Management Information Circular

and Notice of Annual Meeting of Shareholders

April 25, 2017

Notice of Annual Meeting of Shareholders

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

The Hotel Saskatchewan
Regency Ballroom
2125 Victoria Avenue
Regina, Saskatchewan, Canada

on Tuesday, April 25, 2017
at 9:00 a.m. (Central Standard Time), 11:00 a.m. (Eastern Daylight Time)

For the purposes of:

1. receiving the consolidated financial statements for the year ended December 31, 2016, 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; and
5. transacting such other business as may properly be brought before the meeting or any adjournment or postponement thereof.

The Board of Directors has fixed March 2, 2017 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

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

March 7, 2017
Montreal, Quebec

Luc Jobin

Robert Pace

March 7, 2017

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 The Hotel Saskatchewan, Regency Ballroom, 2125 Victoria Avenue, Regina, Saskatchewan (Canada) on Tuesday, April 25, 2017, at 9:00 a.m. (Central Standard Time), 11:00 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 highlights of our 2016 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.

Please consult the information on page 5 of the Information Circular to find out how to vote your shares.

A live webcast of the meeting will be available on the Company's website at **www.cn.ca**.

We look forward to seeing you at the meeting.

Sincerely,

Robert Pace
Chair of the Board

Luc Jobin
President and Chief Executive Officer

What's Inside

Notice of Annual Meeting of Shareholders

Shareholder Voting Matters and Recommendation

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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 25, 2017, at 9:00 a.m. (Central Standard Time), 11:00 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 27, 2017, except as indicated otherwise.

Proxy Summary

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

Board of Directors Highlights

100% BOARD AND COMMITTEE ATTENDANCE	**100%** OF DIRECTOR NOMINEES, OTHER THAN OUR CEO, ARE INDEPENDENT	**0** BOARD MEMBERS THAT SIT TOGETHER ON THE BOARD OF ANOTHER PUBLIC COMPANY	**54** COMBINED NUMBERS OF BOARD AND COMMITTEE MEETINGS HELD IN 2016	**38%** OF DIRECTOR NOMINEES ARE WOMEN

Our Director Nominees

NAME / AGE	TOP 3 COMPETENCIES (1)	DIRECTOR SINCE	POSITION	OTHER PUBLIC BOARDS	SHARE OWNERSHIP (MULTIPLE OF REQUIREMENT)	% OF VOTES FOR IN 2016
Shauneen Bruder (57)	• Finance • Strategy • Sales	New Director Nominee	Executive Vice-President, Operations, Royal Bank of Canada	0	N/A	N/A
Donald J. Carty (70)	• Strategy • Finance • HR	2011	Corporate Director	2	9	98.40
Gordon D. Giffin (67)	• Policy • Legal • HR	2001	Partner, Dentons US LLP	4 (2)	10	96.90
Julie Godin (42)	• HR • Strategy • Finance	New Director Nominee	Vice-Chair, Chief Planning and Administration Officer, CGI Group Inc.	1	N/A	N/A
Edith E. Holiday (65)	• Legal • Policy • Strategy	2001	Corporate Director and Trustee	4	11	97.66
Luc Jobin (58)	• Strategy • Finance • Transport	2016	President and CEO, CN	1	6	N/A
V. Maureen Kempston Darkes (68)	• Transport • Sales • HR	1995	Corporate Director	4 (2)	19	97.21
Denis Losier (64)	• Finance • HR • Sales	1994	Corporate Director	1	29	97.60
Kevin G. Lynch (66)	• Policy • Finance • Strategy	2014	Vice-Chair, BMO Financial Group	2	2	99.64
James E. O'Connor (67)	• Strategy • Engineering • HR	2011	Corporate Director	2	3	99.76
Robert Pace (62)	• HR • Transport • Strategy	1994	Chair of the Board, CN President and CEO, The Pace Group	1	14	96.44
Robert L. Phillips (66)	• Transport • Strategy • Sales	2014	President, R.L. Phillips Investments Inc.	4 (2)	2	98.62
Laura Stein (55)	• Legal • Engineering • Finance	2014	Executive Vice-President – General Counsel & Corporate Affairs, The Clorox Company	1	2	99.55

(1) Refer to definition of competencies on page 27 of this Information Circular.

(2) Will be a member of three public Boards other than CN starting in Q2 – 2017.

2016 Key Business Highlights

EMPLOYEES	REVENUES	OPERATING RATIO	CAPITAL INVESTMENTS	DILUTED EARNINGS PER SHARE
22,249	$12.0 B	55.9%	$2.75 B	$4.67
AT YEAR END				AS REPORTED

Recent Key Governance Highlights

38%
Adopted a policy of having a minimum representation of 1/3 of the Board by women by the end of 2017, and 38% of our director nominees in 2017 are women.

Independent 3rd Party
Hired an independent 3rd party to conduct a director peer review process.

14-Year Term Limit
Adopted a new term limit of a maximum of 14 years for newly appointed/elected directors.

Catalyst Accord and 30% Club
Became signatory to the Catalyst Accord and a member of the 30% Club in 2017 which promotes diversity on Boards.

Best Overall
Awarded Best Overall Corporate Governance for publicly-listed companies by the Governance Professionals of Canada.

First
Recognized by the Globe and Mail's annual review of corporate governance practices in Canada, where CN ranked first in the industrials group.

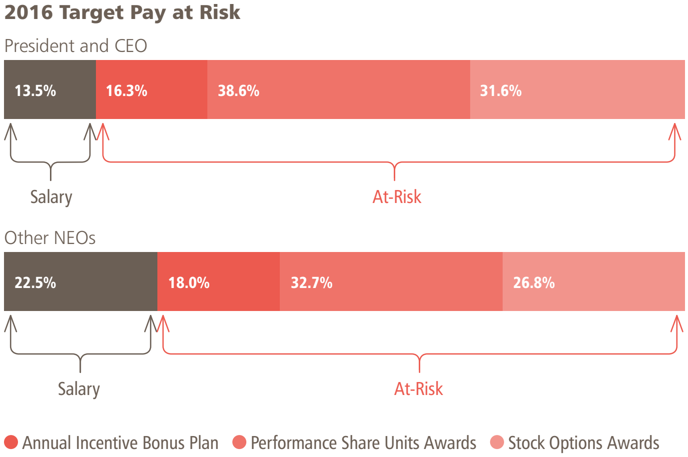
Best Corporate Citizen
Ranked among the best 50 corporate citizens in Canada by Corporate Knights for the 8th consecutive year in a row.

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 target total direct compensation between the median and the 60th percentile of the executives' respective comparator group.

2016 Target Pay at Risk



Best Practices Adopted by CN

- ~ 80% of NEOs' 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
- Increased diversification with the addition of a safety component in the Annual Incentive Bonus Plan
- Stringent stock ownership requirements and President and CEO post-retirement shareholding requirement
- Overlap of performance measures for short- and long-term incentives to mitigate risk
- Extended executive clawback policy
- No employment contracts for NEOs

Voting Information

Your Vote is Important

As a shareholder, it is important that you read this Information Circular carefully and then vote your shares, either by proxy or in person at the Meeting. The following section provides you with information on how to vote your shares.

Who can vote

Shareholders who were registered as at the close of business on March 2, 2017 (the "Record Date"), are 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 the Record Date, the Company had 760,468,505 common shares without par value outstanding. Subject to the voting restrictions described in this section, each common share carries the right to one vote.

How to vote

If you are eligible to vote and your common shares are registered in your name or are held in the name of a nominee, you can vote your common shares in person at the Meeting or by proxy, as explained below. Voting by proxy is the easiest way to vote your shares.

Registered Shareholders

You are a registered shareholder if your name appears on your share certificate or your Direct Registration System (DRS) confirmation.

1. Voting by Proxy (Proxy Form)

Below are the different ways in which you can give your voting instructions, details of which are found in the proxy form accompanying this Information Circular:

INTERNET — Go to **www.investorvote.com** and follow the instructions. You will need your control number found on your proxy form.

MAIL — Complete and return the proxy form in the prepaid envelope provided.

PHONE — Call 1-866-732-VOTE (8683) Toll Free. You will need your control number found on your proxy form.

FAX — Complete the proxy form and return it by fax at 1-888-453-0330.

Your duly completed proxy form must have been received by our transfer agent, Computershare Trust Company of Canada, or you must have voted by Internet or by phone or fax before **5:00 p.m. on April 24, 2017**, (Eastern Daylight Time) 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.

2. Voting in person

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

Non-Registered Shareholders

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.

1. Voting by Proxy (Voting Instruction Form)

Below are the different ways in which you can give your voting instructions, details of which are found in the voting instruction form accompanying this Information Circular:

INTERNET — Go to **www.proxyvote.com** and follow the instructions. You will need your control number found on your voting instruction form.

MAIL — Complete and return the voting instruction form in the prepaid envelope provided.

PHONE — Call 1-800-474-7493 (English) or 1-800-474-7501 (French). You will need your control number found on your voting instruction form.

FAX — Complete the voting instruction form and return it by fax at 905-507-7793 or 514-281-8911.

Your duly completed voting instruction form must have been received by your intermediary with sufficient time for your vote to be processed by our transfer agent, and in all cases, no later than **5:00 p.m. on April 21, 2017** (Eastern Daylight Time) or you must have voted by Internet or by phone or fax before **5:00 p.m. on April 24, 2017**, (Eastern Daylight Time) or if the Meeting is adjourned or postponed, by no later than 5:00 p.m. on the business day prior to the day fixed for the adjourned or postponed meeting.

2. Voting in person

IN PERSON — 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. on April 24, 2017** (Eastern Daylight Time). 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.

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 (currently Computershare Trust Company of Canada), unless the employees have withdrawn their common shares from the Plans in accordance with their provisions.

1. Voting by Proxy (Computershare Voting Instruction Form)

Below are the different manners in which you can give your voting instructions, details of which are found in the voting instruction form accompanying this Information Circular:

INTERNET — Go to **www.investorvote.com** and follow the instructions. You will need your control number found on your voting instruction form.

MAIL — Complete and return the voting instruction form in the prepaid envelope provided.

PHONE — Call 1-866-732-VOTE (8683) Toll Free. You will need your control number found on your voting instruction form.

FAX — Complete the voting instruction form and return it by fax at 1-888-453-0330.

Your duly completed voting instruction form must have been received by our transfer agent, Computershare Trust Company of Canada, or you must have voted by Internet or by phone or fax before **5:00 p.m. on April 24, 2017** (Eastern Daylight Time) 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.

2. Voting in person

IN PERSON — 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 the Plans' Custodian to appoint yourself as proxy holder and follow the signature and return instructions of the Plans' Custodian. Computershare Trust Company of Canada must receive your appointment no later than **5:00 p.m. on April 24, 2017** (Eastern Daylight Time). Employee 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.

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 proxy form is to be completed with respect to Employee Shares – only the Computershare voting instruction form should be used.

How your Shares will be Voted

You can choose to vote FOR, WITHHOLD or AGAINST, depending on the items to be voted on. When you vote by proxy, you may appoint either the persons named as proxies in the proxy form or voting instruction form (who are the Board Chair and the President and Chief Executive Officer of the Company, or in the case of Employee Shares, Computershare Trust Company of Canada) or you may appoint someone else to vote for you as your proxy holder by using the enclosed form of proxy or voting instruction form. **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 proxy form or voting instruction form, 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.**

Your common shares will be voted or withheld from voting in accordance with your instructions indicated on the proxy form or voting instruction form. If no instructions are indicated, your common shares represented by proxies in favour of the Board Chair or the President and Chief Executive Officer (or in the case of Employee Shares, Computershare Trust Company of Canada) **will be voted as follows:**

i) **FOR the election of management's nominees as directors**

ii) **FOR the appointment of KPMG LLP as auditors**

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

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.

The Board of Directors and management are recommending that shareholders vote FOR items (i), (ii) and (iii).

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

Changing your Vote

You may revoke your proxy at any time, by voting again on the Internet or by phone or fax before **5:00 p.m. on Monday April 24, 2017** (Eastern Daylight Time) or by following the below instructions:

- If you are a registered shareholder, by completing 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:
  - 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. on April 24, 2017** or any adjournment or postponement thereof.
  - 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.
- If you are a non-registered shareholder, by contacting your intermediary to find out the correct procedure.
- If you hold Employee Shares, by contacting Computershare Trust Company of Canada.

CN's 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 on the Record Date, representing 13.20% 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 on the Record Date, representing 2.25% of the outstanding common shares of the Company. Hence, on the Record Date, Mr. Gates is deemed to have control or direction over 117,527,644 common shares, representing 15.45% 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 have exceeded 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 is 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 will continue to receive their full amount of dividends, including on the CN common shares in excess of 15%, but are precluded by CN's articles (implemented in accordance with the CN Commercialization Act) from acquiring additional CN common shares.

Additional Information

Proxy Solicitation

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 U.S., at an aggregate cost estimated to be approximately C$31,000 plus additional costs relating to out-of-pocket expenses.

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**.

Transfer agent

You can contact the transfer agent either by mail at Computershare Trust Company of Canada, 100 University Ave., 8th 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**, or in French at **www.centredesinvestisseurs.com/service**.

Intermediaries Fees

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

Financial Statements

Our consolidated financial statements for the year ended December 31, 2016, together with the auditors' reports thereon, are included in the 2016 Annual Report of the Company, available on our website at **www.cn.ca**, on SEDAR at **www.sedar.com**, in the Company's annual report on Form 40-F available on EDGAR at **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 Vice-President, Investor Relations at (514) 399-0052.

Election of Directors

Our articles of continuance, 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, 13 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, except for Ms. Shauneen Bruder and Ms. Julie Godin who are being proposed for election at the Meeting. 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 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 promptly announce it in a press release within 90 days following the meeting of shareholders, a copy of which will be provided to the Toronto Stock Exchange ("TSX"). The Board of Directors shall however, accept such resignation absent exceptional circumstances. The resignation shall be effective when accepted by the Board of Directors. 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, 2016 and 2015, the fees for audit, audit-related, tax and all other services provided to the Company by KPMG LLP were the following:

FEES (IN THOUSANDS)	2016 (C$)	2015 (C$)
Audit	2,723	2,708
Audit-related	1,070	1,039
Tax	1,349	913
All other	12	17
TOTAL FEES	**5,154**	**4,677**

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, 2016 and 2015.

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

Consists of fees incurred for consultations on cross-border tax implications for employees, for assistance related to the Canadian Scientific Research and Experimental Development tax credit and for tax compliance.

All other fees

Consist of fees related to data analytics assistance.

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.

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 or voting information form 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 7, 2017."

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.

Other Business

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

- discuss highlights of our 2016 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.

The Company received two identical shareholder proposals for consideration at the Meeting, which were withdrawn. One shareholder proposal was submitted by Echo Foundation and the other was submitted by OceanRock Investments Inc. (together, the "Shareholder Proposals"), represented by the Shareholder Association for Research and Education (SHARE). The Shareholder Proposals requested that the Board prepare a report, updated annually, disclosing, among other things, our policy and procedures governing lobbying, payments made for lobbying, and membership in tax-exempt organizations that write model legislation or advocate for policy change. CN management engaged with SHARE to discuss the Shareholder Proposals. On the basis of providing additional annual disclosure on the CN website pertaining to lobbying, political contributions, corporate memberships in industry or trade associations and tax exempt organizations in Canada or the U.S. whose primary role is policy research and policy advocacy, as well as information regarding the Board's oversight role over such activities, the Shareholder Proposals were withdrawn.

Description of Nominees

The following tables set out information as of February 27, 2017, 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". Each nominee, other than Ms. Shauneen Bruder and Ms. Julie Godin, is a current director of the Company.

Shauneen Bruder

Executive Vice-President, Operations – Royal Bank of Canada

AGE: 57 [1]

Ontario, Canada

Nominee as a Director

Independent

PRINCIPAL COMPETENCIES:
Finance/Accounting
Strategy
Sales/Marketing

Ms. Bruder is the Executive Vice-President, Operations at the Royal Bank of Canada ("RBC") where she is responsible for overseeing operations related to all personal and business clients in Canada. She is a member of the Group Operating Committee charged with oversight of day-to-day management of RBC globally. Her previous senior roles at RBC include Executive Vice-President of Business and Commercial Banking, Chief Operating Officer of the Global Wealth Management division and President of RBC Centura Banks, Inc. in North Carolina.

She is a member of the Institute of Corporate Directors and the Pine River Institute, and is Vice-Chair of the Board of Governors for the University of Guelph and Vice-Chair of the Board of Governors of the Shaw Festival. Previously, she was appointed as the Chairperson of the Canadian Chamber of Commerce and the Canadian American Business Council. She serves as Honorary Consul for Luxembourg in Toronto. In 2012, she was awarded the Queen's Diamond Jubilee Medal.

Ms. Bruder was inducted in the Women's Executive Network 100 Most Powerful Women in Canada Hall of Fame in 2016. Ms. Bruder holds a B.A. from the University of Guelph and an MBA from Queen's University.

MEMBER OF	ATTENDANCE 2016
New Board nominee, not currently a director	N/A
2016 VOTES IN FAVOUR	N/A

OTHER PUBLIC BOARDS DURING PAST 5 YEARS
Nil

SECURITIES HELD

VALUE AT RISK	C$67,197 [3]
COMMON SHARES OWNED OR CONTROLLED [2]	
February 2017	722

Donald J. Carty, O.C., LL.D.

Corporate Director

AGE: 70 [1]

Texas, U.S.A.

DIRECTOR SINCE:
January 1, 2011

Independent

PRINCIPAL COMPETENCIES:
Strategy
Finance/Accounting
Human Resources

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.

MEMBER OF [6]	ATTENDANCE 2016
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%
2016 VOTES IN FAVOUR	98.40%

OTHER PUBLIC BOARDS DURING PAST 5 YEARS	
Hawaiian Holdings, Inc.	(2016-present)
VMWare, Inc.	(2015-present)
EMC Corporation	(2015-2016)
Virgin America Inc.	(2006-2016)
Talisman Energy Inc.	(2009-2015)
Barrick Gold Corporation	(2006-2013)
Gluskin, Sheff & Associates Inc.	(2006-2013)
Dell, Inc.	(1992-2013)

SECURITIES HELD

VALUE AT RISK	C$8,275,588 [3]
COMMON SHARES OWNED OR CONTROLLED [2]	
February 2017	88,512
February 2016	77,678

Ambassador Gordon D. Giffin

Partner,
Dentons US LLP

AGE: 67 (1)

Georgia, U.S.A.

DIRECTOR SINCE:
May 1, 2001

Independent

PRINCIPAL COMPETENCIES:
Public Policy
Legal
Human Resources

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.

MEMBER OF (6)	ATTENDANCE 2016
Board	100%
Human Resources and Compensation Committee (Chair)	100%
Audit Committee	100%
Donations and Sponsorships Committee (5)	100%
Investment Committee of CN's Pension Trust Funds (5)	100%
Strategic Planning Committee	100%
2016 VOTES IN FAVOUR	96.90%

OTHER PUBLIC BOARDS DURING PAST 5 YEARS	
ECN Capital Corp.	(2016-present)
Canadian Natural Resources Limited (Lead Director)	(2002-present)
TransAlta Corporation (Chair)	(2002-present)
Canadian Imperial Bank of Commerce*	(2001-present)
Element Financial Corporation	(2013-2016)
Just Energy Group Inc.	(2006-2015)

*Is not standing for re-election at the April 2017 meeting.

SECURITIES HELD

VALUE AT RISK	C$8,927,728 (3)
COMMON SHARES OWNED OR CONTROLLED (2)	
February 2017	95,487
February 2016	91,869

Julie Godin

Vice-Chair,
Chief Planning and Administration Officer
CGI Group Inc.

