

2024 CDP CORPORATE QUESTIONNAIRE

Delivering Responsibly



| | | | | | | | | | |
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Ghislain Houle
Executive Vice-President and
Chief Financial Officer

ABOUT THIS REPORT

Delivering Responsibly is at the heart of how CN is building for a sustainable future. The following report contains the data and information CN disclosed in response to the CDP 2024 Corporate Questionnaire.

OUR APPROACH

We believe maintaining the trust of our stakeholders and investors requires transparency on CN's approach to climate-related governance, risks and opportunities, strategy, and performance to provide clarity on the implications of climate change and other environmental factors could pose to our business. For the fifteenth straight year, CN responded to the CDP Corporate Questionnaire, outlining our approach to combating climate change by reducing emissions, managing and mitigating climate risks, identifying opportunities and collaborating with our stakeholders to achieve an effective transition to a low-carbon future.

EVOLVING ENVIRONMENTAL DISCLOSURE

CDP's annual environmental disclosure and scoring process is widely recognized as the gold standard of corporate environmental transparency and evolve annually to drive corporate ambition further, and support companies and financial markets to transition in line with a 1.5°C world. CDP collects environmental data from the world's largest organizations on behalf of over 700 institutional capital markets signatories with a combined US\$142 trillion in assets, and 330+ major purchasers with over US\$6.4 trillion in procurement spend.

In 2024, the CDP full corporate questionnaire follows the latest science, aligns with new high-quality disclosure frameworks and standards that deliver consistent, comparable and useful environmental data to capital markets, procurement teams and policymakers.

READ MORE

The *Delivering Responsibly* section of our website provides online access to our complete sustainability reporting suite, including the most current editions of our Sustainability Report, Data Supplement, CDP Response, and TCFD Index.

www.cn.ca/delivering-responsibly

OUR REPORTING

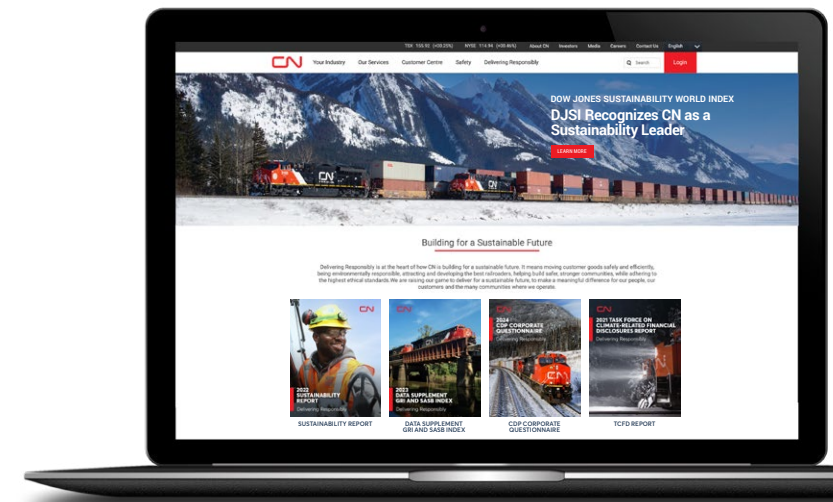
Our approach to sustainability disclosure aligns with international standards, including the Global Reporting Initiative, the World Bank Mobility Goals, and the Greenhouse Gas Protocol, as well as recommendations from the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TCFD), now both managed under the International Sustainability Standards Board (ISSB). Transparency regarding climate-related risks and opportunities is critical to maintaining the trust of our stakeholders and allows our investors to better understand the implications of climate change on our business.

We recognize that our climate is changing, and that businesses must not merely adapt, but be part of the solution. As a mover of the economy, CN is committed to playing a key role in the transition to a low-carbon economy.

External Assurance



We are dedicated to continuously improving our sustainability reporting and believe that independent assurance leads to quality and process improvements. We also prepare a separate Greenhouse Gas (GHG) Emissions Report upon which we obtain limited assurance. Our 2023 GHG Emissions Report can be found on our website at www.cn.ca/delivering-responsibly.



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➤ IN THIS SECTION:

We provide an overview of our business and strategy, including data parameters, reporting timeframe, boundaries, and details on our value chain. This provides context for CN's activities and sector, as well as its connection to environmental issues and corporate strategy.

