Airlines
Bank of Montreal	Banks
Barrick Gold Corporation	Metals & Mining
BCE Inc.	Diversified Telecommunication
Bombardier Inc.	Aerospace & Defense
Canadian Imperial Bank of Commerce	Banks
Canadian Natural Resources Ltd.	Oil, Gas and Consumable Fuels
Canadian Pacific Railway Ltd.	Road & Rail
Canadian Tire Corporation	Multiline Retail
Cenovus Energy Inc.	Oil, Gas and Consumable Fuels
CGI Group Inc.	IT services
Manulife Financial Corporation	Insurance
Potash Corporation of Saskatchewan	Chemicals
Rogers Communications Inc.	Diversified Telecommunication
Sun Life Financial Inc.	Insurance
Suncor Energy Inc.	Oil, Gas and Consumable Fuels
Teck Resources Ltd.	Metals & Mining
Telus Corporation	Diversified Telecommunication
Thomson Reuters Corporation	Media
TransCanada Corporation	Oil, Gas and Consumable Fuels

## Compensation Levels

The following table shows the compensation levels for CN's non-executive directors during 2015. The Corporate Governance and Nominating Committee reviewed the compensation levels for CN's non-executive directors in late 2015 and in light of the new flat fee compensation structure approved effective January 1, 2015, which was set for two years, decided not to further amend such compensation levels.

TYPE OF FEE <sup>(1)</sup>	FEES (U.S.\$) 2015
Board Chair Cash Retainer <sup>(2)</sup>	175,000
Board Chair Share Grant Retainer <sup>(2)</sup>	375,000
Director Cash Retainer	35,000
Director Share Grant Retainer	200,000
Committee Chair Cash Retainers <sup>(3)</sup>	
Audit and HRC Committees Chairs	75,000
Other Committees Chairs	65,000
Committee Member Cash Retainer	55,000

- (1) Directors (including Board Chair) may choose to receive all or part of their cash retainer in common shares or DSUs (see compensation table below for details) and their common share grant retainer can also be received in DSUs. The common shares are purchased on the open market.
- (2) The Board Chair receives no additional director retainer nor committee chair or committee member retainer.
- (3) Committee chairs receive no additional committee chair or committee member retainer.

## Compensation Table

The table below reflects in detail the compensation earned by non-executive directors in the 12-month period ended December 31, 2015.

DIRECTOR	FEES EARNED (C\$) <sup>(1)</sup>			SHARE-BASED AWARDS <sup>(4)</sup> (C\$)	ALL OTHER COMPENSATION (C\$)	TOTAL (C\$)	PERCENTAGE OF TOTAL FEES RECEIVED IN COMMON SHARES AND/OR DSUs <sup>(6)</sup>
	DIRECTOR AND BOARD CHAIR RETAINER	COMMITTEE CHAIR & COMMITTEE MEMBER CASH RETAINER	TOTAL CASH RETAINERS				
<b>CURRENT DIRECTORS</b>							
Donald J. Carty	44,139	94,583	138,722	252,220	–	390,942	100%
Ambassador Gordon D. Giffin	44,755	95,903	140,658	252,220	–	392,878	65%
Edith E. Holiday <sup>(2)</sup>	44,755	78,853	123,608	252,220	–	375,828	67%
V. Maureen Kempston Darkes	44,755	83,116	127,871	252,220	–	380,091	67%
The Hon. Denis Losier	44,755	83,116	127,871	252,220	–	380,091	67%
The Hon. Kevin G. Lynch <sup>(3)</sup>	44,139	77,544	121,683	252,220	–	373,903	100%
James E. O'Connor	44,755	83,116	127,871	252,220	–	380,091	67%
Robert Pace	223,773	–	223,773	472,913	2,089 <sup>(5)</sup>	698,775	68%
Robert L. Phillips	44,139	69,361	113,500	252,220	–	365,720	100%
Laura Stein	44,139	69,361	113,500	252,220	–	365,720	100%
<b>RETIRED DIRECTOR</b>							
A. Charles Baillie <sup>(7)</sup>	14,713	27,324	42,037	84,073	–	126,110	100%
The Hon. Edward C. Lumley <sup>(7)</sup>	14,918	27,705	42,623	84,073	–	126,696	67%
<b>TOTAL</b>	<b>653,735</b>	<b>789,982</b>	<b>1,443,717</b>	<b>2,911,039</b>	<b>2,089</b>	<b>4,356,845</b>	<b>81%</b>

- (1) All directors earned compensation in U.S. dollar. Compensation received in cash was converted to Canadian dollars using the average rate of exchange of the Bank of Canada for 2015 (U.S.\$1.00 = C\$1.2787). Compensation elected to be received in common shares or DSUs was converted to Canadian dollars using the closing rate of exchange of the Bank of Canada (U.S.\$1.00 = C\$1.2611), on the purchase day (January 29, 2015). In addition to the common shares or DSUs received by the directors, and the Board Chair, as described in note (4) below, the directors and the Board Chair may choose to receive all or part of their cash retainers in common shares or DSUs. The following directors made such election with respect to the amounts set forth beside their names: A. Charles Baillie (C\$42,037), Donald J. Carty (C\$138,722), the Hon. Kevin G. Lynch (C\$121,683), Robert L. Phillips (C\$113,500) and Laura Stein (C\$113,500). The amount of cash retainers elected to be received in common shares or DSUs is included in these columns.
- (2) Edith E. Holiday became Chair of the Investment Committee of CN's Pension Trust Funds on April 21, 2015. Her compensation was adjusted to reflect such nomination in accordance with CN's compensation program for non-executive directors.
- (3) The Hon. Kevin G. Lynch became Chair of the Finance Committee on April 21, 2015. His compensation was adjusted to reflect such nomination in accordance with CN's compensation program for non-executive directors.
- (4) Represents a common share grant valued at U.S.\$200,000 received by each non-executive director as part of the Director Retainer and U.S.\$375,000 for the Board Chair as part of the Board Chair Retainer.
- (5) Includes the value of insurance premiums for 2015 for North American emergency protection outside Mr. Pace's province of residence. The annual cost to the Company for such benefits was C\$2,089.
- (6) This percentage is calculated by dividing the aggregate of the cash retainer elected by non-executive directors to be received in common shares or DSUs described in note (1) above and the value provided under the share-based awards column, by the value provided under the total column. The calculations are based on the directors U.S. dollar denominated compensation.
- (7) A. Charles Baillie and the Hon. Edward C. Lumley retired from the Board on April 21, 2015.

## Share Ownership

The directors of the Company play a central role in enhancing shareholder value and each has a substantial investment in the Company. The Board has adopted a guideline to the effect that each non-executive director should own, within five years of joining the Board, common shares, Deferred Share Units ("DSUs") or similar share equivalents of CN, if any, ("CN Securities") with a value of at least the higher of: (i) C\$500,000, or (ii) the Canadian dollar equivalent of three times the aggregate of the annual director retainer (which includes cash and the value of any grant of CN Securities and in the case of the Board Chair, the aggregate of the annual Board Chair retainer in cash and the value of any grant of CN Securities) (the "Minimum Shareholding Requirement"). Each non-executive director is required to continue to hold such value throughout his or her tenure as a director and the CN Securities held to comply with the Minimum Shareholding Requirement shall not be, during the director tenure, the object of specific monetization procedures or other hedging procedures to reduce the exposure related to his or her holding.

**Directors are required to be paid at least 50% in the form of equity until they attain their share ownership requirements.**

Each non-executive director is required to receive at least 50% of his or her annual director, committee, Board Chair and committee chair cash retainers in CN Securities and may elect to receive up to 100% of such retainers in CN Securities until his or her Minimum Shareholding Requirement is met. Once the Minimum Shareholding Requirement is met, directors may elect to receive up to 100% of such retainers in CN Securities.

In connection with the changes made to the compensation structure in 2015, effective with last year's Meeting, the share ownership requirements for non-executive directors includes a new feature requiring that each director continue to hold CN Securities with a value of at least the higher of: (i) C\$250,000 or (ii) 50% of the Minimum Shareholding Requirement, for a period of two years after the director leaves the Board.

Approximately 81% of the total annual compensation of the non-executive directors for 2015 was in the form of CN Securities. As of the date hereof, the average value of CN Securities owned by non-executive directors is approximately C\$8.8 million (based on the February 26, 2016, closing price of the common shares of the Company on the TSX (C\$78.95), or the NYSE (U.S.\$58.42) for U.S. directors).

**Directors' ownership requirement for two years beyond board tenure aligns with longer-term stewardship.**

## Share Ownership Table

The following table provides information on the number and the value of common shares and DSUs owned by the Company's current directors as at February 26, 2016, and the amount needed to meet the Minimum Shareholding Requirement.

DIRECTOR	YEAR <sup>(1)</sup>	NUMBER OF COMMON SHARES OWNED, CONTROLLED OR DIRECTED	2016 TOTAL VALUE OF COMMON SHARES (VALUE AT RISK) <sup>(3)</sup> (C\$)	NUMBER OF DSUs HELD <sup>(2)</sup>	2016 TOTAL VALUE OF DSUs (VALUE AT RISK) <sup>(3)</sup> (C\$)	TOTAL NUMBER OF COMMON SHARES OWNED, CONTROLLED OR DIRECTED AND DSUs <sup>(2)</sup>	2016 TOTAL VALUE OF COMMON SHARES AND DSUs (VALUE AT RISK) <sup>(3)</sup> (C\$)	GUIDELINE MET OR INVESTMENT REQUIRED TO MEET GUIDELINE (C\$)	VALUE AT RISK AS MULTIPLE OF SHAREHOLDING REQUIREMENT
Donald J. Carty	2016	58,320	4,604,293	19,358	1,528,291	77,678	6,132,584	✓	6
	2015	37,620		19,047		56,667			
	Variation	20,700		331		21,011			
Ambassador Gordon D. Giffin	2016	45,218	3,569,906	46,651	3,683,040	91,869	7,252,946	✓	8
	2015	42,493		44,772		87,265			
	Variation	2,725		1,879		4,604			
Edith E. Holiday	2016	73,341	5,790,183	32,688	2,580,678	106,029	8,370,861	✓	9
	2015	73,341		28,396		101,737			
	Variation	–		4,292		4,292			
V. Maureen Kempston Darkes	2016	130,987	10,341,424	52,947	4,180,166	183,934	14,521,590	✓	15
	2015	127,368		52,096		179,464			
	Variation	3,619		851		4,470			
The Hon. Denis Losier	2016	174,254	13,757,353	109,811	8,669,578	284,065	22,426,931	✓	24
	2015	184,254		104,278		288,532			
	Variation	(10,000)		5,533		(4,467)			
The Hon. Kevin G. Lynch	2016	–	–	12,722	1,004,402	12,722	1,004,402	✓	1
	2015	–		6,752		6,752			
	Variation	–		5,970		5,970			
Claude Mongeau	2016	150,903	11,913,792	417,844	32,988,784	568,747	44,902,576	✓	Note 4
	2015	66,503		411,150		477,653			
	Variation	84,400		6,694		91,094			
James E. O'Connor	2016	25,562	2,018,089	–	–	25,562	2,018,089	✓	2
	2015	21,678		–		21,678			
	Variation	3,884		–		3,884			
Robert Pace	2016	200,557	15,833,975	107,359	8,475,993	307,916	24,309,968	✓	11
	2015	200,557		98,567		299,124			
	Variation	–		8,792		8,792			
Robert L. Phillips	2016	7,625	601,994	10,693	844,212	18,318	1,446,206	✓	2
	2015	5,625		6,752		12,377			
	Variation	2,000		3,941		5,941			
Laura Stein	2016	–	–	12,268	968,544	12,268	968,544	✓	1
	2015	–		6,610		6,610			
	Variation	–		5,658		5,658			

(1) The number of common shares and DSUs held by each director for 2016 is set out as at February 26, 2016, and for 2015, is set out as at February 27, 2015.

(2) Includes DSUs elected as part of directors compensation and DSUs under the Company's VIDP held by Claude Mongeau.

(3) The total value is based on the February 26, 2016 closing price of the common shares on the TSX (C\$78.95) or, for Donald J. Carty, Ambassador Gordon D. Giffin, Edith E. Holiday, James E. O'Connor and Laura Stein, the NYSE (U.S.\$58.42) using the closing exchange rate (U.S.\$1.00 = C\$1.3514) on the same date.

(4) For a discussion on Claude Mongeau's shareholding requirements, please see the section "Stock Ownership Status" on page 48 of this Information Circular.

## Directors' Deferred Share Unit Plan

Subject to the Minimum Shareholding Requirement, directors may elect to receive all or part of their director, committee member, Board Chair, and committee chair cash retainers either in cash, common shares of the Company purchased on the open market or DSUs. They may also elect to receive their common share grant retainer in DSUs. Each DSU entitles the beneficiary thereof to receive upon resignation, retirement or death, one common share of the Company purchased on the open market, plus additional DSUs reflecting dividend equivalents.

Each director has an account where notional DSUs are credited and held until the director leaves the Board. The number of DSUs credited to each director's account is calculated by dividing the elected amount of the director, committee member, Board Chair, and committee chair cash and common share retainers by the common share price on the day the credit is made.

Participants in the DSU Plan are credited additional DSUs that are equivalent to the dividends declared on the Company's common shares. Such additional DSUs are credited to each non-executive director's account on each dividend payment date. The number of DSUs is calculated using the same rate as for the dividends paid on the common shares.

When a director leaves the Board, the Company buys the same number of common shares on the open market as the number of DSUs the director holds in the DSU Plan, after deducting appropriate taxes. These shares are then delivered to the former director. All administration costs as well as any brokerage fees associated with the purchase and registration of common shares are paid by CN.

# Statement of Corporate Governance Practices

## General

We are committed to adhering to the highest standards of corporate governance and our corporate governance practices were designed in a manner consistent with this objective. The role, specific mandate and functioning rules of the Board of Directors and of each of its committees are set forth in our Corporate Governance Manual which was formally approved by the Board of Directors on January 21, 2003, and last amended on March 10, 2015. Our Corporate Governance Manual is available on our website at [www.cn.ca](http://www.cn.ca), under Delivering Responsibly/Governance. It is revised regularly with a view of continually improving our practices by assessing their effectiveness and comparing them with evolving practices, changing circumstances and our needs. Our Corporate Governance Manual forms part of the documentation given to all persons elected or appointed to the Board of Directors.

As a Canadian reporting issuer with securities listed on the Toronto Stock Exchange (“TSX”) and the New York Stock Exchange (“NYSE”), our corporate governance practices comply with applicable rules adopted by the Canadian Securities Administrators (the “CSA”), applicable provisions of the U.S. *Sarbanes-Oxley Act* of 2002 (the “Sarbanes-Oxley Act”) and related rules of the U.S. Securities and Exchange Commission (“SEC”). We are exempted from complying with many of the NYSE corporate governance rules, provided that we comply with Canadian governance requirements. Except as summarized on our website at [www.cn.ca](http://www.cn.ca), under Delivering Responsibly/Governance, our governance practices comply with the NYSE corporate governance rules in all significant respects.

The CSA adopted, in June 2005, National Instrument 58-101—Disclosure of Corporate Governance Practices (as amended from time to time, the “Disclosure Instrument”) and National Policy 58-201—Corporate Governance Guidelines (as amended from time to time, the “Governance Policy”). The Governance Policy provides guidance on governance practices to Canadian issuers, while the Disclosure Instrument requires issuers to make the prescribed disclosure regarding their own governance practices. The Company believes that its corporate governance practices meet and exceed the requirements of the Disclosure Instrument and the Governance Policy. The text set forth hereunder refers to the items of the Disclosure Instrument as well as to the guidelines of the Governance Policy, where applicable. The Company also refers, where appropriate, to the NYSE Corporate Governance Standards (the “NYSE Standards”).

The Board of Directors is of the opinion that the Company’s corporate governance practices are well designed to assist the Company in achieving its principal corporate objective, which is the enhancement of shareholder value. The mandate of the Board is set out in Schedule “B” to this Information Circular. The Board of Directors has approved the disclosure of the Company’s governance practices described below, on the recommendation of the Corporate Governance and Nominating Committee.

**CN’s corporate governance practices are designed to enhance shareholder value. CN is one of the few issuers in Canada with such a comprehensive governance manual publicly available.**

## Code of Business Conduct

Our Code of Business Conduct is applicable to all directors, officers and employees of CN. It addresses many important matters, including conflicts of interest, protection and proper use of corporate assets and opportunities, confidentiality of corporate information, fair dealing, compliance with laws and reporting of any illegal or unethical behaviour. The Corporate Governance and Nominating Committee and the Board of Directors review and update the Code of Business Conduct regularly to ensure that it is consistent with current industry trends and standards; clearly communicates CN’s organizational mission, values, and principles; and, most importantly, serves as a reference guide for employees to support everyday decision making. Although waivers to the Code may be granted in exceptional circumstances, no waiver has ever been granted to a director or executive officer in connection therewith.

The Corporate Governance and Nominating Committee, reviews, monitors and oversees the disclosure relating to the Company’s Code of Business Conduct. Each year, management reports to such committee on the implementation of the Code of Business Conduct within the organization and on any significant contravention of the Code of Business Conduct by employees of the Company. The Office of the Ombudsman offers a confidential, neutral and informal avenue which facilitates fair and equitable resolutions to concerns arising within the Company. Yearly, the CN Ombudsman presents a report that summarizes

**Annually, all management employees are required to certify compliance with CN’s Code of Business Conduct.**

all cases logged and handled by the Office of the Ombudsman to the Corporate Governance and Nominating Committee. The Company believes that ethical business conduct is an important part of its success. Hence, the mandate of the Board attached as Schedule “B” to this Information Circular states that the Board has the responsibility for overseeing management in the competent and ethical operation of the Company.

As part of the Company’s Code of Business Conduct, employees are required to avoid outside interests that may impair or appear to impair the effective performance of their responsibilities to the Company, and be fair and impartial in all dealings with customers, suppliers and partners. Employees must report to their manager any real or potential conflict of interest, and as required, provide written disclosure of such conflict.

Similarly, the Board requests that every director disclose any direct or indirect interest he or she has in any organization, business or association, which could place the director in a conflict of interest. Every year, a questionnaire is sent to each director to ensure that the director is in no such conflict that has not been disclosed. Should there be a discussion or decision relating to an organization, business or association in which a director has an interest, the Board will request that such director not participate or vote in any such discussion or decision.

The Board of Directors also adopted procedures allowing interested parties (i) to submit accounting and auditing complaints or concerns to us and (ii) to communicate directly with the Board Chair, who presides over all non-executive director sessions. These procedures are described on our website at [www.cn.ca](http://www.cn.ca), under Delivering Responsibly/Governance.

The Code of Business Conduct provides that concerns of employees regarding any potential or real wrongdoing in terms of accounting or auditing matters may be submitted confidentially through CN's Hotline.

The Code of Business Conduct is available on our website at [www.cn.ca](http://www.cn.ca), under Delivering Responsibly/Governance and in print to any shareholder who requests a copy by contacting our Corporate Secretary. The Code has also been filed with the Canadian and U.S. securities regulatory authorities.

## Independence of Directors

To better align the interests of the Board of Directors with those of our shareholders, all of the nominees for election to the Board of Directors, except our President and Chief Executive Officer, are independent. In determining whether a director is an independent director, the Board of Directors applies the standards developed by the Canadian securities regulatory authorities, the NYSE and the additional standards adopted by the Board. These standards are set out in CN's Corporate Governance Manual which is available on our website at [www.cn.ca](http://www.cn.ca), under Delivering Responsibly/Governance.

**10 of the 11 nominees for election to the Board of Directors are independent.**

As shown in the accompanying table, 10 of the 11 nominees for election to the Board of Directors are independent:

NAME	INDEPENDENCE STATUS		REASON FOR NON-INDEPENDENCE STATUS
	INDEPENDENT	NOT INDEPENDENT	
Donald J. Carty	✓		
Ambassador Gordon D. Giffin	✓		
Edith E. Holiday	✓		
V. Maureen Kempston Darkes	✓		
The Hon. Denis Losier	✓		
The Hon. Kevin G. Lynch	✓		
Claude Mongeau		✓	President and CEO, CN
James E. O'Connor	✓		
Robert Pace	✓		
Robert L. Phillips	✓		
Laura Stein	✓		

## Independent Chair of the Board

The Company's Board has been led by a non-executive Chair since it became public in 1995 and we believe that the separation of the positions of President and Chief Executive Officer and Chair of the Board contributes to allowing the Board to function independently of management. Hence, our Corporate Governance Manual provides that the Board Chair must be an independent director who is designated by the Board. Mr. Robert Pace is the independent Board Chair. The Corporate

Governance Manual describes the responsibilities of the Chair of the Board. The key role of the Board Chair is to take all reasonable measures to ensure that the Board (i) has structures and procedures in place to enable it to function independently of management; (ii) carries out its responsibilities effectively; and (iii) clearly understands and respects the boundaries between the responsibilities of the Board and those of management. Mr. Pace became Chair of the Board on April 23, 2014.

## Position Descriptions

Our Corporate Governance Manual includes position descriptions for the Board Chair and the Committee Chairs, as well as a position description for the President and Chief Executive Officer of the Company.

## Committees of the Board

Given our size, the nature and geographical scope of our activities and the great number of laws and regulations to which we are subject, the Board of Directors has subdivided its supervision mandate into six areas and has established committees that have certain responsibilities for such areas. These committees are the Audit Committee, the Finance Committee, the Corporate Governance and Nominating Committee, the Human Resources and Compensation Committee, the Environment, Safety and Security Committee and the Strategic Planning Committee and their charters are available as part of CN's Corporate Governance Manual. The Board of Directors also established the Investment Committee of CN's Pension Trust Funds and the Donations and Sponsorships Committee, which are mixed committees composed of members of the Board of Directors as well as officers of the Company. All committees report to the Board of Directors and, subject to certain limited exceptions, there are no standing delegations of the Board of Directors' decision-making authority to committees. A report of each committee's activities over the past year can be found at Schedule "C" of this Information Circular. The following is a brief summary of the mandate of each committee of the Board of Directors.

### Audit Committee

The Audit Committee has the responsibility of overseeing the Company's financial reporting, monitoring risk management, internal controls and internal and external auditors. The mandate of the Audit Committee is further described in the section entitled "Statement of Corporate Governance Practices—Audit Committee Disclosure" on page 32 of this Information Circular and in its charter which is included in our Corporate Governance Manual. The charter of the Audit Committee provides that it must be composed solely of independent directors. As at March 8, 2016, all members of the Audit Committee are independent.

No member of the Audit Committee receives, other than in his or her capacity as a director or member of a Board committee, directly or indirectly, any fee from the Company or any subsidiary of the Company, nor is an affiliated person of the Company, or any subsidiary of the Company.

## Finance Committee

The Finance Committee has the responsibility of overseeing the Company's financial policies, and authorizing, approving and recommending financial activities. As part of these responsibilities, the Finance Committee provides oversight with respect to our capital structure, dividend policy, share repurchase program, cash flows and key financial ratios, reviews the opportunities and parameters for debt or equity financing, reviews financing documents and, within the scope of its authority levels established by the Board, may authorize the borrowing of money, the issuing of debt securities or other forms of financing, and makes recommendations to the Board thereon. The responsibilities, powers and operation of the Finance Committee are further described in its charter which is included in our Corporate Governance Manual.

## Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee has the responsibility of monitoring the composition of the Board of Directors and its committees and overseeing corporate governance matters. As part of its responsibilities, the Corporate Governance and Nominating Committee develops, reviews and monitors criteria for selecting directors, including required or desired competencies and skills to improve the Board of Directors and, in consultation with the Board Chair, identifies candidates qualified to become Board members.

This Committee reviews the corporate governance guidelines applicable to the Company, recommends any change that should be made thereto and monitors the disclosure of its practices. The responsibilities, powers and operation of the Corporate Governance and Nominating Committee are further described in its charter which is included in our Corporate Governance Manual.

The charter of the Corporate Governance and Nominating Committee provides that it must be composed solely of independent directors. As at March 8, 2016, all members of the Corporate Governance and Nominating Committee are independent.

## Human Resources and Compensation Committee

The Human Resources and Compensation Committee has the responsibility of monitoring executive management's performance assessment and succession planning. This Committee also has the mandate to review human resources practices by ensuring, amongst other things, that appropriate human resources systems are in place so that the Company can attract, motivate and retain the quality of personnel required to meet its business objectives. The mandate of the Human Resources and Compensation Committee is further described in the section entitled "Statement of Executive Compensation—Human Resources and Compensation Committee" on page 36 of this Information Circular and in its charter which is included in our Corporate Governance Manual. The charter of the Human Resources and Compensation Committee provides that it must be composed solely of independent directors. As at March 8, 2016, all members of the Human Resources and Compensation Committee are independent.

The Board has adopted a policy, which is included in our Corporate Governance Manual, that no more than one in three members of the Human Resources and Compensation Committee shall be a sitting CEO of another company, at least one member shall be experienced in executive compensation, and the President and CEO of the Company shall be excluded from the Committee member selection process.

Reference is also made to the subsection entitled "Statement of Executive Compensation—Human Resources and Compensation Committee—Executive and Board Compensation Consultants" on page 38 of this Information Circular for disclosure in respect of executive compensation consultants.

## Environment, Safety and Security Committee

The Environment, Safety and Security Committee has the responsibility, amongst other things, of overseeing the development and implementation of environmental, safety and security policies, assessing environmental, safety and security practices, and reviewing the Company's business plan to ascertain whether environmental, safety and security issues are adequately taken into consideration. The responsibilities, powers and operation of the Environment, Safety and Security Committee are further described in its charter which is included in our Corporate Governance Manual.

## Strategic Planning Committee

The Strategic Planning Committee, which is composed of all of the Company's Board Members, focuses on financial and strategic issues, including the review of the key assumptions, as well as the economic, business, regulatory and competitive conditions underlying the Company's business plan. It also reviews, with the President and Chief Executive Officer and other appropriate executive officers, the Company's business plan and capital budget prior to their formal approval by the Board of Directors. The responsibilities, powers and operation of the Strategic Planning Committee are further described in its charter which is included in our Corporate Governance Manual.

## Investment Committee of CN's Pension Trust Funds

The Investment Committee of CN's Pension Trust Funds, which is a mixed committee composed of directors and officers, has the responsibility, amongst other things, of reviewing the activities of the CN Investment Division, reviewing and approving the CN Investment Incentive Plan and award payouts thereunder, advising the CN Investment Division on investment of assets of CN's Pension Trust Funds and approving certain of the investments made by CN's Pension Trust Funds. The responsibilities, powers and operation of the Investment Committee of CN's Pension Trust Funds are further described in its charter which is included in our Corporate Governance Manual.

## Donations and Sponsorships Committee

The Donations and Sponsorships Committee, which is a mixed committee composed of directors and officers, has the responsibility, amongst other things, of developing a donations and sponsorships strategy and for reviewing and approving donation and sponsorship requests. The responsibilities, powers and operation of the Donations and Sponsorships Committee are further described in its charter which is included in our Corporate Governance Manual.



## Risk Management Oversight

At CN, the Board is entrusted with the responsibility for identifying and overseeing the significant risks to which CN's business is exposed and ensuring there are processes in place to effectively identify, monitor and manage them. These processes seek to mitigate risk. A significant risk is generally defined as an exposure that has the potential to materially impact CN's ability to meet or support its business objectives. The Board delegates responsibility for the oversight of certain elements of the risk oversight program to committees of the Board in order to ensure appropriate expertise, attention and diligence, and reports to the Board in the ordinary course.

Management undertakes an enterprise-wide process to identify, classify, assess and report on CN's significant risks and mitigation strategies. For a detailed explanation of the material risks applicable to CN and its affiliates, see the section entitled "Business risks" in CN's Management's Discussion and Analysis included in CN's 2015 Annual Report, available on SEDAR at [www.sedar.com](http://www.sedar.com), on EDGAR at [www.sec.gov](http://www.sec.gov) and on CN's website at [www.cn.ca](http://www.cn.ca).

Risk information is reviewed by committees of the Board and/or the Board throughout the year and Company officers present updates on the execution of business strategies, risks and mitigation activities. The Audit Committee is responsible for ensuring that appropriate risk management processes are in place across the organization and it considers the effectiveness of the operation of CN's internal control procedures and reviews reports from CN's internal and external auditors. As part of its

risk management process activities, the Audit Committee ensures that significant risks identified are referred to a Board committee or the Board for oversight, as appropriate. Specifically, the Audit Committee reviews the Company's risk assessment and risk management policies including information technology risk management, business interruption management, and assists the Board with the oversight of the Company's compliance with applicable legal and regulatory requirements. From a financial perspective, the Company is exposed to various risks such as credit risk, commodity price risk, interest rate risk, foreign currency risk, and liquidity risk. To manage these risks, CN follows a financial risk management framework, which is monitored and approved by the Finance Committee, with a goal of maintaining a strong balance sheet, optimizing earnings per share and free cash flow, financing CN's operations at an optimal cost of capital and preserving the Company's liquidity. The Finance Committee, as part of its responsibility to review CN's liquidity position, also oversees pension funding risks. The Human Resources and Compensation Committee considers risks relating to compensation, succession planning and CN's employee benefit obligations while the Environment, Safety and Security Committee considers risks related to environment, health and safety, and security.

**The Board has strong processes in place to identify, monitor and manage the significant risks to which CN is exposed.**

## Board and Committee Meetings

### Process

The Board Chair, in collaboration with the Corporate Secretary, has the responsibility of establishing a schedule for the meetings of the Board of Directors and its committees. During this process, the Corporate Secretary, in collaboration with the Board and committee chairs and the appropriate executive officers, establishes Board and committee working plans for the year. We believe that proceeding in this manner helps in the preparation of in-depth presentations conducive to meaningful information sessions and discussions while allowing management to plan ahead. If, during the course of the year, events or circumstances require Board or committee action or consideration, additional meetings are called. The total number of meetings and the attendance record for each director for all Board and committee meetings held during the course of 2015 are set out in the section entitled "Nominees for Election to the Board—Board and Committee Attendance" of this Information Circular.

**Meaningful information sessions and discussions are a result of preparation and established meeting schedules.**

Communication regularly takes place between the Board Chair and the President and Chief Executive Officer and, through the Office of the Corporate Secretary, between executive officers having responsibilities for matters placed under the supervision of particular committees and the Chairs of such committees. This open communication ensures that all meaningful information concerning the affairs and progress of the Company are transmitted to those members of the Board of Directors or committees having special supervisory responsibilities.

### In Camera Meetings

The independent Board members meet at or after every regular in-person meeting of the Board of Directors in *in camera* sessions, without the presence of management and under the chairmanship of the Board Chair. During the financial year ended December 31, 2015, there were 11 *in camera* sessions that were attended exclusively by non-executive directors.

## Board and Committee Attendance

The following tables show the record of attendance by director at meetings of the Board and its committees, as well as the number of Board and Board committee meetings held during the 12-month period ended December 31, 2015.

### Attendance Table

DIRECTOR	NUMBER AND % OF MEETINGS ATTENDED										OVERALL ATTENDANCE
	BOARD	AUDIT COMMITTEE	CORPORATE GOVERNANCE AND NOMINATING COMMITTEE <sup>(7)</sup>	DONATIONS AND SPONSORSHIPS COMMITTEE	ENVIRONMENT, SAFETY AND SECURITY COMMITTEE	FINANCE COMMITTEE	HUMAN RESOURCES AND COMPENSATION COMMITTEE <sup>(7)</sup>	INVESTMENT COMMITTEE OF CN'S PENSION TRUST FUNDS	STRATEGIC PLANNING COMMITTEE	COMMITTEES (TOTAL)	
Donald J. Carty	11/11 (100%)	5/5 (Chair)	5/5	–	5/5	–	5/5	–	3/3	23/23 (100%)	34/34 (100%)
Ambassador Gordon D. Giffin	11/11 (100%)	5/5	–	3/3	–	–	5/5 (Chair)	4/4	3/3	20/20 (100%)	31/31 (100%)
Edith E. Holiday <sup>(1)</sup>	11/11 (100%)	2/2	2/2	–	–	6/6	5/5	4/4 (Chair)	3/3	22/22 (100%)	33/33 (100%)
V. Maureen Kempston Darkes <sup>(2)</sup>	11/11 (100%)	2/2	5/5	–	5/5 (Chair)	6/6	2/2	–	3/3	23/23 (100%)	34/34 (100%)
The Hon. Denis Losier <sup>(3)</sup>	11/11 (100%)	3/3	5/5 (Chair)	2/2	–	–	5/5	4/4	3/3	22/22 (100%)	33/33 (100%)
The Hon. Kevin G. Lynch <sup>(4)</sup>	11/11 (100%)	–	5/5	–	2/2	6/6 (Chair)	5/5	3/3	3/3	24/24 (100%)	35/35 (100%)
Claude Mongeau <sup>(5)</sup>	7/11 (64%)	–	–	2/3 (Chair)	–	–	–	–	1/3	3/6 (50%)	10/17 (60%)
James E. O'Connor	11/11 (100%)	5/5	–	–	5/5	6/6	5/5	–	3/3 (Chair)	24/24 (100%)	35/35 (100%)
Robert Pace <sup>(6)</sup>	11/11 (100%) (Chair)	–	5/5	3/3	5/5	–	2/2	–	3/3	18/18 (100%)	29/29 (100%)
Robert L. Phillips	11/11 (100%)	5/5	5/5	–	5/5	–	5/5	–	3/3	23/23 (100%)	34/34 (100%)
Laura Stein	10/11 (91%)	5/5	–	–	5/5	6/6	5/5	–	3/3	24/24 (100%)	34/35 (97%)

- (1) Edith E. Holiday became Chair of the Investment Committee of CN's Pension Trust Funds, became member of the Audit Committee and stepped down as member of the Corporate Governance and Nominating Committee on April 21, 2015.
- (2) V. Maureen Kempston Darkes became member of the Audit Committee and stepped down as member of the Human Resources and Compensation Committee on April 21, 2015.
- (3) The Hon. Denis Losier became member of the Donations and Sponsorships Committee and stepped down as member of the Audit Committee on April 21, 2015.
- (4) The Hon. Kevin G. Lynch became Chair of the Finance Committee, member of the Investment Committee of CN's Pension Trust Funds and stepped down as member of the Environment, Safety and Security Committee on April 21, 2015.
- (5) Claude Mongeau, CN's President and CEO, was unable to attend Board and Committee meetings as of September 2015, due to a health condition which required throat surgery and radiation treatment. Mr. Mongeau resumed his attendance at the Board and Committee meetings in early 2016.
- (6) Robert Pace stepped down as member of the Human Resources and Compensation Committee on April 21, 2015.
- (7) In addition to committee members, all non-executive board members attended on a non-voting basis the September Corporate Governance and Nominating Committee and the December Human Resources and Compensation Committee meetings.