AGE: 42 (1)

Quebec, Canada

Nominee as a Director

Independent

PRINCIPAL COMPETENCIES:
Human Resources
Strategy
Finance/Accounting

Ms. Godin is Vice-Chair, Chief Planning and Administration Officer of CGI Group Inc. ("CGI") where she oversees the development of enterprise-wide policies, programs and processes related to the management of CGI and their consistent and high-quality application across all CGI business units. Ms. Godin is responsible for ensuring the continuous development of CGI's 68,000 professionals. Ms. Godin also directs the development and execution of CGI's global strategy, and oversees CGI's enterprise IS/IT initiatives and full spectrum of security activities.

Previously Ms. Godin was head of CGI's strategic planning and the company's global human resources function, including executive compensation and succession planning, as well as organizational model sustainability to secure organic growth.

Before joining CGI, Ms. Godin founded Oxygen Corporate Health, a company that manages comprehensive health and wellness programs in the workplace. Oxygen merged its activities with those of CGI.

In 2000, Ms. Godin co-founded Fondation Jeunesse-Vie, a non-profit organization that strives to reduce poverty, promote education and improve the health of children and teens in disadvantaged areas.

Ms. Godin holds a B.A. from the Université de Sherbrooke.

MEMBER OF	ATTENDANCE 2016
New Board nominee, not currently a director	N/A
2016 VOTES IN FAVOUR	N/A

OTHER PUBLIC BOARDS DURING PAST 5 YEARS	
CGI Group Inc.	(2013-present)

SECURITIES HELD

VALUE AT RISK	Nil
COMMON SHARES OWNED OR CONTROLLED (2)	
February 2017	Nil

NOMINEES FOR ELECTION TO THE BOARD

Edith E. Holiday

Corporate Director & Trustee

AGE: 65 (1)

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 (6)	ATTENDANCE 2016
Board	100%
Investment Committee of CN's Pension Trust Funds (5) (Chair)	100%
Audit Committee	100%
Finance Committee	100%
Human Resources and Compensation Committee	100%
Strategic Planning Committee	100%
2016 VOTES IN FAVOUR	97.66%

OTHER PUBLIC BOARDS DURING PAST 5 YEARS	
Santander Consumer USA Holdings, Inc.	(2016-present)
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$10,227,520 (3)
COMMON SHARES OWNED OR CONTROLLED (2)	
February 2017	109,389
February 2016	106,029

Luc Jobin

President & CEO, CN

AGE: 58 (1)

Quebec, Canada

DIRECTOR SINCE:
June 30, 2016

NOT Independent

PRINCIPAL COMPETENCIES:
Strategy
Finance/Accounting
Transport Industry/Safety

Mr. Jobin became President and Chief Executive Officer of the Company on July 1, 2016. He joined CN as Executive Vice-President and Chief Financial Officer in June 2009, with responsibilities including financial management, strategic planning, information technology and corporate development.

Prior to his appointment at CN, Mr. Jobin spent close to five years as Executive Vice-President of Power Corporation of Canada, an international management and holding company, where he was responsible for the company's portfolio of diversified investments. He also spent 22 years in a variety of financial and executive management positions with Imasco Limited and its Canadian tobacco subsidiary, Imperial Tobacco, where he served as President and Chief Executive Officer from 2003 to 2005.

Mr. Jobin is a board member of The Tolerance Foundation, an organization that strives to sensitize teenagers about the negative impacts of prejudices.

Mr. Jobin obtained his Chartered Accountant Accreditation from the Canadian Institute of Chartered Accountants. He earned his Diploma in Public Accountancy from McGill University.

MEMBER OF (6)	ATTENDANCE 2016
Board	100%
Donations and Sponsorships Committee (Chair) (5)	100%
Strategic Planning Committee	100%
2016 VOTES IN FAVOUR	N/A

OTHER PUBLIC BOARDS DURING PAST 5 YEARS	
Reynolds American Inc.	(2008-present)

SECURITIES HELD

VALUE AT RISK	C$10,839,770 (3)
COMMON SHARES OWNED OR CONTROLLED (2)	
February 2017	116,469
February 2016	88,490
STOCK OPTIONS HELD (4)	
February 2017	682,170
February 2016	444,308

V. Maureen Kempston Darkes,

O.C., D. COMM., LL.D.

Corporate Director

AGE: 68 (1)

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 ("GM"). 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 GM.

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 12th 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 an appointee of 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 the Lead 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 (6)	ATTENDANCE 2016
Board	100%
Environment, Safety and Security Committee (Chair)	100%
Audit Committee	100%
Corporate Governance and Nominating Committee	100%
Finance Committee	100%
Strategic Planning Committee	100%
2016 VOTES IN FAVOUR	97.21%

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)

*Is not standing for re-election at the May 2017 meeting.

SECURITIES HELD

VALUE AT RISK C$17,457,791 (3)

COMMON SHARES OWNED OR CONTROLLED (2)	
February 2017	187,577
February 2016	183,934

The Hon. Denis Losier,

P.C., LL.D., C.M.

Corporate Director

AGE: 64 (1)

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, was made a Member of the Queen's 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 (6)	ATTENDANCE 2016
Board	100%
Corporate Governance and Nominating Committee (Chair)	100%
Donations and Sponsorships Committee (5)	100%
Human Resources and Compensation Committee	100%
Investment Committee of CN's Pension Trust Funds (5)	100%
Strategic Planning Committee	100%
2016 VOTES IN FAVOUR	97.60%

OTHER PUBLIC BOARDS DURING PAST 5 YEARS	
Plaza Retail REIT	(2007-present)
Capital DGMC Inc.	(2013-2016)
NAV CANADA	(2004-2013)
XL-ID Solutions Inc. (formerly, Excellium Inc.)	(2013)

SECURITIES HELD

VALUE AT RISK C$26,889,505 (3)

COMMON SHARES OWNED OR CONTROLLED (2)	
February 2017	288,917
February 2016	284,065

The Hon. Kevin G. Lynch,
P.C., O.C., PH.D., LL.D.
Vice-Chair, BMO Financial Group
AGE: 66 [1]
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 University of King's College 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 ten honorary degrees from 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 [6]	ATTENDANCE 2016
Board	100%
Finance Committee (Chair)	100%
Corporate Governance and Nominating Committee	100%
Human Resources and Compensation Committee	100%
Investment Committee of CN's Pension Trust Funds [5]	100%
Strategic Planning Committee	100%
2016 VOTES IN FAVOUR	**99.64%**

OTHER PUBLIC BOARDS DURING PAST 5 YEARS	
CNOOC Limited	(2014-present)
Empire Company Limited (Sobeys, Inc.)	(2013-present)

SECURITIES HELD

VALUE AT RISK	C$1,604,341 [3]
COMMON SHARES OWNED OR CONTROLLED [2]	
February 2017	17,238
February 2016	12,722

James E. O'Connor
Corporate Director
AGE: 67 [1]
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 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 [6]	ATTENDANCE 2016
Board	100%
Strategic Planning Committee (Chair)	100%
Audit Committee	100%
Environment, Safety & Security Committee	100%
Finance Committee	100%
Human Resources and Compensation Committee	100%
2016 VOTES IN FAVOUR	**99.76%**

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

SECURITIES HELD

VALUE AT RISK	C$2,656,431 [3]
COMMON SHARES OWNED OR CONTROLLED [2]	
February 2017	28,412
February 2016	25,562

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

AGE: 62 (1)
Nova Scotia, Canada

DIRECTOR SINCE:
October 25, 1994

Independent

PRINCIPAL COMPETENCIES:
Human Resources
Transport Industry/Safety
Strategy

Mr. Pace became Chair of the Board of Directors of CN in 2014 and 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 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. He was appointed a Member of the Order of Canada in 2016.

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

MEMBER OF (6)	ATTENDANCE 2016
Board (Chair)	100%
Corporate Governance and Nominating Committee	100%
Donations and Sponsorships Committee (5)	100%
Environment, Safety & Security Committee	100%
Strategic Planning Committee	100%
2016 VOTES IN FAVOUR	96.44%

OTHER PUBLIC BOARDS DURING PAST 5 YEARS	
High Liner Foods Incorporated	(1998-present)
Hydro One Inc.	(2007-2015)

SECURITIES HELD

VALUE AT RISK C$29,337,805 (3)

COMMON SHARES OWNED OR CONTROLLED (2)	
February 2017	315,223
February 2016	307,916

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

AGE: 66 (1)
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 will be inducted as a fellow of the Institute of Corporate Directors in June 2017.

In addition to serving on the public boards mentioned in the following table, Mr. Phillips 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 (6)	ATTENDANCE 2016
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%
2016 VOTES IN FAVOUR	98.62%

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)
Epcor Utilities Inc.	(2000-2014)
Axia NetMedia Corporation	(2005-2014)
Capital Power Corporation	(2009-2013)
Terra Vest Income Fund	(2004-2012)

*Is not standing for re-election at the May 2017 meeting.

SECURITIES HELD

VALUE AT RISK C$1,988,906 (3)

COMMON SHARES OWNED OR CONTROLLED (2)	
February 2017	21,370
February 2016	18,318

Laura Stein

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

AGE: 55[1]

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 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 [6]	ATTENDANCE 2016
Board	100%
Audit Committee	100%
Environment, Safety & Security Committee	100%
Finance Committee	100%
Human Resources and Compensation Committee	100%
Strategic Planning Committee	100%
2016 VOTES IN FAVOUR	99.55%

OTHER PUBLIC BOARDS DURING PAST 5 YEARS	
Franklin Resources Inc.	(2005-present)

SECURITIES HELD

VALUE AT RISK	C$1,555,039 [3]
COMMON SHARES OWNED OR CONTROLLED [2]	
February 2017	16,632
February 2016	12,268

NOMINEES FOR ELECTION TO THE BOARD

(1) The age of the directors is provided as at April 25, 2017, the date of the Meeting.

(2) The information regarding common shares beneficially owned, controlled or directed directly or indirectly, 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 Shauneen Bruder, it includes common shares held before her nomination as a director. In the case of Luc Jobin, 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 "Statement of Executive Compensation" 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 27, 2017, closing price of the common shares on the Toronto Stock Exchange (C$93.07) or, for Donald J. Carty, Ambassador Gordon D. Giffin, Edith E. Holiday, James E. O'Connor and Laura Stein, the closing price of the common shares on the New York Stock Exchange (U.S.$71.03) converted in Canadian dollars using the closing exchange rate (U.S.$1.00 = C$1.3163) on the same date.

(4) The information regarding stock options comprises the stock options granted to Luc Jobin 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 2016 Board and committee attendance by directors, please refer to the Attendance Table found in the "Statement of Corporate Governance Practices" section of this Information Circular.

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) Ms. Kempston Darkes, a director of the Company, was an officer of 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;

(ii) 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

(iii) 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 Company or of any of its affiliates, does not receive any compensation as a director.

The Corporate Governance and Nominating Committee retained the services of Willis Towers Watson in late 2014 to provide expertise and advice on a compensation market review for the non-executive directors. For this study, the Committee mandated 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 an all-inclusive annual retainer structure comprising both a cash and an equity component. Board and committee meeting attendance fees, as well as travel attendance fees were eliminated and the flat-fee compensation structure now applies regardless of the number of meetings attended by directors. The new compensation structure was initially set for two years starting in 2015 and was reviewed and considered appropriate for 2017. The flat-fee approach was found to be consistent with the compensation trends of the comparator groups, adds predictability to 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 table below) composed of the same companies used for benchmarking the NEOs' compensation, given CN is one of the Class I Railroads; (ii) a Canadian peer group of companies (see table below) 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 network in the U.S. and its need to attract and retain U.S.-based directors. 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 2016. The Corporate Governance and Nominating Committee reviewed the compensation levels for CN's non-executive directors in 2016 and in light of the flat fee compensation structure, resolved that such compensation levels remain unchanged for 2017. Directors' compensation levels have therefore remained the same since 2015.

TYPE OF FEE (1)	FEES (U.S.$) 2016
Board Chair Cash Retainer (2)	175,000
Board Chair Share Grant Retainer (2)	375,000
Director Cash Retainer	35,000
Director Share Grant Retainer	200,000
Committee Chair Cash Retainers (3)	
Audit and HRC Committees Chairs	75,000
Other Committees Chairs	65,000
Committee Member Cash Retainer	55,000

(1) The non-executive directors (including the Board Chair) may choose to receive all or part of their cash retainers in common shares or DSUs (see the following Compensation Tables 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 in Canadian Dollars

The table below reflects in detail the compensation earned by the Company's current non-executive directors in the 12-month period ended December 31, 2016, in accordance with the disclosure rules issued by the Canadian Securities Administrators (the "CSA"). Directors' Compensation has been set in U.S. dollars since 2002 and the fluctuation in the exchange rate affects year-over-year comparability. Please see footnote 1 in the below table for currency exchange information and the Compensation Table in U.S. dollars.

	FEES EARNED (C$) (1)						
DIRECTOR	DIRECTOR AND BOARD CHAIR RETAINER	COMMITTEE CHAIR & COMMITTEE MEMBER CASH RETAINER	TOTAL CASH RETAINERS	SHARE-BASED AWARDS (2) (C$)	ALL OTHER COMPENSATION (C$)	TOTAL (C$)	PERCENTAGE OF TOTAL FEES RECEIVED IN COMMON SHARES AND/OR DSUs (4)
CURRENT DIRECTORS							
Donald J. Carty	49,168	105,360	154,528	280,960		435,488	100%
Ambassador Gordon D. Giffin	46,368	99,360	145,728	280,960		426,688	66%
Edith E. Holiday	46,368	86,112	132,480	280,960		413,440	68%
V. Maureen Kempston Darkes	46,368	86,112	132,480	280,960		413,440	68%
The Hon. Denis Losier	46,368	86,112	132,480	280,960		413,440	68%
The Hon. Kevin G. Lynch	49,168	91,312	140,480	280,960		421,440	100%
James E. O'Connor	46,368	86,112	132,480	280,960		413,440	68%
Robert Pace	231,840	–	231,840	526,800	2,164 (3)	760,804	69%
Robert L. Phillips	46,368	72,864	119,232	280,960		400,192	70%
Laura Stein	49,168	77,264	126,432	280,960		407,392	100%
TOTAL	**657,552**	**790,608**	**1,448,160**	**3,055,440**	**2,164**	**4,505,764**	**78%**

(1) All directors earned compensation in U.S. dollars. Compensation received in cash was converted to Canadian dollars using the average rate of exchange of the Bank of Canada for 2016 (U.S.$1.00 = C$1.3248). 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$1.4048), on the purchase day (January 28, 2016). In addition to the common shares or DSUs received by the directors and the Board Chair, as described in note (2) 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: Donald J. Carty (C$154,528), the Hon. Kevin G. Lynch (C$140,480), and Laura Stein (C$126,432). The amount of cash retainers elected to be received in common shares or DSUs is included in the numbers set forth in these columns.

(2) 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.

(3) Includes the value of insurance premiums for 2016 for North American emergency protection outside Mr. Pace's province of residence. The annual cost to the Company for such benefits was C$2,164.

(4) 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.

Compensation Table in U.S. Dollars

The table below reflects in detail the compensation earned by the Company's current non-executive directors in U.S. dollars in the 12-month period ended December 31, 2016.

Fees Earned (U.S.$)

NAME OF DIRECTOR	DIRECTOR AND BOARD CHAIR CASH RETAINER	COMMITTEE CHAIR & COMMITTEE MEMBER CASH RETAINER	TOTAL CASH RETAINERS	SHARE BASED AWARDS	TOTAL
Donald J. Carty	35,000	75,000	110,000	200,000	310,000
Ambassador Gordon D. Giffin	35,000	75,000	110,000	200,000	310,000
Edith E. Holiday	35,000	65,000	100,000	200,000	300,000
V. Maureen Kempston Darkes	35,000	65,000	100,000	200,000	300,000
The Hon. Denis Losier	35,000	65,000	100,000	200,000	300,000
The Hon. Kevin G. Lynch	35,000	65,000	100,000	200,000	300,000
James E. O'Connor	35,000	65,000	100,000	200,000	300,000
Robert Pace	175,000	–	175,000	375,000	550,000 (1)
Robert L. Phillips	35,000	55,000	90,000	200,000	290,000
Laura Stein	35,000	55,000	90,000	200,000	290,000
TOTAL	**490,000**	**585,000**	**1,075,000**	**2,175,000**	**3,250,000**

(1) Excludes the value of insurance premiums for 2016 for North American emergency protection outside Mr. Pace's province of residence. The annual cost to the Company for such benefits was C$2,164.

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, 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's 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 continue to elect to receive up to 100% of such retainers in CN Securities.

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

Concurrent with the changes made to the compensation structure effective in 2015, the share ownership requirements for non-executive directors were modified to include the requirement that each director 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 78% of the total annual compensation of the non-executive directors for 2016 was in the form of CN Securities. The average value of CN Securities owned by non-executive directors is approximately C$10.9 million (based on the February 27, 2017 closing price of the common shares of the Company on the TSX (C$93.07), or the New York Stock Exchange ("NYSE") (U.S.$71.03) for U.S. directors).

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 27, 2017, and the Minimum Shareholding Requirement status.

DIRECTOR	YEAR(1)	NUMBER OF COMMON SHARES OWNED, CONTROLLED OR DIRECTED	2017 TOTAL VALUE OF COMMON SHARES (VALUE AT RISK)(3) (C$)	NUMBER OF DSUs HELD(2)	2017 TOTAL VALUE OF DSUs (VALUE AT RISK)(3) (C$)	TOTAL NUMBER OF COMMON SHARES OWNED, CONTROLLED OR DIRECTED AND DSUs(2)	2017 TOTAL VALUE OF COMMON SHARES AND DSUs (VALUE AT RISK)(3) (C$)	GUIDELINE MET OR INVESTMENT REQUIRED TO MEET GUIDELINE (C$)	VALUE AT RISK AS MULTIPLE OF SHAREHOLDING REQUIREMENT
Donald J. Carty	2017	68,802		19,710		88,512			
	2016	58,320	6,432,766	19,358	1,842,822	77,678	8,275,588	✓	9
	Variation	10,482		352		10,834			
Ambassador Gordon D. Giffin	2017	46,560		48,927		95,487			
	2016	45,218	4,353,210	46,651	4,574,517	91,869	8,927,728	✓	10
	Variation	1,342		2,276		3,618			
Edith E. Holiday	2017	74,679		34,710		109,389			
	2016	73,341	6,982,247	32,688	3,245,274	106,029	10,227,520	✓	11
	Variation	1,338		2,022		3,360			
Luc Jobin	2017	33,721		82,748		116,469			
	2016	31,828	3,138,413	56,662	7,701,356	88,490	10,839,770	✓	Note 4
	Variation	1,893		26,086		27,979			
V. Maureen Kempston Darkes	2017	133,668		53,909		187,577			
	2016	130,987	12,440,481	52,947	5,017,311	183,934	17,457,791	✓	19
	Variation	2,681		962		3,643			
The Hon. Denis Losier	2017	174,254		114,663		288,917			
	2016	174,254	16,217,820	109,811	10,671,685	284,065	26,889,505	✓	29
	Variation	–		4,852		4,852			
The Hon. Kevin G. Lynch	2017	–		17,238		17,238			
	2016	–	–	12,722	1,604,341	12,722	1,604,341	✓	2
	Variation	–		4,516		4,516			
James E. O'Connor	2017	28,412		–		28,412			
	2016	25,562	2,656,431	–	–	25,562	2,656,431	✓	3
	Variation	2,850		–		2,850			
Robert Pace	2017	200,557		114,666		315,223			
	2016	200,557	18,665,840	107,359	10,671,965	307,916	29,337,805	✓	14
	Variation	–		7,307		7,307			
Robert L. Phillips	2017	7,625		13,745		21,370			
	2016	7,625	709,659	10,693	1,279,247	18,318	1,988,906	✓	2
	Variation	–		3,052		3,052			
Laura Stein	2017	–		16,632		16,632			
	2016	–	–	12,268	1,555,039	12,268	1,555,039	✓	2
	Variation	–		4,364		4,364			

(1) The number of common shares and DSUs held by each director for 2017 is set out as at February 27, 2017, and for 2016, is set out as at February 26, 2016.

