



## 1.1 Human Resources and Compensation Committee

### 1.1.1 PURPOSE

The purpose of the HRC Committee is to assist the Board in fulfilling its oversight responsibilities in relation to human resources and compensation, including:

- recommending the selection and appointment as officers of the Company of all executive officers<sup>1</sup> as well as, pursuant to CN's By-Laws, the Treasurer and Corporate Secretary, and, from time to time, such other executive management as it deems appropriate;
- the compensation, retention, development and evaluation of the President and CEO and each of the executive officers who reports directly to the President and CEO;
- the management of succession plans for the President and CEO and each of the executive officers;
- the oversight of key talent management and human resources strategies and practices, including: employee engagement, culture (CN Way), diversity, equity and inclusion; pension matters; union relations; and health and wellness;
- the design of incentive-compensation plans, equity-based plans, and CN's pension plans ("**CN Pension Plans**");
- the assessment of compensation risk.

### 1.1.2 MEMBERSHIP

- **Number.** The Board shall appoint a minimum of five directors to be members of the HRC Committee, one of whom shall be a member of the AFR Committee. The President and CEO shall be excluded from the member selection process.
- **Independent Directors.** Only Independent directors, as determined by the Board and under Canadian and U.S. Corporate Governance Standards, may be appointed. Under US Corporate Governance Standards, when affirmatively determining the independence of any director who will serve on the HRC Committee, the Board must consider all factors specifically relevant to determining whether a director has a relationship to CN which is material to that director's ability to be independent from management in connection with the duties of a HRC Committee member, including, but not limited to:
  - the source of compensation of such director, including any consulting, advisory or other compensatory fee paid by the listed company to such director; and
  - whether such director is affiliated with the listed company, a subsidiary of the listed company or an affiliate of a subsidiary of the listed company.
- **Simultaneous Service.** No more than one in three members of the HRC Committee shall be a sitting CEO of another company.

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<sup>1</sup> For the purpose hereof and where the context requires, "executive officers" of CN means executives holding the position of Senior Vice-President or more senior positions at the Company and "executive management" means executives holding the position of Vice-President or more senior positions at the Company.



- **Qualifications.** One or more members of the HRC Committee shall have: (i) direct experience in executive compensation matters, (ii) skills and experience that enable him or her to provide input on the suitability of CN's compensation policies and practices, and (iii) experience in talent management (both executive and non-executive).

### 1.1.3 MEETINGS

- **Meetings.** The HRC Committee shall meet at least four times annually, or more frequently as circumstances dictate. Such meetings may be held by video conference or telephone or by any other means which enables all participants to communicate with each other simultaneously and as necessary.
- **Quorum.** A quorum for the transaction of business at a HRC Committee meeting shall be a majority of the HRC Committee members.
- **Timing.** The HRC Committee shall typically meet one day prior to CN's Board meetings, or as otherwise required.
- **Meeting Without Management.** Each HRC Committee meeting will include a portion without the presence of management.
- **Access to Outside Advisers.** As appropriate, the HRC Committee may retain such outside advisors to assist it in the performance of its functions and responsibilities, including the sole authority to retain or obtain the advice of compensation consultants, independent legal counsel or other advisors, including fixing such advisors' fees and retention terms, subject to advising the Board Chair and overseeing their work. Before retaining or obtaining advice of any outside advisors, the HRC Committee will consider the independence of the advisor in accordance with applicable Canadian and U.S. corporate governance standards, or other applicable laws, rules and regulations, as the foregoing may be amended from time to time. The HRC Committee will make arrangements for the appropriate funding for payment of such consultants. The HRC Committee shall pre-approve all non-compensation services provided by the consultants retained by the HRC Committee to perform compensation-related services. The fees paid to such consultants, regarding compensation and non-compensation services, shall be disclosed separately in CN's Information Circular.
- **Reporting.** The HRC Committee shall report to the Board at each regularly scheduled Board meeting, or at the request of the Board Chair, on the HRC Committee's activities.
- **Annual Meetings.** The HRC Committee chair or another member of the HRC Committee shall attend annual shareholder meetings in order to respond directly to any questions shareholders may have on executive compensation.