### Meetings Held Table

BOARD AND BOARD COMMITTEE MEETINGS	NUMBER OF MEETINGS HELD IN 2015
Board	11
Audit Committee	5
Corporate Governance and Nominating Committee	5
Donations and Sponsorships Committee	3
Environment, Safety and Security Committee	5
Finance Committee	6
Human Resources and Compensation Committee	5
Investment Committee of CN's Pension Trust Funds	4
Strategic Planning Committee	3

## Director Selection

### Review of Credentials

In consultation with the Board Chair, the Corporate Governance and Nominating Committee annually reviews the credentials of nominees for election or re-election as members of the Board of Directors. It considers their qualifications, the validity of the credentials underlying each nomination, and, for nominees who are already directors of the Company, an evaluation of their effectiveness and performance as members of the Board of Directors, including their attendance at Board and committee meetings. Board and Board committee members are expected to attend all meetings. As stated in our Corporate Governance Manual, any director who has attended less than 75% of meetings of the Board or meetings of committees on which they sit, for more than two consecutive years, without a valid reason for the absences, will not be renominated. The Corporate Governance and Nominating Committee monitors and is constantly on the lookout for new candidates for nomination to the Board of Directors and is mindful of the mandatory retirement dates of current directors.

### Competency Matrix

The Corporate Governance and Nominating Committee, together with the Board Chair, is responsible for determining the needs of the Board in the long term and identifying new candidates to stand as nominees for election or appointment as directors. The last few years, the Corporate Governance and Nominating Committee and the Board Chair focused on board renewal and succession in light of upcoming director retirements, with a view to expanding and completing the Board's overall expertise in certain areas. The Board Chair and the Corporate Governance and Nominating Committee continue to engage in an ongoing, in-depth succession planning process. Board renewal and succession has been an item at most meetings of the Corporate Governance and Nominating Committee. In proposing the list of Board nominees, the Board of Directors is guided by the process described in our Corporate Governance Manual. As part of the process, the Board Chair, in consultation with the Corporate Governance and Nominating

**The Corporate Governance and Nominating Committee maintains an evergreen list of potential candidates and a competency matrix to assist with reviewing the skills and experience of director candidates and the Board as a whole.**

Committee, develops a competency matrix based on knowledge areas, types of expertise, gender and geographical representation, and identifies any gaps to be addressed in the director nomination process. The Board ensures that the skill set developed by directors, through their business expertise and experience, meets the needs of the Board. The Board also gives careful consideration to factors such as age, diversity (including gender), geographical location, competencies and experience of current directors, the suitability and performance of directors proposed for election, as well as his or her independence, qualifications, financial acumen, business judgment and board dynamics. This competency matrix is reviewed regularly by the Board Chair with Board members, and is updated as may be required.

The Corporate Governance and Nominating Committee regularly reviews its competency matrix in light of upcoming director retirements, with a view of expanding the Board's overall experience and expertise and filling any gaps so that the needs of the Board are met. The Corporate Governance and Nominating Committee and the Board have approved the matrix set out on page 26 of this Information Circular.

In order to assist the Corporate Governance and Nominating Committee and the Board Chair in recommending candidates to become directors of CN, the Corporate Governance and Nominating Committee has constituted, together with the Board Chair, an evergreen list of potential Board candidates, which it updates from time to time. Prior to nominating a new director for election or appointment, the Board Chair and the Chief Executive Officer meet with the candidate to discuss his or her interest and willingness to serve on CN's Board, potential conflicts of interest, and his or her ability to devote sufficient time and energy to the Board of Directors.

This sustained and rigorous process by which CN attracts and recruits new members to its Board ultimately brings new perspectives and energy to the Board.

See the following section entitled "Board Diversity" for additional information on director selection process.

The following table identifies the competencies of each nominee for election to the Board of Directors, together with their gender, age range and tenure at CN.

NAME OF DIRECTOR	COMPETENCIES <sup>(1)</sup>								GENDER	AGE RANGE			TENURE AT CN			
	SALES / MARKETING	FINANCE / ACCOUNTING	LEGAL	STRATEGY	HUMAN RESOURCES	ENGINEERING/ ENVIRONMENT	TRANSPORT INDUSTRY/ SAFETY	PUBLIC POLICY		59 AND UNDER	60-65	66-75	0-5 YEARS	6-10 YEARS	11-15 YEARS	16 + YEARS
Donald J. Carty	✓	✓		✓	✓	✓	✓	✓	M			✓	✓			
Ambassador Gordon D. Giffin	✓	✓	✓	✓	✓		✓	✓	M			✓			✓	
Edith E. Holiday	✓	✓	✓	✓	✓		✓	✓	F		✓				✓	
V. Maureen Kempston Darkes	✓	✓	✓	✓	✓	✓	✓	✓	F			✓				✓
The Hon. Denis Losier	✓	✓		✓	✓		✓	✓	M		✓					✓
The Hon. Kevin G. Lynch	✓	✓		✓	✓		✓	✓	M		✓		✓			
Claude Mongeau	✓	✓		✓	✓	✓	✓	✓	M	✓				✓		
James E. O'Connor	✓	✓		✓	✓	✓	✓	✓	M			✓	✓			
Robert Pace	✓	✓	✓	✓	✓	✓	✓	✓	M		✓					✓
Robert L. Phillips	✓	✓	✓	✓	✓	✓	✓	✓	M		✓		✓			
Laura Stein	✓	✓	✓	✓	✓	✓	✓	✓	F	✓			✓			

(1) Definition of competencies:

- **Sales/Marketing:** Experience as a senior executive in a product, service or distribution company; experience in supply chain management and strong knowledge of CN's markets, customers and strategy.
- **Finance/Accounting:** Experience in corporate finance, overseeing complex financial transactions, investment management; experience in financial accounting and reporting, auditing, and internal controls.
- **Legal:** Experience as a senior practicing lawyer either in private practice or the legal department of a major public entity.
- **Strategy:** Experience in strategic planning and leading growth for a major public entity.
- **Human Resources:** Experience in oversight of compensation programs, particularly compensation programs for executive level employees and incentive based compensation programs and experience with talent management, succession planning, leadership development and executive recruitment.
- **Engineering/Environment:** Thorough understanding of the operations of the transportation industry (particularly the rail industry), environmental issues and transportation industry regulations.
- **Transport Industry/Safety:** Knowledge and experience in the transportation industry, including strategic context and business and safety issues facing the transportation industry.
- **Public Policy:** Experience in, or a strong understanding of, the workings of government and public policy in Canada and the United States.

## Board Diversity

In an increasingly complex global marketplace, the ability to draw on a wide-range of viewpoints, backgrounds, skills, and experience is critical to the Company's success. Further, director and nominee diversity helps to ensure that a wide-variety of different perspectives are brought to bear on issues, while enhancing the likelihood that proposed solutions will be nuanced and comprehensive. The Board believes that diversity is an important attribute of a well-functioning board. In selecting qualified candidates to serve as directors of the Company, a wide-range of aspects of diversity are considered, including gender, race, ethnicity, culture, and geography and measures ensuring that the Board, as a whole, reflects a range of viewpoints, backgrounds, skills, experience and expertise.

**On March 10, 2015, the Board adopted a target of having a minimum representation of one-third of the Board by women by 2017. Currently, 27% (3 out of 11) of our Directors are women.**

CN believes that diversity, including gender diversity, at the board and executive officer levels of corporate leadership (and at all levels of the Company), can provide a number of potential benefits, including:

- access to a significant part of the potential relevant talent pool that can contribute to and lead in a variety of technical and other functional areas;
- unique and tangible contributions, resulting from different perspectives, experiences, concerns and sensibilities, in product development, marketing, customer relations, mentoring and employee relations in a world of diverse customers and workforces;
- the potential for richer discussion and debate at the executive and board level (and at other levels of management) that may ultimately increase effectiveness in their decision-making and advising functions;
- executive teams and boards with diverse backgrounds increase the likelihood that the perspectives and concerns of all stakeholders are represented in discussions; and
- signaling CN's values to various stakeholders, including employees at all levels, shareholders, customers, communities, regulators and other government officials, and the public.

The Corporate Governance and Nominating Committee has developed a set of criteria for Board membership that strives to attain a diversity of background and skills for the Board.

In the process of searching for qualified persons to serve on the Board, the Corporate Governance and Nominating Committee strives for the inclusion of diverse groups, knowledge, and viewpoints. To accomplish this, the Corporate Governance and Nominating Committee may retain an executive search firm to help meet the Board's diversity objective. In connection with its efforts to create and maintain a diverse Board, the Corporate Governance and Nominating Committee has:

- developed recruitment protocols that seek to include diverse candidates in any director search. These protocols take into account that qualified candidates may be found in a broad array of organizations, including academic institutions, privately held businesses, nonprofit organizations, professions such as accounting, human resources and legal services and trade associations, in addition to the traditional candidate pool of corporate directors and officers;
- strived to use, to their fullest potential, the current network of organizations and trade groups that may help identify diverse candidates and may rely on executive search firms to identify diversity candidates as well; and
- periodically reviewed director recruitment and selection protocols so that diversity remains a component of any director search.

### Board Diversity Policy

CN believes that increasing the diversity of the Board to reflect the communities and customers CN serves is essential in maintaining a competitive focus. Increased board diversity can contribute to enhanced performance, ensuring the presence of valuable capabilities that non-diverse boards lack, and changing board dynamics in positive ways such as by enhancing the board's ability to handle conflict with a wider disparity of viewpoints among directors from more varied backgrounds. CN also believes that a diverse board signals that diverse perspectives are important to the Company, and that CN is committed to inclusion, not only in principle but also in practice. Further, as a result of CN's commitment to diversity CN has access to a wider pool of talent and a broader mix of leadership skills.

On March 10, 2015, the Corporate Governance and Nominating Committee recommended, and the Board approved, a diversity policy for the Board. It provides that the Corporate Governance and Nominating Committee, which is responsible for recommending director nominees to the Board, will consider candidates on merit, based on a balance of skills, background, experience and knowledge. In identifying the highest quality directors, the Committee will take into account diversity considerations such as gender, age and ethnicity, with a view of ensuring that the Board benefits from a broader range of perspectives and relevant experience. The Committee will also set measurable objectives for achieving diversity and recommend them to the Board for adoption on an annual basis. Pursuant to the policy, the Board adopted a target of having a minimum representation of one-third of the Board by women, by 2017. Currently, 27% (three out of 11) of our directors are women. The Board Diversity Policy is available on our website at [www.cn.ca](http://www.cn.ca), under Delivering Responsibly/Governance.

In addition, the Corporate Governance and Nominating Committee considers the level of representation of women on the Board by overseeing the selection process and ensuring that sufficient numbers of women and other diverse candidates are included in the slate of candidates for Board of Directors consideration.

### Diversity and Senior Management

The Company is committed to having a diverse senior management group which offers a depth of perspectives and enhances the Company's operations.

In fulfilling part of its oversight role, the Human Resources and Compensation Committee has reviewed CN's integrated approach to executive and high-potential talent management and succession planning, ensuring a pipeline of leaders is in place to drive both short and long-term performance. The Committee considered processes and practices for leadership development and reviewed the depth of succession pools for senior leadership roles across the Company.

In this regard, CN has developed and implemented a number of Company-wide and innovative diversity initiatives relating to women. These initiatives provide training, development and mentorship opportunities to assist women employees at CN to:

- understand opportunities for personal and professional growth within the Company;
- further develop their confidence in operations;
- build strong partnerships with fellow employees and communities where CN has operations; and
- gain access to mentoring and networking opportunities.

Company-wide diversity hiring targets have been established in Canada. In 2014, our "Women in Operations Council" was launched with strong executive level sponsorship. In 2015, internships were expanded to provide additional learning opportunities for women. With upcoming retirements and development actions, we will have the opportunity to place diverse talent at more senior levels. These actions, in line with our continuing education and training initiatives, create additional positions for diversity within our organization. In 2015, approximately 17% of promotions in Canada were filled by women (women represent 10% of our Canadian employees overall). As at March 8, 2016, four of CN's 28 executive officers were women, representing 14.3% of the executive officer population. Although no gender diversity targets have been established specifically for senior executive positions, CN promotes an inclusive and diverse hiring approach that supports the recruitment of women candidates and provides opportunities for their advancement. Specific targets or quotas for gender diversity are not currently used for senior executive positions as appointments are based on a balance of criteria, including merit, experience and competency of the individual at the relevant time. Nonetheless, executive officer appointments are reviewed with our diversity and talent management objectives in mind, including the level of representation of women in executive officer positions.

CN's commitment to diversity and inclusion initiatives focuses on the following areas: minorities, women, persons with disabilities, as well as aboriginals in Canada and veterans in the U.S. In 2015, approximately 31% of CN's new employees in Canada and 32% in the U.S. were hired from these segments.

Supported by executive management and the Board, these initiatives represent the Board's and CN's commitment to diversity and inclusion across the Company.

**CN has developed and implemented a number of company-wide innovative diversity initiatives relating to women.**

## Common Directorships

With a view to further strengthen directors' independence, the Board has adopted a policy pursuant to which a director shall not accept the invitation to join an outside board on which a director of CN already sits without previously obtaining the approval of the Corporate Governance and Nominating Committee. In addition, the Board has adopted a policy, which is included in our Corporate Governance Manual, to the effect that no more than two of the Company's directors should generally serve on the same outside board or outside board committee.

As of March 8, 2016, no members of our Board of Directors served together on the boards of other public companies.

## Number of Directorships

CN recognizes that Board membership requires a significant dedication of time. As a result, the number of boards on which an individual can serve is necessarily limited. With a view to taking reasonable steps to ensure the ability of each candidate to make the commitment of time necessary to be a director of CN, the Board will apply the following guidelines when considering candidates to become directors of CN:

- for candidates that are chief executive officers or other senior executives of public corporations, the Board will prefer individuals who hold no more than two (2) public corporation directorships (excluding CN's Board) in addition to membership on the board of the corporation at which an individual is employed;
- for candidates that have a full-time employment with non-public corporations or other entities and for full-time employees of public corporations (other than chief executive officers or senior executives of such public corporations), the Board will prefer individuals who hold no more than four (4) public corporation directorships (excluding CN's Board) in addition to membership on the board of the corporation at which an individual is employed; and
- for other candidates, the Board will prefer individuals who hold no more than five (5) public corporation directorships (excluding CN's Board).

Directors are expected to provide the Board Chair with information as to all boards of directors that they sit on or that they have been asked to join so as to allow the Board to determine whether it is appropriate for such director to continue to serve as a member of the Board or of a Board Committee. The Corporate Governance and Nominating Committee and the Board Chair will apply Board nominee selection criteria, including directors' past contributions to the Board and availability to devote sufficient time to fulfill their responsibilities, prior to recommending directors for re-election for another term.

The biographies on pages 10 to 15 of this Information Circular identify the other reporting issuers of which each nominee is a director.

## Retirement from the Board

The Board has adopted a policy on the mandatory retirement age for directors whereby a director would not, unless otherwise determined by the Board, in its discretion, be nominated for re-election at the annual meeting of shareholders following his or her 75<sup>th</sup> birthday. In addition, directors are expected to inform the Board Chair of any major change in their principal occupation so that the Board will have the opportunity to decide the appropriateness of such director's continuance as a member of the Board or of a Board committee. The Board of Directors has not deemed it appropriate or necessary to limit the number of terms a director may serve on the Board, except as follows.

## Board Tenure and Term Limits

The Board has also adopted a policy, which is part of CN's Corporate Governance Manual, to the effect that the Board Chair and the Committee Chair tenure would be subject to term limits. The Board of Directors is of the view that CN's policy on Chair term limits, together with its policy on mandatory retirement age, establishes a mechanism that ensures Board Chair and committee chair renewal, provides a fresh perspective in the boardroom and improves the Board's ability to plan its composition over a longer period of time.

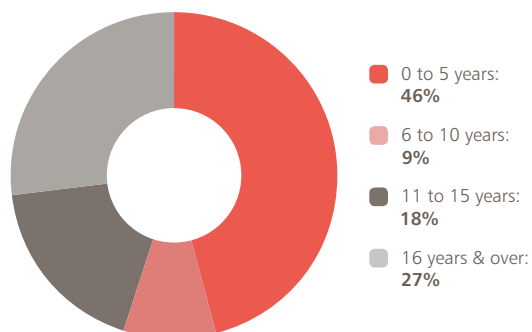
**Our policy on term limits, together with our policy on mandatory retirement age, ensures a fresh perspective in the boardroom and improves the Board's ability to plan its composition.**

- Effective as of April 23, 2014, but without regard to past service, CN's Board Chair will serve for a term of five (5) years, renewable for one further three (3) year term, subject to the discretion of the Board of Directors to further extend the term, if deemed appropriate. At the end of the term(s) as Board Chair, the departing Board Chair would not stand for election as a Director of CN at the next annual shareholders' meeting. The above term(s) for the Board Chair would remain subject to the mandatory retirement age limit of 75 years of age.
- Effective as of April 23, 2014, but without regard to past service, committee chairs will serve for a term of three (3) years, renewable for one further two (2) year term, subject to the discretion of the Board of Directors to further extend the term, if deemed appropriate.

In each of the above instances, the election or appointment of the CN Board Chair or committee chairs, respectively, remains subject to annual review and election/appointment.

The Board retains its discretion to extend the above term limits, which will preserve its ability to deal with special circumstances warranting the extension of the mandate.

The following chart shows the tenure of the Company's Board as of April 26, 2016:



Please refer to the director nominees' biographies on pages 10 to 15 for details regarding length of Board tenure of each nominee for election as directors.

## Director Emeritus

The Board of Directors confers, from time to time, the honorary status of Director Emeritus to retiring or former directors who have made significant contributions to the Board through long and distinguished service and accomplishments. Currently, lifetime emeritus status has been bestowed upon the late Purdy Crawford, as well as Raymond Cyr, James Gray, Cedric Ritchie, Michael Armellino, Hugh Bolton, Charles Baillie, Edward Lumley and David McLean as Chairman Emeritus.

## Board Performance Assessment

### Process

The Board of Directors has implemented, and reviews, from time to time, a comprehensive process to annually assess its effectiveness, the effectiveness of its committees, the Board Chair, the committee chairs and individual directors. This process is under the supervision of the Corporate Governance and Nominating Committee and the Board Chair and is comprised of the following steps:

- The following questionnaires are prepared by the Office of the Corporate Secretary and approved by the Corporate Governance and Nominating Committee and the Board Chair, taking into account current issues, the findings of previous years and input from the Board of Directors:
  - Board and committee performance evaluation questionnaires, including a self-assessment by individual directors;
  - Board Chair evaluation questionnaire; and
  - Committee Chair evaluation questionnaires.
- Each questionnaire is then sent to every director and a complete set of the responses is forwarded to the Board Chair, except for the responses to the evaluation questionnaire relating to the Board Chair, which is forwarded directly to each of the Chairs of the Corporate Governance and Nominating Committee and the Human Resources and Compensation Committee.
- Following receipt of the completed questionnaires, the Board Chair contacts every director and conducts open and confidential one-on-one meetings. The purpose of these meetings is to discuss the answers received from and in respect of each director, to take into account any comments which the director may have and to review the self-evaluation of each director. One of the Corporate Governance and Nominating Committee or Human Resources and Compensation Committee Chairs also discusses individually with each director his or her responses and comments on the Board Chair evaluation questionnaire.

Directors Emeritus are invited to attend the annual meeting of shareholders and certain Company or Board events taking place in their geographic area of residence and are reimbursed for reasonable travel and other out-of-pocket expenses in connection with attendance at such events.

- Reports are then made by the Board Chair, the Corporate Governance and Nominating Committee and Human Resources and Compensation Committee Chairs to the Board of Directors, with suggestions to improve the effectiveness of the Board of Directors, Board committees, Board and committee chairs, and separately to individual directors in respect of their personal performance.
- The Board Chair and committee chairs take into consideration the overall results and suggestions derived from the annual Board performance assessment in order to improve the functioning and activities of the Board and Board committees.

### Independent Advisor

In addition to the above-mentioned process, the Board may, from time to time, hire an independent advisor to assist the Board of Directors in independently assessing the performance of the Board of Directors, Board committees, Board and committee chairs and individual directors.

### Peer Assessment

The Board Chair leads on an annual basis a peer review process through one-on-one meetings with each individual director. The Corporate Governance and Nominating Committee also considers on an annual basis the appropriateness of conducting a peer assessment through an independent advisor.

The Board performance assessment process is further described in CN's Corporate Governance Manual which is available on our website at [www.cn.ca](http://www.cn.ca), under Delivering Responsibly/Governance.

**The overall results and suggestions derived from the annual Board performance assessment are taken into consideration to improve the functioning and activities of the Boards and its committees.**

## Director Orientation and Continuing Education

### Orientation

Our orientation program includes presentations by the Company's officers on CN's organizational structure and the nature and operation of its business, a review with the Board Chair of the methods of operation and the roles of the Board and its committees, a discussion on the contribution individual directors are expected to make and access to appropriate information or outside resources as required. New directors are provided with the following: a Directors' handbook containing corporate and other information required to familiarize themselves with the Company, its organization and operations and CN's key corporate governance and public disclosure documents, including CN's Corporate

Governance Manual and board and committee charters; information regarding the review process for the Board, its committees and their chairs, and individual directors; CN's important policies and procedures, including CN's Code of Business Conduct; and organizational charts and other business orientation materials, including CN's Investor Fact Book, sustainability and safety brochures, financial statements and regulatory information.

In addition, meetings are arranged with new directors and members of CN's Leadership team to provide an overview of their areas of responsibility and their function/department. These areas include finance, corporate services, marketing, operations, human resources and investor relations.

New directors also receive presentations by the Company's officers on CN's business and operations, safety, community outreach initiatives and talent development, amongst others. New directors are also invited to attend the following Company events:

- Annual top 200 business plan meeting;
- Annual sales meetings;
- Industry conferences or CN's analyst/investor meetings;
- Leadership training sessions and dinners with participants; and
- Other company events on an *ad hoc* basis.

In addition, new directors are encouraged to visit sites across CN's network relating to the Company's operations. These sites include mechanical and car shops, intermodal and engineering groups, data centres, training centres, railway yards and ports.

### **Continuing Education**

The Board recognizes the importance of ongoing director education and the need for each director to take personal responsibility for this process. To facilitate ongoing education, the Company:

- maintains a membership for each director in an organization dedicated to corporate governance and ongoing director education;
- each year strongly encourages and funds the attendance of each director at seminars or conferences of interest and relevance;
- encourages presentations by outside experts to the Board or committees on matters of particular importance or emerging significance; and
- at least annually, holds a Board meeting at or near an operating site or other facility of the Company, a key customer, supplier or affiliated company.

The Board Chair arranges for Board members to have access to education and information on an ongoing basis pertaining to Board effectiveness and the best practices associated with successful boards, briefings on factors or emerging trends that may be relevant to the Company's business strategy and other material as deemed appropriate by the Board Chair. The Company also makes available, at its cost, a host of educational programs provided by leading institutions. We encourage directors to attend seminars and other educational programs and to report back to the Board on the quality of such programs. Educational reading materials on corporate governance and other topics are also included in the materials provided to the Board in advance of meetings.

In 2015, Board members were provided with educational reading materials and presentations on a variety of matters and topics, including corporate governance, executive compensation, executive succession planning, shareholders and shareholder associations, key accounting considerations, financial strategy, risk management and disclosure, and Canadian and U.S. securities law developments. The Board regularly received updates and reports by CN's internal counsel on regulatory matters of importance and emerging issues of significance, such as diversity, safety and risk mitigation, to CN and the railway industry. In addition, in 2015 members of the Board attended courses in subject areas which included effective corporate boards, board structure, processes and composition.

Directors also interacted with executive and senior management at every Board meeting and received regular and extensive presentations on matters of strategic importance to the Company's business, including presentations on its customer engagement initiatives, safety, stakeholder and community outreach initiatives, business growth strategy, operating plans, supply chain strategy, car management, CN's sustainability initiatives and regulatory matters relevant to the business of the Company. Moreover, the directors have, from time to time, been provided with first-hand opportunities to visit certain sites where CN has made significant investments, such as the intermodal terminals in Prince George and at the Port of Prince Rupert. They have also visited certain CN main yards, as well as our Information Technology command centre, Kirk Yard and the EJ&E properties in the United States. The Board has also visited CN's state-of-the-art training centre in Winnipeg, Manitoba and toured a Geometry Test Car. The Board also traveled by train from Baton Rouge, LA to New Orleans, LA. During the train trip the Board had the opportunity to interact with CN officers to gain a full appreciation of and learn more about CN's operations in this region.



The following table lists seminars and courses by external providers, as well as dedicated internal sessions and presentations on key CN subject matters, that the directors of the Company attended in 2015 and early 2016.

SUBJECT MATTER/TOPIC PRESENTED	PRESENTED/HOSTED BY	ATTENDED BY
<b>SAFETY</b> <ul style="list-style-type: none"> <li>Safety Update</li> <li>Mechanical Data Analytics</li> </ul>	CN Safety & Sustainability CN Mechanical	All directors
<b>CUSTOMER RELATIONS</b> <ul style="list-style-type: none"> <li>CustomerFIRST Initiatives</li> <li>Winter Preparedness</li> <li>Balancing Operational and Service Excellence</li> </ul>	CN Marketing CN Operations	All directors
<b>INVESTOR RELATIONS</b> <ul style="list-style-type: none"> <li>Competitive Context</li> </ul>	CN Investor Relations	All directors
<b>MARKETING</b> <ul style="list-style-type: none"> <li>Energy Markets</li> <li>Private Car Management</li> </ul>	CN Petroleum & Chemicals CN Car Management	All directors
<b>FINANCE</b> <ul style="list-style-type: none"> <li>KPMG Training Session</li> <li>Investor Financial Perspectives</li> </ul>	External Auditors KPMG, CN Accounting RBC Capital Markets, Wells Fargo Securities	Audit Committee members All directors
<b>SUSTAINABILITY</b> <ul style="list-style-type: none"> <li>Environmental Stewardship</li> <li>Workforce Renewal and Training Excellence</li> </ul>	Downstream Consulting at IHS/Purvin & Gertz CN Operations CN Human Resources	All directors
<b>TECHNOLOGY</b> <ul style="list-style-type: none"> <li>Positive Train Control</li> <li>Enhanced Risk Mitigation Through Process and Technology</li> <li>Use of Technology in Engineering</li> </ul>	CN Information Technology CN Engineering CN Supply Fleet & Fuel Management	All directors
<b>LAW</b> <ul style="list-style-type: none"> <li>Regulatory Update</li> </ul>	CN Corporate Services	All directors

## Stakeholder Engagement

CN is recognized as a company that delivers responsibly, is a key part of the solution for customers, and a true backbone of the economy. Over the year, we continued to deepen the Company's sustainability agenda—moving customer goods safely and efficiently, ensuring environmental stewardship, attracting and developing the best railroaders, adhering to the highest ethical standards and building safer, stronger communities. In broad terms, the Company continued its stakeholder activities by:

- engaging with governments as a participant on advisory councils, review boards and regulatory proceedings;
- conducting community outreach;
- working collaboratively with supply chain partners;
- participating in industry associations (Railway Association of Canada; Association of American Railroads);
- engaging with suppliers at our annual supplier council and through our Sustainable Procurement Excellence program;
- strengthening our relationships and improving our communication with customers;
- ensuring the opportunity for regular two-way communication with employees;
- taking part in structured community engagement; and
- maintaining open dialogue with Aboriginal peoples.

Specifically on the safety front, CN actively engaged communities across its network, meeting with emergency responders and elected officials, providing training and expertise and sharing relevant information on dangerous goods shipments.

### For the year 2015, CN received a number of awards and recognition including:

- Ranked 5<sup>th</sup> in the Globe and Mail's Report on Business section's annual review of Corporate Governance in Canada, moving up significantly from 19<sup>th</sup> in 2014
- Six awards from Investor Relations Magazine in the following categories (among others): the grand prix for best overall investor relations (large cap), best investor relations officer (large cap), best IR by a CFO (large cap) and best investor meetings
- Recognized on the CDP climate performance leadership index
- Ranked among the best 50 corporate citizens in Canada by Corporate Knights
- Listed on the Jantzi Social Index
- Listed on FTSE4Good Index
- Named to Dow Jones Sustainability World Index for the fourth year in a row

Throughout 2015, CN also continued its support of hundreds of CN railroaders in the community who are champions in the causes they choose to support. CN granted C\$1,127,800 to support its employees, their families and pensioners in their volunteer efforts.

As well, our Investor Relations department actively engages with the broad investment community, including shareholders, analysts, potential investors, as well as shareholder advocacy groups, to provide public information on the Company, as well as to address any specific questions or concerns. We have in place various means of communication for

receiving feedback from interested parties, such as a toll-free number for general inquiries (1-888-888-5909). The Board of Directors also adopted procedures allowing interested parties (i) to submit accounting and auditing complaints or concerns to us and (ii) to communicate directly

## Audit Committee Disclosure

National Instrument 52-110—Audit Committees (“NI 52-110”) of the CSA requires issuers to include the charter of their audit committee and disclose information with respect to the composition, education and experience of the members of their audit committees, as well as all fees paid to external auditors in their annual information form. We comply with the requirements regarding composition and responsibilities, as summarized hereinafter, and we refer to our Annual Information Form—section “9.2 Audit Committee Disclosure” and “Schedule A”—available on SEDAR at [www.sedar.com](http://www.sedar.com) and on our website at [www.cn.ca](http://www.cn.ca), under Investors for a description of the education and relevant experience of the Audit Committee members and with regards to the charter of our Audit Committee.

### Composition of the Audit Committee

The Audit Committee is composed of seven independent directors, namely, Donald J. Carty, Chair of the Committee, Ambassador Gordon D. Giffin, Edith E. Holiday, Maureen Kempston Darkes, James E. O’Connor, Robert L. Phillips and Laura Stein. The Chair of the Human Resources and Compensation Committee, Mr. Giffin, is a required member of the Audit Committee, as provided for in the charter of the Audit Committee. No member of the Audit Committee receives, other than in his or her capacity as a director or member of a Board committee, directly or indirectly, any fee from the Company or any subsidiary of the Company, nor is an affiliated person of the Company, or any subsidiary of the Company.

### Mandate of the Audit Committee

As further described below, the Audit Committee’s responsibilities can be divided into four categories:

- overseeing financial reporting;
- monitoring risk management and internal controls;
- monitoring internal auditors; and
- monitoring external auditors.

### Overseeing Financial Reporting

The mandate of the Audit Committee provides that the committee is responsible for reviewing, with management and the external auditors, the annual and quarterly financial statements of the Company and accompanying information, including the Company’s Management’s Discussion and Analysis (“MD&A”) disclosure and earnings press releases, prior to their release, filing and distribution. The mandate also provides that the Committee should review the procedures in place for the review of the Company’s disclosure of financial information extracted or derived from the Company’s financial statements and periodically assess the adequacy of those procedures.

The Audit Committee is also responsible for reviewing the financial information contained in the Annual Information Form and other reports or documents, financial or otherwise, requiring Board approval.

Furthermore, the Audit Committee is in charge of reviewing the results of the external audit, any significant problems encountered in performing the audit, and management’s response and/or action plan related to any issue identified by the external auditors and any significant recommendations relating thereto.

with the Chair of the Board, who presides over all non-executive director sessions. These procedures are described on our website at [www.cn.ca](http://www.cn.ca), under *Delivering Responsibly/Governance*.

### Monitoring Risk Management and Internal Controls

The Audit Committee is responsible for periodically receiving management’s report assessing the adequacy and effectiveness of CN’s disclosure controls and procedures and systems of internal control. The mandate of the Audit Committee also provides that the Committee must review CN’s risk assessment and risk management policies.

The Audit Committee is also responsible for assisting the Board with the oversight of CN’s compliance with applicable legal and regulatory requirements.

Additionally, the mandate of the Audit Committee provides that the Audit Committee must establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, or employee concerns regarding accounting or auditing matters, while ensuring confidentiality and anonymity. CN has adopted such procedures. Please refer to the Corporate Governance section of our website at [www.cn.ca](http://www.cn.ca), under *Delivering Responsibly/Governance* for more details on these procedures.