- 04 An Introduction to CN
- 06 Reporting Data
- 06 Boundary
- 06 Unique Identifiers
- 06 Transport Modes
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PICTURED: Elma, MB
Photo by CN Employee, Ildar Noureev



INTRODUCTION

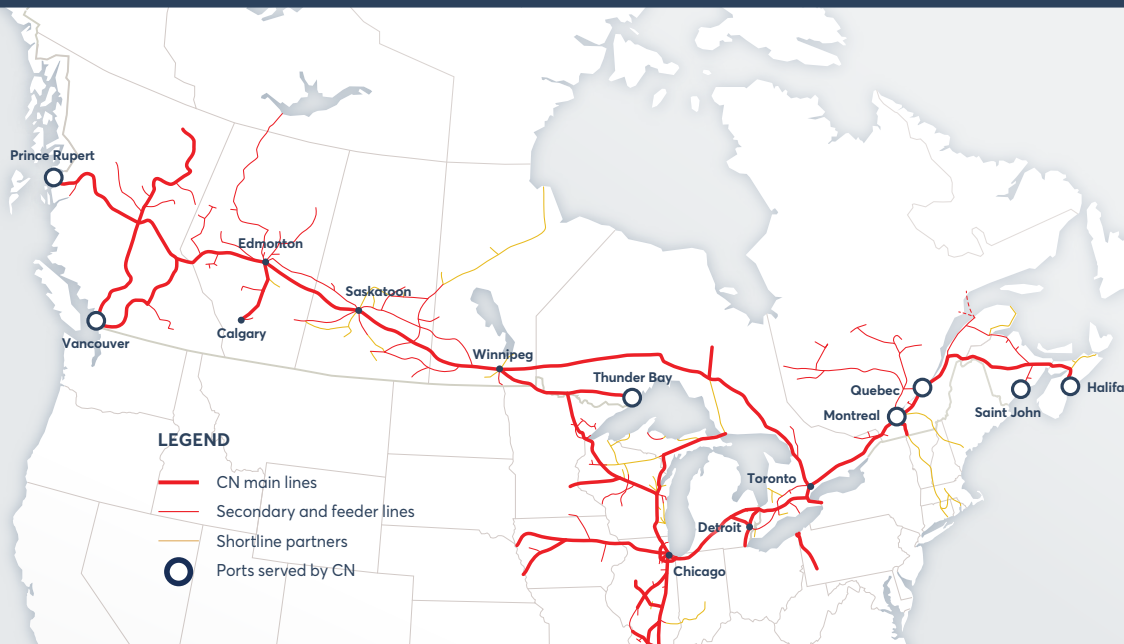
An Introduction to CN

1.3

Overview and introduction to our business

OUR BUSINESS AT A GLANCE

CN is a North American transportation and logistics company. Our nearly 20,000-mile rail network spans Canada and the United States of America (U.S.), connecting ports on three coasts: the Atlantic, the Pacific and the Gulf of Mexico. Our freight revenues are derived from seven commodity groups representing a diversified and balanced portfolio of goods. We safely transport more than 300 million tons of cargo annually serving exporters, importers, retailers, farmers and manufacturers, contributing to sustainable trade and the prosperity of the communities in which it operates since 1919.



2023 KEY STATISTICS⁽¹⁾

>300M

TONS OF CARGO MOVED

\$16.8B

REVENUES

\$3.1B

CAPITAL INVESTMENTS⁽²⁾

18,800

ROUTE MILES

~25,000

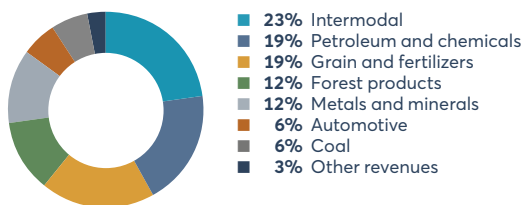
EMPLOYEES (end of period)

7 major ports

SERVED ACROSS NORTH AMERICA

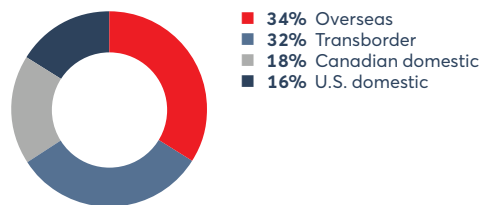
2023 REVENUES BY COMMODITY GROUP⁽¹⁾

(% of total revenues)



2023 REVENUES BY GEOGRAPHIC FLOW⁽¹⁾

(% of freight revenues)



(1) For the year ended December 31, 2023

(2) Net of amounts reimbursed by customers

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An Introduction to CN (cont.)

INCREASING OUR LEVEL OF AMBITION

In 2017, CN became the first railroad in North America, and among the first 100 companies globally, to set an approved science-based target. We revised our target in 2020 and CN's new target, approved by the Science Based Targets initiative (SBTi) in April 2021, commits CN to reducing Scope 1 and 2 greenhouse gas (GHG) emission intensity by 43% by 2030 from a 2019 base year. CN commits to reduce Scope 3 GHG emissions covering fuel- and energy-related activities from locomotive, truck and vessel fleets 40% per gross ton miles by 2030 from a 2019 base year and CN also commits to reduce all other absolute Scope 3 GHG emissions from fuel- and energy-related activities 27.5% by 2030 from a 2019 base year. CN remains a leader in the North American rail industry, consuming approximately 15% less locomotive fuel per gross ton-mile than the industry average.