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

(3) The total value is based on the February 27, 2017 closing price of the common shares on the TSX (C$93.07) or, for Donald J. Carty, Ambassador Gordon D. Giffin, Edith E. Holiday, James E. O'Connor and Laura Stein, the NYSE (U.S.$71.03) converted into Canadian dollars using the closing exchange rate (U.S.$1.00 = C$1.3163) on the same date.

(4) For a discussion on Luc Jobin's shareholding requirements, please see the section "Stock Ownership" on page 46 of this Information Circular.

Directors' Deferred Share Unit Plan

Subject to the Minimum Shareholding Requirement, non-executive 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 amount elected to be received in DSUs by the non-executive director by the common share price on the day the credit is made.

Participants in the DSU Plan are credited additional notional DSUs that are equivalent to the dividends declared on the Company's common shares. The number of DSUs is calculated using the methodology described above, using the total notional dividend amount and the share price on the dividend payment date. Such additional DSUs are credited to each non-executive director's account on each dividend payment date.

When a non-executive director leaves the Board, the Company is required to deliver to such director a number of common shares purchased on the open market equivalent to the number of DSUs held by the director in the DSU Plan, taking into account the appropriate tax withholdings. All administration costs as well as any brokerage fees associated with the purchase and delivery of common shares are supported 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 7, 2017. Our Corporate Governance Manual is available on our website at **www.cn.ca**, under Delivering Responsibly/Governance. It is revised regularly with a view to continually improving our practices by assessing their effectiveness and comparing them with evolving best 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.

CN is committed to the highest standards of corporate governance. CN is one of the few issuers in Canada with a comprehensive governance manual publicly available.

As a Canadian reporting issuer with securities listed on the TSX and the NYSE, our corporate governance practices comply with applicable rules adopted by 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**, 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 "A" 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.

Code of Business Conduct

Our Code of Business Conduct is applicable to all directors, officers and employees of CN. We expect everyone working on our Company's behalf, including consultants, agents, suppliers and business partners, to obey the law and adhere to high ethical standards. The Code of Business Conduct 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 of Business Conduct may be granted in exceptional circumstances, no waiver has ever been granted to a director or executive officer in connection therewith.

CN's Code of Business Conduct reflects our commitment to engage with our stakeholders with respect and integrity, as well as the importance of maintaining a positive reputation.

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 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 "A" to this Information Circular states that the Board has the responsibility for overseeing management in the competent and ethical operation of the Company.

The Board of Directors and management are committed to maintaining and instilling a strong ethical culture at CN, and as such, have developed a solid ethics program based on CN's core values of integrity and respect. The Code of Business Conduct is regularly reviewed to ensure it reflects those core values and remains consistent with industry trends and standards. Each director, executive officer and manager must certify annually his or her compliance with the Code of Business Conduct and employees are required to complete an on-line training course on the Code of Business Conduct. To further strengthen our core values of integrity and respect, a live training course on *Doing the Right Thing* is being provided to all managers. This training reflects the importance of protecting CN's reputation, understanding what *Doing the Right Thing* means and how to identify and avoid potential conflict of interest situations. This live training will also be part of every new employee's onboarding program.

As part of such ethics program, 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, 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, under Delivering Responsibly/Governance and in print to any shareholder who requests a copy by contacting our Corporate Secretary. The Code of Business Conduct 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, under Delivering Responsibly/Governance.

12 of the 13 nominees for election to the Board of Directors are independent.

As shown in the accompanying table, 12 of the 13 nominees for election to the Board of Directors are independent:

	INDEPENDENCE STATUS		
NAME	INDEPENDENT	NON INDEPENDENT	REASON FOR NON-INDEPENDENCE STATUS
Shauneen Bruder	✓		
Donald J. Carty	✓		
Ambassador Gordon D. Giffin	✓		
Julie Godin	✓		
Edith E. Holiday	✓		
Luc Jobin		✓	President and CEO, CN
V. Maureen Kempston Darkes	✓		
The Hon. Denis Losier	✓		
The Hon. Kevin G. Lynch	✓		
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. Our Corporate Governance Manual provides that the Board Chair must be an independent director who is designated by the Board. 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, who is the current independent Chair, 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, 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. Each committee reports 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 any committees. A report of each committee's activities over the past year can be found at Schedule "B" 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 Schedule "C" — Additional Audit Committee Disclosure" 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 7, 2017, each member of the Audit Committee is 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 7, 2017, each member of the Corporate Governance and Nominating Committee is 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 35 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 7, 2017, 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 — Independent Advice" on page 36 of this Information Circular for disclosure in respect of the executive compensation consultant.

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 to oversee that management identifies and evaluates the significant business risks that the Company is exposed to and implements processes and programs to manage these risks. 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 achieves this risk oversight through strategic overviews of significant risks and issues, and business updates with the President and Chief Executive Officer, and executives. The overviews may cover among others, risks related to:

- general economic conditions;
- foreign currency;
- capital investments;
- information technology;
- existing operations, such as labour disputes; and
- developments in regulations: tax legislation and safety regulations.

Company officers provide, to the Board or one of its committees, regular presentations and updates on the execution of business strategies, business opportunities, risk and safety management, ethical conduct, and detailed reports on specific risk issues.

The risk oversight responsibility is shared between the Board and its committees. The Board delegates responsibility for oversight of certain risk elements to the various committees in order to ensure appropriate expertise, attention and diligence. Risk information is reviewed by the Board and/or committees of the Board throughout the year.

COMMITTEE	RISKS OVERSEEN
Audit	• Financial • Taxation • Business Interruption • Information and Operational Security, including Cybersecurity • ERM Framework (Program) • Compliance with Laws and Regulations
Finance	• Credit • Commodity Price • Interest Rate • Foreign Currency • Liquidity • Pension Funding
Corporate Governance & Nominating	• Compliance and Ethics
Human Resource & Compensation	• Human Capital • Compensation • Succession Planning • Employee Benefit Obligations • Pension Plan
Environment, Safety Security	• Health & Safety – Injury and Accident • Security • Regulatory • Environmental
Strategic Planning	• Economic • Market • Competitive • Regulatory
Investment	• Pension Investment

The Audit Committee is responsible for ensuring that appropriate risk management processes are in place across the organization. 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 oversight activities, the Audit Committee ensures that significant risks identified are referred to a Board committee or the Board, as appropriate. Specifically, the Audit Committee reviews the Company's risk assessment and risk management policies under the Enterprise Risk Management ("ERM") program. Management undertakes an enterprise-wide process to identify, classify, assess and report on CN's significant risks and mitigation strategies.

The ERM program provides a common risk management framework/environment to identify, assess, monitor, and mitigate key business risks. Management provides to the Audit Committee an annual ERM update. Risks are given a rating based on an assessment of inherent risk, as well as after considering mitigating processes and controls in place. Each risk is assigned to members of senior management who develop and implement controls to mitigate the risks. In addition, the Audit Committee requests that an independent review of the mitigating controls be performed on the identified risks on a rotational basis.

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 2016 Annual Report, available on SEDAR at www.sedar.com, on EDGAR at www.sec.gov and on CN's website at www.cn.ca.

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 2016 are set out in the section entitled "Statement of Corporate Governance Practices — 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 during *in camera* sessions, without the presence of management and under the chairmanship of the Board Chair. During the financial year ended December 31, 2016, there were 13 *in camera* sessions that were attended exclusively by non-executive directors.

Board and Committee Attendance

The following tables show the record of attendance by current 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 that ended on December 31, 2016. During this period, the Board called five special meetings, the Strategic Planning Committee called two special meetings, the Human Resources and Compensation Committee called two special meetings, and the Investment Committee of CN's Pension Trust Funds called one special meeting.

Attendance Table

	NUMBER AND % OF MEETINGS ATTENDED										
DIRECTOR	BOARD	AUDIT COMMITTEE	CORPORATE GOVERNANCE AND NOMINATING COMMITTEE	DONATIONS AND SPONSOR-SHIPS COMMITTEE	ENVIRONMENT SAFETY AND SECURITY COMMITTEE	FINANCE COMMITTEE (3)	HUMAN RESOURCES AND COM-PENSATION COMMITTEE (3)	INVESTMENT COMMITTEE OF CN'S PENSION TRUST FUNDS	STRATEGIC PLANNING COMMITTEE	COMMITTEES (TOTAL)	OVERALL ATTENDANCE
Donald J. Carty	13/13 (100%)	5/5 (Chair)	5/5	–	5/5	2/2	7/7	–	5/5	29/29 (100%)	42/42 (100%)
Ambassador Gordon D. Giffin	13/13 (100%)	5/5	–	3/3	–	1/1	7/7 (Chair)	5/5	5/5	26/26 (100%)	39/39 (100%)
Edith E. Holiday	13/13 (100%)	5/5	–	–	–	6/6	7/7	5/5 (Chair)	5/5	28/28 (100%)	41/41 (100%)
Luc Jobin (1)	5/5 (100%)	–	–	1/1 (Chair)	–	–	–	–	2/2	3/3 (100%)	8/8 (100%)
V. Maureen Kempston Darkes	13/13 (100%)	5/5	5/5	–	5/5 (Chair)	6/6	4/4	–	5/5	30/30 (100%)	43/43 (100%)
The Hon. Denis Losier	13/13 (100%)	–	5/5 (Chair)	3/3	–	1/1	7/7	5/5	5/5	26/26 (100%)	39/39 (100%)
The Hon. Kevin G. Lynch	13/13 (100%)	–	5/5	–	–	6/6 (Chair)	7/7	5/5	5/5	28/28 (100%)	41/41 (100%)
Claude Mongeau (2)	7/7 (100%)	–	–	2/2	–	–	–	–	3/3	5/5 (100%)	12/12 (100%)
James E. O'Connor	13/13 (100%)	5/5	–	–	5/5	6/6	7/7	–	5/5 (Chair)	28/28 (100%)	41/41 (100%)
Robert Pace	13/13 (100%) (Chair)	–	5/5	3/3	5/5	2/2	4/4	–	5/5	24/24 (100%)	37/37 (100%)
Robert L. Phillips	13/13 (100%)	5/5	5/5	–	5/5	2/2	7/7	–	5/5	29/29 (100%)	42/42 (100%)
Laura Stein	13/13 (100%)	5/5	–	–	5/5	6/6	7/7	–	5/5	28/28 (100%)	41/41 (100%)

(1) Luc Jobin was appointed President and CEO of CN on July 1, 2016, was appointed as a member of the Board of Directors of the Company on June 30, 2016, and became the Chair of the Donations and Sponsorships Committee on the same date.

(2) Claude Mongeau stepped down from his role as President and CEO of CN at the end of June 2016.

(3) In addition to committee members, all non-executive board members attended the meetings of the Human Resources and Compensation Committee held in January and December, as well as two special meetings. Furthermore, the following directors, Ambassador Gordon D. Giffin and Denis Losier attended the October Finance Committee meeting on a non-voting basis, while Donald J. Carty, Robert Pace and Robert L. Phillips attended the October and November Finance Committee meetings on a non-voting basis.

Meeting Held Table

BOARD AND BOARD COMMITTEE MEETINGS	NUMBER OF MEETINGS HELD IN 2016
Board	13
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	7
Investment Committee of CN's Pension Trust Funds	5
Strategic Planning Committee	5

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 and on expanding and completing the Board's overall expertise in certain areas and diversity. 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 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 their 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 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.

The Corporate Governance and Nominating Committee regularly reviews its competency matrix 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 27 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 President and 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.

In 2016, in the process of searching for qualified persons to serve on the Board, the Corporate Governance and Nominating Committee examined its competency matrix, with a view to expanding the Board's overall experience and expertise and developed a set of criteria that focused particularly on diversity, including diversity of gender, background and skills for the Board. To accomplish this the Corporate Governance and Nominating Committee retained an external firm to help with the recruitment of directors to join the Board. This sustained and rigorous process by which CN attracts and recruits new members to its Board ultimately brings new perspectives and diversity to the Board.

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

	COMPETENCIES [1]								GENDER	AGE RANGE			BOARD TENURE			
NAME OF DIRECTOR	SALES / MARKETING	FINANCE / ACCOUNTING	LEGAL	STRATEGY	HUMAN RESOURCES	ENGINEERING/ ENVIRONMENT	TRANSPORT INDUSTRY/ SAFETY	PUBLIC POLICY	GENDER	59 AND UNDER	60-65	66-75	0-5 YEARS	6-10 YEARS	11-15 YEARS	16 + YEARS
Shauneen Bruder	✓	✓		✓	✓	✓		✓	F	✓			✓			
Donald J. Carty	✓	✓		✓	✓	✓	✓	✓	M			✓		✓		
Ambassador Gordon D. Giffin	✓	✓	✓	✓	✓		✓	✓	M			✓			✓	
Julie Godin	✓	✓		✓	✓			✓	F	✓			✓			
Edith E. Holiday	✓	✓	✓	✓	✓		✓	✓	F		✓				✓	
Luc Jobin	✓	✓		✓	✓	✓	✓	✓	M	✓			✓			
V. Maureen Kempston Darkes	✓	✓	✓	✓	✓	✓	✓	✓	F			✓				✓
The Hon. Denis Losier	✓	✓		✓	✓		✓	✓	M		✓					✓
The Hon. Kevin G. Lynch	✓	✓		✓	✓		✓	✓	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; 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.

CN became a signatory to the Catalyst Accord and a member of the 30% Club in 2017.

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. 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 and 38% (five out of 13) of our director nominees in 2017 are women. The Board Diversity Policy is available on our website at **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. This year, as part of the Board of Directors' commitment to increased female representation on the Board, CN identified Shauneen Bruder and Julie Godin as being exceptional candidates with strong public company and business backgrounds in finance, operations, information technology, strategy, human resources, risk management and public policy.

In 2017, CN became a signatory to the Catalyst Accord, a call to action to increase the representation of women directors of Financial Post 500 boards to 25% by the end of 2017. CN also became a member of the Canadian Chapter of the 30% Club, an organization with an aspirational objective of having representation by at least 30% women on boards by 2019.

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 2017 CN was recognized as one of Canada's Best Diversity Employers and in 2016 it received the Employment Equity Achievement Award from the Canadian Government.

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.

CN is committed to creating an environment of inclusion that respects the contributions and differences of every individual by encouraging collaboration, creative thinking and innovation. By focusing efforts on attracting, recruiting, retaining and promoting the most qualified and talented people, we will achieve our strategic business objectives.

Diversity hiring targets were established in Canada under the 2013-2016 Diversity plan; CN achieved the overall hiring targets that had been set. 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.

We created a Diversity task force which joined forces to guide and consolidate diversity initiatives across CN, contributing to a 30% increase in diversity hiring in Canada and a doubling in the number of women hired in both Canada and the U.S. in 2016. Through "Women in Rail" webinars throughout 2016, 350 female job applicants received insight on positions at CN through women currently working in the positions for which we were hiring. "Working Together", a team building session integrated into safety summits, enabled employees to candidly discuss diversity and the need for inclusion and teamwork at CN. We also increased the promotion of the Diversity scholarship program, which generated five times more applications than usual and campaigns, such as "This Could be You" which educated applicants on CN positions, building awareness and ensuring that inclusion is a strategy at all levels of the organization.

In 2016, approximately 21% of promotions in Canada were filled by women (women represent 10% of our Canadian employees overall). As at March 7, 2017, 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.

In addition, for the first time, CN was recognized as one of Canada's Best Diversity Employers in 2017 and in 2016 received the Employment Equity Achievement Award from the Canadian Government.

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 2016, approximately 40% of CN's new employees in Canada and 29% 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.

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 7, 2017, 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 in total (including CN's Board and 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 in total (including 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 16 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 75th 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.

Board Tenure and Term Limits

On November 21, 2016, the Board approved an amendment to its Tenure Policy, to the effect that any new individual nominated or elected to the Board of Directors, effective as of April 25, 2017, would be subject to term limits. Effective as of April 25, 2017, new members of the Board of Directors will serve for a maximum term of fourteen (14) years.

Effective as of April 25, 2017, new members of the Board will serve for a maximum term of fourteen (14) years.

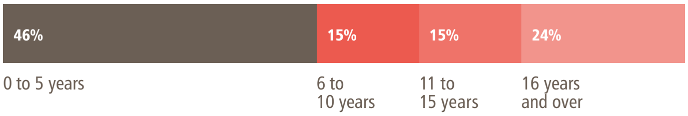
The Board has also adopted a policy, which is part of CN's Corporate Governance Manual, to the effect that the Board Chair and the Committee Chair tenure would be subject to term limits. The Board of Directors is of the view that CN's policy on Chair term limits, together with its policy on mandatory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

- 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 25, 2017:



Please refer to the director nominees' biographies on pages 10 to 16 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 Raymond Cyr, James Gray, Michael Armellino, Hugh Bolton, Charles Baillie, Edward Lumley and David McLean as Chairman Emeritus, as well as upon the late Purdy Crawford and the late Cedric Ritchie.

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.

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.
- 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.

Peer Assessment and Independent Advisor

The Board Chair leads on an annual basis a peer review process through one-on-one meetings with each individual director. In addition, 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.

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

The Corporate Governance and Nominating Committee also considers on an annual basis the appropriateness of conducting a peer assessment through an independent advisor. In 2016, an outside consultant was retained to conduct a peer review. The peer evaluation process provided for feedback on the effectiveness of individual directors. Each director was given the opportunity to assess the contribution of each of his or her peers relative to the performance standards for the director position description as set out in CN's Corporate Governance Manual. The results were compiled and reviewed confidentially by the outside consultant. The Chair then received the results of each director's peer assessment and met with each director to discuss his or her respective assessment.

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

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, security, sustainability, community outreach initiatives and talent development, amongst others. New directors are also invited to attend the following Company events:

- Annual business plan meeting with top 200 employees;
- 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;
- 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 2016, 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 to CN and the railway industry, such as diversity, safety and risk mitigation.

In addition, in 2016, members of the Board attended courses in subject areas which included effective corporate boards, board structure, processes and composition and participated on discussion panels.

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. They have visited certain CN main yards, as well as our Information Technology command centre, Kirk Yard and the Elgin, Joliet and Eastern Railway 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. In 2015, 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 customers and operations in this region. In 2016, the Board visited Two Harbours, Minnesota to tour CN's iron ore dock operations and the E.H. Gott vessel. The Board of Directors met with the captain and the crew as well as the CN dock and support team in Two Harbors, for an in-depth review of the vessel and dock operations.

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 2016 and early 2017.

SUBJECT MATTER/TOPIC PRESENTED	PRESENTED/HOSTED BY	ATTENDED BY
SAFETY		All directors
• Safety Update	CN Safety & Sustainability	
• Mechanical Data Analytics	CN Mechanical & Engineering	
CUSTOMER RELATIONS		All directors
• Winter Preparedness	CN Operations	
• Operational and Service Excellence	CN Operations & Marketing	
INVESTOR RELATIONS		All directors
• Competitive Context	CN Investor Relations	
MARKETING		All directors
• U.S. Markets	CN Marketing	
• Canadian Grain Market	CN Marketing and Corporate Development	
FINANCE		
• KPMG Training Session	External Auditors KPMG, CN Accounting	Audit Committee members
• Investor Financial Perspective	Wells Fargo Securities	All directors
SUSTAINABILITY		All directors
• Workforce Renewal & Training Excellence	CN Human Resources	
TECHNOLOGY		All directors
• Positive Train Control Update	CN Information Technology	
• Cybersecurity and Information Technology	CN Information Technology & Supply Management	
LAW & GOVERNMENT AFFAIRS		All directors
• Updates on Canadian and U.S. Regulatory and Political environment	CN Corporate Services	
• Leading Governance and Board Diversity Practices	CN Corporate Services	

Stakeholder and Aboriginal 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 all levels of government 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; and
- taking part in structured community engagement.