### Monitoring Internal Auditors

The Audit Committee is responsible for ensuring that the Chief Internal Auditor reports directly to the Audit Committee, and for regularly monitoring the internal audit function’s performance, its responsibilities, staffing, budget and the compensation of its members. It further annually reviews the internal audit plan and ensures that the internal auditors are accountable to the Audit Committee.

### Monitoring External Auditors

The mandate of the Audit Committee states that the Committee is responsible for recommending the retention and, if appropriate, the removal of external auditors, evaluating and remunerating them, and monitoring their qualifications, performance and independence.

The Audit Committee is also in charge of approving and overseeing the disclosure of all audit, review and attestation services provided by the external auditors, determining which non-audit services the external auditors are prohibited from providing, and pre-approving and overseeing the disclosure of permitted non-audit services by the external auditors.

The Audit Committee is responsible for overseeing the external auditors and discussing with them the quality and not just the acceptability of the Company’s accounting principles, including any material written communications between the Company and the external auditors (including disagreements, if any, with management and the resolution thereof).

The Audit Committee also reviews at least annually, the formal written statement from the external auditors stating all relationships the external auditors have with CN and confirming their independence.

The mandate of the Audit Committee also provides that the Committee is responsible for reviewing hiring policies for employees or former employees of the Company’s firm of external auditors.

Furthermore, the mandate of the Audit Committee states that the Audit Committee may retain independent advisors to help it carry out its responsibilities, including fixing such advisors’ fees and retention terms, subject to advising the Board Chair. The Committee makes arrangements for the appropriate funding for payment of the external auditors and any advisors retained by it. Pursuant to its charter, the Audit Committee

also has direct communication channels with the internal and external auditors to discuss and review specific issues as appropriate. The internal and external auditors must meet separately with the Audit Committee, without management, twice a year, and more frequently as required. The Audit Committee met five (5) times in 2015 and held *in camera* sessions at each meeting. The report of the Audit Committee, set forth in Schedule "C" of this Information Circular, outlines the major subject areas reviewed by the Committee during the year, in compliance with its mandate.

### Non-Audit Services

The mandate of the Audit Committee provides that the Audit Committee determines which non-audit services the external auditors are prohibited from providing, approves audit services and pre-approves permitted non-audit services to be provided by the external auditors. CN's Audit Committee and the Board of Directors have adopted resolutions prohibiting the Company from engaging KPMG LLP to provide certain non-audit services to the Company and its subsidiaries, including bookkeeping or other services related to the accounting records or financial statements, financial information systems design and implementation, appraisal or valuation services, fairness opinions, contribution in-kind reports, actuarial services, internal audit outsourcing services, management functions or human resources functions, broker or dealer, investment advisor, or investment banking services and legal services and expert services unrelated to the audit. Pursuant to such resolutions, the Company may engage KPMG LLP to provide non-audit services, including tax services, other than the prohibited services listed above, but only if the services have specifically been pre-approved by the Audit Committee.

**The external auditors are prohibited from providing certain non-audit services.**

### Audit Committee Report Regarding Internal Control Over Financial Reporting

The Audit Committee periodically received management's report assessing the adequacy and effectiveness of our disclosure controls and procedures and systems of internal control in respect of the 2015 fiscal year. The Company's external auditors, KPMG LLP, are responsible for performing an independent audit of our consolidated financial statements in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board ("PCAOB") in the U.S., and an independent audit of the effectiveness of internal controls over financial reporting, in accordance with the standards of the PCAOB. These audits serve as a basis for KPMG LLP's opinions addressing whether the consolidated financial statements fairly present our financial position, results of operations, and cash flows in conformity with U.S. Generally Accepted Accounting Principles ("GAAP").

The Audit Committee has discussed with KPMG LLP the matters required to be discussed by the PCAOB Auditing Standards No. 16 (Communication With Audit Committees) and Chartered Professional Accountants of Canada ("CPA") Handbook—Assurance Section 260 (Communications With Those Charged With Governance) including matters relating to the conduct of the audit of our financial statements and the assessment of the effectiveness of our internal control over financial reporting under section 404 of the *Sarbanes-Oxley Act*.

KPMG LLP provided the Committee with written disclosures and the letter required by Rule 3526 of the PCAOB. The Audit Committee has discussed with KPMG LLP the firm's independence from the Company. A formal written statement describing all relationships between KPMG LLP and the Company was remitted to the Audit Committee and it includes

a written confirmation that KPMG LLP are independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation and are independent public accountants with respect to the Company within the meaning of all relevant U.S. professional and regulatory standards, including the independence rules adopted by the SEC pursuant to the *Sarbanes-Oxley Act*, and Rule 3520 of the PCAOB.

Based on this review and these discussions, the Audit Committee recommended to the Board that the Company's audited consolidated financial statements be filed with Canadian securities regulators and be included in the Company's Annual Report on Form 40-F for the year ended December 31, 2015 filed with the SEC.

### Education and Relevant Experience of the Audit Committee Members

The Board of Directors believes that the composition of the Audit Committee reflects a high level of financial literacy and experience. As required in the charter of the Audit Committee, all members of the Audit Committee are financially literate, as such term is defined under Canadian securities laws and regulations and the NYSE Standards, and several members of the Committee meet all criteria to be designated as "audit committee financial expert" under the rules of the SEC. The Board has made such determination based on the education and experience of each Committee member.

In determining if a director is an "audit committee financial expert", the Board considers if the director is a person who has: (a) an understanding of generally accepted accounting principles and financial statements; (b) the ability to assess the general application of such

**All members of the Audit Committee are financially literate and several members are audit committee financial experts.**

accounting principles in connection with the accounting for estimates, accruals and reserves; (c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more persons engaged in such activities; (d) an understanding of internal controls and procedures for financial reporting; and (e) an understanding of audit committee functions.

The NYSE corporate governance rules require that if an audit committee member serves simultaneously on the Audit Committee of more than three public companies, the Board must determine and disclose that this simultaneous service does not impair the ability of the member to effectively serve on the Audit Committee.

In addition to serving on the Audit Committee of CN, Mr. Carty serves on the audit committees of the following public companies: EMC Corporation, VMWare, Inc. and Virgin America Inc. The Corporate Governance and Nominating Committee and the Board have reviewed Mr. Carty's Audit Committee service commitments and have concluded that such other audit committee services in no way impair his ability to effectively serve on the Audit Committee of CN.

# Statement of Executive Compensation

## Dear Shareholder:

On behalf of the Human Resources and Compensation Committee (“Committee”) and the Board of Directors of Canadian National Railway Company (“CN” or “Company”), we are pleased to share with you our approach to executive compensation. Once again in 2015, the Company’s annual “Say on Pay” advisory vote received strong support with 97.3% of the votes in favour of CN’s disciplined approach to executive compensation. CN remains committed to transparency by providing clear and comprehensive disclosure information to its shareholders.

## 2015 Overview

CN’s experienced executive team of Named Executive Officers (“NEOs”) remained stable in 2015. Since Mr. Mongeau’s appointment in 2010, only the Executive Vice-President and Chief Operating Officer position has turned over with the appointment of Mr. Vena in 2013. The commitment and depth of CN’s executive team was once again demonstrated in 2015 during Mr. Mongeau’s medical leave of absence in the later part of the year. The Board’s planning permitted interim leadership by Mr. Jobin to ensure that the executive team leadership remained solid and seamless. Such commitment and the depth of CN’s executive team was at the forefront of our solid operational and financial results in 2015 and the role played by each member of the executive team in a volatile economic and market environment is a testimony to our executive team’s experience and commitment to our shareholders.

	2014 RESULTS	2015 RESULTS	
	C\$	C\$	INCREASE VS. 2014 RESULTS
Revenues (\$ millions)	12,134	12,611	+ 3.9%
Operating Income (\$ millions)	4,624	5,266	+ 13.9%
Adjusted Diluted Earnings Per Share (\$) <sup>(1)</sup>	3.76	4.44	+ 18.1%
Free Cash Flow (\$ millions)	2,220	2,373	+ 6.9%
Return on Invested Capital	17.36%	17.45%	+ 9bps

(1) Excludes a deferred income tax expense of C\$42 million in 2015 resulting from the enactment of a higher provincial corporate income tax rate and also excludes a gain on disposal of the Deux-Montagnes subdivision of C\$80 millions in 2014.

Despite significant volume headwinds in key commodity markets, CN delivered record financial results. The CN executive team reacted swiftly to the changing environment by recalibrating resources and was able to improve operating and service metrics, including the achievement of a record operating ratio of 58.2%. The Company’s safety performance was also solid in 2015 with a 25% reduction in Federal Railroad Administration (“FRA”) accident ratio and a 10% reduction in FRA injury ratio. The Company’s unwavering commitment to safety continued to be strongly supported in 2015 through various initiatives such as the implementation of the “Looking After Each Other” campaign which focuses on peer-to-peer communications, better process control, as well as continued targeted capital expenditures.

TOTAL SHAREHOLDER RETURN	2015	3-YEAR PERFORMANCE
	ANNUAL GROWTH RATE	COMPOUNDED ANNUAL GROWTH RATE
Canadian National Railway (TSX)	-1.7%	21.5%
Union Pacific Corporation (NYSE)	-32.9%	9.8%
CSX Corporation (NYSE)	-26.8%	12.0%
Norfolk Southern Corporation (NYSE)	-20.8%	13.8%
Canadian Pacific Railway Ltd. (TSX)	-20.5%	21.5%

## Disciplined Approach to Compensation

CN’s approach to executive compensation is driven by our goal to deliver sustainable and solid returns to shareholders. CN exercises a disciplined approach to executive compensation by ensuring that target compensation supports attraction and retention of executive talent while remaining within our executive compensation policy. In addition, short and long-term incentive plans are structured to align realized pay and shareholder returns through the use of various key performance measures, including the use of Relative Total Shareholder Return (“Relative TSR”) performance measures.

Long-term growth and value creation remain central to our pay strategy and targets are set to ensure that our compensation policies do not encourage undue risk-taking on the part of our executives. In some instances, performance measures are used under both short and long-term performance plans to ensure that profitable short-term decisions are also in support of long-term performance. CN’s executive compensation program also supports safe and reliable operations, environmentally and socially responsible practices, industry leading returns and the attraction and retention of skilled employees.

CN’s executive compensation policy aims to position total direct compensation between the median and the 60<sup>th</sup> percentile of the executives’ respective comparator group. Our disciplined approach to compensation has resulted in an overall aggregate positioning of all executives’ total direct compensation slightly below the median as confirmed by Willis Towers Watson’s review in December 2015. The Committee also independently retains the services of Hugessen Consulting Inc. to provide advice on compensation recommendations that are presented for Committee approval.

## Compensation Decisions in 2015

Since 2002, the compensation of our NEOs has been paid in U.S. dollars so as to provide for a more precise, meaningful and stable comparison with U.S. denominated compensation of incumbents in equivalent positions within the comparator group. Given that Canadian securities laws require that the compensation information provided in the Summary Compensation Table and other prescribed tables be stated in Canadian dollars, currency fluctuations impact the year-over-year comparability of compensation levels. The Committee believes that the Company’s comparator group and the U.S. dollar denominated approach to compensation for the NEOs is appropriate and, combined with an overall disciplined approach, provides a competitive total package.

### Base Salary

CN's policy for base salaries and target bonuses is to be at the 50<sup>th</sup> percentile of the comparator group. In 2015, the base salary of all NEOs remained unchanged, with the exception of Mr. Vena who was promoted to the position of Executive Vice-President and Chief Operating Officer in 2013, and who received an increase to maintain a market competitive compensation envelope.

### Annual Incentive Bonus Plan

The annual incentive targets remained constant at 120% of base salary for the President and Chief Executive Officer and at 80% of base salary for the other NEOs. The annual incentive bonus plan is designed to measure and reward against challenging targets for revenue, operating income, diluted earnings per share, return on invested capital ("ROIC"), and free cash flow. For 2015, the Board approved a payout at 93% of target on the corporate component which accounts for 70% of the annual incentive paid to executives. Personal performance, which accounts for 30%, was prorated to reflect partial payout on the corporate component.

### Long-Term Incentive Program

The Long-Term Incentive ("LTI") plan design changed significantly in 2015 with the inclusion of a new set of Relative TSR performance measures which accounts for 30% of the Performance Share Units ("PSUs") grant value. Concurrent with the introduction of these new performance measures, the LTI mix has evolved to a lower weighting on stock options from 50% to 45%. The maximum payout multiplier for PSUs was increased from 150% to 200% to align with the prevailing payout range for all Class I Railroads. PSU payments at the end of the performance cycle will be made in CN common shares purchased on the open market rather than cash. Finally, the minimum service condition for continued vesting in case of retirement, has been increased to 15 months in an effort to maintain retention of such experienced managers and officers during the critical winter period.

### New Safety Component to the Annual Incentive Bonus Plan for 2016

Safety performance has always been an inherent component of the corporate performance targets for the annual incentive bonus plan and has been part of the individual performance objectives for the President and CEO and Operations executives in the past. In 2015, the Committee continued its ongoing review of CN's compensation programs and approved the introduction of a new safety component as part of our continuous effort to promote, support, and reward the achievement of safety milestones. In the 2016 annual incentive bonus plan of all executive officers, the safety component will represent 10% of the annual bonus and be based on the achievement of specific accident and injury ratios. The Committee believes that this approach will not only support the rollout of the Company's safety agenda, but will also emphasize the common leadership responsibilities of all executive officers in the achievement of our annual safety targets.

### Compensation Risk Mitigation

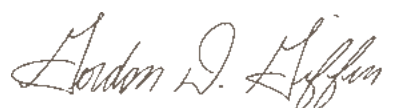
Our compensation programs are designed to encourage appropriate behaviours and include appropriate risk mitigation mechanisms. In 2015, following a review of the Company's compensation policies, programs and practices, Willis Towers Watson conducted its annual review and concluded that there do not appear to be significant risks arising from CN's compensation programs that are reasonably likely to have a material adverse effect on the Company. Based on the adjustment to the LTI design performed in 2015, Willis Towers Watson also indicated that "the increased weight on PSUs in the LTI mix and the introduction of the relative TSR measure align with both competitive market trends and 'best practice' governance standards". At its December 2015 meeting, the Committee reviewed the Willis Towers Watson risk assessment report and supported its conclusions. In its own assessment, the Committee has determined that proper risk mitigation features are in place within the Company's compensation programs.

### Conclusion

As CN recently achieved another milestone with the celebration of the 20<sup>th</sup> anniversary of its initial public offering, the Committee remains fully engaged in ensuring that CN's executive compensation remains anchored on a disciplined approach, linked to performance and is market competitive. The Committee and the Board of Directors believe that compensation outcomes are appropriate and in line with CN's disciplined approach to executive compensation. The Chair of the Human Resources and Compensation Committee and other members will be present during the Meeting to answer questions you may have about our executive compensation. We believe that our approach to executive compensation supports the execution of the Company's strategic plan and we remain committed to developing compensation programs that will continue to be aligned with our shareholders' long-term interests.



**Robert Pace**  
Chair of the Board



**Ambassador Gordon D. Giffin**  
Chair of the Human Resources and Compensation Committee

## Human Resources and Compensation Committee

### Composition of the Human Resources and Compensation Committee

The Committee is composed of eight independent members. All members have a thorough understanding of compensation policies and principles related to executive compensation and have experience in human resources and compensation matters. Furthermore, members are also members of other committees of the Board and this overlap provides for a strong link between committees' risk oversight responsibilities.

The following is a description of the education, skills and experience of each member of the Committee as at the date of this Information Circular that are relevant to the performance of his/her responsibilities as a member of the Committee, including skills and experience enabling the Committee to make decisions on the suitability of the Company's compensation policies and practices:

- Mr. Carty spent 30 years in the airline business before retiring as Vice-Chairman and Chief Financial Officer of Dell, Inc. Mr. Carty has experience in developing and implementing compensation plans and performance-based goals for executive and enterprise-wide personnel. Mr. Carty served as chair of the Human Resources Committee of Talisman Energy Inc. until 2015 and is actively involved in human resources as chair of the board of directors of Porter Airlines Inc. and Virgin America Inc.
- Mr. Giffin is Partner at the law firm of Dentons US LLP, where he maintains offices in Washington, D.C. and Atlanta. His practice focuses on international transactions and trade matters and public policy. He has been engaged in the practice of law or government service for more than thirty-five years. Mr. Giffin was United States Ambassador to Canada from August 1997 to April 2001 and had responsibility for personnel matters. Mr. Giffin serves as chair of the board of TransAlta Corporation, as a member of the Management Resources and Compensation Committee of the Canadian Imperial Bank of Commerce and as a member of the Governance and Compensation Committee of Element Financial Corporation.
- Ms. Holiday has extensive experience serving as a board member for different companies such as Hess Corporation and White Mountains Insurance Group, Ltd. and has served on the board of H.J. Heinz Company and RTI International Metals, Inc. As General Counsel at the United States Treasury Department and as Secretary of the Cabinet at The White House, Ms. Holiday was in charge of the supervision of approximately 2,200 lawyers.
- Mr. Losier was the President and Chief Executive Officer of Assumption Life. As Chief Executive Officer, the Vice-President of Human Resources reported directly to Mr. Losier. Mr. Losier has worked with consultants to assess Assumption Life's human resources practices and benefits and to measure the competitiveness of its executive compensation policies and practices. In addition, Mr. Losier gained human resources experience by actively participating and developing a leadership succession and development plan in anticipation of his retirement as Chief Executive Officer of Assumption Life. Mr. Losier has also been involved in succession planning for other publicly traded companies.

- Mr. Lynch held various senior positions in the Government of Canada, including as Clerk of the Privy Council, Secretary to the Cabinet and Head of the Public Service of Canada where he was responsible for the overall management of 263,000 employees in 80 departments and agencies of the Canadian government. Mr. Lynch is a member of the Leadership Council of the Bank of Montreal, the chair of the Corporate Governance Committee of Empire Company Limited and a member of the Human Resources Committee of Empire Company Limited and a member of the Nominating Committee of CNOOC Limited.
- Mr. O'Connor was chair of the board of directors and Chief Executive Officer of Republic Services, Inc. one of the largest waste management companies in the U.S., and was involved in various human resources and compensation matters. Mr. O'Connor also serves as a director on the board of Clean Energy Fuels Corp. and Casella Waste Systems, Inc. (Lead Director).
- Mr. Phillips served as President and Chief Executive Officer of various companies, including Dresco Energy Services Ltd, PTI Group Inc. and British Columbia Railway Corporation where he gained in depth exposure to human resources and compensation matters. He currently serves on the Human Resources and Compensation Committees of Precision Drilling Corporation, Canadian Western Bank, MacDonald Dettwiler & Associates Ltd and West Fraser Timber Co. Ltd.
- Ms. Stein currently serves as Executive Vice-President — General Counsel & Corporate Affairs at The Clorox Company. She also served as Senior Vice-President and General Counsel at H.J. Heinz Company. Ms. Stein gained extensive human resources and compensation experience through the review and execution of compensation matters for both companies. Ms. Stein has also engaged with shareholders' advisory groups on various compensation matters.

The following table summarizes the Committee members' human resources and compensation-related experience:

AREA OF EXPERIENCE	NUMBER OF COMMITTEE MEMBERS WITH VERY STRONG OR STRONG EXPERIENCE	
Membership on HR committees	8/8	100%
Organizational exposure to the HR function	8/8	100%
Leadership and succession planning, talent development	8/8	100%
Approval of employment contracts	7/8	88%
Development/oversight of incentive programs	7/8	88%
Oversight of stress-testing of incentive programs vs. business/operating performance	7/8	100%
Pension plan administration/oversight	5/8	63%
Interpretation and application of regulatory requirements related to compensation policies and practices	7/8	88%
Engagement with investors and investor representatives on compensation issues	5/8	63%
Oversight of financial analysis related to compensation policies and practices	7/8	88%
Exposure to market analysis related to compensation policies and practices	7/8	88%
Drafting or review of contracts and other legal materials related to compensation policies and practices	3/8	38%
Oversight of labour matters	4/8	50%

## Mandate of the Human Resources and Compensation Committee

The Committee's responsibilities include:

- ensuring that appropriate mechanisms are in place regarding succession planning for the executive management positions, including that of the President and Chief Executive Officer;
- reviewing executive management's performance assessment;
- reviewing leadership and talent management for the Company's key positions;
- overseeing the identification and management of risks associated with CN's compensation policies and practices and reviewing disclosure on: (i) the role of the Committee in that respect; (ii) any practices that CN uses to identify and mitigate such risks and (iii) any identified risk arising from CN's compensation policies and practices that is reasonably likely to have a material adverse effect on CN;
- overseeing the selection of any benchmark group used in determining compensation or any element of compensation and reviewing disclosure on such group;
- retaining outside advisors to assist it in the performance of its functions and responsibilities, including compensation consultants, independent legal counsel or other independent advisors and overseeing their work;
- evaluating the independence of compensation consultants in accordance with applicable NYSE listing standards or other applicable laws, rules or regulations;
- recommending to the Board of Directors executive management's compensation; and
- reviewing human resources practices by ensuring, among other things, that appropriate human resources systems are in place to allow the Company to attract, motivate and retain the quality of personnel required to meet its business objectives.

The Committee's full charter is available as part of CN's Corporate Governance Manual at [www.cn.ca](http://www.cn.ca), under Delivering Responsibly/Governance. Finally, the Committee met five times in 2015 and held *in camera* sessions during each meeting. The report of the Committee, set forth in Schedule "C" to this Information Circular, outlines the major subject areas reviewed by the Committee during the year.

## Talent Management and Employee Engagement

In 2015, the Committee continued to oversee actions aimed at further strengthening the Company's Talent Management strategies with a view to connect, recognize and engage with railroaders who drive CN's sustained success. The Company leveraged its two new training centres located in Winnipeg (Manitoba) and Homewood (Illinois) in a continuous effort to provide advanced training programs, enhance productivity and effectiveness, and instill a stronger and lasting safety culture.

The Company invests in a diverse range of programs to engage with its employees. Employees' involvement in these programs continues to support CN's agenda, whether it is CN Ambassadors helping recruit the next generation of railroaders, EcoChampions supporting the Company's sustainability efforts, Wellness Champions promoting healthy life habits, or Railroaders in the Community engaged in the neighbourhoods where CN operates. The fact that over 80% of employees are CN shareholders is another testament to their engagement in the Company's success.

The Company continued to drive cross-functional awareness in 2015 through developmental opportunities for key talent, including the LINK business program, internships in transportation for women and leadership training with a goal to support diversity, career development and business performance. Programs for accelerated business learning continued to be refined as well as those for expanded understanding of our operations. Through 2015, the Company leveraged its development portal in an effort to provide access to development tools and reference material to employees. Talent reviews were conducted throughout 2015 with the identification and development of key talent for succession.

CN is also consciously weaving a diversity component into talent initiatives to ensure it is creating an environment that allows CN to compete for the best talent. Over 200 review sessions were conducted with business leaders across the Company, including presentations by Executive Vice-Presidents ("EVPs") to the President and CEO. As a result, development plans and talent initiatives are helping to build bench strength and improve readiness for future opportunities, while taking into account individuals' capabilities and interests. Customized development plans were built for railroaders identified as key talent. The functional EVPs presented their strategic plans on talent and succession to the Board, and the Committee is confident that solid leadership development and succession plans are in place.

As of December 31, 2015, CN had 23,172 employees contributing to the success of our organization. The Committee is satisfied that, under Mr. Mongeau's leadership, the proper human resources strategies and systems are in place to attract and retain talented and engaged employees to ensure the Company's ongoing success.

## Executive and Board Compensation Consultants

Management retains consulting firms to assist in determining compensation for its executives. In 2015, Management retained the services of Willis Towers Watson to provide market information on competitive executive compensation levels and plan designs, survey results and trends, as well as external perspectives on various executive compensation matters. In 2015, Management was invoiced C\$191,200 by Willis Towers Watson for these services.

The Committee also independently retains the services of executive compensation consultants to provide advice on compensation recommendations that are presented for Committee approval. Since October 2007, the Committee has retained the services of Hugessen Consulting Inc. ("Hugessen") for that purpose. The Committee mandated Hugessen to review and provide advice directly to the Committee on executive compensation recommendations and related questions. In aggregate,

the fees invoiced by Hugessen in 2015 totalled approximately C\$60,900. The Committee has also reviewed Hugessen's independence and evaluated their performance for 2015. The Committee is satisfied with the advice received from Hugessen and that such advice is objective and independent. Hugessen also meets the independence requirements of the NYSE Listing Standards and confirmed that on an annualized basis, the amount of fees received by the firm from CN represents less than 5% of the total fees of Hugessen.

Since 2007, the Board of Directors has adopted a policy to the effect that the Chair of the Committee must pre-approve all non-compensation services provided to the Company by the consultant retained by the Committee to perform executive compensation-related services. Pursuant to an understanding between the Committee and Hugessen, the latter has agreed not to perform any work for Management. During 2015, the only services performed by Hugessen were executive compensation-related services provided directly to the Committee.

## Executive Compensation – Related Fees

TYPE OF FEE (BEFORE TAX)	SERVICES RENDERED IN 2014 (C\$)		SERVICES RENDERED IN 2015 (C\$)		PERCENTAGE OF TOTAL FEES FOR SERVICES RENDERED IN 2015 (%)	
	Hugessen	Willis Towers Watson	Hugessen	Willis Towers Watson <sup>(1)</sup>	Hugessen	Willis Towers Watson
Executive and Board Compensation-Related Fees	86,800	322,300 <sup>(2)</sup>	60,900	191,200	100%	37%
All Other Fees	0	139,600	0	330,500 <sup>(3)</sup>	0%	63%

(1) U.S. fees were converted in Canadian dollars using the 2015 annual average exchange rate of U.S.\$1.00 = C\$1.2787.

(2) In 2014, Willis Towers Watson also provided support to the Corporate Governance and Nominating Committee for the review of compensation arrangements for non-executive directors, as described on page 16. The Board was invoiced C\$30,000 for these services.

(3) Includes broad-based compensation and health and benefits related services.



# Compensation Discussion and Analysis

## Executive Summary

### Named Executive Officers

This CD&A section explains our executive compensation policy and programs and focuses on the following executives who appear in the compensation tables:

Claude Mongeau	President and Chief Executive Officer
Luc Jobin	Executive Vice-President and Chief Financial Officer
Jim Vena	Executive Vice-President and Chief Operating Officer
Jean-Jacques Ruest	Executive Vice-President and Chief Marketing Officer
Sean Finn	Executive Vice-President Corporate Services and Chief Legal Officer

### Compensation Framework and Policy

The Company follows a comprehensive executive compensation program for NEOs which includes: i) base salary; ii) annual incentive bonus; iii) long-term incentives; iv) pension benefits; and v) executive perquisites. The first three elements define total direct compensation. The objective of CN's compensation program is to attract, retain and engage top talent by ensuring that there is a clear link between the Company's long-term strategy, its business plan and executive rewards.

Decisions on how much to pay the NEOs and all other executives in terms of total direct compensation are based on the Company's executive compensation policy. The policy aims to position total direct compensation between the median and the 60<sup>th</sup> percentile of the executives' respective comparator groups. For the NEOs, the comparator group consists of select Class I Railroads (Union Pacific Corporation, CSX Corporation, Norfolk Southern Corporation and Canadian Pacific Railway Limited). For all other executives, the comparator group is comprised of a broad sample of U.S. organizations with revenues between U.S.\$6 billion and U.S.\$15 billion that participate in Willis Towers Watson's proprietary database. CN generated revenues of C\$12.6 billion in 2015. For executives in group or division level positions, a total sample of the U.S. Industrial organizations is used, with revenue ranges aligned to reflect the scope of the role of the respective CN executive. More information on the comparator groups can be found on page 42.

In December 2015, as part of the annual compensation review process, Willis Towers Watson provided an assessment of how total direct compensation offered to all executives during the year compared against that of the respective comparator groups. Willis Towers Watson reported that the overall aggregate positioning of all executives' total direct compensation was slightly below the median of the comparator group.

### Decision Process

The compensation of the NEOs, other than that of the President and CEO, is recommended by the President and CEO and reviewed and recommended by the Committee for approval by the Board of Directors. The compensation of the President and CEO is recommended by the Committee and approved by the independent members of the Board of Directors. The President and CEO serves at the will of the Board. Neither the President and CEO nor the other NEOs have an employment contract. For a discussion on the compensation of the President and CEO, please see the section entitled "President and Chief Executive Officer Compensation" on page 51.

### 2015 Base Salary Increases

The base salaries of NEOs are paid in U.S. dollars in order to provide for a more precise, meaningful and stable comparison with U.S. denominated salaries of incumbents in equivalent positions within the comparator group. As part of the NEOs' annual compensation review, base salaries were set with reference to the median of the Class I Railroads comparator group. Salary increases reflect market competitiveness, economic outlook, leadership abilities, retention considerations and succession plans. Base salaries for NEOs were not adjusted in 2015, with the exception of the Executive Vice-President and Chief Operating Officer ("COO") who received an increase to maintain a market competitive compensation envelope. For more information on base salaries, please refer to page 43.

### 2015 Annual Bonus Results

As in prior years, the President and CEO's target bonus in 2015 was 120% of base salary. The other NEOs' target bonus was 80% of base salary. Corporate performance accounted for 70% of the annual incentive bonus and was measured against challenging targets for revenue, operating income, diluted earnings per share, ROIC and free cash flow. The ROIC performance objective is also used as a performance measure for the Performance Share Units as it mitigates risk between short and long-term performance on invested capital. The Board is of the view that its chosen corporate performance objectives are appropriate for a capital-intensive business like CN.

Despite a rapidly evolving economic and business environment, the corporate performance for 2015 remained solid, with an aggregate performance close to target. Consequently, the Board of Directors assessed the performance of the Company at "partially meets", resulting in a corporate bonus factor of 93%. The table showing the 2015 corporate performance objectives, as approved by the Board of Directors in January 2015, and the 2015 results as reported by the Company, can be found on page 45.

The remaining 30% of the annual incentive bonus was based on individual performance that considered the strategic and operational priorities related to each NEO's function.

The Committee reviewed and recommended for Board approval an overall individual performance rating for the President and CEO at 100% in light of the Company's solid financial and safety performance and despite the challenging environment. The individual performance ratings for the other NEOs were also reviewed by the Committee. The resulting average individual bonus factor of all NEOs, including the President and Chief Executive Officer, was 110%. The individual rating was then adjusted by the corporate bonus factor of 93% to reflect the partial payout of the corporate performance component. The individual performance rating, along with the corporate bonus factor, served as the basis for calculating the annual incentive bonus payouts set out in the Summary Compensation Table on page 56.

Overall, 2015 bonus payouts for NEOs ranged from 93% to 100% of target.

## 2015 Long-Term Incentives

In determining the appropriate long-term incentive fair value of LTI granted to NEOs, the Committee considered external market data, as well as other factors such as individual performance, retention risk and succession plans, and the Company's compensation philosophy. The fair value of LTI grants for NEOs is determined with reference to the 60<sup>th</sup> percentile of the Class I Railroads comparator group.

To align with mid- and long-term business performance and shareholder value creation, long-term incentives consist of a combination of PSUs and stock options, respectively weighing 55% and 45% of the long-term incentive fair value granted<sup>(1)</sup>.

The payout of PSUs granted in 2015 to NEOs is subject to two distinct performance measures. 70% of the PSU award is subject to the achievement of solid return on invested capital performance for the period ending on December 31, 2017 and to the attainment of a minimum average closing share price established at the beginning of the cycle. The remaining 30% is subject to CN's relative TSR measured against two comparator groups i) Class I Railroads<sup>(2)</sup> and ii) S&P/TSX 60 companies for the same period ending on December 31, 2017.

The stock options granted in 2015 are conventional and vest over four years at a rate of 25% at each anniversary date. Stock options have a 10-year term.

The table summarizing the performance objectives and payout condition of the 2015 PSU award can be found on page 47.

## 2013 Performance Share Units Award Payout

The Committee reviewed the vesting of the 2013 PSUs against the performance targets. The Company achieved a three-year average return on invested capital to December 31, 2015 of 17.38%, exceeding the maximum objective set in 2013. This outcome resulted in a performance vesting factor of 150% of the PSUs awarded in 2013, in accordance with the plan rules. As the minimum average closing share price condition was also met, payout under the plan occurred in February 2016, provided compliance with the other conditions of the award agreements.

As part of the equity-settlement conversion option introduced in 2014, 132 executives and senior managers elected to convert the settlement of previously awarded PSUs in equity rather than cash. For these participants, the PSUs were therefore settled in CN common shares purchased on the open market.

The table illustrating the 2013 PSU performance objectives and results can be found on page 48.

## Risk Mitigation in Our Compensation Program

The Company has a formalized compensation philosophy to guide compensation program design and decisions. Many of the characteristics inherent in the Company's executive compensation program encourage the right behaviours, thus mitigating risks and aligning long-term results with shareholder interests. The following are examples of such characteristics:

- Appropriate balance between fixed and variable pay, as well as short and long-term incentives;
- Multiple performance measures to be met or exceeded in the AIBP;
- Overlap of performance measures for short and long-term incentives to mitigate risk;
- Capped incentive payout opportunities with no minimum guaranteed payout;
- Cannot engage in hedging activity or in any form of transactions in publicly traded options on CN securities;
- Executive compensation clawback policy is in place;
- Stock ownership guidelines apply to executives and senior management employees; and
- The Committee retains the services of an independent executive compensation consultant.