In 2021, we became the first North American railroad to formally commit to setting a net-zero target by joining the "Business Ambition for 1.5°C" and the United Nations' "Race To Zero" campaign. In 2022, CN joined the United Nations Global Compact, committing to making its principles a key part of our strategy, culture and day-to-day operations. In July 2024, CN announced that its net-zero by 2050 target was validated by the SBTi.

OUR STRATEGY TO DECARBONIZE OUR BUSINESS

With 87% of our Scope 1 emissions generated from rail operations, we believe the best way to reduce our carbon footprint is by continuously improving our rail efficiency. As such, our SBTi target informs our low-carbon transition plan and business strategy which focuses on five key strategic areas:



In 2023, we continued trials and qualifications on CN's existing locomotive fleet of up to 100% sustainable renewable fuel blends carried out in partnership with locomotive manufacturers, fuel producers and other Class I railroads. We are working to reduce our non-rail carbon footprint, which comprises approximately 15% of our total Scope 1 and 2 emissions, by upgrading our ground fleet, retrofitting yards and buildings, and decarbonizing our vessel fleet.

[2022 Sustainability Report](#)
[2023 Data Supplement](#)

BUILDING RESILIENCY AND BIODIVERSITY

An important element of building our resiliency involves climate scenario analysis to identify and understand how climate-related risks will impact our business while integrating this into our risk assessment process. In 2023, we released CN's latest Delivering Responsibly sustainability report which provided an update on our approach to managing the physical and transitional risks associated with climate change that we could face as a business. Additionally, our latest sustainability report provided an update on our approach to biodiversity.

We recognize the importance of biodiversity and protecting natural capital. Our EcoConnexions programs promote the greening of municipalities and Indigenous communities situated adjacent to our rail network. Working together with our partners, we have planted over 2.4 million trees since 2012 – improving air quality and the national landscape for future generations to enjoy. Our target is 3 million trees by 2030.

COLLABORATING BEYOND 2030

Decarbonizing rail transportation will continue to require innovative fuel-efficient technologies, the greater use of cleaner sustainable fuels, and designing innovative low-emission supply chain solutions through investments and collaboration with various stakeholders including governments, supply chain partners, customers, suppliers, academics and cleantech. We are also actively engaging with other rail companies, directly and through associations such as the Association of American Railroads (AAR) and the Railway Association of Canada (RAC) as well as with diverse locomotive manufacturers, fuel suppliers and customers.

In 2022, in support of our ambitious long-term goals, along with Progress Rail and Chevron Renewable Energy Group (REG), we began testing high-level renewable fuel blends, including both biodiesel and renewable diesel, in our locomotives. We recognize the entire rail transportation industry will need to collaborate and make significant investments to find innovative solutions to achieve net-zero by 2050. We believe rail has a tremendous potential to reduce the environmental impact of transportation and are committed to playing a key role in the transition to a more sustainable world.

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Reporting Data

1.4, 1.7
Reporting data and emissions timeframe

The report covers data and information from January 1 to December 31, 2023 for our operations in Canada and the United States of America. Our emissions data is provided for the current year only. Financial information is disclosed in Canadian dollars throughout the response, unless otherwise noted.

Boundary

1.5
Reporting boundary and approach

CN uses an operational control method for its greenhouse gas emissions and energy consumption calculations. CN's approach to its consolidated financial statements include the accounts of all subsidiaries and variable interest entities for which CN is the primary beneficiary.

Unique Identifiers

1.6
Unique identifier codes

CN's unique identifier codes are as follows:

| | | |
|--|--|--|
| International Securities Identification Number (ISIN) ISIN: CA1363751027 | Legal Entity Identifier (LEI) 3SU7BEP7TH9YEQOZCS77 | Ticker Symbol TSX: CNR.TO NYSE: CNI |
| Committee on Uniform Securities Identification Procedures (CUSIP) CUSIP: 136375102 | D-U-N-S number 20-213-5729 | |

Organizational Activities: Transport Services and Transport OEMS

1.21
Transport modes

The transport modes for which we are providing data include rail, heavy-duty vehicles (HDV), light-duty vehicles (LDV), and marine.

| | | | | | | | | | |
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Value Chain Mapping

1.24
Description of our value chain mapping process and coverage

MAPPING PROCESS AND COVERAGE

At CN, we map our value chain – both upstream and downstream – to understand and provide visibility into different parts of our value chain, to facilitate activities such as effective risk management, traceability, and supplier engagement. The highest supplier tier we map is Tier 1. The highest known tier is Tier 2 but we have not mapped that tier at this time.