For the year 2016, CN received a number of awards and recognition including:

- Awarded Best Overall Corporate Governance for publicly-listed companies by the Governance Professionals of Canada
- Received two awards from Investor Relations Magazine in the following categories: best investor relations officer (large cap) and best investor relations in sector (Industrials)
- 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
- Listed on Canada's Top 100 Employers (2017)
- Named to Dow Jones Sustainability World Index for the fifth year in a row

The Company is committed to developing respectful and mutually-beneficial relationships with all Aboriginal peoples and does so by:

- proactively engaging Aboriginal communities and maintaining open dialogue;
- encouraging employee sensitivity to Aboriginal issues and providing cultural awareness training to them;
- supporting Aboriginal Community initiatives and participating in Aboriginal organizations; and
- seeking out and encouraging opportunities for Aboriginal business development.

Examples of the Company's Aboriginal engagement activities include:

- Partnership with the Assembly of First Nations
- Safety presentations made to First Nations
- Celebration of National Aboriginal Day
- Partnerships with Indspire and Level, two national organizations aimed at empowering Aboriginal peoples through education

In 2016, CN achieved "Committed" level under the Progressive Aboriginal Relations Program of the Canadian Council for Aboriginal Business, and in February 2017, CN was recognized for excellence in Aboriginal Relations by the Alberta Chamber of Commerce, receiving the Alberta Business Award of Distinction in the Indigenous Relations — Best Practices category. For more details, please refer to our website at **www.cn.ca/aboriginalvision**.

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.

Throughout 2016, 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$1,103,096 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). Shareholders and other interested parties may also communicate with the Board and its Chair by calling 514-399-6544. 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 Chair of the Board, who presides over all non-executive director sessions. These procedures are described on our website at **www.cn.ca**, under *Delivering Responsibly/Governance*.

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 we welcome this opportunity to share our approach to executive compensation. 2016 has been a year of change for the Company. In June 2016, after a remarkable journey of 22 years with CN, Claude Mongeau announced that he was stepping down as President and Chief Executive Officer due to medical reasons. The Board of Directors is thankful to Mr. Mongeau for his dedication and many contributions to the success of our Company. Claude Mongeau has been a central force in CN's transformational journey. Effective July 1, 2016, Luc Jobin was appointed as our new President and Chief Executive Officer. Mr. Jobin joined CN in 2009 as Executive Vice-President and Chief Financial Officer and has extensive experience as a business leader and senior executive. Before joining CN, Mr. Jobin occupied senior executive and chief executive officer positions in public companies and he brings considerable experience to lead the future journey of CN.

In addition to the appointment of Mr. Jobin as President and Chief Executive Officer, two other new executives were appointed in 2016. Ghislain Houle was appointed Executive Vice-President and Chief Financial Officer, replacing Mr. Jobin. He brings considerable financial experience as well as a deep understanding of the Company gained from his 20 years at CN in different senior management and executive roles. Following the retirement of Jim Vena, Michael Cory assumed the position of Executive Vice-President and Chief Operating Officer. Mr. Cory began his career at CN in 1981 and most recently served as Senior Vice-President, Western Region. He is an experienced railroader who developed an exceptional knowledge of the railway industry throughout his career. Jean-Jacques Ruest and Sean Finn continue in their respective roles as Executive Vice-President and Chief Marketing Officer and Executive Vice-President Corporate Services and Chief Legal Officer, providing continuity and experience.

Thanks to the Board's comprehensive succession planning and execution, a seamless executive leadership transition with a continued focus on delivering operational and financial results was achieved in 2016. The commitment and role played by the Board of Directors and each member of the executive team demonstrates the Company's commitment to our shareholders.

2016 Overview

CN continued to lead the industry and delivered record operating performance in 2016. Innovative ideas enabled CN to continue delivering value to our customers and CN's industry-leading operating efficiencies were highlighted by improvements in yard and train productivity, terminal dwell, locomotive utilization and velocity. The Company also reacted quickly to the decrease in volume by realigning resources to the market environment and achieving significant cost savings in 2016. These improvements led, once again, to a new record annual operating ratio.

	2012	2013	2014	2015	2016
Operating income (C$ million)	3,685	3,873	4,624	5,266	**5,312**
Operating ratio (%)	62.9	63.4	61.9	58.2	**55.9**
Adjusted diluted earnings per share (C$) (1)	2.81	3.06	3.76	4.44	**4.59**

(1) See the section entitled Adjusted performance measures in CN's Management's Discussion and Analysis included in the Company's 2016 Annual Report for an explanation of this measure and reconciliation to the nearest GAAP measure.

CN continued to invest significantly in its capital program with an overall investment of C$2.75 billion in 2016 while maintaining its strong commitment to shareholders by returning over C$3.2 billion through share buybacks and dividends. The Company's capital allocations and its strong performance, despite the challenges of a changing economic and political environment, continued to be recognized by the market with a share price increase over the past three years of 49.2% in Canada, in comparison to a 12.2% increase over the same period for the S&P/TSX Composite Index. In addition, the Company's market capitalization in Canada has increased by nearly C$19 billion during this same period.

On the safety side, the Company continued to make progress towards its objective of being the safest railroad in North America. CN achieved significant improvements in both Federal Railroad Administration ("FRA") and Transport Safety Board ("TSB") accident ratios in 2016. The Company also remains committed to further reduce its injury ratio. Since the Fall of 2016, more than 15,000 CN employees have received training on the Company's initiative *Looking Out for Each Other*, a safety mindset that focuses on peer-to-peer communication in a collective effort to identify and address unsafe behaviours.

Disciplined Approach to Compensation

CN's approach to executive compensation continues to be driven by our goal to deliver sustainable and solid returns to shareholders. CN exercises a disciplined approach by ensuring that target compensation supports the 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 incentive plans to ensure that short-term decisions support 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 positions total direct compensation between the median and the 60th percentile of the executives' respective comparator group. Our disciplined approach to compensation, combined with the appointment of new executives in 2016, has resulted in an overall aggregate positioning of all executives' total direct compensation below the median as confirmed by Willis Towers Watson's review in December 2016. The Committee also independently retains the services of Hugessen Consulting, Inc. ("Hugessen"), to provide advice on compensation recommendations that are presented for Committee approval.

The Company's annual "Say on Pay" advisory vote received strong support with 97.7% of the votes in favour of CN's disciplined approach to executive compensation in 2016. CN remains committed to transparency by providing clear and comprehensive disclosure information to its shareholders.

New Safety Component to the Annual Incentive Bonus Plan ("AIBP") Introduced in 2016

In the past, safety performance was always an inherent component of the corporate performance targets for the AIBP and has been part of the individual performance objectives for the President and Chief Executive Officer and all operating executives. In 2016, a standalone corporate safety component was introduced in the AIBP for all executive officers. The corporate safety component represents 10% of the annual bonus and is based on the achievement of specific accident and injury ratios. The Committee believes that this approach not only supports the Company's safety agenda, but also emphasizes the common leadership accountability of all executive officers in the achievement of our safety targets.

Compensation Decisions in 2016

Since 2002, the compensation of our Named Executive Officers ("NEOs") has been paid in U.S. dollars to provide 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 regulations 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 compensation package.

Base Salary

CN's policy for base salaries and target bonuses continues to be at the median of the comparator group. In 2016, the appointment of three new NEOs resulted in a positioning lower than the policy. The Committee continues to closely monitor the compensation paid to all executives to ensure it supports 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 2016, the Board approved a payout at 115.5% (and 131% for 185 executive and senior management employees) of target on the corporate financial component, which accounts for 70% of the annual incentive paid to executives. The new safety component, which accounts for 10% and measures the Company's safety performance, resulted in a payout of 100%. Finally, individual performance, which accounts for 20%, continued to be measured against individual key strategic financial and operational objectives.

Long-Term Incentive Program

No changes were made to the Long-Term Incentive ("LTI") plan design in 2016, following the changes made in 2015 with the inclusion of relative TSR performance and the adjustment of the LTI mix to a lower weighting on stock options from 50% to 45%.

Compensation Risk Mitigation

Our compensation programs are designed to encourage appropriate behaviours and include appropriate risk mitigation mechanisms. In 2016, Willis Towers Watson conducted its annual review and confirmed 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". Willis Towers Watson also indicated that the introduction of the safety component to the annual incentive plan increases diversification and reduces the potential risks associated with the plan. At its December 2016 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

The Committee and the Board of Directors believe that compensation outcomes are appropriate and aligned with CN's approach to executive compensation. The Committee remains fully engaged in ensuring that CN's executive compensation remains anchored to a disciplined approach, linked to performance, and is market competitive. 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 CN's 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

Robert Pace
Chair of the Board

Gordon D. Giffin

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 the 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 past chair of the board of directors of Virgin America, Inc.
- Mr. Giffin is a 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 the 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 and as a member of the Management Resources and Compensation Committee of the Canadian Imperial Bank of Commerce.
- Ms. Holiday has extensive experience serving as a board member for different companies such as Hess Corporation, White Mountains Insurance Group, Ltd., and Santander Consumer USA Holdings, Inc. She has also served on the board of H.J. Heinz Company and RTI International Metals, Inc. As former General Counsel at the United States Treasury Department and former 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. He 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 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., a leading provider of non-hazardous solid waste collection, recycling and disposal services 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 Dreco 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. Mr. Phillips will be inducted as a fellow of the Institute of Corporate Directors in June 2017.
- 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 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**, under Delivering Responsibly/Governance. Finally, the Committee met seven times in 2016 and held *in camera* sessions during each meeting. The report of the Committee, set forth in Schedule "B" to this Information Circular, outlines the major subject areas reviewed by the Committee during the year.

Talent Management and Succession Planning

Effective talent management, leadership development, succession planning, and employee engagement are priorities for the Board of Directors and the Committee. A comprehensive framework, focusing on the identification, assessment, and development of talent is used to ensure that the Company has an appropriate pipeline of potential successors at the executive and management levels.

CN prepares talent for broader and more complex roles by differentiating development needs and providing meaningful professional experiences. When required, the Company also uses external hiring to address succession gaps and procure critical skills.

Regular updates on the talent management and leadership development of each function are reviewed by the Committee. Throughout the year, the Committee also conducts in-depth executive reviews focused on the strength and diversity of succession pools for key leadership roles across CN. A complete review of the contingency as well as short-, medium- and long-term succession plans for the executive team is conducted annually, and specific plans to address identified gaps are reviewed.

Following the President and CEO transition in July 2016, a number of executives were assigned new responsibilities. With the support of the Committee and the executive team, CN is now engaged in supporting these recently-assigned executives in their new responsibilities while assessing and developing the next layer of executives and senior managers to ensure that the talent pipeline remains strong. CN also refines its career development program to provide targeted training and practical work experience that will support the development of talent. As part of this review, CN has recently recruited new executives from leading organizations who will provide additional skill sets and experience and continue to improve the strength of our leadership team.

The Committee is satisfied that, under Mr. Jobin's leadership, the proper talent management and succession planning strategies are in place to ensure the Company's ongoing success.

Independent Advice

The Committee 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 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 2016 totalled approximately C$83,800. The Committee has also reviewed Hugessen's independence and evaluated its performance for 2016. 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 Hugessen's total fees.

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 2016, the only services performed by Hugessen were executive compensation-related services provided directly to the Committee.

Executive Compensation – Related Fees

	SERVICES RENDERED IN 2015 (C$)		SERVICES RENDERED IN 2016 (C$)	
	Executive Compensation – Related Fees	All Other Fees	Executive Compensation – Related Fees	All Other Fees
Hugessen	60,900	0	83,800	0

STATEMENT OF EXECUTIVE COMPENSATION

Executive Summary

Named Executive Officers

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

Luc Jobin	President and Chief Executive Officer
Claude Mongeau	Former President and Chief Executive Officer
Ghislain Houle	Executive Vice-President and Chief Financial Officer
Michael Cory	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

Effective June 30, 2016, Claude Mongeau stepped down as President and Chief Executive Officer ("President and CEO") of CN due to medical reasons. CN's Directors unanimously agreed to appoint Luc Jobin as President and CEO and a member of the CN Board of Directors. The Board of Directors also appointed Ghislain Houle as Executive Vice-President and Chief Financial Officer ("Executive Vice-President and CFO"). Finally, Michael Cory succeeded Jim Vena as Executive Vice-President and Chief Operating Officer ("Executive Vice-President and COO"). Jim Vena retired from the Company on June 30, 2016.

Pursuant to CSA rules, the Company is required to include Mr. Mongeau in the CD&A in 2016. More information on Mr. Mongeau can be found on page 52 and his 2016 compensation is summarized in the Summary Compensation Table on page 54.

For the purpose of the CD&A, the term NEOs will only include current active officers, unless otherwise specified.

Compensation Framework

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 60th 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. industrial 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 billion in 2016. 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 40.

In December 2016, 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 below the median of the comparator groups.

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 "Compensation of the President and Chief Executive Officer" on page 48.

2016 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 selected Class I Railroads comparator group. Salary increases reflect market competitiveness, economic outlook, leadership abilities, retention considerations and succession plans. Base salaries for Messrs. Jobin, Houle and Cory were set at a competitive level based on equivalent positions within the comparator group. Base salaries for Messrs. Ruest and Finn were adjusted in 2016 to maintain a market competitive compensation envelope. For more information on base salaries, please refer to page 41.

2016 Annual Bonus Results

As in prior years, the President and CEO's target bonus in 2016 was 120% of base salary. The other NEOs' target bonus was 80% of base salary. Corporate financial 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 ("PSUs") as it mitigates risk between short- and long-term performance on invested capital. The Board of Directors is of the view that its chosen corporate financial performance objectives are appropriate for a capital-intensive business like CN.

Despite a decrease in total revenues mainly attributable to lower volumes of crude oil, coal and frac sand, and lower applicable fuel surcharge rates, CN's corporate financial performance for 2016 remained solid, with an aggregate performance exceeding target. Consequently, the Board of Directors assessed the performance of the Company at "partially exceeds", resulting in a corporate financial bonus factor of 115.5% (and 131% for NEOs and 180 other executives and senior management employees). The table showing the 2016 corporate financial performance objectives, as approved by the Board of Directors in January 2016, and the 2016 results can be found on page 42.

In 2016, a new safety component was introduced to the annual incentive bonus of all executive officers. The safety component accounted for 10% of the annual incentive bonus and was subject to the achievement of specific corporate safety accident and injury performance ratios. The Board of Directors assessed the corporate safety performance of the Company at "meets", resulting in a safety bonus factor of 100%. The table showing the 2016 corporate safety performance objectives, as approved by the Board of Directors in January 2016, and the 2016 results can be found on page 43.

The remaining 20% of the annual incentive bonus for executives 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 150% in light of the Company's continued focus on operational efficiency, while continuing to provide quality service to our customers and improving our safety performance. The individual performance ratings for the other NEOs were also reviewed by the Committee. The resulting average individual performance factor of all NEOs, including the President and CEO, was 140%. The individual performance rating, along with the corporate and safety bonus factors, served as the basis for calculating the annual incentive bonus payouts set out in the Summary Compensation Table on page 54.

Overall, 2016 bonus payouts for NEOs ranged from 122% to 132% of target.

2016 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 60th percentile of the selected 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[1].

The payout of PSUs granted in 2016 to NEOs is subject to two distinct performance measures. 70% of the PSU award is subject to the achievement of solid ROIC performance for the period ending on December 31, 2018, 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) selected Class I Railroads and ii) S&P/TSX 60 companies for the same period ending on December 31, 2018.

The stock options granted in 2016 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 2016 PSU award can be found on page 44.

2014 Performance Share Units Award Payout

The Committee reviewed the vesting of the 2014 PSUs against the performance targets. The Company achieved a three-year average ROIC to December 31, 2016, of 17.05%, exceeding the maximum objective set in 2014. In accordance with the plan rules, this outcome resulted in a performance vesting factor of 150% of the PSUs awarded in 2014. As the minimum average closing share price condition was also met, payout under the plan occurred in February 2017, provided compliance with the other conditions of the award agreements.

As part of the equity-settlement conversion option introduced in 2014, 131 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 2014 PSU performance objectives and results can be found on page 45.

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;
- Increased diversification with the addition of a safety component 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 47.

In December 2016, 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.

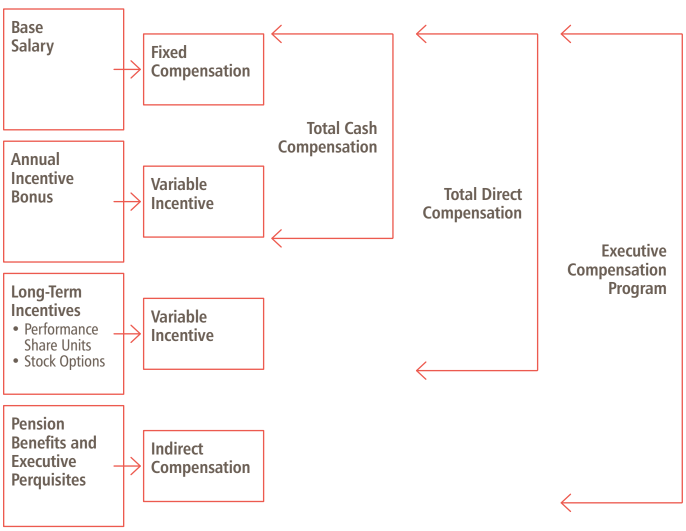
Non-Compete, Non-Solicitation and Non-Disclosure

The railroad industry operates in a highly competitive market. In recent years, the Company has continued in 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 46.

(1) The weighting of the 2016 long-term incentive grant value for the Former President and CEO was 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% of the stock options awarded in that year. Mr. Jobin did not reach the limit for his 2016 long-term incentive grant.

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 60th 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 60th 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:

STEP 1
September to December
- Business plan review and adoption by the Board
- Definition of performance-vesting conditions and targets based on Business Plan

STEP 2
December
- Evaluation of the individual performance rating for the NEOs
- Review of compensation benchmark, and pay positioning
- Annual review of risk and assessment of risk mitigation features

STEP 3
January
- Review of annual and long-term incentive payouts
- Review of compensation programs and annual compensation adjustments
- Review of annual targets and long-term incentive awards and performance-vesting conditions
- Stress-testing of incentive grants

STEP 4
March to October
- Monitoring and evaluation of progress and performance of compensation programs
- Talent management reviews

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 meeting 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.

Benchmarking Using Comparator Groups

The median and 60th 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 45 for a description of the plan).

The following table shows CN's positioning relative to the primary comparator group for NEOs. Data is as at December 31, 2016.