A complete list and description of these risk-mitigating features is available on page 49.

In December 2015, following a review of the Company's compensation policy, programs and practices, Willis Towers Watson concluded again this year that "overall, there do not appear to be significant risks arising from CN's compensation programs that are reasonably likely to have a material adverse effect on the Company". The Committee supports the conclusions from Willis Towers Watson's risk assessment report and in its own assessment determined that proper risk mitigation features are in place within the Company's compensation program.

## Non-Compete, Non-Solicitation and Non-Disclosure

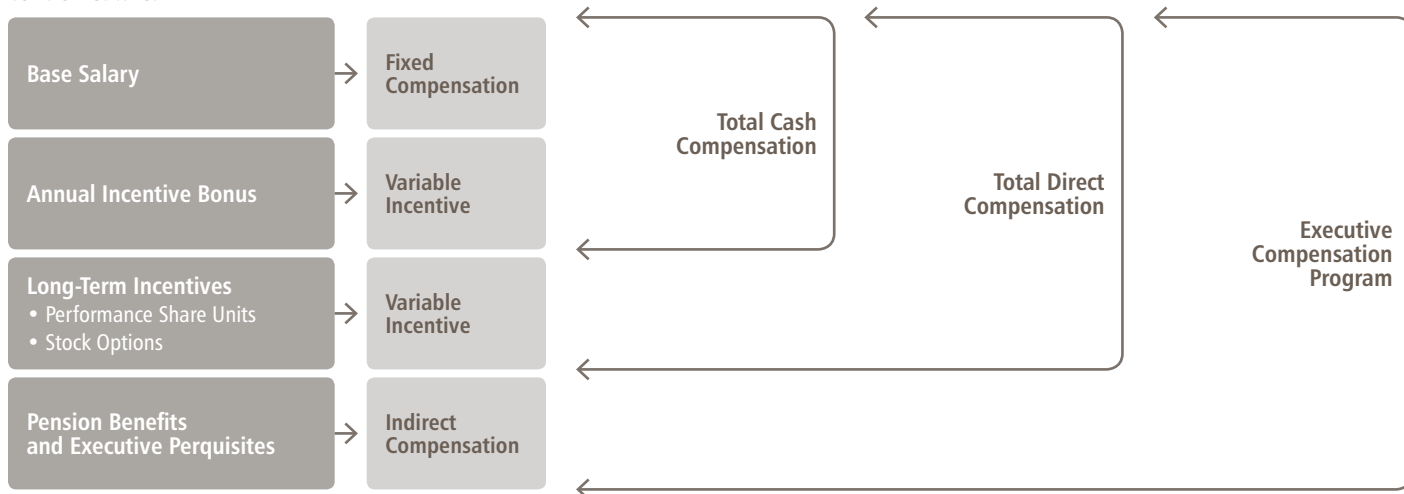
The railroad industry operates in a highly competitive market and CN has undergone a transformational journey to be an industry leader. In recent years, the Company has continued to improve its efforts to protect itself and its confidential information. Accordingly, the Company's long-term incentive award agreements, as well as its non-registered pension plans, contain non-compete, non-solicitation, non-disclosure of confidential information and other restrictive clauses. Payout under the long-term incentive plans or the non-registered pension plans is subject to current or former employees complying with these conditions. Further details related to CN's non-compete and non-solicitation provisions are available on page 49.

(1) The weighting of the long-term incentive grant value for the President and CEO is different (62% PSUs and 38% Stock Options) to reflect stock option distribution requirements which limit the number of stock options that may be awarded during any calendar year to any individual participant to a maximum of 20 percent of the stock options awarded in that year.

(2) Excluding Burlington Northern and Santa Fe Railway and Kansas City Southern Railway.

## Executive Compensation Policy Objectives

The Company's executive compensation policy and programs are designed to ensure that there is a clear link between the Company's long-term strategy, its business plan and executive rewards, thus encouraging appropriate behaviour. A significant proportion of executive incentive compensation is therefore tied to key corporate objectives that play a critical role in driving the organization's short and long-term profitability and return to shareholders. The executive compensation program is also designed to be competitive, in order to attract, retain and motivate outstanding executive talent while providing for appropriate risk control features.



The executive compensation program is comprised of five elements: i) base salary; ii) annual incentive bonus; iii) long-term incentives; iv) pension benefits; and v) executive perquisites. The combination of base salary, annual incentive bonus and long-term incentives defines the total direct compensation offering, which is weighted towards variable, "pay-for-performance" elements.

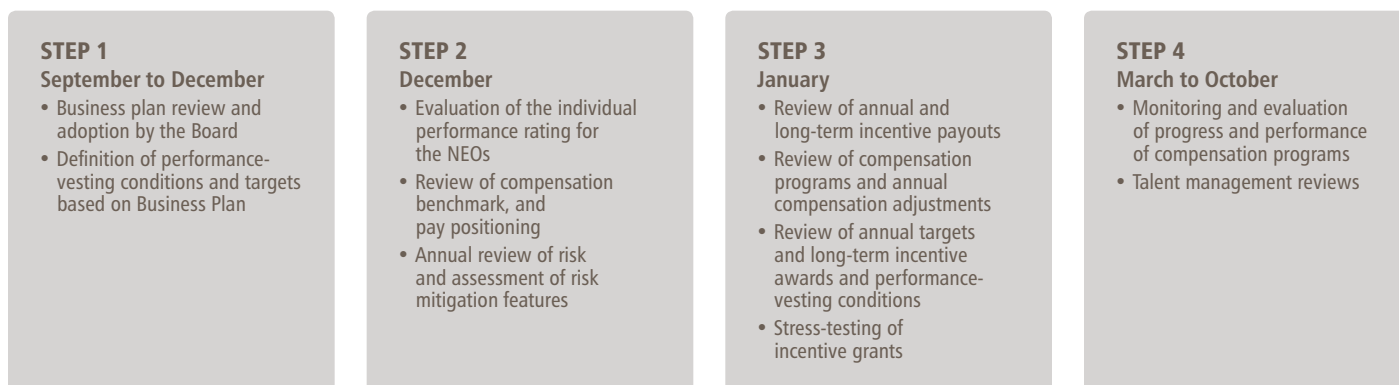
## Compensation Policy

### The Company's Executive Compensation Policy

The executive compensation policy aims to target total direct compensation between the median and 60<sup>th</sup> percentile of the executives' respective comparator groups. Base salaries and target annual bonuses are set with reference to the median level of the respective comparator group, whereas the grant date fair value of long-term incentives is set with reference to the 60<sup>th</sup> percentile. The Committee believes that the compensation policy and its principles provide for competitive and reasonable compensation levels.

### Compensation Decisions and Process

The compensation is determined as part of an annual process followed by the Committee and outlined in the chart below:



The Committee reviews benchmark information in December each year, and approves compensation adjustments in January of the following year by taking into consideration comparator group practices, economic outlook, leadership abilities, retention considerations and succession plans.

The Committee reviews and recommends for approval by the Board of Directors the performance targets related to both the AIBP and the PSUs in January. These targets are derived from CN's annual business plan, which is prepared by Management and reviewed with the full Board during the Strategic Planning Committee meetings prior to the beginning of the applicable year. Business planning is an extensive process during which Management examines with the Board the economic, business,

regulatory and competitive conditions which affect or can be expected to affect CN's business in the following three-year period. Throughout the year, members of the Committee are provided with updates related to the Company's performance against targets.

The Board and Committee also have open access to senior management throughout the year, should they wish to discuss specific business issues or seek clarification. The Board and the Committee are therefore confident that they have detailed visibility of the Company's financial performance and that they are appropriately equipped to recommend executive compensation decisions. Finally, throughout the annual

executive compensation review process, the Committee also receives and considers advice from its independent compensation consultant, Hugessen.

The annual grant of PSUs and stock options to NEOs and other eligible employees is reviewed and approved by the Board of Directors in January for the then current year. In determining the appropriate long-term incentive fair value granted to each NEO, the Committee considered external market data, as discussed in the “Benchmarking Using Comparator Groups” section, as well as other factors such as individual performance, leadership and talent retention.

The compensation of the NEOs, other than that of the President and CEO, is recommended by the President and CEO and reviewed and recommended by the Committee for approval by the Board of Directors. The compensation of the President and CEO is recommended by the Committee and approved by the independent members of the Board of Directors.

### Benchmarking Using Comparator Groups

The median and 60<sup>th</sup> percentile competitive pay levels are determined using comparator groups, which have been carefully reviewed and endorsed by the Committee as being appropriate for the level and nature of the benchmarked positions. In determining compensation for the NEOs, the Company considers a comparator group of North American companies comprised of the following Class I Railroads: Union Pacific Corporation, CSX Corporation, Norfolk Southern Corporation and Canadian Pacific Railway Limited.

The comparator group is comprised of Class I Railroads that are similar in terms of industry and complexity, including size, revenue, capital investment, and market capitalization. These companies directly compete with CN for key talent. Furthermore, half of CN’s Relative TSR performance

indicator for the PSUs awarded to NEOs is measured against the same comparator group (please refer to page 47 for a description of the plan). The table below shows CN’s positioning relative to the primary comparator group for NEOs. Data is as at December 31, 2015.

COMPARATOR GROUP	REVENUE (MILLIONS)	NET INCOME (MILLIONS)	MARKET CAPITALIZATION (MILLIONS)	AVERAGE NUMBER OF EMPLOYEES
Union Pacific Corporation	U.S.\$21,813	U.S.\$4,772	U.S.\$66,800	47,457
CSX Corporation	U.S.\$11,811	U.S.\$1,968	U.S.\$25,300	31,285
Norfolk Southern Corporation	U.S.\$10,511	U.S.\$1,556	U.S.\$25,300	30,057
Canadian Pacific Railway Ltd.	C\$6,712	C\$1,352	C\$27,000	13,813
<b>Average<sup>(1)</sup></b>	<b>C\$15,787</b>	<b>C\$2,990</b>	<b>C\$47,370</b>	<b>30,653</b>
Canadian National Railway Company	C\$12,611	C\$3,538	C\$61,200	24,575
<b>Rank<sup>(1)</sup></b>	<b>4</b>	<b>2</b>	<b>2</b>	<b>4</b>

(1) Values were converted in Canadian dollars using the average exchange rate during the year, except for the market capitalization where the December 31, 2015 exchange rate was used.

The comparator group used for the benchmarking of compensation for all executives other than the NEOs is a broad sample of comparable-size U.S. organizations with revenues between U.S.\$6 billion and U.S.\$15 billion that participate in Willis Towers Watson’s proprietary database. The Committee also considers data from this sample for NEOs for purposes of verifying the alignment with general compensation trends, but not for direct benchmarking purposes, given the direct comparability of the above-mentioned Class I Railroads.

### Components of the 2015 Executive Compensation Program

The following table summarizes the components of the Company’s executive compensation program, which is driven by the executive compensation policy and weighted towards variable, “pay-for-performance” elements. Each component is then further detailed in this section.

COMPONENT	2015 DESIGN SUMMARY	FORM	OPPORTUNITY	RISK-MITIGATING ELEMENTS	OBJECTIVES AND RATIONALE
Base Salary	<ul style="list-style-type: none"> <li>Fixed rate of pay</li> <li>Individual salary recommendations based on competitive assessment and economic outlook, leadership, retention and succession considerations</li> <li>Performance period: 1 year</li> </ul>	<ul style="list-style-type: none"> <li>Cash</li> </ul>	<ul style="list-style-type: none"> <li>Set with reference to the median of the respective comparator group</li> </ul>	<ul style="list-style-type: none"> <li>Provides for a balanced mix of pay components (fixed vs. variable)</li> <li>Use of external advisor and peer group analysis</li> </ul>	<ul style="list-style-type: none"> <li>Provide competitive level of fixed compensation</li> <li>Recognize sustained individual performance</li> <li>Reflect increase in role responsibility and/or growth in role</li> </ul>
Annual Incentive Bonus	<ul style="list-style-type: none"> <li>Annual awards based on achievement of five pre-determined corporate performance objectives (70%) and individual performance (30%)</li> <li>Approximately 4,700 management employees are eligible</li> <li>Performance period: 1 year</li> </ul>	<ul style="list-style-type: none"> <li>Cash-based performance pay</li> </ul>	<ul style="list-style-type: none"> <li>Target is 120% of base salary for the President and CEO and 80% for the other NEOs. Maximum payout is limited to 2.0 times the target</li> <li>For other eligible management employees, target is based on grade level with a maximum payout limited to 1.5 or 2.0 times the target</li> </ul>	<ul style="list-style-type: none"> <li>Use of multiple performance measures</li> <li>Plan targets reviewed and approved annually based on in-depth review of annual business plan</li> <li>Payouts are capped</li> <li>No guaranteed minimum payout</li> <li>Payouts subject to a clawback policy</li> <li>Executives, including the NEOs, and senior management employees, are required to provide the Company with a six-month notice period prior to retirement to maintain their eligibility for accrued and future bonuses under the Annual Incentive Bonus Plan</li> </ul>	<ul style="list-style-type: none"> <li>Reward the achievement of a balanced set of annual corporate performance objectives</li> <li>Reward the achievement of personal objectives aligned with each employee’s area of responsibility and role in realizing operating results</li> <li>Drive superior corporate and individual performance</li> </ul>

COMPONENT	2015 DESIGN SUMMARY	FORM	OPPORTUNITY	RISK-MITIGATING ELEMENTS	OBJECTIVES AND RATIONALE
Long-Term Incentives	<b>PERFORMANCE SHARE UNITS (PSUs)</b> <ul style="list-style-type: none"> <li>70% of the PSU value is subject to the attainment of 3-year average return on invested capital targets and to the attainment of a minimum average closing share price established at the beginning of the cycle</li> <li>30% PSU value is subject to CN's relative performance against Class I Railroads and S&amp;P/TSX 60 companies</li> <li>Employees must remain in active and continuous service until March 31<sup>st</sup> of the year following the year in which the grant was made to be eligible for payout</li> <li>Performance period: 3 years</li> </ul>	<ul style="list-style-type: none"> <li>Performance-based share units payable in equity</li> </ul>	<ul style="list-style-type: none"> <li>Long-term incentive grant date fair value determined with reference to the 60<sup>th</sup> percentile of the respective comparator group for NEOs and executives</li> <li>PSU performance vesting factor capped at 200%</li> </ul>	<ul style="list-style-type: none"> <li>Significant weighting towards long-term incentive compensation</li> <li>Overlapping multi-year performance periods</li> <li>Mix of financial, market and relative performance measures</li> <li>PSU payouts are capped and there is no minimum guaranteed payout</li> <li>Payouts subject to a clawback policy</li> </ul>	<ul style="list-style-type: none"> <li>Align management interests with shareholder value growth</li> <li>Reward the achievement of sustained financial performance</li> <li>Contribute to retention of key talent</li> <li>Recognize individual contribution and potential</li> </ul>
	<b>STOCK OPTIONS</b> <ul style="list-style-type: none"> <li>Conventional stock options that vest over 4 years at a rate of 25% per year</li> <li>Grant is approximately of equal value to the Performance Share Units (except for the President and CEO who receives a different proportion due to the 20% limitation under the Management Long-Term Incentive Plan)</li> <li>Employees must remain in active and continuous service until the last day of the year in which the grant was made to be eligible for payout</li> <li>Performance period: 4-year vesting, 10-year term</li> </ul>	<ul style="list-style-type: none"> <li>Stock options</li> </ul>			
Pension Benefits	<b>CANADIAN PENSION PLANS</b> <ul style="list-style-type: none"> <li>Defined Benefit Plan<sup>(1)</sup>: Benefits payable calculated as a percentage of the five-year highest average earnings multiplied by pensionable service</li> <li>Pensionable service period for most defined benefit plans: Maximum of 35 years</li> <li>Defined Contribution Plan<sup>(2)</sup>: Benefits based on the participant's required contributions and on Company-matched contributions</li> <li>Non-registered plans: Supplement to the registered plans and provide benefits in excess of the Canadian Income Tax Act limits</li> </ul> <b>U.S. PENSION PLANS</b> <ul style="list-style-type: none"> <li>Defined Benefit Plan: Benefits payable calculated as a percentage of the five-year highest average earnings (out of the last 10 years) multiplied by credited service</li> <li>Maximum of 35 years of credited service for most defined benefit plans</li> <li>Savings Plan: 401(k) benefits based on the participant's voluntary contributions and 50% matching by the Company, limited to 3% of base pay</li> <li>Defined Contribution Feature: Additional benefits included in the Savings Plan based on Company contributions equal to 3.5% of base pay</li> <li>Non-registered plans: Supplement to the registered plans and provide benefits in excess of IRS and Railroad Retirement Board limits</li> </ul>	<ul style="list-style-type: none"> <li>Cash payments following retirement</li> </ul>	<ul style="list-style-type: none"> <li>Non-registered plans restricted to executives and senior management employees</li> <li>Most retirement benefits for executives and senior management employees are calculated using base salary and annual bonus (up to target levels)</li> </ul>	<ul style="list-style-type: none"> <li>Annual retirement benefits to President and CEO from non-registered plan capped at U.S.\$1M</li> </ul>	<ul style="list-style-type: none"> <li>Provide an effective and attractive executive compensation program</li> </ul>
Executive Perquisites	<ul style="list-style-type: none"> <li>Healthcare and life insurance benefits, annual physical exam, club membership, company-leased vehicle, parking, financial counselling and tax services</li> </ul>	<ul style="list-style-type: none"> <li>Non-cash perquisites</li> </ul>	<ul style="list-style-type: none"> <li>Competitive</li> </ul>	<ul style="list-style-type: none"> <li>No tax gross-ups on such perquisites</li> <li>Use of corporate aircraft restricted to business-related purposes</li> </ul>	

(1) Applies to employees hired prior to 2006.

(2) Applies to employees hired after 2005 or who have elected to convert from a defined benefit plan.

## Base Salary

The Committee normally reviews the base salaries of executives in January each year, by taking into consideration median comparator group practices, economic outlook, leadership abilities, retention considerations and succession plans. The base salaries of NEOs are paid in U.S. dollars in order to provide for a more precise, meaningful and stable comparison with U.S. denominated salaries of incumbents in equivalent positions within the comparator group.

In 2015, the base salary of all NEOs remained unchanged, with the exception of the Executive Vice-President and COO who received an increase to maintain a market competitive compensation envelope.

The following table presents base salary increases for 2015 in U.S. dollars:

NAME	2014 (U.S.\$)	2015 (U.S.\$)	INCREASE
Claude Mongeau	1,075,000	1,075,000	0.0%
Luc Jobin	600,000	600,000	0.0%
Jim Vena	560,000	600,000	7.1%
Jean-Jacques Ruest	560,000	560,000	0.0%
Sean Finn	528,000	528,000	0.0%

## Annual Incentive Bonus Plan

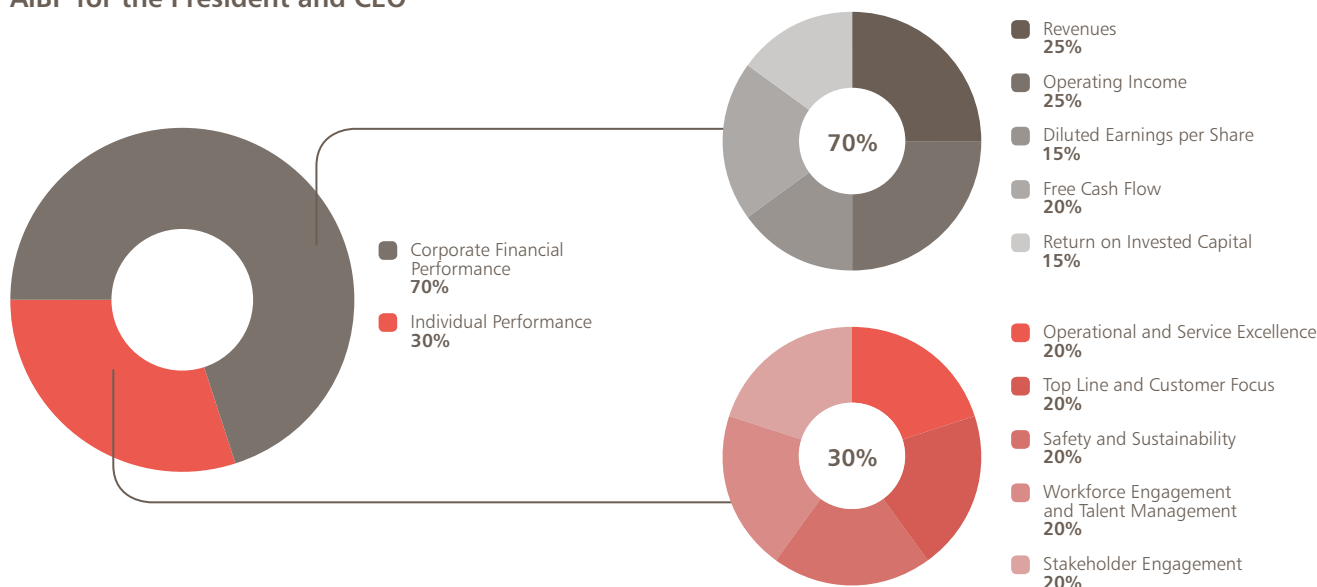
In addition to the NEOs, approximately 4,700 active management employees are eligible to participate in an annual performance-based bonus plan. Under the Company's AIBP, minimum, target and maximum payouts, expressed as a percentage (%) of base salary, are as follows for the President and CEO, the other NEOs, the Senior Vice-Presidents and Vice-Presidents:

POSITION	MINIMUM	TARGET <sup>(1)</sup>	MAXIMUM <sup>(1)</sup>
President and CEO	0%	120%	240%
Other NEOs	0%	80%	160%
Senior Vice-Presidents	0%	65%	130%
Vice-Presidents	0%	50/60%	100/120%

(1) As a percentage of base salary as at December 31, 2015.

The following illustrates the 2015 AIBP for the President and CEO:

### AIBP for the President and CEO



For 2015, the AIBP was comprised of the following components:

- 1. Corporate Financial Performance:** 70% of the bonus was linked to the achievement of a balanced set of objectives that contribute to the Company's long-term financial growth and profitability. The Committee ensures that performance goals and conditions are directly aligned with the achievement of the Company's corporate objectives as set out in the Company's business plan, which is recommended by the Strategic Planning Committee and reviewed and approved by the Board of Directors. These corporate objectives are taken into account in establishing the Company's targets under the AIBP. In addition, in setting the AIBP targets for the upcoming year, the Company generally excludes items from the prior year that did not necessarily arise as part of the normal business of the Company, which can impact the comparability of the Company's year-over-year financial performance and the Company's current year targets in relation to the prior year's results.

The bonus payout received under the AIBP depends on the achievement of both corporate (70%) and individual (30%) objectives. This design reflects the Company's view that any short-term incentive should be tied both to the overall performance of the Company and to those areas of its business that each employee can influence directly.

In 2015, the Board of Directors assessed the Company's performance against targets for revenues, operating income, diluted earnings per share, free cash flow and one-year ROIC. These measures were selected because they are quantifiable measures that play a key role in driving the organization's profitability and return to shareholders. Additionally, the Board is of the view that its chosen corporate objectives are appropriate for a capital-intensive business like CN. The 2015 targets were approved by the Board of Directors in January 2015 based on the Company's business and financial outlook at that time.

Under the terms of the AIBP, a maximum corporate performance factor of 150% (or 200% for NEOs and 192 other executives and senior management employees) can be applied to an eligible employee's annual bonus payout when financial results exceed all five corporate performance stretch (maximum) objectives. There is no payout under a given measure if threshold performance is not achieved.

## Performance Objectives and Results – 2015 Annual Incentive Bonus Plan

In January 2015, the performance targets were set assuming an exchange rate of U.S.\$1.00 = C\$1.10. During the year, the actual average exchange rate was U.S.\$1.00 = C\$1.28. At the end of 2015, the Company's targets, with the exception of ROIC, were adjusted to take into consideration the foreign exchange and, in the case of Revenues, the difference between actual and forecasted oil and diesel prices with respect to the Company's fuel surcharges. The following table therefore compares the 2015 adjusted performance targets with the actual 2015 results as reported by the Company.

IN MILLIONS (EXCEPT PER SHARE DATA AND ROIC)	CORPORATE OBJECTIVES AS OF JANUARY 1, 2015 <sup>(1)</sup>			CORPORATE OBJECTIVES AS ADJUSTED <sup>(2)</sup>		RESULTS 2015 (C\$)	PERFORMANCE ASSESSMENT
	WEIGHT	BASE (THRESHOLD) (C\$)	STRETCH (MAXIMUM) (C\$)	BASE (THRESHOLD) (C\$)	STRETCH (MAXIMUM) (C\$)		
Revenues	25%	12,520	12,730	13,215 <sup>(3)</sup>	13,425 <sup>(3)</sup>	12,611	Does not meet
Operating Income	25%	4,767	4,912	5,280	5,425	5,266	Does not meet
Diluted Earnings per Share	15%	3.93	4.08	4.34	4.49	4.44 <sup>(4)(5)</sup>	Partially Exceeds
Free Cash Flow <sup>(4)(6)</sup>	20%	1,760	1,875	1,969	2,084	2,373	Exceeds
ROIC <sup>(7)</sup>	15%	16.30%	16.90%	16.30%	16.90%	17.45%	Exceeds

(1) Corporate objectives assume an average exchange rate of U.S.\$1.00 = C\$1.10.

(2) Corporate objectives and results reflect an actual average exchange rate of U.S.\$1.00 = C\$1.28.

(3) Revenues target has been adjusted to reflect actual fuel surcharges invoiced to clients based on actual oil and diesel prices in 2015.

(4) Adjusted diluted earnings per share and free cash flow are non-GAAP measures that have no standardized meanings prescribed by U.S. GAAP and therefore, may not be comparable to similar measures presented by other companies, and as such, should not be considered in isolation. See the sections entitled "Adjusted performance measures" and "Liquidity and capital resources – Free cash flow" in CN's Management's Discussion and Analysis included in the Company's 2015 Annual Report for explanations of these measures and reconciliations to the nearest U.S. GAAP measures.

(5) Adjusted diluted earnings per share which excludes a deferred income tax expense of C\$42 million (C\$0.05 per diluted share) resulting from the enactment of a higher provincial corporate income tax rate.

(6) As indicated in note (4), free cash flow does not have any standardized meaning prescribed by U.S. GAAP and therefore, may not be comparable to similar measures presented by other companies. The Company believes that free cash flow is a useful measure of performance as it demonstrates the Company's ability to generate cash for debt obligations and for discretionary uses such as payment of dividends and strategic opportunities. The Company defines its free cash flow measure as the difference between net cash provided by operating activities and net cash used in investing activities; adjusted for changes in restricted cash and cash equivalents and the impact of major acquisitions, if any.

(7) ROIC measures the Company's efficiency in the use of its capital funds and is viewed as a key measure of long-term value generation to its shareholders. ROIC is generally calculated as net income before interest expense, divided by the total of the average net indebtedness and the average shareholders' equity, and may, in certain instances, be adjusted for certain items as determined by the Committee.

Despite a challenging economic environment in 2015, the CN executive team adjusted rapidly to evolving market and business conditions which resulted in the achievement of a record operating ratio of 58.2% and free cash flow of C\$2.4 billion. The Company continued to reinvest in the business, with 2015 capital spending of C\$2.7 billion while maintaining its commitment to create shareholder value. In 2015, CN's dividend was increased by 25% and 23.3 million shares were repurchased, returning over C\$2.7 billion to shareholders.

For 2015, after considering the financial results against established corporate objectives on a currency adjusted basis, the Board of Directors assessed the corporate performance at "partially meets", resulting in a corporate performance factor of 93%.

**2. Individual Performance:** 30% of the bonus was based on personal business-oriented goals that considered the strategic and operational priorities related to each executive's respective function, with a strong overall focus on: operational and service excellence, delivering superior growth, safety and sustainability, workforce engagement and talent management, and stakeholder engagement. The individual performance factor can range from 0% to 200% for NEOs and other executives and senior management employees. For all other eligible management employees, the performance factor can range from 0% to 150%. The individual performance factor for the President and CEO is based on an individual assessment reviewed and approved by the Committee.

In 2015, the individual objectives of the NEOs included both quantitative measures and qualitative strategic and operational considerations related to their function. At year-end, the President and CEO reviewed the performance of the other NEOs, taking into consideration their achievements against their pre-determined individual objectives and determined their individual performance rating, subject to Committee review and Board approval. The

Committee then reviewed and reflected on each NEO's individual achievements against goals, as well as their overall leadership in meeting their function's objectives. For 2015, taking into account the recommendations of the President and CEO, the Committee determined that the NEOs had achieved their personal objectives and recommended for approval by the Board each of their individual performance ratings, which translates to the performance factor to be applied to the calculation of their bonus payout. For 2015, the overall average individual performance factor for the NEOs, including the President and CEO, was 110%.

Any annual incentive bonus payout under the individual component is conditional upon a payout being declared under the corporate component. In addition, should corporate performance be assessed at "partially meets" (i.e. a corporate performance factor below 100%), the individual performance factor will be prorated to the same level. In 2015, as a result of the corporate performance factor of 93%, the individual performance factor was prorated to the same level.

The following formula illustrates how an eligible management employee's annual base salary (as at December 31, 2015), target payout (expressed as a percentage of base salary), corporate and individual performance factors interact in the determination of the actual annual bonus payout:

$$\begin{array}{ccccccc}
 \text{ANNUAL BASE SALARY} & \times & \text{TARGET PAYOUT} & \times & 70\% & \times & \text{CORPORATE PERFORMANCE FACTOR} \\
 & & & & & & \\
 & & & & & & + \\
 \text{ANNUAL BASE SALARY} & \times & \text{TARGET PAYOUT} & \times & 30\% & \times & \text{INDIVIDUAL PERFORMANCE FACTOR} & \times & \text{CORPORATE PERFORMANCE FACTOR WHEN BELOW 100\% (93\% IN 2015)}
 \end{array}$$

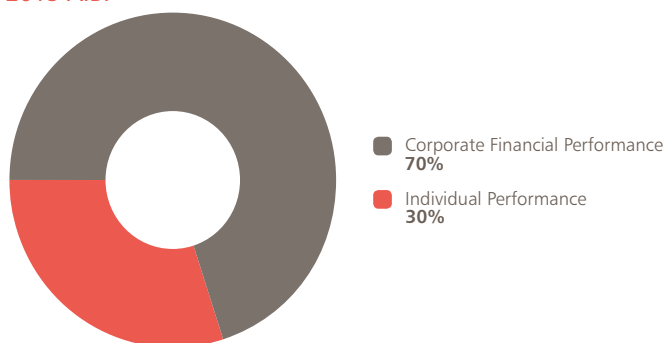
The average payout for the NEOs (consisting of the Corporate Financial Performance and the Individual Performance Factor) was 96% of target payout in 2015. The actual payouts are reported in the Summary Compensation Table on page 56, under the column Non-equity incentive plan compensation—Annual incentive plans.

Executives, including the NEOs, and senior management employees, are required to provide the Company with a six-month notice period prior to retirement. This measure was instituted to allow for improved succession planning and to maximize the effectiveness of transitions. Employees who fail to provide such notice forfeit any accrued and future bonus under the AIBP, save for specific and exceptional circumstances.

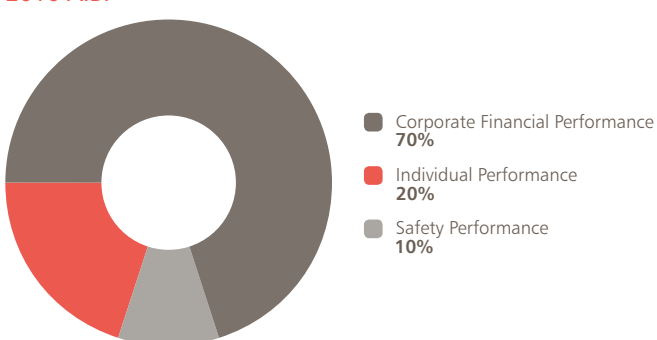
### Changes to the AIBP in 2016

In 2015, the Committee reviewed the Annual Incentive Bonus Plan for executives in an effort to further increase the impact of the Company’s safety performance in the annual performance for all executive officers. Beginning in 2016, a new safety component will be introduced in the annual bonus of all executive officers. The safety component will represent 10% of the annual bonus and will be subject to the achievement of specific safety accident and injury performance ratios.

#### 2015 AIBP



#### 2016 AIBP



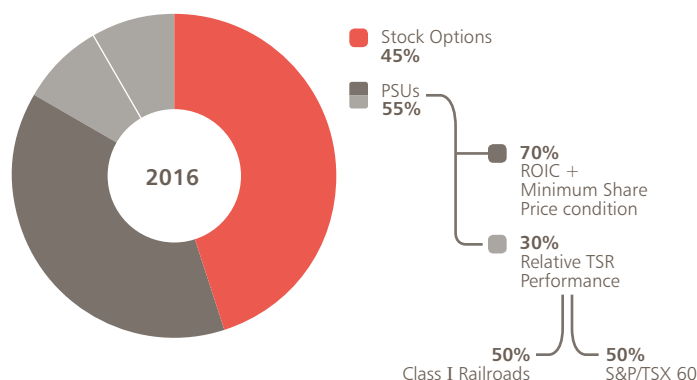
### Long-Term Incentives

The Board of Directors considers a number of factors to assess the Company’s long-term incentive strategy, including the balance between long-term value creation and shareholder wealth protection, executive stock ownership position versus stock option holdings, executive retention risk, as well as the dilution impact of the different long-term incentive vehicles. Since 2005, the Board of Directors has elected to grant a combination of stock options and PSUs to NEOs, as well as to designated executives and senior management employees.