### 1.1.4 RESPONSIBILITIES

The responsibilities of the HRC Committee include the following:



A. Oversight of Executives

- **Succession Planning.** The HRC Committee shall ensure that appropriate mechanisms are in place regarding succession planning for the President and CEO and each of the executive officers, as follows:
  - ensure that appropriate mechanisms are in place regarding succession planning for the position of President and CEO and the executive officers;
  - oversee the process for the selection of the executive officers and recommend their appointment, and approve the terms and conditions of appointment and termination or retirement of the President and CEO and the executive officers;
  - recommend the appointment as officers of the Company all executive officers, as well as the Treasurer and Corporate Secretary, and from time to time, such other members of executive management, as it deems appropriate;
  - ensure the President and CEO reports regularly to the HRCC on executive management changes, including compensation details; and
  - ensure that the President and CEO has put into place, and monitors, succession planning systems and policies for management, including processes to identify, develop and retain the talent of “high potential” executive management.
- **Performance Assessment and Development.** The HRC Committee shall monitor and oversee the performance assessment and development of the President and CEO and each of the executive officers who reports directly to the President and CEO, as follows:
  - review corporate goals and objectives relevant to the President and CEO, evaluate the President and CEO’s performance based on those goals and objectives and such other factors as the HRC Committee deems appropriate and in the best interest of CN, and recommend the President and CEO’s compensation based on this evaluation, for approval by CN’s independent directors;
  - review the performance evaluation of each of the executive officers who reports directly to the President and CEO and recommend to the Board their compensation,
  - receive report from the President and CEO on the performance and compensation of other executive officers; and
  - review the career development needs of the executive officers and proposed development plans for their potential successors.
- **Compensation.** The HRC Committee shall oversee CN’s executive compensation policies and practices. In this regard, the HRC Committee shall:
  - examine all elements of executive remuneration and report annually on compensation practices;
  - make recommendations to the Board with respect to the design of incentive-compensation plans and equity-based plans;
  - oversee the selection of any benchmark group used in determining compensation or any element of compensation and review disclosure on such group.



- Identify, oversee and monitor risks associated with CN's compensation policies and practices and assess whether they provide an appropriate balance of risk and reward in relation to the company's overall strategic direction and objectives, and review disclosure on: (i) the role of the HRC 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;
- in conjunction with the PI Committee, overseeing and determining the hiring, compensation, performance assessment, leadership development and succession planning of the President and Chief Executive Officer of the CN Investment Division;
- review CN's Pension Plans governance structure and design, and recommend changes and amendments, as required, to the Board that are: (i) material, which for the purposes hereof means an amendment that has a present value of \$50M or more on a solvency funding basis for defined benefit plans, or an annual cashflow increase of \$5M or more for defined contribution plans, and (ii) existential to the Pension Plans (other than for example annuitizations, wind-ups, and mergers), or strategic in nature (other than for example plan redesign, conversion, consent to unreduced pensions); and
- produce for review and approval by the Board a report on executive compensation for inclusion in CN's Information Circular.

B. Oversight of Human Resources

- **Practices and Policies.** The HRC Committee shall review and oversee CN's human resources practices and policies. In this regard, the HRC Committee shall:
  - review and monitor CN's human resource management policies and strategies for its employees, including those related to corporate culture, recruitment, retention, incentive, advancement and development; diversity, equity and inclusion; and health and wellness, for consistency with CN's strategic direction;
  - ensure that appropriate human resources systems, such as hiring policies, training and development policies and compensation structures are in place so that CN can attract, motivate and retain the quality and diversity of personnel required to meet its business objectives; and
  - ensure a compensation philosophy and policy that rewards the creation of shareholder value and reflects an appropriate balance between the short and longer-term strategic objectives of CN.
- **Employee Engagement**
  - ensure regular employee engagement surveys and monitor the results of the surveys and their implications for effective talent management at CN; and
  - monitor pension, strategic labour and social issues, including: bilingualism; diversity, equity and inclusion; health and wellness; and employment assistance programs.
- **Union Relations**



- monitor on a regular basis CN's union relations and CN's labour relations strategy and its consistency with CN's strategic direction.

#### 1.1.5 EVALUATION OF THE HRC COMMITTEE

- **Review.** The HRC Committee will review and assess its mandate annually, or otherwise as it deems appropriate, and shall report to the Board regularly on its deliberations and annually on the adequacy of its mandate.
- **Assessment.** At least annually, the HRC Committee will review its effectiveness in fulfilling its responsibilities and duties as set out in its mandate.

#### 1.1.6 GENERAL

Nothing contained in the above mandate is intended to assign to the HRC Committee the Board responsibility to ensure CN's compliance with applicable laws or regulations or to expand applicable standards of liability under statutory or regulatory requirements for the directors or the members of the HRC Committee.

Members of the HRC Committee are entitled to rely, absent knowledge to the contrary, on (i) the integrity of the persons and organizations from whom they receive information, and (ii) the accuracy and completeness of the information provided.