COMPARATOR GROUP	REVENUE (MILLIONS)	NET INCOME (MILLIONS)	MARKET CAPITALIZATION (MILLIONS)	AVERAGE NUMBER OF EMPLOYEES
Union Pacific Corporation	U.S.$19,941	U.S.$4,233	U.S.$86,100	42,919
CSX Corporation	U.S.$11,069	U.S.$1,714	U.S.$33,900	27,350
Norfolk Southern Corporation	U.S.$9,888	U.S.$1,668	U.S.$31,800	27,856
Canadian Pacific Railway, Limited	C$6,232	C$1,599	C$28,000	12,082
AVERAGE (1)	**C$15,103**	**C$2,922**	**C$58,000**	**27,552**
Canadian National Railway Company	C$12,037	C$3,640	C$69,300	22,322
RANK (1)	4	2	2	4

(1) Values were converted in Canadian dollars using the average exchange rate during the year of 1.3248, except for the market capitalization where the December 31, 2016 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 comparably-sized U.S. industrial organizations with revenues between U.S.$6 billion and U.S.$15 billion that participate in Willis Towers Watson's proprietary database. 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. 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 2016 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	2016 DESIGN SUMMARY	FORM	OPPORTUNITY	RISK-MITIGATING ELEMENTS	OBJECTIVES AND RATIONALE
Base Salary	• Fixed rate of pay • Individual salary recommendations based on competitive assessment and economic outlook, leadership, retention and succession considerations	• Cash	• Set with reference to the median of the respective comparator group	• Provides for a balanced mix of pay components (fixed vs. variable) • Use of external advisor and peer group analysis	• Provide competitive level of fixed compensation • Recognize sustained individual performance • Reflect increase in role responsibility and/or growth in role
Annual Incentive Bonus	• Annual awards based on achievement of five pre-determined corporate financial performance objectives (70%), two pre-determined corporate safety performance objectives (10%) and individual performance (20%) • Performance period: 1 year	• Cash-based performance pay	• 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 • 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	• Use of multiple performance measures • Plan targets reviewed and approved annually based on in-depth review of annual business plan • Increased diversification with the addition of a safety component • Payouts are capped • No guaranteed minimum payout • Payouts subject to a clawback policy • 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	• Reward the achievement of a balanced set of annual corporate financial performance objectives • Reward the achievement of a set of annual corporate safety performance objectives • Reward the achievement of personal objectives aligned with each employee's area of responsibility and role in realizing operating results • Drive superior corporate and individual performance

COMPONENT	2016 DESIGN SUMMARY	FORM	OPPORTUNITY	RISK-MITIGATING ELEMENTS	OBJECTIVES AND RATIONALE
Long-Term Incentives	PERFORMANCE SHARE UNITS (55%) • 70% of the PSU value is subject to the attainment of three-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 • 30% of the PSU value is subject to CN's relative performance against selected Class I Railroads and S&P/TSX 60 companies • In the case of retirement, employees must remain in active and continuous service until March 31 of the year following the year in which the grant was made to be eligible for payout • Performance period: three years STOCK OPTIONS (45%) • Conventional stock options that vest over four years at a rate of 25% per year • In the case of retirement, 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 • Performance period: four-year vesting, ten-year term	• Performance-based share units payable in equity • Stock options	• Long-term incentive grant date fair value determined with reference to the 60th percentile of the respective comparator group for NEOs and executives • PSU performance vesting factor capped at 200%	• Significant weighting towards long-term incentive compensation • Overlapping multi-year performance periods • Mix of financial, market and relative performance measures • PSU payouts are capped and there is no minimum guaranteed payout • Payouts subject to a clawback policy	• Align management interests with shareholder value growth • Reward the achievement of sustained financial performance • Contribute to retention of key talent • Recognize individual contribution and potential
Pension Benefits	CANADIAN PENSION PLANS • Defined Benefit Plan (1): Benefits payable calculated as a percentage of the five-year highest average earnings multiplied by pensionable service • Pensionable service period for most defined benefit plans: Maximum of 35 years • Defined Contribution Plan (2): Benefits based on the participant's required contributions and on Company-matched contributions • Non-registered plans: Supplement to the registered plans and provide benefits in excess of the Canadian Income Tax Act limits U.S. PENSION PLANS • 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 • Maximum of 35 years of credited service for most defined benefit plans • Savings Plan: 401(k) benefits based on the participant's voluntary contributions and 50% matching by the Company, limited to 3% of base pay • Defined Contribution Feature: Additional benefits included in the Savings Plan based on Company contributions equal to 3.5% of base pay • Non-registered plans: Supplement to the registered plans and provide benefits in excess of IRS and Railroad Retirement Board limits	• Cash payments following retirement	• Non-registered plans restricted to executives and senior management employees • Most retirement benefits for executives and senior management employees are calculated using base salary and annual bonus (up to target levels)	• The President and CEO participates in a Defined Contribution Plan, which limits CN's exposure to risk	• Provide an effective and attractive executive compensation program
Executive Perquisites	• Healthcare and life insurance benefits, annual physical exam, club membership, company-leased vehicle, parking, financial counselling and tax services	• Non-cash perquisites	• Competitive	• No tax gross-ups on such perquisites • Use of corporate aircraft restricted to business-related purposes	

(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.

The base salaries for Messrs. Jobin, Houle, and Cory were adjusted upon their appointment on July 1, 2016, to reflect their new roles and responsibilities. The base salaries for Messrs. Ruest and Finn were increased to maintain a market competitive compensation envelope.

Annual Incentive Bonus Plan

In addition to the NEOs, approximately 4,600 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:

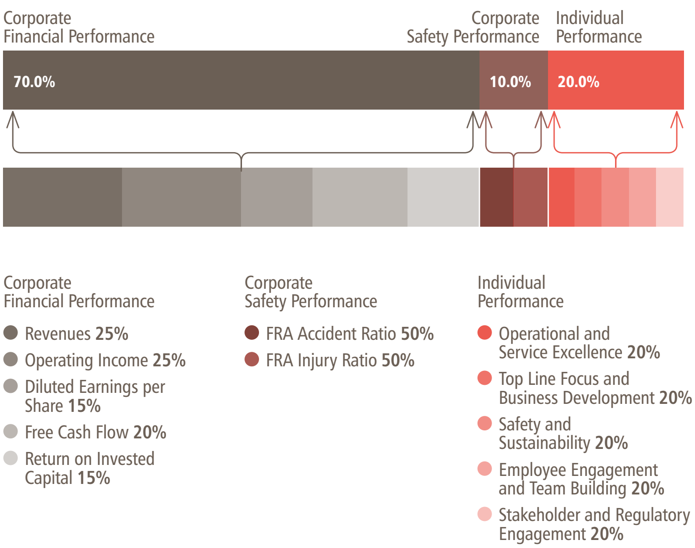
POSITION	MINIMUM	TARGET (1)	MAXIMUM (1)
President and CEO	0%	120%	240%
Other NEOs	0%	80%	160%
Senior Vice-Presidents	0%	65%	130%
Vice-Presidents	0%	50/60%	100/120%

(1) As a percentage of base salary as at December 31, 2016.

The bonus payout received under the AIBP for the executives depends on the achievement of corporate financial (70%) and safety (10%), and individual (20%) objectives. This design reflects the Company's view that any short-term incentive should be tied both to the overall financial and operational performance of the Company and to those areas of its business that each employee can influence directly.

The following illustrates the 2016 AIBP for the President and CEO:

AIBP for the President and CEO



For 2016, 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.

In 2016, the Board of Directors assessed the Company's corporate financial 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 2016 targets were approved by the Board of Directors in January 2016 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 180 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 – 2016 Annual Incentive Bonus Plan

In January 2016, the performance targets were set assuming an exchange rate of U.S.$1.00 = C$1.28. During the year, the actual average exchange rate was U.S.$1.00 = C$1.32. At the end of 2016, 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 2016 adjusted performance targets with the actual 2016 results as reported by the Company.

	CORPORATE OBJECTIVES AS OF JANUARY 1, 2016 (1)			CORPORATE OBJECTIVES AS ADJUSTED (2)			
IN MILLIONS (EXCEPT PER SHARE DATA AND ROIC)	WEIGHT	BASE (THRESHOLD) (C$)	STRETCH (MAXIMUM) (C$)	BASE (THRESHOLD) (C$)	STRETCH (MAXIMUM) (C$)	RESULTS 2016 (C$)	PERFORMANCE ASSESSMENT
Revenues	25%	12,440	12,650	12,505 (3)	12,715 (3)	12,037	Does Not Meet
Operating Income	25%	5,148	5,293	5,277	5,422	5,312	Partially Exceeds
Diluted Earnings per Share	15%	$4.33	$4.48	$4.43	$4.58	$4.68 (5)	Exceeds
Free Cash Flow (4)(6)	20%	1,985	2,100	2,049	2,164	2,520	Exceeds
ROIC (7)	15%	15.30%	15.90%	15.30%	15.90%	16.40%	Exceeds

(1) Corporate objectives assume an average exchange rate of U.S.$1.00 = C$1.28.

(2) Corporate objectives and results reflect an actual average exchange rate of U.S.$1.00 = C$1.32.

(3) Revenues target has been adjusted to reflect actual fuel surcharges invoiced to clients based on actual oil and diesel prices in 2016.

(4) Free cash flow is a non-GAAP measure that has 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 section entitled "Liquidity and capital resources – Free cash flow" in CN's Management's Discussion and Analysis included in the Company's 2016 Annual Report for an explanation of this measure and reconciliation to the nearest U.S. GAAP measure.

(5) Diluted Earnings per Share 2016 result was adjusted and excludes a deferred income tax expense of C$7 million (C$0.01 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.

The CN executive team quickly adjusted to weaker volumes in 2016 by maintaining its focus on operational efficiency, while continuing to provide quality service to its customers and improve its safety performance. As a result, net income increased by three percent to C$3,640 million. The operating ratio for 2016 improved by 2.3 points to 55.9 percent while the Company continued to reinvest in the business with 2016 capital spending of C$2.75 billion. In 2016, CN's dividend was increased by 20% and 26.4 million shares were repurchased, returning over C$3.2 billion to shareholders.

For 2016, after considering the financial results against established corporate objectives on a currency adjusted basis, the Board of Directors assessed the corporate performance at "partially exceeds", resulting in a corporate performance factor of 115.5% (and 131% for NEOs and 180 other executives and senior management employees).

2. Corporate Safety Performance:

In 2016, a new safety component was introduced to the AIBP of all executive officers, representing 10% of the annual bonus target. In 2016, the Board of Directors assessed the Company's corporate safety performance against two safety performance metrics with equal weighting: FRA accident and injury ratios.

Under the terms of the AIBP, the performance factor for the corporate safety component can range from 0% to 200%.

Corporate Safety Performance Objectives and Results – 2016 Annual Incentive Bonus Plan

	SAFETY OBJECTIVES AS OF JANUARY 1, 2016				
	WEIGHT	BASE (THRESHOLD)	STRETCH (MAXIMUM)	RESULTS 2016	PERFORMANCE ASSESSMENT
FRA Accident Ratio	50%	2.22	2.00	1.42	Exceeds
FRA Injury Ratio	50%	1.60	1.50	1.70	Does Not Meet

In 2016, CN continued to make progress towards its objective of being the safest railroad in North America. The FRA accident ratio improved by 31% since last year, driven by a significant decrease in both mainline and branch-line accidents and by a continued focus on CN's safety agenda. The Company continues to focus on employee safety. Key initiatives have occurred in 2016 as part of CN's continued focus on its safety agenda, including the *Looking Out for Each Other* training that focuses on peer-to-peer communications.

For 2016, after considering the operational results against established safety objectives, the Board of Directors assessed the corporate safety performance factor at 100%, reflecting the weighted average performance factor of both safety metrics.

3. Individual Performance:

20% of the bonus was based on personal business-oriented objectives 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, 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 2016, 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 objectives, as well as their overall leadership in meeting their function's objectives. For 2016, 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 2016, the overall average individual performance factor for the NEOs, including the President and CEO, was 140%.

Any annual incentive bonus payout under the safety and 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 safety and individual performance factor will be pro-rated to the same level.

The following formula illustrates how an eligible executive employee's annual base salary (as at December 31, 2016), target payout (expressed as a percentage of base salary), corporate, safety and individual performance factors interact in the determination of the actual annual bonus payout:

Annual base salary X **Target payout** X **70%** X **Corporate financial performance factor**

+

Annual base salary X **Target payout** X **10%** X **Corporate safety performance factor** X **Corporate financial performance factor when below 100%**

+

Annual base salary X **Target payout** X **20%** X **Individual performance factor** X **Corporate financial performance factor when below 100%**

The average payout for the NEOs (consisting of the Corporate Financial Performance Factor, the Corporate Safety Performance Factor, and the Individual Performance Factor) was 130% of target payout in 2016. The actual payouts are reported in the Summary Compensation Table on page 54, 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.

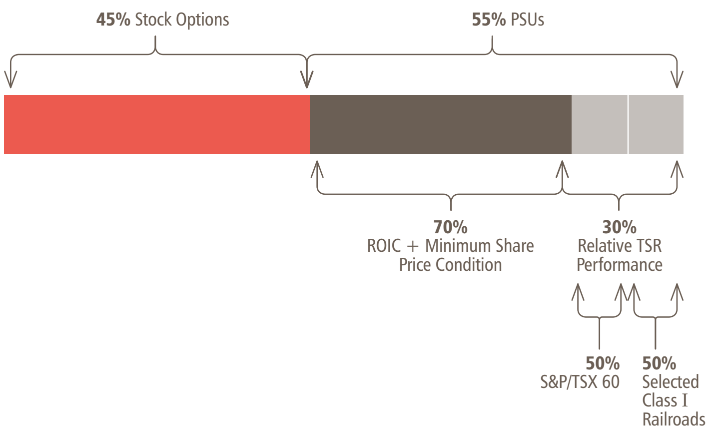
Long-Term Incentives

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 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, LTI values disclosed in the Summary Compensation Table on page 54 are 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(1) (please refer to page 61 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 occur 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 selected Class I Railroads included in the comparator group (please refer to section "Benchmarking Using Comparator Groups" on page 40). The Committee does not consider 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 exists 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. Should an executive, including NEOs, or other management employees retire prior to the end of the minimum service condition in the award agreement, PSUs and stock options awarded pursuant to that agreement would be forfeited.

Performance Share Units: 2016 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 vest after three years and the grant date fair value of the PSUs awarded to each NEO in 2016 is included in the Summary Compensation Table on page 54, 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 the payout can range from 0% to 200%. 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.

PSUs awarded in 2016 will be subject to the following two performance measures:

1. PSUs – ROIC

Seventy percent (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 2018. 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 2016 to NEOs and other designated employees are subject to the attainment of the performance measures presented in the table below:

	OBJECTIVE	PERFORMANCE VESTING FACTOR(1)
PERFORMANCE OBJECTIVE: Average ROIC for the three-year period ending on December 31, 2018	Below 13.0%	0%
	13.0%	50%
	14.0%	100%
	15.5%	125%
	16.0%	150%
	16.5% and above	200%
PAYOUT CONDITION: Minimum average closing share price for the last three months of 2018	C$76.44 on the TSX or U.S.$55.59 on the NYSE	

(1) Interpolation applies between objectives.

(1) For the 2016 LTI grant, the limitation on stock options only applied to the Former President and CEO given that Mr. Jobin did not reach the 20% limit.

2. PSUs – TSR

Thirty percent (30%) of the PSU award value is subject to CN's Relative TSR measured against two equally-weighted comparator groups: i) selected Class I Railroads, 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 awarded in 2016 to NEOs and other designated employees are subject to the attainment of the performance measures presented in the table below:

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

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

(1) Interpolation between points.

The grant date fair value of the PSUs awarded to each NEO in 2016 is included in the Summary Compensation Table on page 54, under the Share-Based Awards column.

Performance Share Units: 2014 Award Payout

The PSUs awarded in 2014 to NEOs and other designated employees vested based on the achievement of an average ROIC for the three-year period ending on December 31, 2016. Over the past three years, CN's share price has increased by 49.2% in Canada, in comparison to a 12.2% increase of the S&P/TSX Composite Index. The Company's market capitalization in Canada has increased by nearly C$19 billion during this same period. The Company's superior performance, therefore, led to the achievement of a three-year average ROIC of 17.05% and resulted in a performance vesting factor of 150%. As the minimum average closing share price condition was also met, payout occurred in February 2017 in accordance with the Share Units Plan and the 2014 award agreement. As part of the equity-settlement conversion option introduced in 2014, 131 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.

Performance Objectives and Results – Performance Share Units – 2014 Award

	OBJECTIVE	PERFORMANCE VESTING FACTOR (1)	RESULTS
PERFORMANCE OBJECTIVE: Average ROIC for the three-year period ended on December 31, 2016	Below 13.5% 13.5% 14.5% 15.5% 16.5% and above	0% 50% 100% 125% 150%	17.05%
PAYOUT CONDITION: Minimum average closing share price for the last three months of 2016	C$59.65 on the TSX or U.S.$56.04 on the NYSE		C$88.04 U.S.$66.01

(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 60.

Stock Options

Stock options were granted in 2016 to NEOs and other designated employees pursuant to the Management Long-Term Incentive Plan ("the Plan"). Please refer to page 61 for details of the Plan. The stock options granted in 2016 vest over four years at a rate of 25% at each anniversary date and have a ten-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 2016 is included in the Summary Compensation Table on page 54, 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 CN common 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. Over 80% of CN's employees are shareholders of the Company through participation in the ESIP, and in 2016, all NEOs participated in the ESIP.

The value of the Company match received by NEOs in 2016 under the ESIP is indicated in the Details of the All Other Compensation Amounts table on page 57.

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, 2016, 185 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 are not considered 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 times 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, 2016, all NEOs achieved their share ownership requirements.

Stock Ownership Status as at December 31, 2016

NAMED EXECUTIVE OFFICER	NUMBER OF SHARES HELD (1)	VALUE OF HOLDINGS (2) (C$)	VALUE REQUIRED TO MEET GUIDELINES (3) (C$)	HOLDINGS AS A MULTIPLE OF BASE SALARY (3)
Luc Jobin	92,005 (4)	8,313,568	6,955,200	6.0 x
Claude Mongeau	496,179	44,834,714	7,286,400	30.8 x
Ghislain Houle	102,578	9,268,936	2,086,560	13.3 x
Michael Cory	39,679	3,585,358	2,185,920	4.9 x
Jean-Jacques Ruest	282,016	25,483,008	2,285,280	33.5 x
Sean Finn	68,270	6,168,839	2,158,099	8.6 x

(1) Common shares and/or vested deferred share units as at December 31, 2016.

(2) Value is based on the closing share price of the common shares on December 31, 2016, on the TSX (C$90.36).

(3) U.S.$ salaries as at December 31, 2016, were converted to Canadian dollars using the average rate during the year (U.S.$1.00 = C$1.3248).

(4) Detailed holdings are presented on page 12.

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 PSUs 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 PSUs 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 65.

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.

In addition, with respect to bonus or incentive based compensation awarded after March 7, 2017, in the event that any executive officer is found to have engaged in gross negligence, intentional misconduct, fraud, theft or embezzlement, the Board may in its discretion, to the full extent permitted by governing law and to the extent it determines that it is in CN's best interest to do so, require the reimbursement of some or all of the after-tax amount of any incentive compensation already paid in the previous 24 months or forfeit his or her vested or unvested incentive awards in accordance with plan terms.

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- 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" 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 41 for more information).
- The safety component of the AIBP includes two standard safety metrics and further increases diversification of the plan, thus reducing the potential risk associated with the plan.
- There are multi-year, overlapping performance periods for the PSUs and stock options, which encourages consistent, long-term behaviour and mitigates risk.
- The LTI awards, which constitute a significant portion of NEO compensation, vest over a three- or four-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.
- Payout of PSUs subject to ROIC performance is also contingent upon meeting a minimum share price condition that triggers payment only if share price appreciates during the three-year term.
- 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 former President and CEO from the non-registered pension plan are capped.
- The president and CEO participates in a Defined Contribution Plan, which limits CN's exposure to risk.

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 this page 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 (185 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 46 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 46 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.

Six 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 2016, 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.

Compensation of the President and Chief Executive Officer

Luc Jobin,

President and Chief Executive Officer

Mr. Jobin became President and CEO of CN on July 1, 2016. He joined CN in June 2009 as Executive Vice-President and CFO and remained in this position until his appointment as President and CEO. Mr. Jobin has extensive experience as a business leader and senior executive. Before joining CN, Mr. Jobin occupied senior executive and chief executive officer positions in public companies. He obtained his Chartered Accountant designation from the Canadian Institute of Chartered Accountants and earned his Diploma in Public Accountancy from McGill University.

As President and CEO, Mr. Jobin 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**, under Delivering Responsibly/Governance.

Compensation

The President and CEO's annual compensation takes into account factors such as competitive positioning against market, economic outlook, and leadership abilities. The President and CEO'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.

For the first half of 2016, as Executive Vice-President and CFO, Mr. Jobin's base salary in 2016 was established at U.S.$620,000 (C$821,376) to maintain his competitive position against market, and his target bonus was 80% of base salary.

Upon the appointment of Mr. Jobin as President and CEO on July 1, 2016, independent members of the Board reviewed and approved an annualized compensation consisting of a base salary of U.S.$1,050,000 (C$1,391,040). Under the AIBP, Mr. Jobin's target bonus was adjusted to 120% of base salary for the period from July 1, 2016, to December 31, 2016. In addition, the Board approved an annualized long-term incentive grant of U.S.$5,440,000. The LTI award was adjusted to reflect Mr. Jobin's mid-year appointment as President and CEO and included the award made as Executive Vice-President and CFO in January 2016.