In 2014, the Company changed the methodology used for the valuation of long-term incentives to reinforce alignment throughout the compensation review process. As a result, the LTI value disclosed in 2014 and 2015 in the Summary Compensation Table on page 56 is calculated using the Willis Towers Watson expected life binomial methodology. The same valuation methodology is also used for benchmark and grant purposes. This valuation methodology provides for precise and comparable compensation information. In 2016, the Company further adjusted its methodology and introduced a rolling three-year valuation factor to limit year-over-year fluctuations of the valuation factor for both stock options and PSUs.

PSUs and stock options are weighted 55% and 45% of the long-term incentive award value, respectively, except for the President and CEO. The President and CEO’s long-term incentive award has a smaller relative weight in stock option value, due to the 20% limitation on the number of stock options that can be awarded to any one individual in a particular year, pursuant to the terms of the Management Long-Term Incentive Plan (please refer to page 63 for a description of the plan).

#### LTI Award



The annual grant of PSUs and stock options to NEOs and other eligible employees is reviewed and approved at the meetings of the Committee and the Board of Directors which take place each year in January. In order to determine each NEO’s LTI award, the Committee takes into consideration individual performance, retention risk and succession plans, as well as the Company’s compensation philosophy and the value of LTIs granted by the Class I Railroads included in the comparator group (please refer to section “Benchmarking Using Comparator Groups” on page 42). The Committee does not take into account previous executive grants when setting the individual awards, as the LTI plans are inherently performance-based.

The exercise price of the stock options granted is equal to the closing price of the Company’s common shares on the TSX or the NYSE on the grant date.



A minimum active service condition is in place for stock options and PSUs to support the retention of key talent approaching retirement. The minimum active service condition is 12 months for stock options and 15 months for PSUs. In other words, should an executive, including NEOs, or other management employee retire prior to the end of the minimum service condition in the award agreement, PSUs and stock options awarded pursuant to that agreement will be forfeited.

### Performance Share Units: 2015 Award

The objective of the PSUs is to enhance the Company's ability to attract and retain talented employees and to provide alignment of interests between such employees and the shareholders of the Company.

PSUs awarded are scheduled to vest after three years and the grant date fair value of the PSUs awarded to each NEO in 2015 is included in the Summary Compensation Table on page 56, under the Share-Based Awards column. The vesting of PSUs is subject to the achievement of performance measures defined at the beginning of the cycle and is capped at 200% of target. At the end of the performance cycle, the number of PSUs will be adjusted based on the achievement of the performance conditions detailed below. PSUs will be settled in CN common shares purchased on the open market.

In 2015, PSUs will be subject to the following two performance measures:

#### 1. PSUs – ROIC

70% of the PSU award value is subject to the achievement of a target related to the Company's average three-year ROIC over the plan period and the payment will be conditional upon meeting a minimum average closing share price during the last three months of 2017. The ROIC for each of the applicable plan years is generally calculated as net income before interest expense, divided by the total of the Company's average net indebtedness and the average shareholders' equity, and may, in certain instances, be adjusted for certain items as determined by the Committee. ROIC measures the Company's efficiency in the use of its capital funds and is viewed as a key measure of long-term value generation to its shareholders.

The decision to use the ROIC performance measure for both short- and long-term incentives is based on a prudent risk management approach in order to focus on ROIC over different time periods (one year vs. three years). Moreover, the weighting of the ROIC condition under the AIBP is limited to 15% of the corporate component and ROIC performance objectives are based on CN's business plan.

PSUs – ROIC granted in 2015 to NEOs and other designated employees are subject to the attainment of the performance measures presented in the table below:

	OBJECTIVE	PERFORMANCE VESTING FACTOR <sup>(1)</sup>
PERFORMANCE OBJECTIVE: Average ROIC for the three-year period ending on December 31, 2017	Below 14.0% 14.0% 15.0% 16.5% 17.0% 17.5% and above	0% 50% 100% 125% 150% 200%
PAYOUT CONDITION: Minimum average closing share price for the last three months of 2017	C\$77.59 on the TSX or U.S.\$67.20 on the NYSE	

(1) Interpolation applies between objectives.

#### 2. PSUs – TSR

30% of the PSU award value is subject to CN's relative TSR measured against two equally weighted comparator groups: i) Class I Railroads<sup>(1)</sup>, and ii) S&P/TSX 60 companies. Relative TSR performance measures CN's share price appreciation, inclusive of dividends, over the three-year plan period against the companies within each comparator group.

PSUs – TSR granted in 2015 to NEOs and other designated employees are subject to the attainment of the performance measures presented in the table below:

TSR RELATIVE TO CLASS I RAILWAYS CNR	PAYOUT
1 <sup>st</sup>	200%
2 <sup>nd</sup>	150%
3 <sup>rd</sup>	100%
4 <sup>th</sup>	50%
5 <sup>th</sup>	0%

TSR RELATIVE TO S&P / TSX 60 CNR	PAYOUT <sup>(1)</sup>
75 <sup>th</sup> Percentile and above	200%
50 <sup>th</sup> Percentile	100%
25 <sup>th</sup> Percentile	50%
Less than the 25 <sup>th</sup> Percentile	0%

(1) Interpolation between points.

The grant date fair value of the PSUs awarded to each NEO in 2015 is included in the Summary Compensation Table on page 56, under the Share-Based Awards column.

### Performance Share Units: 2013 Award Payout

The PSUs awarded in 2013 to NEOs and other designated employees vested based on the achievement of an average ROIC for the three-year period ending on December 31, 2015. Over the past three years, CN's share price has increased by 71.3% in Canada, in comparison to a 4.6% increase of the S&P/TSX Composite Index. In addition, the Company's market capitalization in Canada has increased by nearly C\$22 billion during this same period. The Company's superior performance therefore led to the achievement of a three-year average ROIC of 17.38% and resulted in a performance vesting factor of 150%. As the minimum average closing share price condition was also met, payout occurred in February 2016 in accordance with the Share Units Plan and the 2013 award agreement. As part of the equity-settlement conversion option introduced in 2014, 132 executives and senior managers elected to convert the settlement of previously awarded PSUs in equity rather than cash. For these participants, the PSUs were therefore settled in CN common shares purchased on the open market.

(1) Excluding Burlington Northern and Santa Fe Railway and Kansas City Southern Railway.

## Performance Objectives And Results – Performance Share Units – 2013 Award

	OBJECTIVE	PERFORMANCE VESTING FACTOR <sup>(1)</sup>	RESULTS
PERFORMANCE OBJECTIVE: Average ROIC for the three-year period ended on December 31, 2015	Below 13.5% 13.5% 14.5% 15.5% 16.5% and above	0% 50% 100% 125% 150%	17.38%
PAYOUT CONDITION: Minimum average closing share price for the last three months of 2015	C\$45.05 on the TSX or U.S.\$45.51 on the NYSE		C\$78.04 U.S.\$58.49

(1) Interpolation applies between objectives.

The value vested during the year for each NEO is included in the table Incentive Plan Awards—Value Vested or Earned During the Year, and under the Share-Based Awards—Value Vested During the Year column on page 62.

### Stock Options

Stock options were granted in 2015 to NEOs and other designated employees pursuant to the Management Long-Term Incentive Plan (“Plan”). Please refer to page 63 for details of the Plan. The stock options granted in 2015 vest over four years at a rate of 25% at each anniversary date and have a 10-year term. Grants were made in the currency of the recipient’s salary.

Stock options are granted with the objective of rewarding NEOs and other designated employees for creating sustainable, long-term shareholder value. If the share price increases between the grant date and the vesting date, stock options will have a realizable value. Gains are realized once the stock options are exercised. The gain will be equivalent to the difference between the share price on the date of exercise and the grant date share price, multiplied by the number of stock options exercised.

The grant date fair value of the stock options awarded to NEOs in 2015 is included in the Summary Compensation Table on page 56, under the Option-Based Awards column.

### Executive Perquisites

NEOs are eligible to receive perquisites and personal benefits in accordance with the Company’s policy and in line with general market practice. These typically include the use of a company-leased vehicle, parking, financial counselling and tax services, club membership, certain healthcare benefits and life insurance and an annual executive physical exam. Other executives and senior management employees are also eligible to receive select perquisites; the type and value of the perquisites are generally determined by the grade of the employee’s position. All executives must comply with the aircraft utilization policy which restricts the usage of the corporate aircraft to business-related purposes only, save for exceptional circumstances and provided all incremental costs are fully reimbursed. Tax gross-ups on the value of certain executive perquisites have been eliminated.

## Employee Share Investment Plan

The Employee Share Investment Plan (“ESIP”), available to all Company employees, provides the opportunity to participate in CN’s ownership through the purchase of voting shares on the open market via payroll deductions. Employees may contribute between 1% and 10% of their gross base salary to the ESIP every pay period. The Company provides a 35% match on the first 6% of employee contributions. Both employee and employer contributions vest immediately. Over 80% of CN’s employees are shareholders of the Company through participation in the ESIP, and in 2015, all NEOs participated in the ESIP.

The value of the Company match received by NEOs in 2015 under the ESIP is indicated in the Details of the All Other Compensation Amounts table on page 59.

## Other Key Compensation Programs of the Company Stock Ownership

The Committee strongly supports stock ownership by executives. Stock ownership guidelines require a minimum level of stock ownership, set as a multiple of base salary, to be achieved within a five-year period to align the interests of executives with those of shareholders. As at December 31, 2015, 197 executives and senior management employees are subject to share ownership guidelines. Once executives and senior management employees have met their initial shareholding requirements, they are required to maintain compliance, which is reported annually to the Committee. Stock ownership guidelines can be met through the holding of common shares and vested deferred share units under the Company’s Voluntary Incentive Deferral Plan (“VIDP”). Stock options (vested or unvested) and unvested LTI grants do not count towards the minimum level of stock ownership. Stock ownership requirements are as follows:

	GUIDELINES
President and CEO	5 times base salary
Executive and Senior Vice-Presidents	3 times base salary
Vice-Presidents	1.5 to 2 times base salary
Senior Management	1 time base salary

The President and CEO is also required to maintain his stock ownership guideline level until one year after retirement. As at December 31, 2015, all NEOs exceeded their share ownership requirements.

### Stock Ownership Status as at December 31, 2015

NAMED EXECUTIVE OFFICER	NUMBER OF SHARES HELD <sup>(1)</sup>	VALUE OF HOLDINGS <sup>(2)</sup> (C\$)	VALUE REQUIRED TO MEET GUIDELINES <sup>(3)</sup> (C\$)	HOLDINGS AS A MULTIPLE OF BASE SALARY <sup>(3)</sup>
Claude Mongeau	486,159 <sup>(4)</sup>	37,604,413	6,873,013	27.4 ×
Luc Jobin	64,305	4,974,005	2,301,660	6.5 ×
Jim Vena	48,377	3,741,991	2,301,660	4.9 ×
Jean-Jacques Ruest	254,633	19,695,829	2,148,216	27.5 ×
Sean Finn	72,124	5,578,825	2,025,461	8.3 ×

(1) Common shares and/or vested deferred share units as at December 31, 2015.

(2) Value is based on the closing share price of the common shares on December 31, 2015 on the TSX (C\$77.35).

(3) U.S.\$ salaries as at December 31, 2015 were converted to Canadian dollars using the average rate during the year (U.S.\$1.00 = C\$1.2787).

(4) Detailed holdings are presented on page 19.

## Anti-Hedging Policy

Under the Company's Insider Trading and Reporting Policy, no directors, officers or employees can engage in hedging activity or in any form of transactions in publicly traded options on CN securities. This relates to all forms of derivatives, including "puts" and "calls".

## Change of Control Provisions

The Management Long-Term Incentive Plan and the Share Units Plan include "double trigger provisions". Pursuant to such provisions, the vesting of non-performance stock options or PSUs held by a participant would not accelerate upon a Change of Control, unless the participant is terminated without cause or resigns for good reason. A Change of Control means any of the following events:

- a) in the event the ownership restrictions in the *CN Commercialization Act* are repealed, a formal bid for a majority of the Company's outstanding common shares;
- b) approval by the Company's shareholders of an amalgamation, merger or consolidation of the Company with or into another corporation, unless the definitive agreement of such transaction provides that at least 51% of the directors of the surviving or resulting corporation immediately after the transaction are the individuals who, at the time of such transaction, constitute the Board and that, in fact, these individuals continue to constitute at least 51% of the board of directors of the surviving or resulting corporation during a period of two consecutive years; or
- c) approval by the Company's shareholders of a plan of liquidation or dissolution of the Company.

The provisions state that acceleration of vesting would not occur if a proper substitute to the original stock options or share units is granted to the participant. If such substitute is granted and a participant is terminated without cause or submits a resignation for good reason within 24 calendar months after a Change of Control, all outstanding substitute stock options or share units which are not then exercisable shall vest and become exercisable or payable in full upon such termination or resignation. Substitute stock options that are vested and exercisable shall remain exercisable for a period of 24 calendar months from the date of such termination or resignation and PSUs shall be remitted within 30 days. Discretion is left to the Board of Directors to take into account special circumstances. The definition of a resignation for good reason is included in the Termination and Change of Control Benefits table on page 67.

## Non-Compete / Non-Solicitation Provisions

Non-compete and non-solicitation provisions are included in the PSU and stock option award agreements for all executives and other management employees. In 2010, the Board of Directors approved the inclusion of non-compete and non-solicitation provisions to certain supplemental retirement plans and arrangements. Such provisions were also harmonized in 2010 and 2011 across the non-registered pension plans that apply to all executives and senior management employees.

Non-compete and non-solicitation provisions will be applied if a recipient fails to comply with certain commitments for a two-year period following termination of employment. Those commitments prohibit:

- a) the use of confidential CN information for any purpose other than performing his or her duties with CN;
- b) engaging in any business that competes with CN;
- c) soliciting, accepting the business of a customer, client, supplier or distributor of CN or hiring or engaging employees of CN;
- d) taking advantage or profit from any business opportunity of which they became aware in the course of employment with CN; and
- e) taking any action as a result of which relations between CN and its consultants, customers, clients, suppliers, distributors, employees or others may be impaired or which might otherwise be detrimental to the business interests or reputation of CN.

## Executive Compensation Clawback

CN's clawback policy, adopted in 2008, applies to all CN executives. Under this policy, the Board may, in its sole discretion, to the full extent permitted by governing laws and to the extent it determines that it is in the Company's best interest to do so, require reimbursement of all or a portion of annual and long-term incentive compensation received by an executive. The Board of Directors may seek reimbursement of full or partial compensation from an executive or former executive officer in situations where:

- a) the amount of incentive compensation received by the executive or former executive officer was calculated based upon, or contingent on, the achievement of certain financial results that were subsequently the subject of or affected by a restatement of all or a portion of the Company's financial statements;
- b) the executive officer engaged in gross negligence, intentional misconduct or fraud that caused or partially caused the need for the restatement; and
- c) the incentive compensation payment received would have been lower had the financial results been properly reported.

## Risk Mitigation in our Compensation Program

One of the Company's fundamental goals is to create sustained shareholder value. To support this objective, the Committee focuses on developing and recommending an executive compensation philosophy and program that aligns with the Company's business strategy, emphasizes pay-for-performance, and encourages the right behaviours. Hence, many characteristics of the Company's executive compensation program serve to mitigate risk and emphasize the importance of longer-term value creation:

### Structured Process

- An annual review of the performance measures under the Company's AIBP and Share Units Plan takes place to ensure their continued relevance.
- The Committee completes a formal assessment of performance each year, and can then use discretion to increase or decrease any compensation awards if it deems appropriate based on market factors or other extenuating circumstances.
- Stress-testing exercises are performed annually for proposed LTI grants and results are presented to the Committee for their consideration prior to the Committee and the Board approving such grants.

## Balanced Program

- The compensation program appropriately balances fixed and variable pay, as well as short-term and long-term incentives (in aggregate, approximately 80% of NEOs' target total direct compensation is directly linked to the Company's performance).
- The corporate component of the AIBP includes five performance measures that are appropriately balanced between "top-line" measures and "bottom-line" measures, thus diversifying the risk associated with the use of any single performance measure (please refer to section "Annual Incentive Bonus Plan" on page 44 for more information).
- There are multi-year, overlapping performance periods for the PSUs and stock options, which encourages consistent, long-term behaviour and mitigate risk.
- The LTI awards, which constitute a significant portion of NEO compensation, vest over a 3 or 4-year period, motivating executives to create longer-term value.
- The performance measures used within the Share Units Plan reflect an appropriate balance between financial and share price conditions.
- The use of relative TSR performance measures strengthen alignment between executive pay and shareholders return.
- The use of the same performance measure (ROIC) for the AIBP (one year) and PSUs (three-year average) ensures balance between short- and long-term performance sustainability on key capital investment expenditures.

## Fixed Limits on Variable Compensation

- The AIBP and the Share Units Plan are designed to include the possibility of a zero payout, as well as a pre-defined maximum.
- Annual retirement benefits for the President and CEO from the non-registered pension plan are capped.

## Protection Mechanisms

- The Company's executive compensation clawback policy allows the Board, in certain situations, to request the full or partial reimbursement of annual and long-term incentive awards received by executives (please refer to section "Executive Compensation Clawback" on page 49 for more information).
- The NEOs are not governed by employment contracts and the long-term incentive plans include "double-trigger provisions", such that the vesting of LTI awards would generally not accelerate upon a Change in Control.
- Under the Company's Insider Trading and Reporting Policy, directors, executives and employees are prohibited from engaging in hedging activities against CN securities.
- In order to further align their interests with those of shareholders, executives and senior management employees (197 individuals) are required to meet specific stock ownership guidelines. In addition, the President and CEO must maintain his stock ownership level for one year after retirement (please refer to section "Stock Ownership" on page 48 for more information).

- Commencing at various dates, for executives and senior management employees, the payout of LTI awards and the payment of retirement benefits under the Company's non-registered pension plans, are conditional on compliance with the conditions of their benefit plans, award or employment agreements, including but not limited to non-compete, non-solicitation, non-disclosure of confidential information and other restrictive covenants (please refer to section "Non-Compete / Non-Solicitation Provisions" on page 49 for more information).

## Independent Advice

- Management retains the services of an external executive compensation consultant to assist in compensation related matters for its executives. The Committee retains the services of an independent executive compensation consultant to provide advice on compensation recommendations that are presented for Committee approval.

Five years ago, Willis Towers Watson was mandated to review the Company's compensation policy, programs and practices and assessed any potential risk implications and concluded that "there does not appear to be significant risks arising from CN's compensation programs that are reasonably likely to have a material adverse effect on the Company". The Committee played an active role in reviewing the Risk Assessment report and in discussing the improvement actions suggested by Willis Towers Watson.

CN has since requested that Willis Towers Watson annually review the actions taken by CN since the initial risk assessment report and comment on any potential risks. In December 2015, Willis Towers Watson considered the actions taken by CN and once again confirmed that "overall, there do not appear to be significant risks arising from CN's compensation programs that are reasonably likely to have a material adverse effect on the Company". The Committee supports the conclusion from the Willis Towers Watson risk assessment report and in its own assessment determined that proper risk mitigation features are in place within the Company's compensation programs.

Throughout the year, the Committee plays an important oversight role related to the identification and management of risks associated with CN's compensation programs and practices. For example, *in camera* sessions, restricted to members of the Committee, are held at the start of each of the Committee meetings to allow for discussion regarding any compensation or risk related issue. The Committee also believes in the benefits of a certain level of overlapping membership between the Audit and the Human Resources and Compensation Committees, particularly with regard to risk monitoring. As such, Donald J. Carty, Chair of the Audit Committee, is a member of the Human Resources and Compensation Committee and Ambassador Gordon D. Giffin, Chair of the Human Resources and Compensation Committee, is a member of the Audit Committee. James E. O'Connor, Chair of the Strategic Planning Committee, is also a member of the Human Resources and Compensation Committee and Ambassador Gordon D. Giffin is a member of the Strategic Planning Committee. These overlaps effectively provide a link between committees' risk oversight responsibilities.

## President and Chief Executive Officer's Compensation

### Claude Mongeau, President and Chief Executive Officer

Mr. Mongeau became President and Chief Executive Officer of CN on January 1, 2010. He joined CN in May 1994 and has held the positions of Assistant Vice-President Corporate Development, and Vice-President, Strategic and Financial Planning. He was appointed Executive Vice-President and Chief Financial Officer in October 2000.

As President and CEO, Mr. Mongeau is responsible for providing leadership and vision for CN, as well as achieving strategic and operational goals that will build long-term shareholder value. More details on his role are available in the Company's Corporate Governance Manual, available at [www.cn.ca](http://www.cn.ca), under Delivering Responsibly/Governance.

Mr. Mongeau was on a medical leave of absence in the later part of 2015 which did not impact his compensation, as per the Company's short-term disability policy. During that period, Mr. Mongeau remained engaged in the business and resumed full responsibilities in January 2016.

### Compensation

The President and CEO's annual compensation takes into account factors such as competitive positioning against market, economic outlook, and leadership abilities. Mr. Mongeau's annual compensation is recommended by the Committee and approved by the independent members of the Board of Directors. The President and CEO serves at the will of the Board and does not have an employment contract.

In 2015, Mr. Mongeau's base salary was maintained at U.S.\$1,075,000 (C\$1,374,603). As in prior years, Mr. Mongeau's target bonus for 2015 was 120% of his base salary. As is the case for other management participants in the AIBP, 70% of the bonus payout is based on corporate performance and 30% is based on individual performance.

PSUs and stock options are granted to the President and CEO pursuant to the Share Units Plan and the Management Long-Term Incentive Plan. Grants to the President and CEO are made on the same basis and conditions as those to the other NEOs of the Company, subject to the 20% limitation under the Management Long-Term Incentive Plan. In 2015, Mr. Mongeau received 76,350 PSUs and 160,000 stock options. The fair value of these awards is included in the Summary Compensation Table on page 56, under the Share-Based Awards and Option-Based Awards columns.

### 2015 Key Accomplishments and Determination of the Annual Incentive Bonus Award

In 2015, CN faced a very different business environment compared to 2014. While some segments of the U.S. economy performed reasonably well, there was significant broad-based weakness in commodity markets that drove an overall reduction in demand for rail service. CN reacted swiftly to recalibrate resources to the lower volume environment and was able to achieve a record financial and operating performance, including record revenues, net income, operating income, operating ratio, earnings per share and free cash flow. CN continued to invest significantly in its capital program with an overall investment of C\$2.7 billion in 2015. Furthermore, its rigorous approach to capital spending supported a record 17.38% return on invested capital.

CN also maintained its strong commitment to shareholders, returning over C\$2.7 billion through share buybacks and dividends. In 2015, CN increased dividends by 25% and continued to gradually move towards a 35% payout ratio. The Company's consistent approach to capital allocation and its strong performance in the face of volume headwinds

was recognized by the market with CN's share price declining only 3% on the TSX (-19% on the NYSE) compared to an average decline of 27% for other Class I Railroads.

The individual performance of the President and CEO is measured against goals, objectives and standards approved annually by the Committee and the Board. The individual goals set at the beginning of 2015 included elements covering performance in the following areas: operational and service excellence (20%); top line and customer focus (20%); safety and sustainability (20%); workforce engagement and talent management (20%); and stakeholder engagement (20%).

Specific measures, both quantitative and qualitative, are considered in each of the above-mentioned categories. Additional details on each category are presented below. The Committee reviewed the President and CEO's performance in each area and recommended for Board approval management's recommendation for an individual performance factor at 100%. The Committee recommended to the Board the approval of the President and CEO's annual incentive bonus payout of U.S.\$1,197,894 (C\$1,657,885).

### Operating and Service Excellence

CN continued to lead the industry with respect to key operating metrics. Train velocity reached a record 26.3 mph in 2015, representing a 2% year-over-year improvement. Improvements were also registered on train productivity (1% improvement versus 2014), car velocity (up 13% versus 2014), terminal dwell (11% better than 2014), yard productivity (up 9% versus 2014) and locomotive utilization (3% better than 2014). The Company also continued to build on its commitment to becoming a true supply chain enabler. Through a portfolio of initiatives called CustomerFirst, CN continued to develop innovative solutions to address key customer pinch points, including the first and last miles of the shipment cycle. iAdvise, the latest first-mile/last-mile initiative which provides customers with the timely, accurate information they need to better plan their operation, continued to be successfully implemented across our network.

### Top Line and Customer Support

Revenues for the year ended December 31, 2015 increased by C\$477 million, or 4%, to C\$12,611 million. Positive translation of the weaker Canadian dollar on U.S. dollar denominated revenues, solid overseas intermodal demand, higher volumes of finished vehicle traffic, and increased shipments of lumber and panels to U.S. markets were partly offset by a lower applicable fuel surcharge rate and decreased shipments of energy-related commodities including crude oil, frac sand and drilling pipe, lower volumes of semi-finished steel products and short-haul iron ore, reduced shipments of coal due to weaker North American and global demand, as well as lower U.S. grain exports via the Gulf of Mexico. Important initiatives were taken in 2015 to position CN for the future by connecting with supply chain partners, customers, and communities. For example, CN strengthened its connections with key ports and intermodal terminal operators by signing supply chain agreements with the Port of Mobile, Alabama State Port Authority and APM Terminals, as well as with the Port of New Orleans. These collaboration commitments are expected to drive container traffic through the Ports and across the Company's network, further reinforcing CN as a key player on the U.S. Gulf Coast.

### Safety and Sustainability

CN's connection with its employees is central to having a skilled, safe and engaged workforce. Safety is of the utmost importance at CN. The company connects employees to this core value by fostering a strong safety culture across the network. Training is at the heart of that culture. CN's major investment in two training facilities in Winnipeg (Manitoba)

and Homewood (Illinois) is revitalizing the way it teaches and reinforces strong safety behaviours. Among other things, employees learn about the valuable role of peer-to-peer communications, coaching and mentoring which are central to safe railroading. In 2015, over 16,500 Mechanical, Engineering, Transportation and Intermodal employees received focused training on CN's "Looking Out for Each Other" initiative. This initiative is about a mindset which encourages employees to imbed safety in their daily work practices in order to ensure everyone returns home safely at the end of the day. The "Looking Out for Each Other" initiative, combined with ongoing improvements in safety processes, targeted capital investments and favourable weather conditions, led to major safety gains in 2015 with a 25% improvement in the FRA accident ratio and a 10% improvement in the FRA injury ratio compared to 2014.

Finally, CN worked to continuously connect employees to our Company wide sustainability initiative as well as to the wider world in which CN operates by encouraging environmental stewardship in yards, buildings and offices through CN EcoConnexions. CN promoted inclusion and tolerance in the workplace, including significant efforts to attract and hire individuals from all walks of life and to support diversity through sponsorship, scholarship and internship programs. CN offered training that introduced employees to different cultures, fostering respectful and sustainable relationships with a variety of communities across the Company's network.

### Workforce Engagement and Talent Management

As at December 31, 2015, CN employed a total of 23,172 employees in Canada, of which 75% were unionized employees. During 2015, the Company renewed collective agreements in Canada with the United Steelworkers of America (USW) governing maintenance of way employees; the Teamsters Canada Rail Conference (TCRC) governing rail traffic controllers and locomotive engineers; and Unifor, governing clerical, intermodal and shopcraft employees, as well as owner-operator truck drivers. The new collective agreements will expire at various dates between December 31, 2017 and March 31, 2019. In the U.S., the Company renewed collective agreements with the United Transportation Union (UTU) governing conductors and yardmasters.

Deepening employee engagement continues to be a key component of Mr. Mongeau's strategic agenda and takes many forms, from regular quality communications to structured talent management, and careful leadership development. Two state-of-the-art training facilities were inaugurated in 2014 and are now bringing CN to the forefront of enhanced training excellence to improve training, accelerate productivity and instill a stronger safety culture.

In addition, the Company implemented several initiatives aimed at the retention of talent. A strong area of focus was on improving work/life balance for Conductors. Efforts also included reaching out to first-line supervisors to develop, engage, and retain them. An internship program for women was also launched, providing greater awareness of potential opportunities in Operations. CN continued to leverage workforce analytics to better understand internal movement and anticipate future talent needs at various levels.

### Stakeholder Engagement

CN is actively engaged in building safer, stronger communities through the direct connections it makes with them. Responsible investments in development, donations and sponsorships and open, positive community outreach programs are the foundation of CN's commitment. One of the best ways CN supports communities is by helping to ensure healthy and active lives for children and their families. The CN Miracle Match program, a national charitable initiative which rallies communities across Canada to support their local children's hospitals, has raised more than

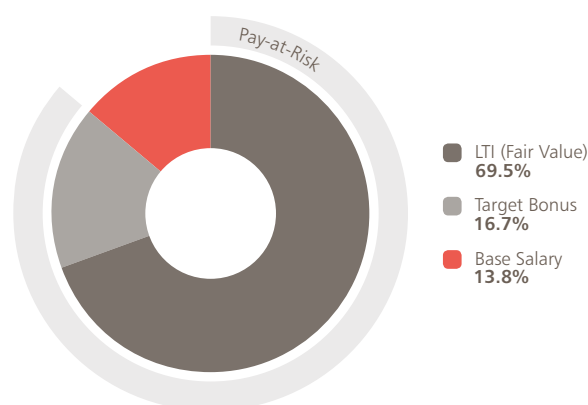
C\$12 million for children's hospitals across Canada and the United States since its inception in 2006. Youth-oriented support has also involved connecting with Prairie farmers at the Canadian Western Agribition, a major agricultural exhibition and trade show in Regina (Saskatchewan), and entering into a national partnership with 4H Canada, the country's biggest rural youth association, to advance community leadership and promote safety in rural communities. In 2015, CN also pledged C\$5 million to assist Syrian refugees resettling in Canada. Connecting with their own communities to help make them better places to live and work is a reason why so many CN employees and retirees volunteer. CN supports its employees' and retirees' efforts through the CN Railroaders in the Community program which provides grants each year to hundreds of the charities where CN employees and retirees give of their time. CN's connection with the Aboriginal community is also an important area of focus. Examples include CN's five-year sponsorship of an annual week-long "Pulling Together" canoe event where CN executives, employees and Aboriginal leaders and youth share important Aboriginal traditions. CN was also a lead corporate sponsor of the Mississaugas of the New Credit First Nation during the 2015 Pan American/Parapan American Games in Toronto (Ontario).

Supporting municipalities in their work, CN was a sponsor of the Federation of Canadian Municipalities Annual General Meeting in 2015, as well as its annual Sustainable Communities Conference. To help build safer communities, CN Police are active in teaching good public rail-safety behaviours in schools and community events. CN continues to deliver on its Structured Community Engagement Plan with hundreds of fire chiefs, mayors and city managers across the network to share information about the transportation of dangerous goods, in addition to supporting training for thousands of emergency response personnel every year.

### 2015 Target Total Direct Compensation Summary

	2015 TOTAL DIRECT COMPENSATION (AT TARGET)	
	U.S.\$	AS A % OF TOTAL DIRECT COMPENSATION
Salary	1,075,000	13.8%
<b>At-Risk Compensation</b>		
Annual Incentive Bonus	1,290,000	16.7%
Performance Share Units	3,256,065	41.9%
Stock Options	2,144,000	27.6%
<b>Total Direct Compensation (Target)</b>	<b>7,765,065</b>	

### 2015 Target Pay Mix



## Other Named Executive Officers' Compensation

### Luc Jobin,

#### Executive Vice-President and Chief Financial Officer

Mr. Jobin is responsible for the Company's financial management and governance, strategic planning and information technology.

Appointed CN's Executive Vice-President and Chief Financial Officer ("CFO") in June 2009, Mr. Jobin has extensive experience as a business leader and senior executive within the consumer goods, manufacturing and investment industries. Mr. Jobin obtained his Chartered Accountant designation from the Canadian Institute of Chartered Accountants and earned his Diploma in Public Accountancy from McGill University.

In 2015, Mr. Jobin's base salary was maintained at U.S.\$600,000 (C\$767,220). As in 2014, Mr. Jobin's target bonus for 2015 was 80% of base salary under the AIBP. In addition, Mr. Jobin received 23,538 PSUs and 61,288 stock options, in accordance with the terms of the Share Units Plan and the Management Long-Term Incentive Plan respectively.

#### 2015 AIBP Objectives

Mr. Jobin's performance in 2015 was assessed against individual performance objectives, including achieving key financial targets, supporting the strategic agenda, driving superior performance and intensifying people development, engagement and succession. Mr. Jobin was assessed as having partially exceeded his overall individual performance objectives. Based on the Company's financial performance, as well as on his individual assessment, Mr. Jobin received a 2015 annual bonus in the amount of U.S.\$479,158 (C\$663,155).

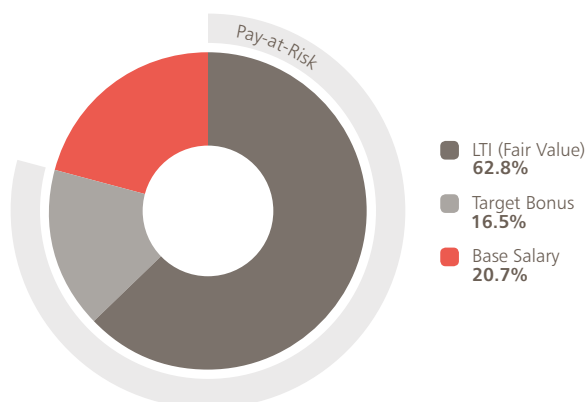
In addition to the regular compensation plan, Mr. Jobin was awarded a special cash award of U.S.\$600,000 (C\$830,400) in recognition for additional leadership duties performed in 2015 during Mr. Mongeau's medical absence. The cash award was paid in February 2016.

#### 2015 Target Total Direct Compensation Summary

	2015 TOTAL DIRECT COMPENSATION (AT TARGET)	
	U.S.\$	AS A % OF TOTAL DIRECT COMPENSATION
Salary	600,000	20.7%
<b>At-Risk Compensation</b>		
Annual Incentive Bonus	480,000	16.5%
Performance Share Units	1,003,820	34.6%
Stock Options	821,259	28.2%
<b>Total Direct Compensation (Target)</b>	<b>2,905,079<sup>(1)</sup></b>	

(1) Excludes a special cash award of U.S.\$600,000 in recognition for additional leadership duties performed by Mr. Jobin in 2015 during Mr. Mongeau's medical leave of absence. The cash award was paid in February 2016.

#### 2015 Target Pay Mix



### Jim Vena,

#### Executive Vice-President and Chief Operating Officer

Mr. Vena is responsible for the Company's North American rail operations. Appointed CN's Executive Vice-President and COO in February 2013, Mr. Vena has extensive railway experience having held successively senior positions within the Company's operating functions.

Mr. Vena joined CN in 1977 as a brakeman in Jasper, Alberta. Mr. Vena gradually took over various management positions in CN operations and marketing and led all three of CN's operating regions as Senior Vice-President, Southern Region; Senior Vice-President, Western Region; and Senior Vice-President, Eastern Region.

In 2015, Mr. Vena's base salary was increased to U.S.\$600,000 (C\$767,220) to maintain his competitive position against market. As in 2014, Mr. Vena's target bonus for 2015 was 80% of base salary under the AIBP. In addition, Mr. Vena received 23,215 PSUs and 60,448 stock options, in accordance with the terms of the Share Units Plan and the Management Long-Term Incentive Plan respectively.

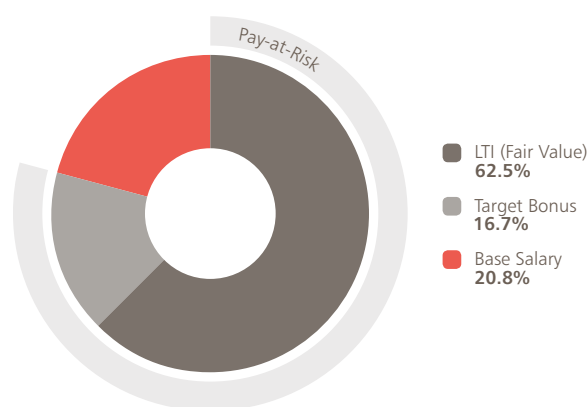
#### 2015 AIBP Objectives

Mr. Vena's performance in 2015 was assessed against individual performance objectives, including service, cost control, asset utilization, safety and people. Certain key metrics in the areas of service, cost control and asset utilization exceeded set objectives, therefore, Mr. Vena was assessed as having partially exceeded his overall individual performance objectives. Based on the Company's financial performance, as well as on his individual assessment, Mr. Vena received a 2015 annual bonus in the amount of U.S.\$479,158 (C\$663,155).

#### 2015 Target Total Direct Compensation Summary

	2015 TOTAL DIRECT COMPENSATION (AT TARGET)	
	U.S.\$	AS A % OF TOTAL DIRECT COMPENSATION
Salary	600,000	20.8%
<b>At-Risk Compensation</b>		
Annual Incentive Bonus	480,000	16.7%
Performance Share Units	990,046	34.4%
Stock Options	810,003	28.1%
<b>Total Direct Compensation (Target)</b>	<b>2,880,049</b>	

#### 2015 Target Pay Mix



## Jean-Jacques Ruest,

### Executive Vice-President and Chief Marketing Officer

Mr. Ruest was appointed CN's Executive Vice-President and Chief Marketing Officer ("CMO") on January 1, 2010 and is responsible for providing the strategic direction and leadership for CN's sales, marketing and supply chain solutions groups.

He is a seasoned executive and has extensive marketing experience within the railway industry. Prior to joining CN, he accumulated more than 15 years of experience working for a major international chemical company. Mr. Ruest holds a Masters in Business Administration in marketing from HEC Montréal and a Bachelor of Science degree in applied chemistry from the Université de Sherbrooke. He also completed the executive program from the University of Michigan's business school.

In 2015, Mr. Ruest's base salary was maintained at U.S.\$560,000 (C\$716,072). As in 2014, Mr. Ruest's target bonus for 2015 was 80% of base salary under the AIBP. In addition, Mr. Ruest received 21,926 PSUs and 57,090 stock options, in accordance with the terms of the Share Units Plan and the Management Long-Term Incentive Plan respectively.

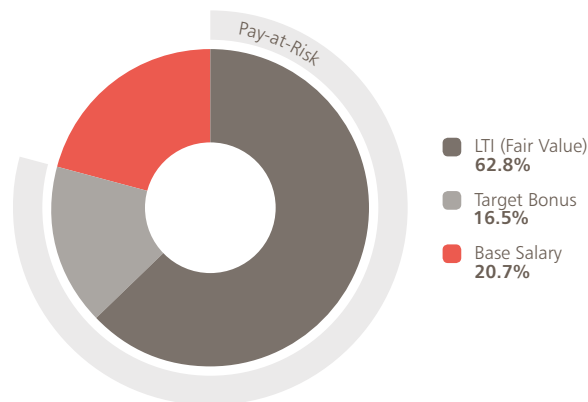
#### 2015 AIBP Objectives

Mr. Ruest's performance in 2015 was assessed against individual performance objectives, including delivering superior growth, price and yields, opening new markets and creating new products, balancing operational and service excellence and the leveraging of sales & marketing talent. Mr. Ruest was assessed as having achieved his overall individual performance objectives. Based on the Company's financial performance, as well as on his individual assessment, Mr. Ruest received a 2015 annual bonus in the amount of U.S.\$416,013 (C\$575,762).

#### 2015 Target Total Direct Compensation Summary

	2015 TOTAL DIRECT COMPENSATION (AT TARGET)	
	U.S.\$	AS A % OF TOTAL DIRECT COMPENSATION
Salary	560,000	20.7%
<b>At-Risk Compensation</b>		
Annual Incentive Bonus	448,000	16.5%
Performance Share Units	935,069	34.5%
Stock Options	765,006	28.3%
<b>Total Direct Compensation (Target)</b>	<b>2,708,075</b>	

#### 2015 Target Pay Mix



## Sean Finn,

### Executive Vice-President Corporate Services and Chief Legal Officer

Mr. Finn was appointed Senior Vice-President, Chief Legal Officer and Corporate Secretary in December 2000 and CN's Executive Vice-President Corporate Services and Chief Legal Officer ("CLO") in December 2008. He is responsible for a wide array of legal, government, regulatory, public affairs, risk mitigation and security matters. As Corporate Secretary, he is also responsible for CN's Corporate Governance practices.

Mr. Finn led CN's tax function and was appointed CN's Vice-President, Treasurer and Principal Tax Counsel in January 2000. Before joining the Company, he was the Managing Tax Partner for a major Montreal law firm. Mr. Finn graduated from the Faculty of Law of the Université de Montréal, after which he was admitted to the Quebec Bar, and is a member of the Canadian and American Bar Associations. Mr. Finn has completed the Directors Education Program offered by the Institute of Corporate Directors and the Rotman School of Management, as well as the Excellence in the Boardroom Program at the Rotman School of Management, Executive Programs, University of Toronto.

In 2015, Mr. Finn's base salary was maintained at U.S.\$528,000 (C\$675,154). As in 2014, Mr. Finn's target bonus for 2015 was 80% of base salary under the AIBP. In addition, Mr. Finn received 17,412 PSUs and 45,336 stock options, in accordance with the terms of the Share Units Plan and the Management Long-Term Incentive Plan respectively.

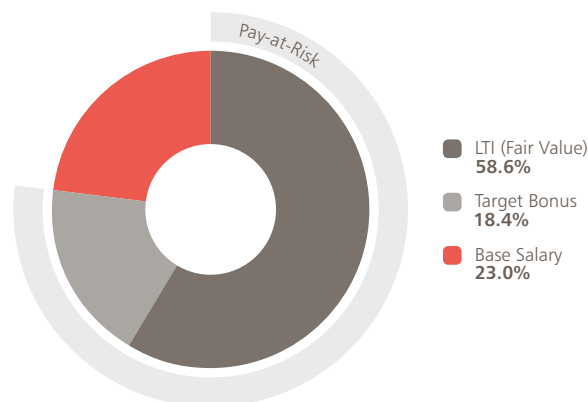
#### 2015 AIBP Objectives

Mr. Finn's performance in 2015 was assessed against individual performance objectives related to taking CN's stakeholder engagement to the highest standards, leading key strategic initiatives associated with Corporate Services, ensuring leadership development and succession for the Corporate Services function, ensuring leadership in corporate governance and being a trusted advisor to the President and CEO, the executive team and the Board. Mr. Finn was assessed as having achieved his overall individual performance objectives. Based on the Company's financial performance, as well as on his individual assessment, Mr. Finn received a 2015 annual bonus in the amount of U.S.\$392,241 (C\$542,861).

#### 2015 Target Total Direct Compensation Summary

	2015 TOTAL DIRECT COMPENSATION (AT TARGET)	
	U.S.\$	AS A % OF TOTAL DIRECT COMPENSATION
Salary	528,000	23.0%
<b>At-Risk Compensation</b>		
Annual Incentive Bonus	422,400	18.4%
Performance Share Units	742,564	32.2%
Stock Options	607,502	26.4%
<b>Total Direct Compensation (Target)</b>	<b>2,300,466</b>	

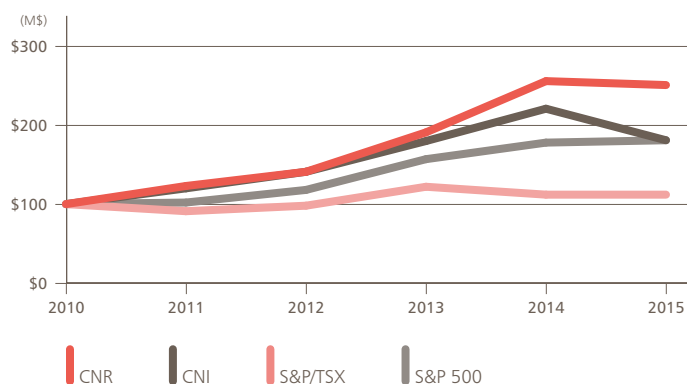
#### 2015 Target Pay Mix





## Performance Graph

The following Performance Graph illustrates the yearly cumulative total shareholder return on a \$100 investment in CN's common shares compared with the cumulative total return of the S&P/TSX and the S&P 500 Indices from the period beginning December 31, 2010 to the period ended December 31, 2015. It assumes reinvestment of all dividends during the covered period.

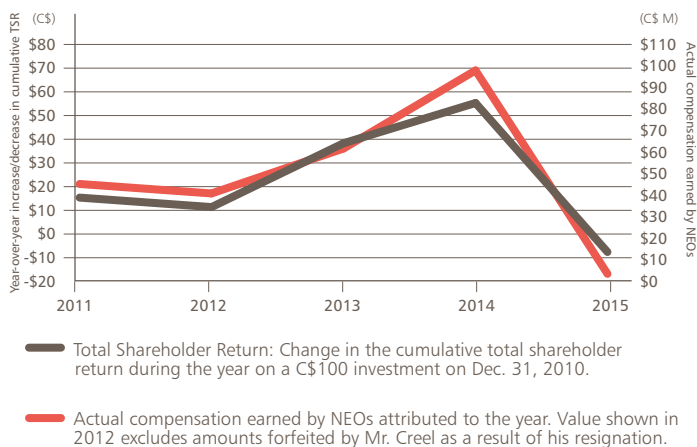


	DEC-10	DEC-11	DEC-12	DEC-13	DEC-14	DEC-15
CNR (C\$)	100	123	141	191	256	251
CNI (U.S.\$)	100	120	141	180	221	181
S&P/TSX (C\$)	100	91	98	111	122	112
S&P 500 (U.S.\$)	100	102	118	157	178	181

## Look-Back: Total Compensation Earned by NEOs vs. Total Shareholder Return Performance

The following graph illustrates the year-over-year increase/decrease in cumulative total shareholder return on a C\$100 investment in CN's common shares on the TSX compared with the total compensation earned by NEOs in each year of the five-year period ended on December 31, 2015, and demonstrates the close link between the two. The total compensation

earned by NEOs is defined as the amount of base salary and bonus earned during the year, plus the yearly change in unrealized and realized gains from equity-based incentive plans.



Over the last five years, the three main components of compensation—base salary, annual incentive, and LTI—that were earned by all NEOs combined represented about 0.91% of the approximate C\$30 billion aggregate market capitalization increase over the same period. The Committee believes that the Company's executive compensation policy is effective and appropriately supports a strong relationship between the compensation earned by NEOs and the investment return of shareholders. Over the last five years, approximately 85% of the compensation earned by NEOs was derived from equity-based incentive plans, which demonstrates strong alignment between NEO compensation and shareholder return. Finally, over the same period, CN's total compensation as per the Summary Compensation Table increased, on average, by 5.8% per year (32.3% over five years) as a result of compensation increases and currency fluctuation (please refer to "Impact on Currency" on page 55 for more details).

## 2015 Highlights

### Impact of Currency

In 2015, the difference between the Canadian dollar and the U.S. dollar continued to increase to an average of 28% which results in an increase of compensation values disclosed in the Summary Compensation Table in Canadian dollars.

The year-over-year total compensation change for the President and CEO was -5.6% on a constant currency compared to 7.9% as per the Summary Compensation Table in Canadian dollars presented on page 56. On average, the year-over-year total compensation change for the other NEOs was 0.3% on a constant currency basis compared to 15.0% as per the Summary Compensation Table in Canadian dollars presented on page 56.

The following table provides guidance on year-over-year compensation increases based on a constant currency basis:

	COMPENSATION CHANGE IN 2015 ON A CONSTANT CURRENCY, AS APPROVED BY THE BOARD	
	CEO	OTHER NEOs
Base Salary	0.0%	1.8%
Long-Term Incentive	9.1%	11.2%
Total Compensation	(5.6%)	0.3%

### Impact of LTI Valuation Change

In 2014, the Company changed the methodology used for LTI valuation to reinforce alignment throughout the compensation review process. As a result, the LTI value disclosed in 2014 and 2015 is based on Willis Towers Watson expected life binomial methodology.

Compensation of the NEOs has been paid in U.S. dollars since 2002 as it provides a more precise, meaningful and stable comparison basis for compensation decisions with U.S. denominated compensation from the Class I Railroad comparator group. A table presenting the compensation paid in U.S. dollars for the NEOs is presented on page 57 – Total Compensation for the NEOs in U.S. Dollars.

## Summary Compensation Table in Canadian Dollars

The following table sets forth the annual total compensation in Canadian dollars for the NEOs, in accordance with the disclosure rules issued by the Canadian Securities Administrators, for the years ended December 31, 2015, 2014 and 2013. Fluctuation in the exchange rate affects year-over-year comparability. Please refer to page 68 for currency exchange information.

NAME AND PRINCIPAL POSITION	YEAR	SALARY (C\$)	SHARE-BASED AWARDS <sup>(1)(3)</sup> (C\$)	OPTION-BASED AWARDS <sup>(2)(3)</sup> (C\$)	NON-EQUITY INCENTIVE PLAN COMPENSATION – ANNUAL INCENTIVE PLANS <sup>(4)</sup> (C\$)	PENSION VALUE <sup>(5)</sup> (C\$)	ALL OTHER COMPENSATION <sup>(6)</sup> (C\$)	TOTAL COMPENSATION (C\$)
Claude Mongeau President and Chief Executive Officer	2015	1,374,603	4,108,718	2,705,600	1,657,885	132,000	98,298	10,077,104
	2014	1,187,338	3,373,982	2,113,200	2,544,099	40,000	82,988	9,341,607
	2013	1,055,648	3,210,050	1,609,300	1,644,443	628,000	82,191	8,229,632
Luc Jobin Executive Vice-President and Chief Financial Officer	2015	767,220	1,266,687	1,036,380	663,155	232,478 <sup>(7)</sup>	854,642 <sup>(8)</sup>	4,820,562
	2014	662,700	1,026,176	746,194	988,405	180,833 <sup>(7)</sup>	21,021	3,625,329
	2013	617,940	945,575	587,818	561,517	150,669 <sup>(7)</sup>	18,694	2,882,213
Jim Vena Executive Vice-President and Chief Operating Officer	2015	767,220	1,249,306	1,022,176	663,155	89,000 <sup>(9)</sup>	17,439	3,808,296
	2014	618,520	1,026,176	746,194	883,532	288,000	14,734	3,577,156
	2013	546,061	980,709	554,670	518,958	2,200,000 <sup>(10)</sup>	13,497	4,813,895
Jean-Jacques Ruest Executive Vice-President and Chief Marketing Officer	2015	716,072	1,179,933	965,392	575,762	350,000	20,472	3,807,631
	2014	618,520	970,637	705,809	922,512	195,000	17,541	3,430,019
	2013	576,744	893,255	555,293	524,083	310,000	17,233	2,876,608
Sean Finn Executive Vice-President Corporate Services and Chief Legal Officer	2015	675,154	937,017	766,632	542,861	355,000	18,214	3,294,878
	2014	583,176	832,113	605,080	833,045	182,000	15,458	3,050,872
	2013	543,787	788,070	489,905	464,652	317,000	14,846	2,618,260

- (1) Valuation Disclosure for Share-Based Awards—Consistent with disclosure requirements, the following (a) summarizes the methodology and key assumptions used to calculate the fair value of awards at the grant date and (b) discloses the fair value used for accounting and financial reporting purposes. For 2015 and 2014 share-based awards, the fair value of awards at the grant date, as shown in the Summary Compensation Table above, reflects the number of PSUs awarded multiplied by the value calculated using the Willis Towers Watson expected life binomial methodology. This methodology was selected as it provides alignment throughout the compensation review process by using the same methodology for benchmarking, grant and disclosure purposes. The value may differ from the value reported for accounting purposes due to the differences in valuation input assumptions, as provided on page 58. For 2013 share-based awards, the fair value of awards at the grant date, as shown in the Summary Compensation Table above, reflects the number of PSUs awarded multiplied by the accounting fair value of awards.

A summary of the 2015 and 2014 valuation factors calculated using the Willis Towers Watson expected life binomial methodology as well as under the accounting valuation methodology is presented in the following table. Detailed assumptions for both methodologies are presented on page 58.

	WILLIS TOWERS WATSON EXPECTED LIFE BINOMIAL METHODOLOGY		ACCOUNTING VALUATION METHODOLOGY		VARIANCE
	VALUATION FACTOR	GRANT DATE FAIR VALUE	VALUATION FACTOR	GRANT DATE FAIR VALUE	WILLIS TOWERS WATSON VS. ACCOUNTING
2015 Share-Base Award					
ROIC	59%	C\$49.88	60.2%	C\$50.87	(C\$0.99)
TSR	78%	C\$65.95	135.8%	C\$114.86	(C\$48.91)
2014 Share-Based Award	55%	C\$32.29	47.5%	C\$27.91	C\$4.38

- (2) Valuation Disclosure for Option-Based Awards—Consistent with disclosure requirements, the following (a) summarizes the methodology and key assumptions used to calculate the fair value of awards at the grant date and (b) discloses where the fair value used for accounting and financial reporting purposes. For 2015 and 2014 option-based awards, the fair value of awards at the grant date, as shown in the Summary Compensation Table above, reflects the number of stock options awarded multiplied by the value calculated using the Willis Towers Watson expected life binomial methodology. This methodology was selected as it provides alignment throughout the compensation review process by using the same methodology for benchmarking, grant and disclosure purposes. The value differs from the value reported for accounting purposes due to the differences in valuation input assumptions, as provided on page 58. For 2013 option-based awards, the fair value of awards at the grant date, as shown in the Summary Compensation Table above, reflects the number of stock options awarded multiplied by the accounting fair value of awards.

A summary of the 2015 and 2014 valuation factors calculated using the Willis Towers Watson expected life binomial methodology as well as under the accounting valuation methodology is presented in the following table. Detailed assumptions for both methodologies are presented on page 58.

	WILLIS TOWERS WATSON EXPECTED LIFE BINOMIAL METHODOLOGY		ACCOUNTING VALUATION METHODOLOGY		VARIANCE
	VALUATION FACTOR	GRANT DATE FAIR VALUE	VALUATION FACTOR	GRANT DATE FAIR VALUE	WILLIS TOWERS WATSON VS. ACCOUNTING
2015 Option-Based Award	20%	C\$16.91	15.6%	C\$13.22	C\$3.69
2014 Option-Based Award	20%	C\$11.74	18.9%	C\$11.08	C\$0.66

- (3) LTI Valuation Comparison—CN changed its equity valuation methodology in 2014 to reinforce alignment through its compensation review process. Consequently, the LTI values disclosed in the Summary Compensation Table for 2015 and 2014 are calculated using the Willis Towers Watson expected life binomial methodology. As a result of the change in valuation methodology, comparison between 2015 and 2014 share-based and option-based award values and historical values is challenging. For comparison purposes, a supplementary Summary Compensation Table for the President and Chief Executive Officer is provided below which shows the grant date fair values for share-based and option-based awards for 2015, 2014 and 2013 solely using the accounting fair value of awards.

NAME AND PRINCIPAL POSITION	YEAR	SALARY (C\$)	SHARE-BASED AWARDS (C\$)	OPTION-BASED AWARDS (C\$)	NON-EQUITY INCENTIVE PLAN COMPENSATION – ANNUAL INCENTIVE PLANS (C\$)	PENSION VALUE (C\$)	ALL OTHER COMPENSATION (C\$)	TOTAL COMPENSATION (C\$)
Claude Mongeau President and Chief Executive Officer	2015	1,374,603	5,080,026	2,115,200	1,657,885	132,000	98,298	10,458,012
	2014	1,187,338	2,916,316	1,994,400	2,544,099	40,000	82,988	8,765,141
	2013	1,055,648	3,210,050	1,609,300	1,644,443	628,000	82,191	8,229,632

- (4) Represents the incentive award earned under the AIBP for the applicable year. Refer to page 44 for the details of the AIBP.
- (5) Includes the compensatory value of pension benefits as reported in the “Defined Benefit Plans” and “Defined Contribution Plans” tables in the “Pension Plan Benefits” section on page 65.
- (6) Includes the value of perquisites, personal benefits and other compensation (as applicable), for example post-retirement benefits or the Employer contribution under the ESIP. Perquisites and other personal benefits that in aggregate amount to less than C\$50,000 or 10% of the total salary for any of the NEOs are not reported in this column. Details are provided in the table on page 59.
- (7) The pension plan value stated for Mr. Jobin excludes the notional investment earnings (and losses) from the Defined Contribution Supplemental Executive Retirement Plan. Refer to page 65 for details of the Defined Contribution Supplemental Executive Retirement Plans.
- (8) The “All Other Compensation” column for Mr. Jobin includes a special cash award of U.S.\$600,000 (C\$830,400) in recognition for additional leadership duties performed by Mr. Jobin in 2015 during Mr. Mongeau’s medical leave of absence. The cash award was paid in February 2016.
- (9) The decrease in 2015 pension value for Mr. Vena is attributable to the attainment of the 35-year maximum service in all plans.
- (10) The 2013 pension value for Mr. Vena reflects his appointment as Executive Vice-President and Chief Operating Officer of CN on February 19, 2013, which increased his projected pensionable earnings.

### Total Compensation for the NEOs in U.S. Dollars

The following table sets forth the annual total compensation in U.S. dollars for the NEOs, for the years ended December 31, 2015, 2014 and 2013. Compensation of the NEOs has been paid in U.S. dollars since 2002 as it provides a more precise, meaningful and stable comparison basis with U.S. denominated compensation from the Class I Railroad comparator group.

NAME AND PRINCIPAL POSITION	YEAR	SALARY (U.S.\$)	SHARE-BASED AWARDS (U.S.\$)	OPTION-BASED AWARDS (U.S.\$)	NON-EQUITY INCENTIVE PLAN COMPENSATION – ANNUAL INCENTIVE PLANS (U.S.\$)	PENSION VALUE (U.S.\$)	ALL OTHER COMPENSATION (U.S.\$)	TOTAL COMPENSATION (U.S.\$)
Claude Mongeau President and Chief Executive Officer	2015	1,075,000	3,256,065	2,144,000	1,197,894	113,783	76,873	7,863,615
	2014	1,075,000	3,041,704	1,906,200	2,193,000	37,608	75,136	8,328,648
	2013	1,025,000	3,201,804	1,605,500	1,546,110	631,219	79,805	8,089,438
Luc Jobin Executive Vice-President and Chief Financial Officer	2015	600,000	1,003,820	821,259	479,158	200,395	618,958	3,723,590
	2014	600,000	925,116	673,100	852,000	170,020	19,032	3,239,268
	2013	600,000	943,146	586,430	527,940	151,441	18,151	2,827,108
Jim Vena Executive Vice-President and Chief Operating Officer	2015	600,000	990,046	810,003	479,158	76,718	13,638	2,969,563
	2014	560,000	925,116	673,100	761,600	270,778	13,340	3,203,934
	2013	530,208	971,222	549,440	487,926	2,211,278	13,105	4,763,179
Jean-Jacques Ruest Executive Vice-President and Chief Marketing Officer	2015	560,000	935,069	765,006	416,013	301,698	16,010	2,993,796
	2014	560,000	875,047	636,671	795,200	183,340	15,881	3,066,139
	2013	560,000	890,960	553,982	492,744	311,589	16,733	2,826,008
Sean Finn Executive Vice-President Corporate Services and Chief Legal Officer	2015	528,000	742,564	607,502	392,241	306,008	14,244	2,590,559
	2014	528,000	750,165	545,809	718,080	171,117	13,995	2,727,166
	2013	528,000	786,046	488,748	436,867	318,625	14,415	2,572,701

## Extension to Notes (1) and (2) of the Summary Compensation Table on the Calculation of Grant Date Fair Value of Awards

The fair value of the LTI awards reflects their expected value on the date of the grant. In 2013, the expected value was calculated in accordance with Accounting Standards Codification (ASC) 718—Compensation—Stock Compensation, under U.S. GAAP. In 2015 and 2014, the value was calculated based on Willis Towers Watson expected life binomial methodology in an effort to align the valuation methodology used throughout the compensation review process for benchmarking, grant and disclosure purposes. Share-based awards represent the award of PSUs under the Share Units Plan. Option-based awards represent the award of stock options pursuant to the Management Long-Term Incentive Plan. The grant date fair value for PSUs and stock options considers the following assumptions:

SHARE-BASED AWARDS (PSUs)	2013 (JANUARY)	2013 (FEBRUARY)	2014 (FEBRUARY)	2015 (JANUARY)
Closing share price on grant date (C\$)	47.30	50.75	58.71	84.55
Risk-free interest rate over term of the award <sup>(1)</sup>	1.20%	1.21%	0.25% to 0.50% based on yield curve	0.25% to 0.75% based on yield curve
Expected stock price volatility over term of the award <sup>(2)</sup>	17%	17%	20%	17%
Expected annual dividends per share (C\$)	0.86	0.86	0.86	1.00
Expected term	3 years	3 years	3 years	3 years
Resulting fair value per unit (C\$)	27.25	34.08	32.29	ROIC – 49.88 TSR – 65.95

OPTION-BASED AWARDS	2013 (JANUARY)	2013 (FEBRUARY)	2014 (FEBRUARY)	2015 (JANUARY)
Closing share price on grant date (C\$)	47.30	50.75	58.71	84.55
Risk-free interest rate over term of the award <sup>(1)</sup>	1.41%	1.48%	0.25% to 1.75% based on yield curve	0.25% to 2.75% based on yield curve
Expected stock price volatility over term of the award <sup>(2)</sup>	23%	23%	26%	23%
Expected annual dividends per share (C\$)	0.86	0.86	0.86	1.00
Expected term <sup>(3)</sup>	5.4 years	5.4 years	6.25 years	6.25 years
Resulting fair value per stock option (C\$)	8.47	9.36	11.74	16.91

- (1) Based on the zero coupon yield curve rate commensurate with the expected term of the award. The Willis Towers Watson Expected Life Binomial model (2015 and 2014) uses a yield curve for the risk-free interest rate (with different interest rates applying depending on the lattice node) rather than one particular rate.
- (2) Based on daily share prices, dividend data and average of volatilities for CN's NYSE and TSX-listed shares for a period commensurate with the expected term of the award.
- (3) Represents the period of time that awards are expected to be outstanding. For option-based awards, the Company uses the "SEC Safe Harbor" calculation. Groups of employees that have similar historical exercise behaviour are considered separately.

The share and option-based awards are sensitive to variations in assumptions, in particular the risk-free interest rate and stock price volatility.

## Details of “All Other Compensation” Amounts for 2015, 2014, and 2013<sup>(1)</sup>

NAME	YEAR	PERQUISITES AND OTHER PERSONAL BENEFITS <sup>(2)</sup> (C\$)	OTHER COMPENSATION (C\$)	ALL OTHER COMPENSATION (TOTAL OF THE TWO PREVIOUS COLUMNS) (C\$)
Claude Mongeau	2015	Company-leased vehicle: 16,667 Financial counselling: 20,000 Healthcare benefits and life insurance: 14,332 Other perquisites: 15,163	ESIP Employer contribution: 28,736 <sup>(3)</sup> Post-retirement benefits: 3,400 <sup>(4)</sup>	98,298
	2014	Company-leased vehicle: 16,364 Financial counselling: 16,300 Healthcare benefits and life insurance: 8,402 Other perquisites: 14,148	ESIP Employer contribution: 25,174 <sup>(3)</sup> Post-retirement benefits: 2,600 <sup>(4)</sup>	82,988
	2013	Company-leased vehicle: 16,594 Financial counselling: 15,980 Healthcare benefits and life insurance: 9,083 Other perquisites: 15,709	ESIP Employer contribution: 22,025 <sup>(3)</sup> Post-retirement benefits: 2,800 <sup>(4)</sup>	82,191
Luc Jobin	2015	Nil	Special award: 830,400 <sup>(5)</sup> ESIP Employer contribution: 16,042 <sup>(3)</sup> Post-retirement benefits: 8,200 <sup>(4)</sup>	854,642
	2014	Nil	ESIP Employer contribution: 14,621 <sup>(3)</sup> Post-retirement benefits: 6,400 <sup>(4)</sup>	21,021
	2013	Nil	ESIP Employer contribution: 12,894 <sup>(3)</sup> Post-retirement benefits: 5,800 <sup>(4)</sup>	18,694
Jim Vena	2015	Nil	ESIP Employer contribution: 16,039 <sup>(3)</sup> Post-retirement benefits: 1,400 <sup>(4)</sup>	17,439
	2014	Nil	ESIP Employer contribution: 13,634 <sup>(3)</sup> Post-retirement benefits: 1,100 <sup>(4)</sup>	14,734
	2013	Nil	ESIP Employer contribution: 10,997 <sup>(3)</sup> Post-retirement benefits: 2,500 <sup>(4)</sup>	13,497
Jean-Jacques Ruest	2015	Nil	ESIP Employer contribution: 14,972 <sup>(3)</sup> Post-retirement benefits: 5,500 <sup>(4)</sup>	20,472
	2014	Nil	ESIP Employer contribution: 13,141 <sup>(3)</sup> Post-retirement benefits: 4,400 <sup>(4)</sup>	17,541
	2013	Nil	ESIP Employer contribution: 12,033 <sup>(3)</sup> Post-retirement benefits: 5,200 <sup>(4)</sup>	17,233
Sean Finn	2015	Nil	ESIP Employer contribution: 14,114 <sup>(3)</sup> Post-retirement benefits: 4,100 <sup>(4)</sup>	18,214
	2014	Nil	ESIP Employer contribution: 12,258 <sup>(3)</sup> Post-retirement benefits: 3,200 <sup>(4)</sup>	15,458
	2013	Nil	ESIP Employer contribution: 11,346 <sup>(3)</sup> Post-retirement benefits: 3,500 <sup>(4)</sup>	14,846

(1) This table outlines the perquisites and other compensation received by NEOs in 2015, 2014 and 2013. The amounts are calculated based on the incremental cost to the Company. CN does not provide tax gross-ups on such perquisites and CN’s policy on the usage of the corporate aircraft provides that it is restricted to business-related purposes, save for certain exceptional circumstances.

(2) Perquisites and other personal benefits include the use of a company-leased vehicle, parking, club membership, executive physical exam, financial counselling and tax services, and certain healthcare benefits and life insurance coverage. The incremental cost to the Company is determined by the actual cost of the company-leased vehicle (including gas and maintenance fees), parking, club membership, annual executive physical exam, financial counselling and tax services and by the cost of certain healthcare benefits and life insurance coverage in excess of that offered to salaried employees. See section “Executive Perquisites” on page 48 for more details. Perquisites and other personal benefits that amount to less than C\$50,000 (in aggregate) or 10% of total salary for any of the NEOs are reported as “Nil” in this column.