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[(1)]. In 2016, Mr. Jobin received 55,311[(2)] PSUs and 151,122[(2)] stock options. The fair value of these awards is included in the Summary Compensation Table on page 54, under the Share-Based Awards and Option-Based Awards columns.

2016 Key Accomplishments and Determination of the Annual Incentive Bonus Award

Again in 2016, CN delivered solid financial and operational results despite the challenges of a changing economic and political environment. CN met the challenge of reduced volumes and revenues head on with a teamwork approach that reinforced CN's position as an industry leader. The Company's financial results, including record achievements in a difficult environment, demonstrated CN's ability to deliver value to shareholders in changing economic conditions. CN continued to invest significantly in its capital program with an overall investment of C$2.75 billion in 2016.

(1) Mr. Jobin did not reach the limit in 2016.

(2) Including PSUs and stock options granted to Mr. Jobin as Executive Vice-President and CFO.

CN also maintained its strong commitment to shareholders, returning approximately C$3.2 billion through share buybacks and dividends. In 2016, CN increased dividends by 20%. The Company's consistent approach to capital allocation and its strong performance in the face of volume headwinds continue to be recognized by the market with a three-year TSR of 56.7% on the TSX (24.1% on the NYSE).

Mr Jobin's performance is measured against objectives approved annually by the Committee and the Board. In 2016, the individual goals as President and CEO for Mr. Jobin included: operational and service excellence (20%); top-line focus and business development (20%); safety and sustainability (20%); employee engagement and team building (20%); and stakeholder and regulatory 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 Mr. Jobin's performance in each area and recommended for Board approval management's recommendation for an individual performance factor of 150% (partially exceeds). Based on the Company's financial and safety performance, as well as Mr. Jobin's individual performance, the Committee recommended to the Board the approval of the President and CEO's annual incentive bonus payout of U.S.$1,382,850 (C$1,856,753). The annual incentive payout includes a pro-rated adjustment for the period when Mr. Jobin was Executive Vice-President and CFO.

Operational and Service Excellence

In 2016, CN continued to lead the industry and delivered record operational performance, quickly adjusting to contracting volumes. Significant year-over-year improvements were registered on train load and locomotive productivity (up 7% versus 2015 and up 5% versus 2015, respectively). Improvements were also registered on train velocity (4% improvement versus 2015), car velocity (up 5% versus 2015), and terminal dwell (7% better than 2015). The Company also reacted quickly to the decrease in volume by realigning resources to market environment, achieving significant cost savings in 2016 and continued to deliver superior service to its customers.

Top-Line Focus and Business Development

Despite a highly competitive environment, CN continued to drive new market share gains across several key business units such as intermodal, automotive, refined petroleum products, chemicals and cold supply chain, while protecting existing market share through early renewals and multi-year contracts. Important initiatives were taken to grow the business beyond 2016, including the new G3 grain facility to open in Vancouver, the agreement with the Port of Mobile, and the development of CN's Milton Logistics Hub Project. CN revenues were C$12,037 million in 2016. Automotive, forest products, and grain and fertilizers experienced revenue increases in 2016. The decrease in total revenues was mainly attributable to lower volumes of crude oil, coal and frac sand; as well as lower applicable fuel surcharge rates.

Safety and Sustainability

CN continues to have unwavering commitment to safety and the connection with its employees is central to having a skilled, safe and engaged workforce. 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 recent 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 2016, Phase 3 of the *Looking Out for Each Other* initiative was rolled out. The initiative raises awareness and addresses the top causes of accidents and injuries as well as reviews safe work procedures. It has evolved to become the cornerstone of CN's safety culture, focused on having each other's back. Over 15,000 Mechanical, Engineering, Transportation, and Intermodal employees received enhanced training as part of this Phase 3. The *Looking Out for Each Other* initiative, combined with ongoing improvements in safety processes, advancement in the application of data analytics, targeted capital investments and favourable weather conditions, led to a 31% improvement in the 2016 FRA accident ratio and a lower number of injuries in 2016 compared to 2015.

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 received Sustainability recognitions including being listed on the Dow Jones and Sustainability World Index while continuing to focus on environmental issues to better position the Company and strengthen CN's social license to operate.

Employee Engagement and Team Building

As at December 31, 2016, CN employed a total of 22,249 employees of which approximately 75% were unionized employees. The conductors' collective agreements in Canada were set to expire on July 22, 2016. The Company and the Teamsters Canada Rail Conference (TCRC) agreed to extend the conciliation period to the Spring of 2017 to allow additional time for the parties to meet and work on developing a consensus towards an amicable renewal of the collective agreements.

Continuing to build a solid team of railroaders is a key component of CN's strategic agenda and takes many forms, from diversity and retention of talent, to integrity and training. The Company continued its efforts to advance diversity across the organization. CN was recognized as one of Canada's Best Diversity Employers in 2017 and also received the Employment Equity Achievement Award from the Canadian Government in 2016. Several initiatives were implemented to retain talent, including the reintegration within operations of more than 700 conductors in the last six months of 2016. Focus on first-line supervisors also continued in order to increase their engagement, retention, business knowledge, and leadership capabilities.

Integrity is one of CN's core values and is the cornerstone of the Company's Code of Business Conduct. To ensure that all employees clearly understand and support CN's values, a new mandatory training session was launched called "Doing the Right Thing". The training aims at recognizing the importance of protecting CN's reputation, understanding what "Doing the Right Thing" means, and identifying and avoiding real or apparent conflict of interest situations.

Stakeholder and Regulatory Engagement

In 2016, CN continued its community and stakeholder engagement efforts. CN is actively involved in building safer, stronger communities through the direct connections it makes with the communities in which it operates. In 2016, CN joined the Canadian Agricultural Safety Association (CASA) to promote farm safety and launched the Company's first farmer engagement program.

CN also increased its engagement with the investment community in 2016, from the Company's largest shareholders to potential investors, in order to thoroughly convey the strategic agenda and to ensure investor confidence in the new management team.

The Company also completed a deal structure and asset sale to the Caisse de dépôt et placement du Québec (CDPQ), and concluded a Memorandum of Understanding with Metrolinx, positioning CN as part of the solution when it comes to advancing the cause of urban mass transit.

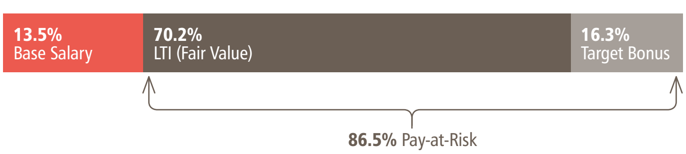
CN provided a comprehensive submission to Transport Canada focused on the need for policy measures that encourage investment and innovation in response to potential regulatory measures announced by the Minister of Transport. CN also undertook broad Federal level engagement to promote rail broadly, as part of Canada's climate solution, in the context of advancing rail safety, and as key enabler for trade-oriented growth.

2016 Target Total Direct Compensation Summary

	2016 TOTAL DIRECT COMPENSATION (AT TARGET) [1]	
	U.S.$	AS A % OF TOTAL DIRECT COMPENSATION
Salary	1,050,000	13.5%
AT-RISK COMPENSATION		
Annual Incentive Bonus	1,260,000	16.3%
Performance Share Units	2,992,000	38.6%
Stock Options	2,448,000	31.6%
TOTAL DIRECT COMPENSATION (TARGET)	**7,750,000**	

(1) Amounts are on an annualized basis and are effective upon Mr. Jobin's appointment as President and CEO on July 1, 2016. Details regarding Mr. Jobin's compensation for the first half of 2016 are included in the Summary Compensation Table on page 54.

2016 Target Pay Mix



Ghislain Houle, Executive Vice-President and Chief Financial Officer

Mr. Houle was appointed Executive Vice-President and CFO on July 1, 2016. His responsibilities at CN include financial management, investor relations, and supply management. Mr. Houle joined the Company in 1997 and occupied various executive roles, including Vice-President and Corporate Comptroller and Vice-President, Financial Planning, before being appointed to his current position.

As Executive Vice-President and CFO, Mr. Houle's base salary was set at U.S.$525,000 (C$695,520). Under the AIBP, his 2016 target bonus was equivalent to 60% of base salary from January 1, 2016, to June 30, 2016, and 80% of base salary from July 1, 2016, to December 31, 2016. In addition, Mr. Houle received 10,467[1] PSUs and 28,593[1] stock options in 2016, in accordance with the terms of the Share Units Plan and the Management Long-Term Incentive Plan, respectively.

2016 AIBP Objectives

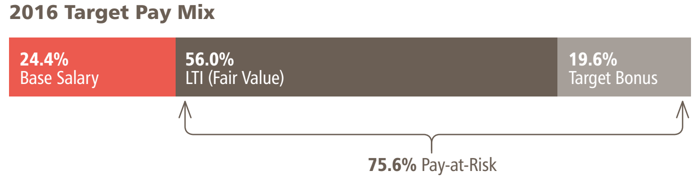
Mr. Houle's performance in 2016 was assessed against individual performance objectives, including achieving key financial objectives, supporting the strategic agenda, driving superior performance and intensifying people development, engagement and succession. Mr. Houle was assessed as having partially exceeded his overall individual performance objectives. Based on the Company's financial and safety performance, as well as on his individual assessment, Mr. Houle received a 2016 annual bonus in the amount of U.S.$483,998 (C$649,864).

2016 Target Total Direct Compensation Summary

	2016 TOTAL DIRECT COMPENSATION (AT TARGET) [1]	
	U.S.$	AS A % OF TOTAL DIRECT COMPENSATION
Salary	525,000	24.4%
AT-RISK COMPENSATION		
Annual Incentive Bonus	420,000	19.6%
Performance Share Units	660,000	30.8%
Stock Options	540,000	25.2%
TOTAL DIRECT COMPENSATION (TARGET)	**2,145,000**	

(1) Amounts are on an annualized basis and are effective upon Mr. Houle's appointment as CFO on July 1, 2016. Details regarding Mr. Houle's compensation for the first half of 2016 are included in the Summary Compensation Table on page 54.

2016 Target Pay Mix



(1) Include PSUs and stock options received in January and July 2016.

Michael Cory,
Executive Vice-President and Chief Operating Officer

Mr. Cory is responsible for the Company's North American rail operations. He was appointed Executive Vice-President and COO in July 2016.

Mr. Cory started with CN in 1981 at the Symington Yard Diesel Shop in Winnipeg. Over the years, he has held various operations positions before leading two out of the three CN operating regions as Senior Vice-President, Eastern Region, and Senior Vice-President, Western Region, from April 2009 until his appointment as Executive Vice-President and COO.

As Executive Vice-President and COO, Mr. Cory's base salary was set at U.S.$550,000 (C$728,640). Under the AIBP, his 2016 target bonus was equivalent to 65% of base salary from January 1, 2016, to June 30, 2016, and 80% of base salary from July 1, 2016, to December 31, 2016. In addition, Mr. Cory received 14,446 (1) PSUs and 39,467 (1) stock options in 2016, in accordance with the terms of the Share Units Plan and the Management Long-Term Incentive Plan, respectively.

2016 AIBP Objectives

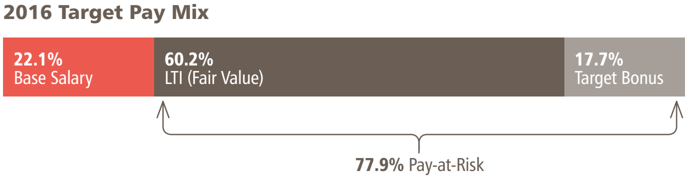
Mr. Cory's performance in 2016 was assessed against individual performance objectives, including operational and service excellence, delivering safely and responsibly, cost containment, asset utilization, and people. Mr. Cory was assessed as having partially exceeded his overall individual performance objectives. Based on the Company's financial and safety performance, as well as on his individual assessment, Mr. Cory received a 2016 annual bonus in the amount of U.S.$525,154 (C$705,124).

2016 Target Total Direct Compensation Summary

	2016 TOTAL DIRECT COMPENSATION (AT TARGET) (1)	
	U.S.$	AS A % OF TOTAL DIRECT COMPENSATION
Salary	550,000	22.1%
AT-RISK COMPENSATION		
Annual Incentive Bonus	440,000	17.7%
Performance Share Units	825,000	33.1%
Stock Options	675,000	27.1%
TOTAL DIRECT COMPENSATION (TARGET)	2,490,000	

(1) Amounts are on an annualized basis and are effective upon Mr. Cory's appointment as COO on July 1, 2016. Details regarding Mr. Cory's compensation for the first half of 2016 are included in the Summary Compensation Table on page 54.

2016 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.

Mr. Ruest is a seasoned executive and has extensive marketing experience within the railway industry. Prior to joining CN, he had 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 Université de Sherbrooke. He also completed the executive program from the University of Michigan's business school.

In 2016, Mr. Ruest's base salary was increased to U.S.$575,000 (C$761,760) to reflect his competitive positioning and experience. As in 2015, Mr. Ruest's target bonus for 2016 was 80% of base salary under the AIBP. In addition, Mr. Ruest received 28,331 PSUs and 77,407 stock options, in accordance with the terms of the Share Units Plan and the Management Long-Term Incentive Plan, respectively.

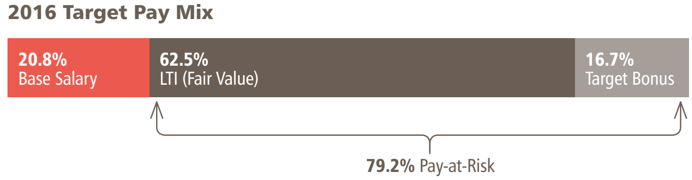
2016 AIBP Objectives

Mr. Ruest's performance in 2016 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 connecting sales and marketing with safety performance. Mr. Ruest was assessed as having partially exceeded his overall individual performance objectives. Based on the Company's financial and safety performance, as well as on his individual assessment, Mr. Ruest received a 2016 annual bonus in the amount of U.S.$605,820 (C$813,435).

2016 Target Total Direct Compensation Summary

	2016 TOTAL DIRECT COMPENSATION (AT TARGET)	
	U.S.$	AS A % OF TOTAL DIRECT COMPENSATION
Salary	575,000	20.8%
AT-RISK COMPENSATION		
Annual Incentive Bonus	460,000	16.7%
Performance Share Units	948,774	34.4%
Stock Options	776,253	28.1%
TOTAL DIRECT COMPENSATION (TARGET)	2,760,027	

2016 Target Pay Mix



(1) Include PSUs and stock options received in January and July 2016.

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, governmental, regulatory, public affairs, risk mitigation and security matters. As Corporate Secretary, he is also responsible for CN's Corporate Governance practices, as well as overseeing CN's Code of Business Conduct and ethics program.

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 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 2016, Mr. Finn's base salary was increased to U.S.$543,000 (C$719,366) to reflect his competitive positioning and experience. As in 2015, Mr. Finn's target bonus for 2016 was 80% of base salary under the AIBP. In addition, Mr. Finn received 22,583 PSUs and 61,702 stock options, in accordance with the terms of the Share Units Plan and the Management Long-Term Incentive Plan, respectively.

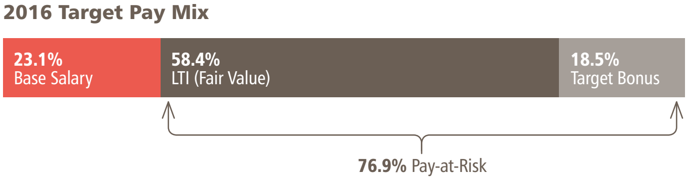
2016 AIBP Objectives

Mr. Finn's performance in 2016 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 and safety performance, as well as on his individual assessment, Mr. Finn received a 2016 annual bonus in the amount of U.S.$528,665 (C$709,838).

2016 Target Total Direct Compensation Summary

	2016 TOTAL DIRECT COMPENSATION (AT TARGET)	
	U.S.$	AS A % OF TOTAL DIRECT COMPENSATION
Salary	543,000	23.1%
AT-RISK COMPENSATION		
Annual Incentive Bonus	434,400	18.5%
Performance Share Units	756,279	32.1%
Stock Options	618,760	26.3%
TOTAL DIRECT COMPENSATION (TARGET)	**2,352,439**	

2016 Target Pay Mix



Claude Mongeau,
Former President and Chief Executive Officer

Following a 22-year career at CN, Mr. Mongeau announced that he was stepping down due to medical reasons, effective June 30, 2016. As per the Company's short-term disability policy, Mr. Mongeau was on a medical leave of absence during the second half of 2016, before retiring from CN on January 31, 2017.

In 2016, Mr. Mongeau's base salary as then President and CEO was increased to U.S.$1,100,000 (C$1,457,280). As in prior years, Mr. Mongeau's target bonus for 2016 was 120% of his base salary.

Consistent with the terms and conditions of the Share Units Plan and the Management Long-Term Incentive Plan and subject to the 20% limitation under the Management Long-Term Incentive Plan applicable for the President and CEO, Mr. Mongeau received 104,337 PSUs and 210,000 stock options in 2016. PSUs granted in 2016 were forfeited by Mr. Mongeau upon his retirement, as per the terms of the plan. The fair value of these awards is included in the Summary Compensation Table on page 54, under the Share-Based Awards and Option-Based Awards columns.

Under the AIBP, Mr. Mongeau received a 2016 annual bonus in the amount of U.S.$1,606,440 (C$2,156,967).

President and CEO Compensation Look-Back Table

CN's compensation plans are designed to align compensation with the creation of shareholder value. As a result, a significant portion of compensation is at risk and long-term incentives are structured to deliver compensation value to the President and CEO if value is created for shareholders. In a low share performance environment, limited value would be delivered to President and CEO. Over the last five years, CN's strong operational and financial performance resulted in above target payouts, reflective of the Company's TSR performance of 145%.

The table below compares the total direct compensation awarded to our President and CEO over the past five years, as reflected in the Summary Compensation Table, to the current value (both realized and realizable) as at December 31, 2016. Compensation outcomes are set against the performance graph which indicates 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, 2011 to the period ended December 31, 2016. It assumes reinvestment of all dividends during the covered period.

		TOTAL DIRECT COMPENSATION AWARDED (1) (C$000s)	CURRENT VALUE AS AT DEC. 31, 2016 (2) (C$000s)
Claude Mongeau	2012	7,561	28,977
Claude Mongeau	2013	7,519	21,733
Claude Mongeau	2014	9,219	21,413
Claude Mongeau	2015	9,847	10,028
Claude Mongeau (3)	2016	5,742	3,868 (4)
Luc Jobin (5)	2016	5,478	6,572

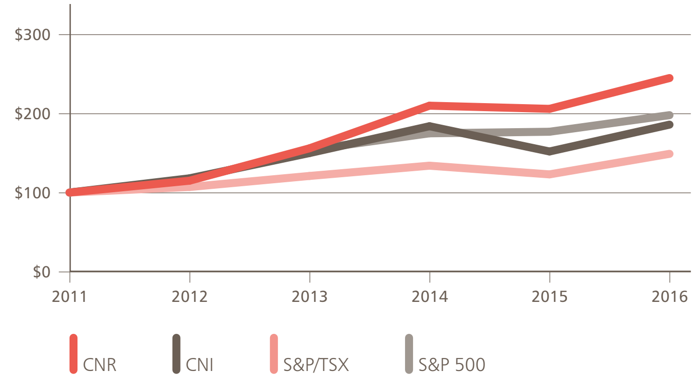
(1) Includes salary and variable compensation awarded during the year, as reported in the Summary Compensation Table each year.

(2) For any given year, the current value includes salary and annual incentive awarded and the value of long-term incentives (realized and realizable). Long-term incentives for any given year include the value of unexercised "in-the-money" stock options as at December 31, 2016 (none of the relevant stock options were exercised during the period), the value attributed to vested PSUs and the value of unvested PSUs as at December 31, 2016, assuming a 100% performance factor.

(3) The compensation awarded for Mr. Mongeau was pro-rated to June 30, 2016.

(4) PSUs awarded in 2016 were forfeited upon retirement on January 31, 2017 and were not included as at December 31, 2016.