(3) Represents the value of the Company-match under the ESIP.

(4) Represents the service cost for post-retirement benefits, if applicable.

(5) Represents a special cash award of U.S.\$600,000 (C\$830,400) in recognition for additional leadership duties performed by Mr. Jobin in 2015 during Mr. Mongeau’s medical leave of absence and converted to Canadian dollars using the December 31, 2015 exchange rate of U.S.\$1.00 = C\$1.3840.

## Incentive Plan Awards

### Share-Based and Option-Based Awards in 2015

The following table shows information regarding grants of PSUs made to NEOs under the Share Units Plan, and grants of stock options made under the Management Long-Term Incentive Plan in 2015.

NAME	GRANT DATE	AWARD TYPE	SECURITIES, UNITS OR OTHER RIGHTS (#)	END OF PLAN PERIOD OR EXPIRY DATE	SHARE PRICE ON DATE OF GRANT (C\$)	AWARD'S GRANT DATE FAIR VALUE <sup>(1)</sup> (C\$)
Claude Mongeau	January 29, 2015	PSUs <sup>(2)</sup>	76,350	December 31, 2017	84.55	4,108,718
		Options <sup>(3)</sup>	160,000	January 29, 2025	84.55	2,705,600
Luc Jobin	January 29, 2015	PSUs <sup>(2)</sup>	23,538	December 31, 2017	84.55	1,266,687
		Options <sup>(3)</sup>	61,288	January 29, 2025	84.55	1,036,380
Jim Vena	January 29, 2015	PSUs <sup>(2)</sup>	23,215	December 31, 2017	84.55	1,249,306
		Options <sup>(3)</sup>	60,448	January 29, 2025	84.55	1,022,176
Jean-Jacques Ruest	January 29, 2015	PSUs <sup>(2)</sup>	21,926	December 31, 2017	84.55	1,179,933
		Options <sup>(3)</sup>	57,090	January 29, 2025	84.55	965,392
Sean Finn	January 29, 2015	PSUs <sup>(2)</sup>	17,412	December 31, 2017	84.55	937,017
		Options <sup>(3)</sup>	45,336	January 29, 2025	84.55	766,632

- (1) The grant date fair values reported for PSUs and stock options are calculated using the same assumptions as described in the extension to footnotes 1 and 2 of the Summary Compensation Table on page 58.
- (2) The PSUs granted in 2015 were made under the Share Units Plan. The payout of PSUs granted in 2015 to NEOs is subject to two distinct performance measures. 70% of the PSU award is subject to the achievement of solid return on invested capital performance for the period ending on December 31, 2017 and to the attainment of a minimum average closing share price established at the beginning of the cycle of C\$77.59 or U.S.\$67.20. The remaining 30% is subject to CN's relative TSR measured against two comparator groups i) Class I Railroads; and ii) S&P/TSX 60 companies for the period ending on December 31, 2017. Details are described under "Performance Share Units: 2015 Award" on page 47.
- (3) The stock options granted in 2015 were made under the Management Long-Term Incentive Plan and vest over a period of four years, with 25% of the stock options vesting at each anniversary date of the award. Unexercised stock options shall expire on the tenth anniversary of the date of the award. See section "Management Long-Term Incentive Plan" on page 63 for a description of the plan.

## Outstanding Share-Based Awards and Option-Based Awards

The following table shows all awards made to NEOs and outstanding on December 31, 2015.

NAME	OPTION-BASED AWARDS <sup>(1)</sup>					SHARE-BASED AWARDS		
	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS (#)	OPTION EXERCISE PRICE <sup>(2)</sup> (U.S.\$)	OPTION EXERCISE PRICE <sup>(2)</sup> (C\$)	OPTION EXPIRATION DATE	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS <sup>(3)</sup> (C\$)	NUMBER OF SHARES OR UNITS OF SHARES THAT HAVE NOT VESTED <sup>(4)</sup> (#)	MARKET OR PAYOUT VALUE OF SHARE-BASED AWARDS THAT HAVE NOT VESTED <sup>(5)</sup> (C\$)	MARKET OR PAYOUT VALUE OF VESTED SHARE-BASED AWARDS NOT PAID OUT OR DISTRIBUTED <sup>(6)</sup> (C\$)
Claude Mongeau	160,000	67.00	92.73	2025/01/29	40,602,339	180,840	13,985,789	45,985,873
	180,000	52.93	73.26	2024/02/03				
	190,000	47.18	65.29	2023/01/24				
	220,000	38.19	52.85	2022/01/26				
	240,000	34.71	48.03	2021/01/27				
	256,000	25.62	35.46	2020/01/28				
	160,000	17.09	23.65	2019/01/26				
	120,000	24.04	33.27	2018/01/24				
12,000	22.34	30.91	2017/01/25					
Luc Jobin	61,288	67.00	92.73	2025/01/29	5,535,347	56,235	4,349,136	8,408,213
	63,560	52.93	73.26	2024/02/03				
	69,400	47.18	65.29	2023/01/24				
	80,960	38.19	52.85	2022/01/26				
	83,840	34.71	48.03	2021/01/27				
Jim Vena	60,448	67.00	92.73	2025/01/29	1,287,390	54,995	4,253,199	6,038,164
	63,560	52.93	73.26	2024/02/03				
	44,600	50.15	69.41	2023/02/19				
	16,200	47.18	65.29	2023/01/24				
	19,560	38.19	52.85	2022/01/26				
Jean-Jacques Ruest	57,090	67.00	92.73	2025/01/29	8,865,201	51,986	4,020,489	16,236,489
	60,120	52.93	73.26	2024/02/03				
	65,560	47.18	65.29	2023/01/24				
	76,200	38.19	52.85	2022/01/26				
	78,600	34.71	48.03	2021/01/27				
	87,400	25.62	35.46	2020/01/28				
Sean Finn	45,336	67.00	92.73	2025/01/29	1,330,208	43,182	3,339,606	3,354,919
	51,540	52.93	73.26	2024/02/03				
	57,840	47.18	65.29	2023/01/24				
	17,270	38.19	52.85	2022/01/26				

(1) Includes all stock options granted under the Management Long-Term Incentive Plan and outstanding on December 31, 2015.

(2) All stock option exercise prices shown are in Canadian dollars. Where applicable, stock option exercise prices in U.S. dollars resulting from stock option grants to NEOs made in U.S. dollars, were converted to Canadian dollars using the December 31, 2015 exchange rate of U.S.\$1.00 = C\$1.3840. The following table presents the option exercise prices that were converted to Canadian dollars:

OPTION EXPIRATION DATE	OPTION EXERCISE PRICE (U.S.\$)	OPTION EXERCISE PRICE (C\$)	OPTION EXPIRATION DATE	OPTION EXERCISE PRICE (U.S.\$)	OPTION EXERCISE PRICE (C\$)
2025/01/29	67.00	92.73	2021/01/27	34.71	48.03
2024/02/03	52.93	73.26	2020/01/28	25.62	35.46
2023/02/19	50.15	69.41	2019/01/26	17.09	23.65
2023/01/24	47.18	65.29	2018/01/24	24.04	33.27
2022/01/26	38.19	52.85	2017/01/25	22.34	30.91

(3) The value of unexercised in-the-money stock options at financial year-end for stock options granted to NEOs in Canadian dollars is the difference between the closing share price of the common shares on December 31, 2015, on the TSX (C\$77.35) and the exercise price. The value of unexercised in-the-money stock options at financial year-end for stock options granted to NEOs in U.S. dollars is the difference between the closing share price of the common shares on December 31, 2015 on the NYSE (U.S.\$55.88) converted to Canadian dollars based on the December 31, 2015 exchange rate of U.S.\$1 = C\$1.3840 (i.e. U.S.\$55.88 × 1.3840 = C\$77.34) and the exercise price converted to Canadian dollars using this same exchange rate. Please refer to Note 2 of this table for additional details. This value has not been, and may never be, realized. The actual gains, if any, will depend on the value of the common shares on the date of exercise.

(4) Includes all PSUs outstanding on December 31, 2015 that have not vested on such date under the Share Units Plan. Payouts for these units are conditional upon meeting performance measures and a minimum share price condition that may or may not be achieved. For Mr. Jobin, the value also includes the company-matched DSUs outstanding on December 31, 2015 (917 units) that have not vested on such date under the VIDP. Under the plan, company-match DSUs vest over four years, at a rate of 25% per year.

(5) The value of outstanding share units awarded under the Share Units Plan is based on the closing price of the common shares on the NYSE on December 31, 2015 (U.S.\$55.88) converted to Canadian dollars based on the December 31, 2015 exchange rate of U.S.\$1 = C\$1.3840 (i.e. U.S.\$55.88 × 1.3840 = C\$77.34) and assuming that the target average relative TSR and ROIC objectives (i.e. 100%) and the minimum share price condition are met. In accordance with the plan, a performance vesting factor between 0% and 150%/200% will apply to the awarded share units. For Mr. Jobin, the value of the company-matched DSUs awarded under the VIDP is based on the closing price of the common shares on the TSX on December 31, 2015 (C\$77.35) and is equivalent to C\$70,957.

- (6) Includes the value as at December 31, 2015 of the 2013 PSU awards granted under the Share Units Plan based on the closing price of the Company's common shares on the TSX of C\$77.35. The average ROIC for the period ended on December 31, 2015 was 17.38%, exceeding the target for the plan period. The performance vesting factor was therefore 150% and the minimum share price condition was also met. The 2013 PSU awards were equity-settled for all NEOs on February 26, 2016. Also includes the value as at December 31, 2015 of the DSUs that have vested under the terms of the VIDP and the Senior Executive Bonus Share Plan based on the closing share price of the Company's common shares on the TSX of C\$77.35. Units held under these deferred compensation plans are only payable upon cessation of employment (please refer to page 64 for more details on the Company's Deferred Compensation Plans). The following table provides the breakdown, for each of the NEOs, of the market value of vested share-based awards that were not paid out or distributed on December 31, 2015:

NEOs	2013 PSUs (C\$)	ACCUMULATED DSUs (C\$)	TOTAL (C\$)
Claude Mongeau	13,665,610	32,320,263	45,985,873
Luc Jobin	4,025,439	4,382,774	8,408,213
Jim Vena	3,526,609	2,511,555	6,038,164
Jean-Jacques Ruest	3,802,706	12,433,783	16,236,489
Sean Finn	3,354,919	–	3,354,919

## Incentive Plan Awards – Value Vested or Earned During the Year

The following table shows the value from incentive plans vested or earned by NEOs under the Company's incentive plans, including the annual incentive bonus, PSUs, DSUs and stock options earned during the financial year ended December 31, 2015.

NAME	OPTION-BASED AWARDS – VALUE VESTED DURING THE YEAR <sup>(1)</sup> (C\$)	SHARE-BASED AWARDS – VALUE VESTED DURING THE YEAR <sup>(2)</sup> (C\$)	NON-EQUITY INCENTIVE PLAN COMPENSATION – VALUE EARNED DURING THE YEAR <sup>(3)</sup> (C\$)
Claude Mongeau	6,738,892	13,665,610	1,657,885
Luc Jobin	2,416,029	4,191,313	663,155
Jim Vena	1,109,788	3,526,609	663,155
Jean-Jacques Ruest	2,273,785	3,802,706	575,762
Sean Finn	2,058,050	3,354,919	542,861

- (1) Represents the value of the potential gains from stock options granted under the Management Long-Term Incentive Plan in 2011, 2012, 2013 and 2014 that vested during the 2015 financial year. These grants all vest over four years, with 25% of stock options vesting on each anniversary date (see section "Management Long-Term Incentive Plan" starting on page 63 for a description of the Plan). The potential gains are calculated as the difference between the closing price of the common shares on each of the stock option grant anniversary dates in 2015 and the exercise price, converted to Canadian dollars when applicable using the exchange rate on such vesting date (see "Currency Exchange Information" on page 68). This value has not been, and may never be, realized. The actual gains, if any, will depend on the value of the common shares on the date of exercise.
- (2) Includes PSUs granted in 2013 that vested on December 31, 2015 under the Share Units Plan and, for Mr. Jobin, the 25% of the Company-matched DSUs that vested on January 31, 2015 under the VIDP. The PSU values included in the table have been calculated by multiplying the number of units granted by the performance vesting factor of 150% and by the closing price of the common shares on December 31, 2015 on the TSX (C\$77.35). The 2013 PSU awards were equity-settled for all NEOs on February 26, 2016.
- (3) Represents the amount of bonus earned under the AIBP for the financial year ended on December 31, 2015.

## Incentive Plan Awards – Value of Exercised Stock Options and Performance Share Units Paid During the Year

The following table lists the number of shares acquired and the value realized as a result of stock options exercised by NEOs in 2015 as well as PSUs which vested on December 31, 2015. For stock options exercised, the value realized is calculated by multiplying the number of shares acquired by the difference between the exercise price and the market price of CN common shares on the exercise date.

NAME	STOCK OPTIONS		PSUs	TOTAL VALUE REALIZED (C\$)
	NUMBER OF SHARES ACQUIRED ON EXERCISE	VALUE REALIZED ON EXERCISE (C\$)	VALUE REALIZED ON DECEMBER 31, 2015 (C\$)	
Claude Mongeau	200,000	10,028,635	13,665,610	23,694,245
Luc Jobin	167,400	8,171,068	4,025,439	12,196,507
Jim Vena	83,860	3,841,325	3,526,609	7,367,934
Jean-Jacques Ruest	139,600	7,641,468	3,802,706	11,444,174
Sean Finn	129,670	3,814,410	3,354,919	7,169,329



## Management Long-Term Incentive Plan

The Management Long-Term Incentive Plan was approved by the Company's shareholders on May 7, 1996 and amended on April 28, 1998, April 21, 2005, April 24, 2007, March 4, 2008 and on January 27, 2015.

Eligible participants under the Plan are employees of the Company or its affiliates as determined by the Board of Directors. Grants cannot be made to non-executive Board directors under the Plan. The maximum number of common shares that may be issued under the Plan is 120,000,000. The following table provides information on the status of the reserve and the number of shares issued and issuable under the Plan, as at December 31, 2015.

### Stock Options Outstanding and Available for Grant as of February 29, 2016

	# OF COMMON SHARES	% OF OUTSTANDING COMMON SHARES
Stock options already granted and outstanding	6,755,061	0.86%
Stock options issuable under the Plan	17,333,967	2.21%
Shares issued following the exercise of stock options	95,910,972	12.23%

The following table presents information concerning stock options granted under the Plan as at December 31 of the years indicated below.

	2015	2014
Number of stock options granted during the year	852,943	961,490
Number of employees who were granted stock options	193	195
Number of stock options outstanding at year-end	5,863,991	7,537,564
Weighted average exercise price of stock options outstanding	C\$53.43	C\$37.37
Number of stock options granted as a % of outstanding shares	0.11%	0.12%
Number of stock options exercised	2,506,145	1,079,870

The maximum number of common shares that may be issued and/or be the subject of a grant to any one participant in a particular year is 20% of the awards in that year. The maximum aggregate number of common shares, with regard to which awards may be made to any participant under the Plan and under any other plan which the Company has or may eventually have, shall not exceed 5% of the common shares issued and outstanding. The maximum number of common shares that may be issued to insiders, at any time, under all security based compensation, cannot exceed 10% of the issued and outstanding common shares. Also pursuant to the March 8, 2005 amendment, the maximum number of common shares with regard to which awards may be made during a calendar year is limited to 1% of the outstanding common shares at the beginning of that year. As demonstrated in the previous table, the number of stock options granted is well below the 1% limitation. Stock options are non-transferable except, in certain circumstances, upon the death of the holder of such stock options.

## Stock Option Features

Grant Currency	Same currency as the recipient's salary
Exercise Price	At least equal to the closing share price of the common shares on the TSX or the NYSE (depending on the grant currency) on the grant date.
Term	Ten years
Vesting Criteria	<p>Stock options may become exercisable on the anniversary date ("conventional stock options") and/or upon meeting performance targets ("performance options") as established for each grant.</p> <p>Since 2005, grants have been of conventional stock options, which vest over four years, with 25% of stock options vesting on each anniversary.</p>
Termination Conditions	<p>Stock options shall be cancelled upon the termination of a participant's employment for cause or if the participant voluntarily terminates employment.</p> <p>In the event that a participant's employment is terminated by the Company other than for cause, all stock options held by such participant shall be cancelled three months after termination of the participant's employment.</p> <p>In the case of retirement, stock options are cancelled three years after the retirement date.</p> <p>In the event of a participant's death, all available stock options may be exercised by the estate within a period of twelve months.</p> <p>In the event non-compete, non-solicitation, confidentiality or other conditions of the grant are breached, stock options shall be forfeited and cancelled.</p> <p>These conditions are subject to the discretion of the Committee.</p>

At the 2007 annual meeting, shareholders approved an ordinary resolution confirming the addition of new amendment provisions to the Plan. Such amendment provisions state that the Board of Directors or the Committee, as provided in the Plan or pursuant to a specific delegation and in accordance with applicable legislation and regulations, may amend any of the provisions of the Plan or suspend or terminate the Plan or amend the terms of any then outstanding award of stock options under the Plan ("Options") provided, however, that the Company shall obtain shareholder approval for:

- (i) any amendment to the maximum number of common shares issuable under the Plan, except for adjustments in the event that such shares are subdivided, consolidated, converted or reclassified by the Company or that any other action of a similar nature affecting such shares is taken by the Company (a "Share Adjustment");
- (ii) any amendment which would allow non-employee directors to be eligible for new awards under the Plan;
- (iii) any amendment which would permit any Option granted under the Plan to be transferable or assignable other than by will or pursuant to succession laws (estate settlements);
- (iv) the addition of a cashless exercise feature, payable in cash or common shares, which does not provide for a full deduction of the number of underlying shares from the Plan reserve;
- (v) the addition in the Plan of deferred or performance share unit provisions or any other provisions which result in participants receiving common shares while no cash consideration is received by the Company;
- (vi) any reduction in the exercise price of an Option after the Option has been granted to a participant or any cancellation of an Option and the substitution of that Option by a new Option with a reduced exercise price granted to the same participant, except in the case of a Share Adjustment;
- (vii) any extension to the term of an outstanding Option beyond the original expiry date, except in the case of an extension due to a blackout period;

- (viii) any increase to the maximum number of common shares that may be issued:
- under the Plan to any participant during any calendar year; or
  - under the Plan and under any other plan to any participant, and
- (ix) the addition in the Plan of any form of financial assistance and any amendment to a financial assistance provision which is more favourable to participants.

No amendment, suspension or termination shall, except with the written consent or the deemed consent of the participants concerned, affect the terms and conditions of Options previously granted under the Plan, unless the rights of the participants shall then have terminated in accordance with the Plan.

On March 4, 2008, the Plan was amended to include a “double trigger provision”. Pursuant to such provisions, provided that a proper substitute is granted, the vesting of non-performance-based stock options held by a participant would not accelerate upon a Change of Control, unless the participant is terminated without cause or resigns for good reason. Please refer to “Change of Control Provisions” on page 49 for more details on such amendment.

On January 27, 2015, the Plan was amended to make certain changes to the retirement definition. Before January 27, 2015, the retirement definition of the Plan was based on the retirement definition of pension plans. All reporting and non-reporting Company insiders were subject to a retirement definition providing for a minimum retirement age of 55. The amended retirement definition maintains the retirement age at 55 and introduces a minimum continuous service condition of five (5) years to be eligible for continued vesting and exercise of stock options upon retirement. The plan amendment also provides the President and CEO with the option to waive or reduce, on an individual basis, the continuous service condition of five (5) years. The President and CEO may also reduce the retirement age condition to not lower than 55 years of age for Options granted prior to January 27, 2015.

### Deferred Compensation Plans

The Voluntary Incentive Deferral Plan was introduced by the Company in 2002. This plan allows NEOs and other senior management employees to elect to defer up to 100% of their annual bonus and other amounts paid under an eligible incentive plan (as approved by the Board of

Directors) into deferred share units (“DSUs”) remitted upon retirement or termination of employment. A DSU is equivalent to a common share of the Company and earns notional dividends, which are re-invested into additional DSUs, when cash dividends are paid on the Company’s common shares. The amount deferred is converted into a number of units at the deferral date, using the closing share price on the deferral date. Deferral elections are made at least six months prior to the end of the performance period of the incentive plan.

The maximum total amount participants can defer to DSUs is equivalent to their ownership requirement under the Stock Ownership guidelines (see section on “Stock Ownership” under “Other Key Compensation Programs of the Company” on page 48 for a detailed description). The Company also credits a company match equal to 25% of the number of DSUs resulting from an eligible deferral. These company-matched DSUs vest over a period of four years (25% per year) from the deferral date.

Due to its tax effectiveness and the additional match provided by the Company, this plan offers an opportunity for executives to increase their ownership in CN, linking their future returns to the share price performance. Certain executives hold DSUs in accordance with past awards made under the Senior Executive Bonus Share Rights Plan. These awards, which vested in January 2001, are payable upon their retirement or termination date. No additional awards may be made under this plan.

In October 2014, CN modified its Voluntary Incentive Deferral Plan to settle future award payouts in CN common shares purchased on the open market rather than cash. The changes will affect DSU awards made in 2016 or after. As a result, amounts deferred in DSUs after January 1, 2016 will be settled in shares upon retirement or termination (including vested company-matched DSUs as well as notional dividends accrued over the deferral period and subject to mandatory waiting periods or monthly instalments for eligible U.S. tax payers).

Following the modification of the Voluntary Incentive Deferral Plan, executives, including NEOs and senior management employees, were offered a one-time election to settle past DSU awards in CN common shares purchased on the open market rather than cash and according to the plan terms. All NEOs have elected to convert their settlement in common shares purchased on the open market.

No modification to the nature of the deferrals under both plans can be made, unless the Board of Directors approves an amendment of the plans.

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## Employment Arrangements

### President and CEO

Claude Mongeau was appointed President and CEO of the Company effective January 1, 2010. The Board of Directors, upon the recommendation of the Committee, approved, at its April 20, 2009 meeting, the terms and conditions of Mr. Mongeau’s employment. Mr. Mongeau’s employment as President and CEO is not for a fixed term; he serves at the will of the Board.

The President and CEO is eligible for the same compensation, benefit plans and programs as the other executives except for the following:

- Under the AIBP, his target payout is 120% of base salary with a payout ranging from 0% to 240%.
- Mr. Mongeau’s supplemental pension plan remains in effect, but the annual pension benefit payable under this plan upon retirement is capped at U.S.\$1,000,000. See also the “Pension Plan Benefits” section that starts on page 65.

- Mr. Mongeau is required to maintain a minimum level of stock ownership equivalent to five times his annual salary. He is also required to maintain this stock ownership level for one year following retirement.
- Mr. Mongeau is limited to participating in only one outside public company board.

### Other NEOs

The Company has not entered into formal employment agreements with the other NEOs. It has only provided appointment letters setting forth general details of employment which are all described in this Information Circular.

## Pension Plan Benefits

### Canadian Pension Plans and Other Retirement Arrangements

#### CN's Principal Pension Plan ("CNPP") and Senior Management Pension Plan ("SMPP")

Messrs. Mongeau, Vena, Ruest and Finn participate in the CNPP and SMPP, which are federally-registered defined benefit pension plans designed to provide retirement benefits based on pensionable years of service and highest average earnings. Highest average earnings are defined as the average pensionable earnings during the last 60 months of compensated service or the best five consecutive calendar years, whichever is greater. Under the CNPP, pensionable earnings consist of base salary and overtime. Under the SMPP, pensionable earnings include base salary, overtime, and bonuses paid by the Company under the AIBP, up to the employee's target level. In 2015, the aggregate annual retirement benefit payable under both plans is subject to a maximum of C\$2,819 per year of pensionable service and is calculated as follows:

- 1.7% of highest average earnings up to the average year's maximum pensionable earnings ("YMPE") as defined under the Quebec/Canada Pension Plan, multiplied by the number of years of pensionable service (maximum 35 years)

plus

- 2.0% of highest average earnings in excess of the YMPE, multiplied by the number of years of pensionable service (maximum 35 years).

Under both plans, if the sum of the participant's age and years of pensionable service is at least 85 and the participant is age 55 or over at the time of retirement from active employment, the participant is eligible to receive an immediate, unreduced pension, subject to Company consent. Retirement benefits vest immediately when participation begins.

#### Special Retirement Stipend

Executives and senior management employees who participate in the CNPP also participate in a non-registered, supplemental executive retirement program called the Special Retirement Stipend ("SRS"). SRS participants enter into an agreement with the Company, which includes confidentiality, non-compete and non-solicitation clauses.

Messrs. Mongeau, Vena, Ruest and Finn have each signed an SRS agreement.

The annual amount payable under the SRS equals 2% of the employee's highest average earnings in excess of the average earnings that result in the maximum pension payable under the CNPP and SMPP (approximately C\$148,613 in 2015), multiplied by the number of years of pensionable service (maximum 35 years).

Earnings consist of base salary and bonuses paid by the Company under the AIBP, up to the employee's target level.

If the sum of the participant's age and years of pensionable service is at least 85 and the participant is age 55 or over at the time of retirement, the participant is eligible to receive an immediate, unreduced SRS benefit, subject to the conditions set out in the agreement.

SRS benefits for employees who entered into an SRS agreement prior to July 1, 2002 vest after two years of employment. For employees who entered into an SRS agreement on or after July 1, 2002, the SRS benefits become vested only if the employee remains in active service for two years and until the age of 55. SRS retirement benefits are paid out of operating funds and secured through letters of credit.

Mr. Mongeau's annual benefit payable under the SRS shall not exceed U.S.\$1,000,000 (C\$1,384,000).

#### Defined Contribution Pension Plan for Executives and Senior Management ("DCPP")

Mr. Jobin participates in the DCP.

The DCP is a federally-registered defined contribution pension plan that was introduced for executives and senior management employees on January 1, 2006. For non-unionized employees other than executives and senior management, a separate defined contribution plan was also introduced on the same date. Executives and senior management employees hired prior to January 1, 2006 had a one-time opportunity to either join the DCP or maintain participation in the CNPP and SMPP mentioned above. Messrs. Mongeau, Vena, Ruest and Finn elected to remain in the CNPP and SMPP. Executives and senior management employees hired on or after January 1, 2006 automatically join the DCP.

Executives participating in the DCP contribute a specific percentage of their pensionable earnings into their account and the Company contributes the same percentage, subject to the maximum contribution imposed by the *Canadian Income Tax Act* (C\$25,370 in 2015).

The contribution percentage for executives depends on age and service as follows:

POINTS (SUM OF AGE AND SERVICE)	% OF PENSIONABLE EARNINGS
Up to 39	6%
40-49	7%
50-59	8%
60 and above	9%

Pensionable earnings include base salary and bonuses payable under the AIBP up to the employee's target level. All contributions vest immediately and are invested in various investment funds as selected by the participant. No withdrawals or distributions are permitted prior to employment termination.

#### Defined Contribution Supplemental Executive Retirement Plan ("DC SERP")

Mr. Jobin participates in the DC SERP.

The DC SERP is a non-registered defined contribution pension plan designed to provide executives and senior management employees with retirement benefits in excess of the *Canadian Income Tax Act* limits applicable to the DCP described above. Once contributions have reached the limit prescribed by the *Canadian Income Tax Act* in the DCP in a given year, an amount equal to employer and employee contributions in excess of the limit is gradually credited by the Company to a notional account under the DC SERP. These notional contributions vest after two years of employment. Employees do not contribute to the DC SERP.

By default, notional contributions accrue investment credits using investment options as selected by the participant in the DCP. However, participants can make a different investment election under the DC SERP. No withdrawals or distributions are permitted prior to employment termination.

Effective January 1, 2011, the DC SERP was amended to include certain confidentiality, non-compete, non-solicitation and other covenants as a condition of payment of retirement benefits accruing as of the effective date.

## Defined Benefit Plans Table

The following amounts have been calculated using the actuarial assumptions disclosed in Note 12—Pensions and Other Postretirement Benefits, on page 70 of the 2015 Annual Report and in Note 12—Pensions and Other Postretirement Benefits, on page 73 of the 2014 Annual Report, available on the Company's website at [www.cn.ca](http://www.cn.ca) and on SEDAR at [www.sedar.com](http://www.sedar.com) and EDGAR at [www.sec.gov](http://www.sec.gov). The amounts calculated in this table are estimates only and are based on assumptions, which may or may not materialize. Amounts shown in this table include pension benefits from the Company's defined benefit registered pension plans and non-registered supplemental pension arrangements for 2015 and are in Canadian dollars.

NAME	NUMBER OF YEARS OF CREDITED SERVICE (#)	ANNUAL BENEFITS PAYABLE		OPENING PRESENT VALUE OF DEFINED BENEFIT OBLIGATION <sup>(3)</sup> (C\$)	COMPENSATORY CHANGE <sup>(1)</sup> (C\$)				NON-COMPENSATORY CHANGE <sup>(4)</sup> (C\$)	CLOSING PRESENT VALUE OF DEFINED BENEFIT OBLIGATION <sup>(3)</sup> (C\$)
		AT YEAR END (C\$)	AT AGE 65 <sup>(2)</sup> (C\$)		SERVICE COST	IMPACT OF SALARY/BONUS	IMPACT OF PLAN CHANGES	TOTAL		
Claude Mongeau	21.67	1,343,000	1,511,000	16,463,000	301,000	(169,000)	0	132,000	1,903,000	18,498,000
Jim Vena	35.00	782,000	978,000	11,339,000	0 <sup>(5)</sup>	89,000	0	89,000	3,202,000	14,630,000
Jean-Jacques Ruest	19.67	511,000	627,000	6,201,000	326,000	24,000	0	350,000	1,141,000	7,692,000
Sean Finn	22.00	542,000	726,000	6,893,000	322,000	33,000	0	355,000	1,123,000	8,371,000

- (1) The change in present value that is attributable to compensation was calculated using December 31, 2014 actuarial assumptions and includes the service cost net of employee contributions, the increase in earnings in excess or below what was assumed and the impact of plan changes. The service cost net of employee contributions is the estimated value of the employer portion of benefits accrued during the calendar year.
- (2) The projected pension is based on current compensation levels and assumes the executive will receive 80% of his target bonus for the years after 2015.
- (3) The present value of the defined benefit obligation is the value of the benefits accrued for all service to the specified point in time.
- (4) The change in present value that is not compensatory includes employee contributions, interest cost, changes in assumptions and gains and losses other than those resulting from a difference in earnings. The impact on the present value at the end of 2015 relating to the change in assumptions was mainly due to an increase in the currency exchange rate, an increase in the discount rate and a change in the retirement rates, the combined impact resulting in an increase in the present value.
- (5) Mr. Vena has reached the 35-year maximum service in all plans.

## Defined Contribution Plans Table

The table below includes amounts from the Company's registered and non-registered defined contribution plans.

NAME	ACCUMULATED VALUE AT START OF YEAR (C\$)	COMPENSATORY AMOUNT <sup>(1)</sup> (C\$)	NON-COMPENSATORY AMOUNT <sup>(2)</sup> (C\$)	ACCUMULATED VALUE AT YEAR END (C\$)
Luc Jobin <sup>(3)</sup>	1,084,450	232,478	93,691	1,410,619

- (1) Represents employer contributions and notional contributions.
- (2) Represents employee contributions and, if any, investment gains and losses and notional investment credits and losses.
- (3) Mr. Jobin participates in the Defined Contribution Pension Plan and DC SERP.

## Non-Registered Plans Table

The following table provides the total present value for CN's non-registered defined benefit and defined contribution plans. These amounts were determined using the actuarial assumptions disclosed in Note 12—Pensions and Other Postretirement Benefits, on page 70 of the 2015 Annual Report and in Note 12—Pensions and Other Postretirement Benefits, on page 73 of the 2014 Annual Report, available on the Company's website at [www.cn.ca](http://www.cn.ca) and on SEDAR at [www.sedar.com](http://www.sedar.com) and EDGAR at [www.sec.gov](http://www.sec.gov). Amounts include the value of pension benefits for active, deferred and retired executive and senior management participants for 2015.

PLANS	OPENING PRESENT VALUE OF BENEFIT OBLIGATION (C\$)	CLOSING PRESENT VALUE OF BENEFIT OBLIGATION (C\$)
Non-Registered Defined Benefit Plans in Canada and U.S.	347,900,000	372,400,000 <sup>(1)</sup>
Non-Registered Defined Contribution Plans in Canada and U.S.	3,200,000	4,200,000

- (1) The increase in the present value at the end of 2015 was mainly due to benefit accruals and the increase in the currency exchange rate. The increase in the present value attributable to benefit accruals and the currency exchange rate was partially offset by the increase in the discount rate and a change in the retirement rates, which both decreased the present value.