(5) The compensation awarded for Mr. Jobin was pro-rated to reflect the appointment date of July 1, 2016.



	DEC-11	DEC-12	DEC-13	DEC-14	DEC-15	DEC-16
CNR (C$)	100	115	156	210	206	245
CNI (U.S.$)	100	118	150	184	152	186
S&P/TSX (C$)	100	107	121	134	123	149
S&P 500 (U.S.$)	100	116	154	175	177	198

Over the last five years, the total compensation paid, as per the Summary Compensation Table, increased by an average of 9.6% per year for the NEOs as a result of currency fluctuation and compensation increases. Excluding the one-time value increases in compensatory value of pension benefits in 2016, the increase would be an average of 2.5%. The total compensation for our NEOs over this period was generally aligned with the experience of our shareholders, as a substantial portion of NEOs total compensation is at risk and directly linked to CN's share price. 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.

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 selected Class I Railroad comparator group. A table presenting the compensation paid in U.S. dollars for the NEOs is presented on page 55 — 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 CSA, for the years ended December 31, 2016, 2015, and 2014. Fluctuation in the exchange rate affects year-over-year comparability.

NAME AND PRINCIPAL POSITION	YEAR	SALARY (C$)	SHARE-BASED AWARDS (1) (C$)	OPTION-BASED AWARDS (2) (C$)	NON-EQUITY INCENTIVE PLAN COMPENSATION – ANNUAL INCENTIVE PLANS (3) (C$)	PENSION VALUE (4) (C$)	ALL OTHER COMPENSATION (5) (C$)	TOTAL COMPENSATION (C$)
Luc Jobin	2016	1,106,208 (6)	2,751,741	2,251,154	1,856,753	305,588 (7)	30,722	8,302,166
President and	2015	767,220	1,266,687	1,036,380	663,155	232,478 (7)	854,642 (8)	4,820,562
Chief Executive Officer	2014	662,700	1,026,176	746,194	988,405	180,833 (7)	21,021	3,625,329
Claude Mongeau	2016	1,457,280 (9)	4,910,124 (10)	2,958,900	2,156,967 (9)	7,000 (11)	89,795	11,580,066
Former President and	2015	1,374,603	4,108,718	2,705,600	1,657,885	132,000	98,298	10,077,104
Chief Executive Officer	2014	1,187,338	3,373,982	2,113,200	2,544,099	40,000	82,988	9,341,607
Ghislain Houle	2016	524,498 (12)	533,362	436,262	649,864	4,368,000 (13)	12,700	6,524,686
Executive Vice-President	2015	340,000	163,110	133,454	203,642	110,000	8,899	959,105
and Chief Financial Officer	2014	330,000	133,358	96,972	351,450	90,000	8,130	1,009,910
Michael Cory	2016	602,784 (14)	724,404	592,576	705,124	4,143,000 (15)	15,259	6,783,147
Executive Vice-President	2015	441,152	295,008	241,356	331,432	262,000	11,922	1,582,870
and Chief Operating Officer	2014	370,008	244,112	177,509	429,440	145,000	10,213	1,376,282
Jean-Jacques Ruest	2016	761,760	1,333,268	1,090,665	813,435	484,000	21,223	4,504,351
Executive Vice-President	2015	716,072	1,179,933	965,392	575,762	350,000	20,472	3,807,631
and Chief Marketing Officer	2014	618,520	970,637	705,809	922,512	195,000	17,541	3,430,019
Sean Finn	2016	719,366	1,062,765	869,381	709,838	346,000	18,931	3,726,281
Executive Vice-President Corporate Services	2015	675,154	937,017	766,632	542,861	355,000	18,214	3,294,878
and Chief Legal Officer	2014	583,176	832,113	605,080	833,045	182,000	15,458	3,050,872

(1) Valuation Disclosure for Share-Based Awards — The fair value of share-based 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.

A summary of the 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 and valuation factors are presented on page 56.

	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
2016 Share-Based Award					
ROIC	59%	July 27 – C$49.50 January 28 – C$43.76	July 27 – 66.4% January 28 – 47.3%	July 27 – C$55.68 January 28 – C$35.11	July 27 – (C$6.18) January 28 – C$8.65
TSR	77%	July 27 – C$64.60 January 28 – C$57.11	July 27 – 116.6% January 28 – 128.3%	July 27 – C$97.85 January 28 – C$95.16	July 27 – (C$33.25) January 28 – (C$38.05)
2015 Share-Based 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 — The fair value of option-based 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.

A summary of the 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 56.

	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
2016 Option-Based Award	19%	July 27 – C$15.94 January 28 – C$14.09	July 27 – 14.5% January 28 – 14.0%	July 27 – C$12.18 January 28 – C$10.39	July 27 – C$3.76 January 28 – C$3.70
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) Represents the incentive award earned under the AIBP for the applicable year. Refer to page 41 for the details of the AIBP.

(4) 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 64.

(5) 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 57.

(6) Mr. Jobin was appointed President and CEO effective July 1, 2016. Mr. Jobin 2016 salary reflects six months as President and CEO and six months as Executive Vice-President and CFO.

(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 63 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) Mr. Mongeau stepped down as President and CEO on June 30, 2016 for medical reasons. As per the Company's short-term disability policy, Mr. Mongeau was on a medical leave of absence in the second half of 2016 before retiring from CN on January 31, 2017. Mr. Mongeau's salary and annual incentive compensation earned for the second half of 2016, as per the Company's short-term disability policy, are included in the Summary Compensation Table.

(10) As per the Share Units Plan, the 2016 full share-based award of $4,910,124 to Mr. Mongeau was forfeited upon his retirement on January 31, 2017.

(11) Mr. Mongeau's projected annual pension benefits under the special retirement stipend are capped at U.S.$1,000,000 or C$1,342,700.

(12) Mr. Houle was appointed Vice-President and Corporate Comptroller effective March 7, 2016 and Executive Vice-President and CFO effective July 1, 2016. Mr. Houle's 2016 salary represents six months as Executive Vice-President and CFO, four months as Vice-President and Corporate Comptroller and two months as Vice-President Financial Planning.

(13) Represents a one-time value increase as a result of Mr. Houle's appointment as Executive Vice-President and CFO. The increase in present value is not immediately acquired and may or may not materialize. It is based on the assumption that Mr. Houle will remain with CN and retire at a future date with higher projected pensionable earnings.

(14) Mr. Cory was appointed Executive Vice-President and COO effective July 1, 2016. Mr. Cory's 2016 salary represents six months as Executive Vice-President and COO and six months as Senior Vice-President Western Region.

(15) Represents a one-time value increase as a result of Mr. Cory's appointment as Executive Vice-President and COO. The increase in present value is not immediately acquired and may or may not materialize. It is based on the assumption that Mr. Cory will remain with CN and retire at a future date with higher 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, 2016, 2015, and 2014. 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 selected 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.$)
Luc Jobin	2016	835,000	2,018,477	1,651,429	1,382,850	220,801	23,190	6,131,747
President and	2015	600,000	1,003,820	821,259	479,158	200,395	618,958	3,723,590
Chief Executive Officer	2014	600,000	925,116	673,100	852,000	170,020	19,032	3,239,268
Claude Mongeau	2016	1,100,000	3,494,088	2,106,300	1,606,440	5,058	67,780	8,379,666
Former President	2015	1,075,000	3,256,065	2,144,000	1,197,894	113,783	76,873	7,863,615
and Chief Executive Officer	2014	1,075,000	3,041,704	1,906,200	2,193,000	37,608	75,136	8,328,648
Ghislain Houle	2016	395,907	396,074	323,965	483,998	3,156,069	9,586	4,765,599
Executive Vice-President	2015	265,895	129,261	105,753	147,140	94,819	6,959	749,827
and Chief Financial Officer	2014	298,778	120,224	87,473	302,948	84,618	7,361	901,402
Michael Cory	2016	455,000	533,555	436,481	525,154	2,993,497	11,518	4,955,205
Executive Vice-President	2015	345,000	233,787	191,258	239,474	225,843	9,324	1,244,686
and Chief Operating Officer	2014	335,000	220,072	160,121	370,175	136,329	9,247	1,230,944
Jean-Jacques Ruest	2016	575,000	948,765	776,392	605,820	349,711	16,020	3,271,708
Executive Vice-President	2015	560,000	935,069	765,006	416,013	301,698	16,010	2,993,796
and Chief Marketing Officer	2014	560,000	875,047	636,671	795,200	183,340	15,881	3,066,139
Sean Finn	2016	543,000	756,273	618,871	528,665	250,000	14,290	2,711,099
Executive Vice-President Corporate Services	2015	528,000	742,564	607,502	392,241	306,008	14,244	2,590,559
and Chief Legal Officer	2014	528,000	750,165	545,809	718,080	171,117	13,995	2,727,166

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. Since 2014, the value is calculated based on Willis Towers Watson's 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 awards of PSUs under the Share Units Plan. Option-based awards represent the awards 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)	2014 (FEBRUARY)	2015 (JANUARY)	2016 (JANUARY)	2016 (JULY)
Closing share price on grant date (C$)	58.71	84.55	74.17	83.90
Risk-free interest rate over term of the award (1)	0.25% to 0.50% based on yield curve	0.25% to 0.75% based on yield curve	0.25% to 1.00% based on yield curve	0.25% to 1.00% based on yield curve
Expected stock price volatility over term of the award (2)	20%	17%	19%	19%
Expected annual dividends per share (C$)	0.86	1.00	1.25	1.25
Expected term (3)	3 years	3 years	3 years	3 years
Resulting fair value per unit (C$)	32.29	ROIC – 49.88 TSR – 65.95	ROIC – 43.76 TSR – 57.11	ROIC – 49.50 TSR – 64.60

OPTION-BASED AWARDS	2014 (FEBRUARY)	2015 (JANUARY)	2016 (JANUARY)	2016 (JULY)
Closing share price on grant date (C$)	58.71	84.55	74.17	83.90
Risk-free interest rate over term of the award (1)	0.25% to 1.75% based on yield curve	0.25% to 2.75% based on yield curve	0.25% to 2.50% based on yield curve	0.25% to 2.50% based on yield curve
Expected stock price volatility over term of the award (2)	26%	23%	20%	20%
Expected annual dividends per share (C$)	0.86	1.00	1.25	1.25
Expected term (3)	6.25 years	6.25 years	6.25 years	6.25 years
Resulting fair value per stock option (C$)	11.74	16.91	14.09	15.94

(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 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.

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 2016, 2015, and 2014 (1)

NAME	YEAR	PERQUISITES AND OTHER PERSONAL BENEFITS (2) (C$)		OTHER COMPENSATION (C$)		ALL OTHER COMPENSATION (TOTAL OF THE TWO PREVIOUS COLUMNS) (C$)
Luc Jobin	2016		Nil	ESIP Employer contribution: Post-retirement benefits:	23,222 (3) 7,500 (4)	30,722
	2015		Nil	Special award: ESIP Employer contribution: Post-retirement benefits:	830,400 (5) 16,042 (3) 8,200 (4)	854,642
	2014		Nil	ESIP Employer contribution: Post-retirement benefits:	14,621 (3) 6,400 (4)	21,021
Claude Mongeau	2016	Company-leased vehicle: Financial counselling: Healthcare benefits and life insurance: Other perquisites:	14,254 20,000 6,408 15,280	ESIP Employer contribution: Post-retirement benefits:	30,653 (3) 3,200 (4)	89,795
	2015	Company-leased vehicle: Financial counselling: Healthcare benefits and life insurance: Other perquisites:	16,667 20,000 14,332 15,163	ESIP Employer contribution: Post-retirement benefits:	28,736 (3) 3,400 (4)	98,298
	2014	Company-leased vehicle: Financial counselling: Healthcare benefits and life insurance: Other perquisites:	16,364 16,300 8,402 14,148	ESIP Employer contribution: Post-retirement benefits:	25,174 (3) 2,600 (4)	82,988
Ghislain Houle	2016		Nil	ESIP Employer contribution: Post-retirement benefits:	11,000 (3) 1,700 (4)	12,700
	2015		Nil	ESIP Employer contribution: Post-retirement benefits:	7,099 (3) 1,800 (4)	8,899
	2014		Nil	ESIP Employer contribution: Post-retirement benefits:	6,730 (3) 1,400 (4)	8,130
Michael Cory	2016		Nil	ESIP Employer contribution: Post-retirement benefits:	12,659 (3) 2,600 (4)	15,259
	2015		Nil	ESIP Employer contribution: Post-retirement benefits:	9,222 (3) 2,700 (4)	11,922
	2014		Nil	ESIP Employer contribution: Post-retirement benefits:	8,113 (3) 2,100 (4)	10,213
Jean-Jacques Ruest	2016		Nil	ESIP Employer contribution: Post-retirement benefits:	16,023 (3) 5,200 (4)	21,223
	2015		Nil	ESIP Employer contribution: Post-retirement benefits:	14,972 (3) 5,500 (4)	20,472
	2014		Nil	ESIP Employer contribution: Post-retirement benefits:	13,141 (3) 4,400 (4)	17,541
Sean Finn	2016		Nil	ESIP Employer contribution: Post-retirement benefits:	15,131 (3) 3,800 (4)	18,931
	2015		Nil	ESIP Employer contribution: Post-retirement benefits:	14,114 (3) 4,100 (4)	18,214
	2014		Nil	ESIP Employer contribution: Post-retirement benefits:	12,258 (3) 3,200 (4)	15,458

(1) This table outlines the perquisites and other compensation received by NEOs in 2016, 2015, and 2014. The amounts are calculated based on the incremental cost to the Company. CN does not provide tax gross-ups on such perquisites. The policy of the Company 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 45 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 Employee Share Investment Plan. See section "Employee Share Investment Plan" on page 45 for more details.

(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 of 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 2016

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 2016.

NAME	GRANT DATE	AWARD TYPE	SECURITIES, UNITS OR OTHER RIGHTS (#)	END OF PLAN PERIOD OR EXPIRY DATE	SHARE PRICE ON DATE OF GRANT (C$)	AWARD'S GRANT DATE FAIR VALUE (1) (C$)
Luc Jobin	July 27, 2016	PSUs (2)	24,106	December 31, 2018	83.90	1,283,228
		Options (3)	65,862	July 27, 2026	83.90	1,049,840
	January 28, 2016	PSUs (2)	31,205	December 31, 2018	74.17	1,468,513
		Options (3)	85,260	January 28, 2026	74.17	1,201,314
Claude Mongeau	January 28, 2016	PSUs (2)(4)	104,337	December 31, 2018	74.17	4,910,124
		Options (3)	210,000	January 28, 2026	74.17	2,958,900
Ghislain Houle	July 27, 2016	PSUs (2)	6,606	December 31, 2018	83.90	351,655
		Options (3)	18,047	July 27, 2026	83.90	287,669
	January 28, 2016	PSUs (2)	3,861	December 31, 2018	74.17	181,707
		Options (3)	10,546	January 28, 2026	74.17	148,593
Michael Cory	July 27, 2016	PSUs (2)	7,219	December 31, 2018	83.90	384,294
		Options (3)	19,722	July 27, 2026	83.90	314,369
	January 28, 2016	PSUs (2)	7,227	December 31, 2018	74.17	340,110
		Options (3)	19,745	January 28, 2026	74.17	278,207
Jean-Jacques Ruest	January 28, 2016	PSUs (2)	28,331	December 31, 2018	74.17	1,333,268
		Options (3)	77,407	January 28, 2026	74.17	1,090,665
Sean Finn	January 28, 2016	PSUs (2)	22,583	December 31, 2018	74.17	1,062,765
		Options (3)	61,702	January 28, 2026	74.17	869,381

(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 54.

(2) The PSUs granted in 2016 were made under the Share Units Plan. The payout of PSUs granted in 2016 to NEOs is subject to two distinct performance measures. Seventy percent (70%) of the PSU award is subject to the achievement of return on invested capital objectives for the period ending on December 31, 2018, and to the attainment of a minimum average closing share price established at the beginning of the cycle of C$76.44 or U.S.$55.59. The remaining 30% is subject to the TSR performance of CN measured against two comparator groups i) selected Class I Railroads; and ii) S&P/TSX 60 companies for the period ending on December 31, 2018. Details are described under "Performance Share Units: 2016 Award" on page 44.

(3) The stock options granted in 2016 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 61 for a description of the plan.

(4) As per the Share Units Plan, the 2016 share-based award for Mr. Mongeau was forfeited upon his retirement on January 31, 2017.

Outstanding Share-Based Awards and Option-Based Awards

The following table shows all awards made to NEOs and outstanding on December 31, 2016.

	OPTION-BASED AWARDS[1]				SHARE-BASED AWARDS		
NAME	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS (#)	OPTION EXERCISE PRICE[2] (C$)	OPTION EXPIRATION DATE	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS[3] (C$)	NUMBER OF SHARES OR UNITS OF SHARES THAT HAVE NOT VESTED[4] (#)	MARKET OR PAYOUT VALUE OF SHARE-BASED AWARDS THAT HAVE NOT VESTED[5] (C$)	MARKET OR PAYOUT VALUE OF VESTED SHARE-BASED AWARDS NOT PAID OUT OR DISTRIBUTED[6] (C$)
Luc Jobin	65,862	85.46	2026/07/27	12,014,107	78,849	7,135,675	9,611,466
	85,260	70.87	2026/01/28				
	61,288	89.96	2025/01/29				
	63,560	71.07	2024/02/03				
	69,400	63.34	2023/01/24				
	80,960	51.27	2022/01/26				
	83,840	46.60	2021/01/27				
Claude Mongeau	210,000	70.87	2026/01/28	32,030,981	180,687[7]	16,351,809[7]	52,627,076
	160,000	89.96	2025/01/29				
	180,000	71.07	2024/02/03				
	190,000	63.34	2023/01/24				
	220,000	51.27	2022/01/26				
	240,000	46.60	2021/01/27				
Ghislain Houle	18,047	85.46	2026/07/27	1,525,891	13,498	1,220,591	4,054,056
	10,546	74.17	2026/01/28				
	7,892	84.55	2025/01/29				
	8,260	58.71	2024/02/03				
	8,680	47.30	2023/01/24				
	11,200	38.29	2022/01/26				
Michael Cory	19,722	85.46	2026/07/27	2,306,335	21,109	1,910,181	3,195,560
	19,745	70.87	2026/01/28				
	14,273	89.96	2025/01/29				
	15,120	71.07	2024/02/03				
	16,200	63.34	2023/01/24				
	17,114	51.27	2022/01/26				
	5,240	46.60	2021/01/27				
	3,150	34.40	2020/01/28				
Jean-Jacques Ruest	77,407	70.87	2026/01/28	7,487,696	50,257	4,548,157	18,869,739
	57,090	89.96	2025/01/29				
	60,120	71.07	2024/02/03				
	65,560	63.34	2023/01/24				
	76,200	51.27	2022/01/26				
Sean Finn	61,702	70.87	2026/01/28	2,128,935	39,995	3,619,467	3,498,199
	45,336	89.96	2025/01/29				
	25,770	71.07	2024/02/03				
	14,460	63.34	2023/01/24				

(1) Includes all stock options granted under the Management Long-Term Incentive Plan and outstanding on December 31, 2016.