## Termination and Change of Control Benefits

The Company does not have contractual arrangements or other agreements in connection with termination, resignation, retirement, change of control or a change in responsibilities of a Named Executive Officer, other than the conditions provided in the compensation plans, and summarized as follows:

	RESIGNATION	INVOLUNTARY TERMINATION		RETIREMENT		CHANGE OF CONTROL		TERMINATION FOR CAUSE
Annual Incentive Bonus Plan	Forfeits eligibility to the plan	Entitled to a bonus based on corporate and individual performance and prorated on active service in plan year		Entitled to a bonus based on corporate and individual performance and prorated on active service in plan year (minimum of 3 months), subject to providing a 6-month notice period prior to retirement		No specific provision		Forfeits eligibility to the plan
Stock Options <sup>(1)</sup>	All stock options are cancelled	Grants made before January 2009 Continued vesting for three months Exercise of vested stock options within three months or otherwise forfeited	Grants made since January 2009 Continued vesting for three months Exercise of vested stock options within three months or otherwise forfeited	Grants made before January 2009 Continued vesting for three years Exercise of vested stock options within three years or otherwise forfeited	Grants made since January 2009 Subject to respect of 2-year non-compete, non-solicitation and confidentiality provisions Continued vesting for three years Exercise of vested stock options within three years or otherwise forfeited Since 2011, the above conditions only apply if the executive remains in continuous and active service until the last day of the year in which the grant was made	Grants made prior to March 4, 2008 Immediate vesting of conventional stock options	Grants made since March 4, 2008 If proper substitute is granted, immediate vesting would occur only if participant is terminated without cause or resigns for good reason <sup>(2)</sup> within two years of the Change of Control	All stock options are cancelled
Performance Shares Units <sup>(1)</sup>	All PSUs are cancelled	Partial payout if performance measures are met and prorated based on active service during the plan period Subject to respect of 2-year non-compete, non-solicitation and confidentiality provisions		Full payout if performance measures are met and if the executive remains in continuous and active service until March 31 <sup>st</sup> of the year following the year in which the grant was made Subject to respect of 2-year non-compete, non-solicitation and confidentiality provisions		If proper substitute is granted, immediate vesting would occur only if participant is terminated without cause or resigns for good reason <sup>(2)</sup> within two years of the Change in Control		All PSUs are cancelled
Deferred Share Units	Payment of all vested units, including the vested company-matched DSUs	Payment of all vested units, including the vested company-matched DSUs		Payment of all vested units, including the vested company-matched DSUs		Immediate vesting of unvested company-matched DSUs		Payment of all vested units, including the vested company-matched DSUs
Registered Pension Plans	Payment of vested benefits	Payment of vested benefits		Payment of vested benefits		Payment of vested benefits		Payment of vested benefits
Non-Registered Pension Plans and Arrangements <sup>(1)</sup>	Payment of vested benefits	Payment of vested benefits		Payment of vested benefits		Payment of vested benefits		Payment of vested benefits, except for SRS benefits which are forfeited

(1) In the event of resignation, involuntary termination, retirement or change of control, the payment of awards or vested benefits is subject to certain non-compete, non-solicitation, non-disclosure of confidential information and other restrictive provisions as per the respective plan rules and arrangements.

(2) A resignation for good reason may take place only during the twenty-four months following a change of control if (i) the executive is required to relocate his or her office or home base to a location that is outside a 100 kilometer radius of his or her office or home base immediately prior to the change of control or (ii) the executive is assigned a set of responsibilities and/or the employment or continued employment of the executive on terms and conditions that are not the substantial equivalent of such executive's set of responsibilities and/or terms and conditions of employment in effect immediately prior to the change of control.

Severance entitlement payable to the NEOs would generally be determined in accordance with applicable legal requirements.

## Involuntary Termination

In the event of an involuntary termination, an NEO would receive a severance amount generally in line with applicable legal requirements. No incremental amounts would be payable. Share-based awards, option-based awards and other benefits will be treated as per the terms of the plans under which they were granted, as described in the summary Termination and Change of Control Benefits table on page 67.

## Retirement

On December 31, 2015, Mr. Vena was eligible for retirement with unreduced retirement benefits. Messrs. Ruest and Finn were also eligible for retirement but did not have sufficient service for unreduced retirement benefits. Had Messrs. Vena, Ruest and Finn retired on December 31, 2015, no incremental amounts would be payable. Share-based awards, option-based awards and other benefits will be treated as per the terms of the plans under which they were granted, as described in the summary Termination and Change of Control Benefits table on page 67.

## Change of Control

The following table shows the incremental benefits that NEOs would have been entitled to had there been a change of control on December 31, 2015.

### Change of Control

NAME	SHARE UNITS PLAN <sup>(1)</sup> (CS)	STOCK OPTIONS (CS)	DEFERRED SHARE UNITS <sup>(2)</sup> (CS)	TOTAL (CS)
Claude Mongeau	0	0	0	0
Luc Jobin	0	0	70,957	70,957
Jim Vena	0	0	0	0
Jean-Jacques Ruest	0	0	0	0
Sean Finn	0	0	0	0

- (1) An NEO would be eligible for immediate vesting only if no proper substitute is granted, or if the executive is terminated without cause or resigns for good reason within two years of the change of control.
- (2) An NEO would be eligible for immediate vesting of the unvested company-matched deferred share units allocated to an executive following the deferral of compensation in previous years (see section "Deferred Compensation Plans" on page 64 for a description of the Voluntary Incentive Deferral Plan). The value shown is equal to the number of deferred share units that would vest multiplied by the closing share price of common shares on December 31, 2015 (C\$77.35).

## Currency Exchange Information

Compensation disclosed in the section "Statement of Executive Compensation" that is paid in U.S. dollars was converted to Canadian dollars using the following currency exchange rates:

	EXCHANGE RATE USED	ACTUAL RATE U.S.\$1 = CSX
Salary All other compensation	Average rate during the year	2015: 1.2787 2014: 1.1045 2013: 1.0299
Annual incentive bonus plan	When bonus is earned (i.e. December 31)	December 31, 2015: 1.3840 December 31, 2014: 1.1601 December 31, 2013: 1.0636
Pension value Value of unexercised in-the-money options Market value of share-based awards that have not vested Non-equity incentive plan compensation – Value earned during the year Termination scenarios – incremental costs	December 31	December 31, 2015: 1.3840 December 31, 2014: 1.1601 December 31, 2013: 1.0636 December 31, 2012: 0.9949
Option-based awards – Value vested during the year	Actual vesting date of the grants made on: February 3, 2014 February 19, 2013 January 24, 2013 January 26, 2012 January 27, 2011	February 3, 2015: 1.2396 February 19, 2015: 1.2498 January 24, 2015: 1.2424 January 26, 2015: 1.2464 January 27, 2015: 1.2404

# Other Information

## Securities Authorized for Issuance Under Equity Compensation Plans

The table below indicates, as at December 31, 2015, certain information with respect to the Company's management Long-Term Incentive Plan.

PLAN CATEGORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	WEIGHTED AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS (C\$)	NUMBER OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCE UNDER EQUITY COMPENSATION PLANS (EXCLUDING SECURITIES REFLECTED IN THE FIRST COLUMN)
Equity compensation plans approved by securityholders	5,863,991	53.43	18,409,786
Equity compensation plans not approved by securityholders	Nil	Nil	Nil
<b>Total</b>	<b>5,863,991</b>	<b>53.43</b>	<b>18,409,786</b>

## Indebtedness of Directors and Executive Officers

As of March 8, 2016, there was no outstanding indebtedness of current and former directors or officers of the Company and its subsidiaries, whether entered into in connection with the purchase of common shares of the Company or otherwise.

## Interest of Informed Persons and Others in Material Transactions

The management of the Company is not aware of any material interest, direct or indirect, of any informed person of the Company, any proposed director or any associate or affiliate of any informed person or proposed director in any transaction since the commencement of the Company's most recently completed financial year, or in any proposed transaction, that has materially affected or would materially affect the Company or any of its affiliates or subsidiaries.

## Shareholder Proposals

Shareholder proposals to be considered at the 2017 annual meeting of shareholders must be received at the head office of the Company no later than December 8, 2016, to be included in the Information Circular for such annual meeting.

## Availability of Documents

The Company is a reporting issuer in Canada and the United States and is required to file various documents, including an annual information form and financial statements. Financial information is provided in the Company's comparative financial statements and Management's Discussion and Analysis for its most recently completed financial year. Copies of these documents and additional information relating to the Company are available on SEDAR at [www.sedar.com](http://www.sedar.com) and on EDGAR at [www.sec.gov](http://www.sec.gov), or may be obtained on request from the Corporate Secretary of the Company by calling (514) 399-7091 or Investor Relations at (514) 399-0052.

## Approval

The Board of Directors of the Company has approved the contents of this Information Circular and its sending to the shareholders.



**Sean Finn**  
Executive Vice-President  
Corporate Services and Chief Legal Officer  
and Corporate Secretary

March 8, 2016

# Schedule "A" – Shareholder Proposal

A shareholder proposal has been submitted for consideration at the Meeting by Qube Investment Management Inc., an institutional investor holding at least \$2,000 worth of CN common shares. The full text of the proposal and supporting comments are set out in italics below, together with the Company's response thereto and the Board of Directors' vote recommendation.

## Proposal – Request for proposals for the audit engagement

**RESOLVED – That the Board of Directors shall require that the Audit Committee will request proposals for the audit engagement no less than every 8 Years.**

### Supporting statement

*While the concept of auditor rotation is less common in North America, the European Union has moved forward with audit rotation rules and regulations. Some European countries, including Holland, have adopted even more assertive audit rotation measures than the EU. The annual audit provides the public with additional assurance (beyond management's own assertions) that a company's financial statements can be relied upon. This has important implications for investors, on their comfort level when making investment decisions and the return they expect on their capital. We have been unable to confirm a change in the audit partner at CNR since 1992.*

*It has been reported that over a third of the companies in the Russell 1000 index have auditors holding their position for more than 20 years. Qube Investment Management believes that excessive tenure creates a potential conflict of interest that is not in the shareholder's best interest. Over time, there is risk that the auditor will become conflicted maintaining a good relationship with its client (management) while working to fulfill the duty to rigorously question the corporate financial statements on behalf of shareholders.*

*Opponents to audit rotation assert that audit quality could be temporarily compromised due to the disruption of an auditor change. According to Eumedion (a European Corporate Governance Forum), this has not been the general experience in Europe. In fact, the opposite was found, with a number of companies postponing annual reports, reportedly due to the severity of the new external auditor. Further, Qube Investment Management believes a regular and formal RFP will ensure the audit committee is fully and openly assessing the quality of the incumbent audit firm.*

*Some fear that first-year audit fees could escalate by as much as 20% under a policy of mandatory rotation. In Europe, it has been reported that the majority of listed companies experienced a material decrease in audit costs after rotation, due to free market forces in the competitive bid process. Qube Investment Management further believes that these free market forces could inspire mid-tier accounting firms to grow and enter the audit market.*

*Having the audit committee issue a regular request for proposal on the audit engagement is a compromise to a forced rotation. It continues to empower the audit committee, but asks them to perform a genuine cost/benefit analysis on a potential change in auditor. The audit committee decides if a rotation brings benefit that outweighs its cost. It is our belief that competitive market forces will prevail, audit fees will reduce (or at least hold constant), while valuable governance and oversight will increase.*

*Such regular market competition for the audit engagement will also increase share value by increasing long-term audit quality, without an unjustified increase in audit cost. Increased audit quality will increase investor confidence, making shares more valuable.*

**The Board of Directors recommends that shareholders vote AGAINST this proposal for the following reasons:**

*As disclosed in the section entitled "Statement of Corporate Governance Practices—Audit Committee Disclosure" on page 32 of this Information Circular, the Audit Committee is responsible for recommending the retention and, if appropriate, the removal of external auditors, evaluating and remunerating them, and monitoring their qualifications, performance and independence. In that regard, the Audit Committee continuously assesses the Company's external auditors, and on an annual basis reviews the appropriateness of the audit fees, audit quality independence, and also takes into consideration the potential advantages and disadvantages to be derived from a tendering process.*

*Specifically, the annual Audit Committee assessment of the external auditors includes the following considerations:*

### Quality of services and sufficiency of audit firm resources

*The Audit Committee assesses the auditor's experience and knowledge of the Company's operations and industry, audit quality and performance, and audit fees, including the results of industry benchmarking. The Audit Committee also considers the results of audit reviews performed by oversight bodies, including public reports issued by such bodies following their inspections of the firm, as well as other information such as comment letters received periodically from the securities commissions.*

### Communication and interaction with the external auditors

*The Audit Committee has direct communication channels with the external auditors to discuss and review specific issues at any time. In addition, *in camera* sessions are held with the Chair of the Audit Committee prior to each Audit Committee meeting, as well as separately at the Audit Committee meeting with all the members.*

### Auditor independence, objectivity and professional skepticism

*Regulations in the U.S. and Canada require that the lead engagement partner must change every five years in the U.S. and every seven years in Canada, followed by a five year absence from the audit. At CN, lead engagement partner rotation occurs at least every five years. The Audit Committee also reviews the formal statement from external auditors confirming their independence and reviews hiring policies for former employees of the Company's external auditors. The Audit Committee also determines which non-audit services the external auditors are best positioned to provide and pre-approves and oversees the disclosure of permitted non-audit services by the external auditors to the Company in accordance with applicable laws and regulations.*

*The Audit Committee is committed to the highest standards of corporate governance and the Board of Directors believes that its current practices with respect to external auditors engagement, including the regular review of audit quality, performance and fees; lead partner rotation at least every five years; and strong regulatory oversight, are consistent with that commitment. The Board of Directors therefore believes that it is appropriate to keep the decision and timing of any potential tendering processes at the discretion of the Audit Committee.*

**For these reasons, the Board of Directors recommends that shareholders vote AGAINST this proposal.**



# Schedule “B” – Mandate of the Board

The Board has clearly delineated its role and the role of management. The role of the Board is to supervise the management of CN’s business and affairs, with the objective of increasing shareholder value. Management’s role is to conduct the day-to-day operations in a way that will meet this objective.

The Board approves all matters expressly required herein, under the *Canada Business Corporations Act* and other applicable legislation and CN’s Articles and By-laws. The Board may assign to Board committees the prior review of any issues it is responsible for, or as required by applicable laws. Board committee recommendations are generally subject to Board approval. The Board has delegated the approval of certain matters to management pursuant to its Standing Resolutions on Delegation of Authority, as amended from time to time.

Meetings of the Board are held at least nine times a year and as necessary.

As part of its stewardship responsibility, the Board advises management on significant business issues and has the following responsibilities:

## A. Approving CN’s Strategy

- adopting a strategic planning process, approving and reviewing, on at least an annual basis, a business plan and a strategic framework which take into account, among other things, the opportunities and risks of the business, and monitoring the implementation of the business plan by management.

## B. Assessing and Overseeing the Succession Planning of Executive Management

- appointing executive management and monitoring the President and Chief Executive Officer (the “President and CEO”) and executive management performance taking into consideration Board expectations and fixed objectives, approving the President and CEO’s corporate goals and objectives and approving annually the President and CEO and executive management compensation;
- ensuring that an appropriate portion of the President and CEO and executive management compensation is tied to both the short- and longer-term performance of CN; and
- taking all reasonable steps to ensure that processes are in place for the recruitment, training, development and retention of executives who exhibit the highest standards of integrity as well as competence.

## C. Monitoring Corporate Governance Issues and Board Renewal

- monitoring the size and composition of the Board to favour effective decision-making;
- taking all reasonable measures to satisfy itself as to the integrity of management and that management creates a culture of integrity throughout CN;
- monitoring and reviewing, as appropriate, CN’s approach to governance issues and monitoring and reviewing, as appropriate, CN’s Corporate Governance Manual and policies and measures for receiving shareholder feedback;
- taking all reasonable steps to ensure the highest quality of ethical standards, including reviewing, on a regular basis, the Code of Business Conduct applicable to CN’s directors, its President and CEO, senior financial officers, other executives and employees, monitoring compliance with such code, approving any waiver from compliance with the code for directors and executive officers and ensuring appropriate disclosure of any such waiver;

- ensuring the regular performance assessment of the Board, Board committees, Board and committee chairs and individual directors and determining their remuneration;
- approving the list of Board nominees for election by shareholders and filling Board vacancies;
- adopting and reviewing orientation and continuing education programs for directors;
- overseeing the disclosure of a method for interested parties to communicate directly with the Board Chair or with the non-management directors as a group; and
- ensuring a Board succession and renewal plan is in place.

## D. Monitoring Financial Matters and Internal Controls

- monitoring the quality and integrity of CN’s accounting and financial reporting systems, disclosure controls and procedures, internal controls and management information systems, including by overseeing:
  - (i) the integrity and quality of CN’s financial statements and other financial information and the appropriateness of their disclosure;
  - (ii) the review of the Audit Committee on external auditors’ independence and qualifications;
  - (iii) the performance of CN’s internal audit function and of CN’s external auditors; and
  - (iv) CN’s compliance with applicable legal and regulatory requirements (including those related to environment, safety and security);
- ensuring that an appropriate risk assessment process is in place to identify, assess and manage the principal risks of CN’s business and financial strategy; and
- adopting communications and disclosure policies and monitoring CN’s investor relations programs.

## E. Monitoring Pension Fund Matters

- monitoring and reviewing, as appropriate, CN’s pension fund policies and practices, including the investment policies of the Canadian National Railway Pension Trust Funds or any other pension trust fund established in connection with a new pension plan or any other pension plan offered or administered by CN (the “CN’s Pension Trust Funds”); and
- approving the annual budget of the Investment Division of CN’s Pension Trust Funds.

## F. Monitoring Environmental, Safety and Security Matters

- monitoring and reviewing, as appropriate, CN’s environmental, safety and security policies and practices.

The non-executive Board members meet before or after every Board meeting without the presence of management and under the chairmanship of the Board Chair. If such group includes directors who are not independent, an executive session including only independent directors is held regularly.

Board members are expected to demonstrate a high level of professionalism in discharging their responsibilities. They are expected to attend the meetings of the Board and of the Board committees on which they sit and to rigorously prepare for and actively participate in such meetings. They should review all meeting materials in advance. They are also expected to be available to provide advice and counsel to the President and CEO or other corporate officers of CN upon request.

The Board annually reviews the adequacy of its mandate.

# Schedule “C” – Reports of the Committees

The following are reports of each Board committee as of December 31, 2015.

These reports provide details on the activities of each committee but are not meant to be exhaustive.

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## Report of the Audit Committee

**Members:** D.J. Carty (Chair), G.D. Giffin, E.E. Holiday, V.M. Kempston Darkes, J.E. O’Connor, R.L. Phillips, L. Stein

### 2015 Highlights

In 2015, the Audit Committee, in accordance with its mandate:

#### Financial Information

- reviewed and approved annual and quarterly results, Management’s Discussion and Analysis and the earnings press releases of the Company;
- reviewed the independent auditors’ reports of the external auditors on the consolidated financial statements of the Company, as well as the internal controls over financial reporting;
- reviewed financial information contained in the Annual Information Form, the Form 40-F and other reports requiring Board approval;
- reviewed and approved the Audit Committee Report and other information appearing in the Management Information Circular;
- reviewed analysis and communications materials prepared by management, the internal auditors or external auditors setting forth any significant financial reporting issues;
- reviewed the compliance of management’s certification of financial reports with applicable legislation;
- reviewed, with the external auditors and management, the quality, appropriateness and disclosure of the Company’s critical accounting principles and policies, underlying assumptions and reporting practices, and any proposed changes thereto;
- reviewed judgments made in connection with the preparation of the financial statements, if any, including analyses of the effect of alternative generally accepted accounting principles and/or methods;
- reviewed financial statements for CN’s pension plans with the independent auditors and responsible officers;
- reviewed with external auditors and management, changes in accounting for CN’s pension plans and other postretirement benefits; and
- held *in camera* meetings with management.

#### Internal Auditors

- reviewed and approved the internal audit plan and Internal Audit Charter;
- monitored the internal audit function’s performance, its responsibilities, staffing, budget and the compensation of its members; and
- held *in camera* meetings with the Chief, Internal Audit.

#### External Auditors

- reviewed and approved the results of the external audit;
- recommended to the Board the appointment and terms of engagement of the Company’s external auditors;
- evaluated, remunerated and monitored the qualifications, performance and independence of the external auditors;

- discussed, approved and oversaw the disclosure of all audit, review and attest services provided by the external auditors;
- determined which non-audit services the external auditors are prohibited from providing, and pre-approved and oversaw the disclosure of permitted non-audit services by the external auditors to the Company, in accordance with applicable laws and regulations;
- reviewed the formal statement from the external auditors confirming their independence and reviewed hiring policies for employees or former employees of the Company’s external auditors;
- reviewed the external auditors observations on capital; and
- held *in camera* meetings with external auditors.

#### Risk Management

- reviewed the Company’s risk assessment and risk management policies including information technology risk management, and Business Interruption management; and
- assisted the Board with the oversight of the Company’s compliance with applicable legal and regulatory requirements.

#### Internal Control

- received management’s report assessing the adequacy and effectiveness of the Company’s disclosure controls and procedures and systems of internal control;
- reviewed procedures established for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters or employee concerns regarding accounting or auditing matters; and
- reviewed minutes of the Corporate Disclosure Committee meetings.

#### Committee Performance

- reviewed the processes in place to evaluate the performance of the Audit Committee; and
- reviewed and approved a forward-looking agenda for the Committee.

#### Other

- made recommendations to the Board with respect to the declaration of dividends;
- monitored the tax affairs of the Company; and
- reviewed, on a quarterly basis, expense reports of the Chair of the Board and the President’s Office.

Submitted by the members of the Audit Committee.

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## Report of the Finance Committee

**Members:** K.G. Lynch (Chair), E.E. Holiday, V.M. Kempston Darkes, J.E. O'Connor, L. Stein

### 2015 Highlights

In 2015, the Finance Committee, in accordance with its mandate:

#### Financial Policies

- provided oversight with respect to CN's capital structure, cash flows and key financial ratios;
- made recommendations to the Board with respect to the Company's financial policies and financial matters affecting the Company;
- reviewed policies with respect to distributions to shareholders, including policies on dividends, and policies regarding financial risk management, short-term investment and credit; and
- reviewed the Company's credit ratings and monitored the Company's activities with respect to credit rating agencies.

#### Financing

- reviewed the Company's liquidity position, including the Company's capital expenditures, capital structure, financing plan and short-term investments;
- reviewed and recommended the implementation of a new U.S. commercial paper program;
- reviewed the extension of CN's accounts receivable securitization facility;
- reviewed prospectuses, offering memoranda and other documents, as well as approved a shelf prospectus for the issuance of an aggregate principal amount of C\$6 billion of debt securities and approved a public three-tranche debt offering of C\$850 million, consisting of C\$350 million 2.80% Notes due 2025, C\$400 million 3.95% Notes due 2045 and C\$100 million 4.00% Notes due 2065; and
- reviewed and recommended the extension of CN's Revolving Credit facility.

#### Financial Activities

- recommended decisions related to indebtedness of the Company, as well as loans, guarantees or extension of credit;
- reviewed Treasury and transactional activities;
- recommended decisions related to derivative financial instruments and the extension of credit facilities;
- reviewed and recommended a new share repurchase program and related progress reports;
- reviewed and recommended the extension of Letter of Credit facilities;
- reviewed and recommended a significant increase of CN's Capital Budget; and
- reviewed, recommended and monitored significant capital and other expenditures, such as capacity improvements in the Winnipeg-Chicago corridor, material purchases of products and services, as well as projected and actual returns from investments.

#### Committee Performance

- reviewed the processes in place to evaluate the performance of the Finance Committee;
- assessed the adequacy of the Finance Committee's Charter and made a report thereon to the Board; and
- reviewed and approved a forward-looking agenda for the Committee.

#### Other

- benchmarked quarterly results to those of other major railways.
- Submitted by the members of the Finance Committee.

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## Report of the Corporate Governance and Nominating Committee

**Members:** D. Losier (Chair), D.J. Carty, K.G. Lynch, V. M. Kempston Darkes, R. Pace, R.L. Phillips

### 2015 Highlights

In 2015, the Corporate Governance and Nominating Committee, in accordance with its mandate:

#### Composition of the Board and its Committees

- reviewed the size and composition of the Board and assisted the Board in determining Board Committee size, composition and mandate;
- reviewed directors' independence and financial literacy;
- reviewed criteria for selecting directors and assessed the competencies and skills of the Board members in relation to the Company's circumstances and needs;
- identified candidates qualified to become Board members, and recommended director nominees for the next annual meeting of shareholders; and
- reviewed director succession and board renewal in light of upcoming director retirements and evergreen list.

#### Performance of the Board and its Committees

- reviewed the performance of the Board, Board Committees, Board and Committee Chairs and Board members, including reviewing the Board, Committee, peer and Chair evaluation process and the development of Management Information Circular questionnaires.

#### Director Compensation

- reviewed the compensation of Board members.

#### Continuing Education for Directors

- monitored and reviewed the Company's orientation and continuing education programs for directors.

#### Corporate Governance Initiatives

- reviewed and recommended changes to the Company's corporate governance guidelines and monitored disclosure of such guidelines in accordance with applicable rules and regulations;
- led the annual review of the Company's Corporate Governance Manual, including recommending to the Board an update to include recent best practices;
- reviewed, monitored and oversaw compliance with CN's Code of Business Conduct;
- reviewed adherence to, and updated the Company's Aircraft Utilization Policy;
- monitored developments, proposed rule changes and amendments to securities laws, disclosure and other regulatory requirements;
- reviewed the Management Information Circular;
- reviewed the Annual Report;
- reviewed Annual Report of CN's Ombudsman;
- recommended to the Board a date and location for the annual meeting of shareholders;
- monitored the Company's Corporate Disclosure and Communications Policy and the Investor Relations Program and reviewed feedback from shareholders and shareholder associations;
- assisted the Board with the oversight of the Company's corporate governance and monitored legal and regulatory requirements, as well as best practices; and
- reviewed and recommended to the Board the adoption of the policy regarding diversity on the CN Board of Directors.

#### Committee Performance

- reviewed the processes in place to evaluate the performance of the Corporate Governance and Nominating Committee;
- reviewed and approved a forward-looking agenda for the Committee; and
- retained the services of independent compensation advisors to help carry out its responsibilities and approved appropriate fees for such services.

Submitted by the members of the Corporate Governance and Nominating Committee.

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## Report of the Human Resources and Compensation Committee

**Members:** G.D. Giffin (Chair), D.J. Carty, E.E. Holiday, D. Losier, K.G. Lynch, J.E. O'Connor, R.L. Phillips, L. Stein

### 2015 Highlights

In 2015, the Human Resources and Compensation Committee, in accordance with its mandate:

#### Succession Planning

- reviewed the mechanisms in place regarding succession planning for executive management positions, including that of the President and CEO;
- reviewed the leadership team assessment, including in-depth functional talent reviews; and
- reviewed the succession plan for management put into place by the President and CEO, including processes to identify, develop and retain the talent of outstanding officers.

#### President and CEO Compensation

- reviewed corporate goals and objectives relevant to the President and CEO, evaluated his mid-year and annual performance based on those goals and objectives and recommended compensation based on this evaluation, for approval by the Independent Board members; and
- developed performance objectives in conjunction with the President and CEO.

#### Appointment of Executive Management

- recommended the appointment of executive management and approved the terms and conditions of their appointment and termination or retirement.

#### Executive Compensation

- reviewed the validity of the Company's benchmark group used in determining the compensation of executives;
- reviewed the evaluation of executive management's performance and recommended to the Board executive management's compensation;
- examined and reviewed each element of executive compensation and reported on compensation practices;
- monitored any potential risks that could arise from CN's compensation programs and practices, while ensuring proper risk identification and mitigation practices were in place;
- reviewed performance of NEOs and the Company's annual performance as measured under the AIBP;
- closely monitored bonus outlook, as well as PSU vesting outlook; and
- reviewed and recommended proposed bonus targets and performance targets related to PSUs.

#### Executive Compensation Disclosure

- produced for review and approval by the Board a report on executive compensation for inclusion in the Management Information Circular.

#### Compensation Philosophy

- monitored the compensation philosophy and policy that rewards the creation of shareholder value and reflects the appropriate balance between the short- and longer-term performance of the Company; and
- monitored the Company policy relating to the positioning of total direct compensation for executives.

#### Pension Plans

- reviewed and monitored the financial position of CN's pension plans; and
- reviewed and recommended Pension Plan amendments.

#### Human Resources Initiatives

- reviewed changes to the annual incentive bonus plan design;
- closely monitored the labour negotiation process;
- monitored pension and strategic labour and social issues;
- reviewed and discussed strategies for hiring, training, engaging, and developing talent; and
- reviewed and discussed strategies for workforce planning.

#### Committee Performance

- reviewed the processes in place to evaluate the performance of the Human Resources and Compensation Committee;
- reviewed and approved a forward-looking agenda for the Committee;
- retained the service of independent compensation advisors to help it carry out its responsibilities and approved appropriate fees for such services; and
- recommended amendments to the Human Resources and Compensation Committee Charter.

Submitted by the members of the Human Resources and Compensation Committee.

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## Report of the Environment, Safety and Security Committee

**Members:** V.M. Kempston Darkes (Chair), D.J. Carty, J.E. O'Connor, R. Pace, R.L. Phillips, L. Stein

### 2015 Highlights

In 2015, the Environment, Safety and Security Committee, in accordance with its mandate:

#### Environmental, Health and Safety Audits

- oversaw the development and implementation of environmental, safety and security policies, procedures and guidelines;
- reviewed environmental, health and safety audits and assessments of compliance, taking all reasonable steps to ensure that the Company is exercising due diligence;
- oversaw the review of the Company's safety management systems and related management action plans;
- reviewed the Company's business plan to ascertain that environmental, safety and security issues are taken into consideration;
- ensured appropriate employee training standards and communications are developed and implemented; and
- reviewed all significant safety and security matters.

#### Accounting Accrual

- monitored accounting accrual for environmental costs in conjunction with the Audit Committee.

#### Environmental Investigations and Judgments

- reviewed reports in respect of all notices, complaints, investigations and proceedings by governmental authorities, and all judgments and orders in respect of environmental, safety and security matters.

#### Other

- reviewed Canadian and U.S. environmental and safety, legal and regulatory developments of importance to the Company;
- monitored results from various security initiatives and use of technology in risk mitigation; and
- reviewed industry safety and security matters related to crude oil rail transportation.

#### Committee Performance

- reviewed the processes in place to evaluate the performance of the Environment, Safety and Security Committee.

Submitted by the members of the Environment, Safety and Security Committee.

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## Report of the Strategic Planning Committee

**Members:** J.E. O'Connor (Chair), D.J. Carty, G.D. Giffin, E.E. Holiday, V.M. Kempston Darkes, D. Losier, K.G. Lynch, C. Mongeau, R. Pace, R.L. Phillips, L. Stein

### 2015 Highlights

In 2015, the Strategic Planning Committee, in accordance with its mandate:

#### Strategic Direction

- focused on financial and strategic issues, including the review of key assumptions underlying the business plan;
- reviewed and approved the Company's strategic direction, including its business plan and capital budget; and
- obtained regular briefings and presentations on strategic and financial issues.

#### Committee Performance

- reviewed the processes in place to evaluate the performance of the Strategic Planning Committee.

Submitted by the members of the Strategic Planning Committee.

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## Report of the Investment Committee of CN's Pension Trust Funds

**Members<sup>(1)</sup>:** E.E. Holiday (Chair), G.D. Giffin, D. Losier, K.G. Lynch

### 2015 Highlights

In 2015, the Investment Committee of CN's Pension Trust Funds, in accordance with its mandate:

#### Investment Division

- reviewed the activities of the CN Investment Division and advised the Investment Division on investment of assets of CN's Pension Trust Funds in accordance with applicable policies and procedures;
- reviewed and approved the Statement of Investment Policies and Procedures for CN's pension plans;
- reviewed and approved the Investment Strategy of the CN Investment Division;

- reviewed and approved the CN Investment Incentive Plan and any award payouts thereunder; and
- reviewed and approved the annual budget of the CN Investment Division.

#### Committee Performance

- reviewed the processes in place to evaluate the performance of the Investment Committee of CN's Pension Trust Funds.

Submitted by the members of the Investment Committee of CN's Pension Trust Funds.

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## Report of the Donations and Sponsorships Committee

**Members<sup>(1)</sup>:** C. Mongeau (Chair), G.D. Giffin, D. Losier, R. Pace

### 2015 Highlights

In 2015, the Donations and Sponsorships Committee, in accordance with its mandate:

#### Donations and Sponsorship Strategy

- reviewed and approved the general donations and sponsorships strategy and goals of the Company;
- reviewed and approved the budget for donations and sponsorships; and
- reviewed the Railroaders in the Community Program.

#### Committee Performance

- reviewed committee mandate and processes in place to evaluate the performance of the Donations and Sponsorships Committee.

Submitted by the members of the Donations and Sponsorships Committee.

#### Donations and Sponsorship Requests

- reviewed donation requests and approved selected donations by the Company, including those having a total cost of more than \$100,000;
- recommended to the Board for approval sponsorships by the Company, including those having a total cost of more than \$500,000; and
- reviewed reports from the Vice-President, Public and Government Affairs concerning sponsorships having a total cost of more than \$100,000 and donations of more than \$50,000 and on other matters.

(1) The Investment Committee of CN's Pension Trust Funds and the Donations and Sponsorships Committee are mixed committees composed of members of the Board of Directors as well as officers of the Company (not shown here).



The Forest Stewardship Council® (FSC®) is an international certification and labeling system for products that come from responsibly managed forests, and verified recycled sources. Under FSC certification, forests are certified against a set of strict environmental and social standards, and fibre from certified forests is tracked all the way to the consumer through the chain of custody-certification system.

CN shows its concern for protecting the environment through the use of FSC-certified paper.

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