(2) 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, 2016, exchange rate of U.S.$1.00 = C$1.3427. The conversion of these option exercise prices result in different Canadian dollar equivalent values for stock option grants made in U.S. dollars when compared to the values presented in the "Share-Based and Option-Based Award in 2016" table on page 58, under the "Share Price on Date of Grant" column. The following table presents the option exercise prices that were converted to Canadian dollars based on the December 31, 2016 exchange rate:

OPTION EXPIRATION DATE	OPTION EXERCISE PRICE (U.S.$)	OPTION EXERCISE PRICE (C$)
2026/07/27	63.65	85.46
2026/01/28	52.78	70.87
2025/01/29	67.00	89.96
2024/02/03	52.93	71.07

OPTION EXPIRATION DATE	OPTION EXERCISE PRICE (U.S.$)	OPTION EXERCISE PRICE (C$)
2023/01/24	47.18	63.34
2022/01/26	38.19	51.27
2021/01/27	34.71	46.60
2020/01/28	25.62	34.40

(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, 2016, on the TSX (C$90.36) 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, 2016, on the NYSE (U.S.$67.40) converted to Canadian dollars based on the December 31, 2016, exchange rate of U.S.$1 = C$1.3427 (i.e. U.S.$67.40 × 1.3427 = C$90.50) 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, 2016, 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. Cory, the value also includes the Company-matched DSUs outstanding on December 31, 2016 (1,181 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 in Canadian dollars is based on the closing price of the common shares on the TSX on December 31, 2016 (U.S.$90.36). The value of outstanding share units awarded under the Share Units Plan in U.S. dollars is based on the closing price of the common shares on the NYSE on December 31, 2016 (U.S.$67.40), converted to Canadian dollars based on the December 31, 2016, exchange rate of U.S.$1 = C$1.3427 (i.e., U.S.$67.40 × 1.3427 = C$90.50). The values assume 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 200% will apply to the awarded share units. For Mr. Cory, 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, 2016, and is equivalent to C$106,738.

(6) Includes the value as at December 31, 2016 of the 2014 PSU awards granted under the Share Units Plan. The value is based on the closing price of the common shares on the TSX on December 31, 2016 (U.S.$90.36) for grants made in Canadian dollars and based on the closing price of the common shares on the NYSE on December 31, 2016 (U.S.$67.40) converted to Canadian dollars based on the December 31, 2016 exchange rate of U.S.$1 = C$1.3427 (i.e. U.S.$67.40 × 1.3427 = C$90.50) for grants made in U.S. dollars. The average ROIC for the period ended on December 31, 2016 was 17.05%, exceeding the target for the plan period. The performance vesting factor was therefore 150% and the minimum share price condition was also met. The 2014 PSU awards were equity-settled for all NEOs on February 24, 2017. Also includes the value as at December 31, 2016 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$90.36. Units held under these deferred compensation plans are only payable upon cessation of employment (please refer to page 62 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, 2016:

NAME	2014 PSUs (C$)	ACCUMULATED DSUs (C$)	TOTAL (C$)
Luc Jobin	4,314,039	5,297,427	9,611,466
Claude Mongeau	14,184,201	38,442,875	52,627,076
Ghislain Houle	559,780	3,494,276	4,054,056
Michael Cory	1,026,247	2,169,313	3,195,560
Jean-Jacques Ruest	4,080,554	14,789,185	18,869,739
Sean Finn	3,498,199	–	3,498,199

(7) As per the Share Units Plan, the 2016 share-based award for Mr. Mongeau was forfeited upon his retirement on January 31, 2017.

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, 2016.

NAME	OPTION-BASED AWARDS – VALUE VESTED DURING THE YEAR(1) (C$)	SHARE-BASED AWARDS – VALUE VESTED DURING THE YEAR(2) (C$)	NON-EQUITY INCENTIVE PLAN COMPENSATION – VALUE EARNED DURING THE YEAR(3) (C$)
Luc Jobin	424,600	4,396,931	1,856,753
Claude Mongeau	1,156,050	14,184,201	2,156,967
Ghislain Houle	173,089	559,780	649,864
Michael Cory	102,034	1,132,985	705,124
Jean-Jacques Ruest	399,895	4,080,554	813,435
Sean Finn	360,684	3,498,199	709,838

(1) Represents the value of the potential gains from stock options granted under the Management Long-Term Incentive Plan in 2012, 2013, 2014, and 2015 that vested during the 2016 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 61 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 2016 and the exercise price, converted to Canadian dollars when applicable using the exchange rate on such vesting date (see "Currency Exchange Information" on page 66). 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 2014 that vested on December 31, 2016 under the Share Units Plan and, for Mr. Jobin and Mr. Cory, the 25% of the Company-matched DSUs that vested on January 31, 2016 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, 2016 on the TSX (C$90.36) for grants made in Canadian dollars and by the closing price of the common shares on the NYSE on December 31, 2016 (U.S.$67.40) converted to Canadian dollars based on the December 31, 2016 exchange rate of U.S.$1 = C$1.3427 (i.e. U.S.$67.40 × 1.3427 = C$90.50) for grants made in U.S. dollars. The 2014 PSU awards were equity-settled for all NEOs on February 24, 2017. Also includes the value as at December 31, 2016 of the DSUs that have vested under the terms of the VIDP based on the closing share price of the Company's common shares on the TSX of C$90.36.

(3) Represents the amount of bonus earned under the AIBP for the financial year ended on December 31, 2016.

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 2016 as well as PSUs which vested on December 31, 2016. 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.

	STOCK OPTIONS		PSUs	
NAME	NUMBER OF SHARES ACQUIRED ON EXERCISE	VALUE REALIZED ON EXERCISE (C$)	VALUE REALIZED ON DECEMBER 31, 2016 (C$)	TOTAL VALUE REALIZED (C$)
Luc Jobin	0	0	4,314,039	4,314,039
Claude Mongeau	548,000	28,604,886	14,184,201	42,789,087
Ghislain Houle	0	0	559,780	559,780
Michael Cory	0	0	1,026,247	1,026,247
Jean-Jacques Ruest	166,000	7,318,288	4,080,554	11,398,842
Sean Finn	86,420	1,890,618	3,498,199	5,388,817

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-employee 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, 2016.

Stock Options Outstanding and Available for Grant as of February 28, 2017

	NUMBER OF COMMON SHARES (#)	% OF OUTSTANDING COMMON SHARES
Stock options already granted and outstanding	6,095,607	0.80%
Stock options issuable under the Plan	16,407,983	2.16%
Shares issued following the exercise of stock options	97,496,410	12.82%

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

	2016	2015
Number of stock options granted during the year	**1,219,065**	852,943
Number of employees who were granted stock options	**185**	193
Number of stock options outstanding at year-end	**5,315,274**	5,863,991
Weighted average exercise price of stock options outstanding	**C$61.07**	C$53.43
Number of stock options granted as a % of outstanding shares	**0.16%**	0.11%
Number of stock options exercised	**1,619,735**	2,506,145

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	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. Since 2005, grants have been of conventional stock options, which vest over four years, with 25% of stock options vesting on each anniversary.
Termination Conditions	Stock options shall be cancelled upon the termination of a participant's employment for cause or if the participant voluntarily terminates employment. 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. In the case of retirement, stock options are cancelled three years after the retirement date. In the event of a participant's death, all available stock options may be exercised by the estate within a period of twelve months. In the event non-compete, non-solicitation, confidentiality or other conditions of the grant are breached, stock options shall be forfeited and cancelled. These conditions are subject to the discretion of the Committee.

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:

a. under the Plan to any participant during any calendar year; or

b. under the Plan and under any other plan to any participant;

(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 65 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 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 46 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.

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. taxpayers).

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 to the plans.

Employment Arrangements

President and CEO

Luc Jobin was appointed President and CEO of the Company effective July 1, 2016. The independent members of the Board of Directors, upon the recommendation of the Committee, approved, at its June 26, 2016, meeting, the terms and conditions of Mr. Jobin's employment. Mr. Jobin'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. Jobin 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. Jobin is limited to participating in only one outside public company board.

Other NEOs

The Company has not entered into written 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 Pension Plan ("CNPP") and CN Pension Plan for Senior Management ("CNPPSM")

Messrs. Mongeau, Houle, Cory, Ruest and Finn participate in the CNPP and CNPPSM, 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 CNPPSM, pensionable earnings include base salary, overtime, and bonuses paid by the Company under the AIBP, up to the employee's target level. In 2016, the aggregate annual retirement benefit payable under both plans is subject to a maximum of C$2,890 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 (the "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 (the "SRS"). SRS participants enter into an agreement with the Company, which includes confidentiality, non-compete, and non-solicitation clauses.

Messrs. Mongeau, Houle, Cory, 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 CNPPSM (approximately C$152,366 in 2016), 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 a combination of letters of credit and other financial instruments.

Mr. Mongeau's annual benefit payable under the SRS is capped at U.S.$1,000,000 (C$1,342,700).

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

Mr. Jobin participates in the DCPP.

The DCPP 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 DCPP or maintain participation in the CNPP and CNPPSM mentioned above. Messrs. Mongeau, Houle, Cory, Ruest and Finn elected to remain in the CNPP and CNPPSM. Executives and senior management employees hired on or after January 1, 2006, automatically join the DCPP.

Executives participating in the DCPP 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$26,010 in 2016).

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* limit applicable to the DCPP described above. Once contributions have reached the limit prescribed by the *Canadian Income Tax Act* in the DCPP 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 DCPP. 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 Post-retirement Benefits, on page 71 of the 2016 Annual Report and in Note 12 — Pensions and Other Post-retirement Benefits, on page 70 of the 2015 Annual Report, available on the Company's website at **www.cn.ca** and on SEDAR at **www.sedar.com**. 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 2016 and are in Canadian dollars.

NAME	NUMBER OF YEARS OF CREDITED SERVICE (#)	ANNUAL BENEFITS PAYABLE		OPENING PRESENT VALUE OF DEFINED BENEFIT OBLIGATION[4] (C$)	COMPENSATORY CHANGE[1] (C$)				NON-COMPENSATORY CHANGE[5] (C$)	CLOSING PRESENT VALUE OF DEFINED BENEFIT OBLIGATION[4] (C$)
		AT YEAR END[2] (C$)	AT AGE 65[3] (C$)		SERVICE COST	IMPACT OF SALARY/ BONUS	IMPACT OF PLAN CHANGES	TOTAL		
Claude Mongeau	22.75[6]	1,386,000[6]	1,386,000[6]	18,498,000	45,000	(38,000)	0	7,000	8,196,000[7]	26,701,000
Ghislain Houle	19.32	237,000	764,000	2,904,000	146,000	4,222,000[8]	0	4,368,000	240,000	7,512,000
Michael Cory	35.00	548,000	891,000	8,515,000	157,000	3,986,000[9]	0	4,143,000	369,000	13,027,000
Jean-Jacques Ruest	20.67	539,000	634,000	7,692,000	371,000	113,000	0	484,000	297,000	8,473,000
Sean Finn	23.00	566,000	720,000	8,371,000	359,000	(13,000)	0	346,000	351,000	9,068,000

(1) The change in present value that is attributable to compensation includes the service cost net of employee contributions, the impact of any 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) Annual benefits payable at year end represent accrued benefits as at December 31, 2016 (based on service and pay up to December 31, 2016), payable at age 65 or at unreduced retirement date, if earlier. Actual benefits payable at year end would have been reduced for employees not yet eligible for unreduced benefits.

(3) The projected pension is based on current compensation levels and assumes the executive will receive 80% of his target bonus for the years after 2016.

(4) The present value of the defined benefit obligation is the value of the benefits accrued for all service to the specified point in time.

(5) The impact on the present value at the end of 2016 relating to the non-compensatory change was mainly comprised of interest on the benefit obligation and changes in assumptions (namely, a decrease in the discount rate offset by a decrease in the currency exchange rate). It also includes the impact of the retirement of Mr. Mongeau.

(6) Mr. Mongeau retired effective January 31, 2017, with an annual pension of $1,386,000 (from registered plans and SRS). His service and benefits reflect one additional month of service for service rendered in January 2017, up to his actual retirement date.

(7) The non-compensatory change is mainly due to the experience loss arising from the fact that Mr. Mongeau retired earlier than expected and under a disability retirement, which provides for unreduced benefits, as calculated per plan provisions.

(8) Represents a one-time value increase as a result of Mr. Houle's appointment as Executive Vice-President and CFO. The increase in present value is not immediately acquired and may or may not materialize. It is based on the assumption that Mr. Houle will remain with CN and retire at a future date with higher projected pensionable earnings.

(9) Represents a one-time value increase as a result of Mr. Cory's appointment as Executive Vice-President and COO. The increase in present value is not immediately acquired and may or may not materialize. It is based on the assumption that Mr. Cory will remain with CN and retire at a future date with higher projected pensionable earnings.

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$)	COMPENSATORY AMOUNT[1] (C$)	NON-COMPENSATORY AMOUNT[2] (C$)	ACCUMULATED VALUE AT YEAR END (C$)
Luc Jobin[3]	1,410,619	305,588	117,683	1,833,890

(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 Post-retirement Benefits, on page 71 of the 2016 Annual Report and in Note 12 — Pensions and Other Post-retirement Benefits, on page 70 of the 2015 Annual Report, available on the Company's website at **www.cn.ca** and on SEDAR at **www.sedar.com**. Amounts include the value of pension benefits for active, deferred and retired executive and senior management participants for 2016.

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.	372,400,000	407,100,000[1]
Non-Registered Defined Contribution Plans in Canada and U.S.	4,200,000	4,900,000

(1) The increase in the present value at the end of 2016 was mainly due to benefit accruals, the decrease in the discount rate, and the plans' demographic experience. This was partially offset by a decrease in the currency exchange rate.

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 an NEO, 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 for the plan	Entitled to a bonus based on corporate and individual performance and pro-rated on active service in plan year	Entitled to a bonus based on corporate and individual performance and pro-rated on active service in plan year (minimum of three months), subject to providing a six-month notice period prior to retirement	No specific provision	Forfeits eligibility for the plan
Stock Options [(1)]	All stock options are cancelled	Continued vesting for three months Exercise of vested stock options within three months or otherwise forfeited	Subject to respect of two-year non-compete, non-solicitation and confidentiality provisions Continued vesting for three years if the executive remains in continuous and active service until the last day of the year in which the grant was made Exercise of vested stock options within three years or otherwise forfeited	If proper substitute is granted, immediate vesting would occur only if participant is terminated without cause or resigns for good reason [(2)] within two years of the Change of Control	All stock options are cancelled
Performance Share Units [(1)]	All PSUs are cancelled	Partial payout if performance measures are met and pro-rated based on active service during the plan period Subject to respect of two-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 of the year following the year in which the grant was made Subject to respect of two-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 [(2)] 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 [(1)]	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 24 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.

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 according to the terms of the plans under which they were granted, as described in the summary Termination and Change of Control Benefits table on this page.

Retirement

On December 31, 2016, Mr. Jobin was eligible for retirement under the defined contribution plans. Messrs. Ruest and Finn were also eligible for retirement but did not have sufficient service for unreduced retirement benefits under the defined benefit plans. Had Messrs. Jobin, Ruest, and Finn retired on December 31, 2016, no incremental amounts would have been payable. Share-based awards, option-based awards and other benefits will be treated according to the terms of the plans under which they were granted, as described in the summary Termination and Change of Control Benefits table on this page.

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, 2016.

NAME	SHARE UNITS PLAN(1) (C$)	STOCK OPTIONS(1) (C$)	DEFERRED SHARE UNITS(2) (C$)	TOTAL (C$)
Luc Jobin	0	0	0	0
Claude Mongeau	0	0	0	0
Ghislain Houle	0	0	0	0
Michael Cory	0	0	106,738	106,738
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 "Deferred Compensation Plans" section on page 62 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, 2016 (C$90.36).

Currency Exchange Information

Compensation disclosed in the "Statement of Executive Compensation" section 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.$1 = C$X	
Salary All other compensation	Average rate during the year	2016: 2015: 2014:	1.3248 1.2787 1.1045
Annual incentive bonus plan	When bonus is earned (i.e., December 31)	December 31, 2016: December 31, 2015: December 31, 2014:	1.3427 1.3840 1.1601
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 of prior year for pension value	December 31, 2016: December 31, 2015: December 31, 2014: December 31, 2013:	1.3427 1.3840 1.1601 1.0636
Option-based awards – Value vested during the year	Actual vesting date of the grants made on: January 29, 2015 February 3, 2014 February 19, 2013 January 24, 2013 January 26, 2012	 January 29, 2016: February 3, 2016: February 19, 2016: January 22, 2016: January 26, 2016:	 1.4006 1.3773 1.3769 1.4150 1.4075

Other Information

Securities Authorized for Issuance Under Equity Compensation Plans

The table below indicates, as at December 31, 2016, 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 security holders	5,315,274	61.07	17,338,768
Equity compensation plans not approved by security holders	Nil	Nil	Nil
TOTAL	5,315,274	61.07	17,338,768

Indebtedness of Directors and Executive Officers

As of March 7, 2017, 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 2018 annual meeting of shareholders must be received at the head office of the Company no later than December 7, 2017, 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** and on EDGAR at **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

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

March 7, 2017

Schedule "A" – 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 seven 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 "B" – Reports of the Committees

The following are reports of each Board committee as of December 31, 2016. These reports provide details on the activities of each committee but are not meant to be exhaustive.

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

2016 HIGHLIGHTS

In 2016, 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 and the internal controls over financial reporting of the Company, and on the financial statements of CN's Pension Trust Funds;
- 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 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.

Report of the Finance Committee

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

2016 HIGHLIGHTS

In 2016, 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 increase of the Company's commercial paper program;
- reviewed and recommended the extension and increase of CN's Revolving Credit facility;
- reviewed the extension of CN's accounts receivable securitization program; and
- approved public debt offerings of $U.S.500 million 2.75% Notes due 2026 and $U.S.650 million 3.20% Notes due 2046.

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;
- reviewed and recommended a new share repurchase program and related progress reports;
- reviewed and recommended the Company's Capital Budget;
- reviewed, recommended and monitored significant capital and other expenditures, such as the investment for the implementation of Positive Train Control, major sales transactions and rail structuring projects, material purchases of products and services, as well as projected and actual returns from investments; and
- oversaw post-completion audits of significant capital projects approved by the Board carried out by the internal auditors, and reviewed their reports.

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.

Report of the Corporate Governance and Nominating Committee

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

2016 HIGHLIGHTS

In 2016, 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, and Chair evaluation process, including hiring an independent third party to conduct a director peer review 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 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 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 the 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; and
- assisted the Board with the oversight of the Company's corporate governance and monitored legal and regulatory requirements, as well as best practices.

Committee Performance

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

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

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

2016 HIGHLIGHTS

In 2016, 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; and
- retained the service of independent compensation advisors to help it carry out its responsibilities and approved appropriate fees for such services.

Submitted by the members of the Human Resources and Compensation Committee.

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

2016 HIGHLIGHTS

In 2016, 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 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 significant notices, complaints, investigations and proceedings by governmental authorities, and all significant 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.

Report of the Strategic Planning Committee

Members: J.E. O'Connor (Chair), D.J. Carty, G.D. Giffin, E.E. Holiday, L. Jobin, V.M. Kempston Darkes, D. Losier, K.G. Lynch, R. Pace, R.L. Phillips, L. Stein

2016 HIGHLIGHTS

In 2016, 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.

Report of the Investment Committee of CN's Pension Trust Funds

Members[(1)]**:** E.E. Holiday (Chair), G.D. Giffin, D. Losier, K.G. Lynch

2016 HIGHLIGHTS

In 2016, 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 Plans 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.

Report of the Donations and Sponsorships Committee

Members[(1)]**:** L. Jobin (Chair), G.D. Giffin, D. Losier, R. Pace

2016 HIGHLIGHTS

In 2016, 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.

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.

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.

SCHEDULE "B"

(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).

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** and on our website at **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, V. 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 Audit 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 disclosure and earnings press releases, prior to their release, filing and distribution. The mandate also provides that the Audit 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.

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 Audit 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**, under Delivering Responsibly/Governance for more details on these procedures.

Monitoring Internal Auditors

The Audit Committee is responsible for ensuring that the Chief, Internal Audit 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 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.

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 Audit 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 2016 and held *in camera* sessions at each meeting. The report of the Audit Committee, set forth in Schedule "B" 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 2016 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, 2016 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.

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

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 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. Phillips serves on the audit committees of the following public companies: Canadian Western Bank, MacDonald Dettwiler & Associates Ltd. and Precision Drilling Corporation. The Corporate Governance and Nominating Committee and the Board have reviewed Mr. Phillips' 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. In addition, Mr. Phillips will not be standing for re-election as a director of Precision Drilling Corporation at its annual shareholders meeting in May 2017.

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CN shows its concern for protecting the environment through the use of FSC-certified paper

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