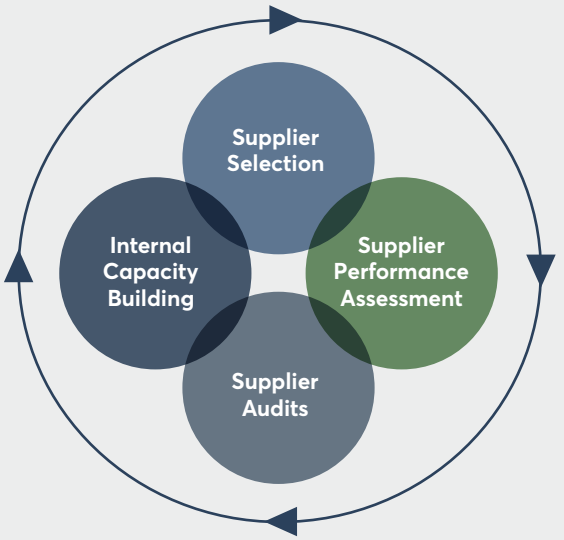
Collaboration with our suppliers is essential to drive responsible sourcing and continuous improvement. CN strives to work with suppliers, agents, consultants, and other third parties and business partners, as well as their respective employees, directors, and officers (the Suppliers) who share our commitment to social, ethical, and environmental responsibility. By embedding environment, social and governance (ESG) principles, fostering supplier collaboration, and promoting diversity, we aim to create a more sustainable and inclusive supply chain.

Our main Suppliers provide a wide range of goods and services, which include locomotives, rolling stock, spare parts and maintenance; track and signalling materials and maintenance; infrastructure construction and maintenance; trucks, spare parts and maintenance; information and technology products and services; operational services (i.e., accommodation, transportation, training); and fuel.

As CN procures many goods and services from a broad range of industries, both domestically and internationally, we acknowledge ESG risks can exist in our extended supply chain. We understand the importance of risk mitigation and relationship management throughout the procurement process. As such, we adopt a multi-pronged approach to managing opportunities and risks in our supply chain, starting with how we select our suppliers.

We seek to gain visibility into our supply chain through the procedures established under our Procurement Policy and Sustainable Procurement Program, as well as screening our Suppliers on ESG and Indigenous engagement criteria. Significant suppliers are asked to assess their ESG performance through a third-party platform to help us identify, manage, and monitor the ESG performance of our Suppliers. Currently, suppliers representing approximately 40% of CN's addressable spend are monitored by the third-party platform. CN uses ESG platform scorecards, which consider country- and industry-specific ESG risks, to monitor our Suppliers' sustainability performance and reference during performance reviews to discuss any improvement areas or corrective actions required based on the results of our risk framework. In conjunction with the ESG platform, onsite audits and safety performance assessments are leveraged to assess ESG issues. In 2023, these assessments covered 86% of CN's critical Suppliers.

OUR APPROACH TO MANAGING RISKS AND OPPORTUNITIES IN OUR SUPPLY CHAIN



PRIORITIZING TOPICS THAT MATTER MOST

We apply the principles of materiality and stakeholder inclusiveness to prioritize the topics that matter most to our business and our stakeholders, which helps us to focus our strategic priorities, refine our reporting, and inform the evolution of our sustainability programs. In 2022 and 2023, we conducted our most recent biennial materiality assessment to identify and prioritize our sustainability topics and applied the principles of double materiality from a business and social impact perspective.

Our most recent materiality assessment identified 21 material sustainability topics of which plastics was not identified as a priority.

↓
[Fighting Against Forced Labour and Child Labour in Supply Chains: 2023 Annual Report](#)

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▶ IN THIS SECTION:

We outline our environmental criteria for determining significant potential impacts on our operations. We also detail our processes for identifying, evaluating, and mitigating potential environmental risks and opportunities that could potentially have a substantive financial and/or strategic effect on our business.

- 09 Definition of Time Horizons
- 09 Identification, Assessment and Management Process
- 11 Assessment of Interconnections
- 11 Priority Locations
- 12 Substantive Effects

PICTURED: Signals outside of Oban, SK

IDENTIFICATION, ASSESSMENT, AND MANAGEMENT

of Dependencies, Impacts, Risks, and Opportunities

Definition of Time Horizons

2.1

Time horizons in relation to environmental dependencies, impacts, risks, and opportunities

| Time horizon | From (years) | To (years) | Comments |
|--------------|--------------|------------|--|
| Short-term | 0 | 1 | The short-term time horizon aligns with our annual planning and targets. |
| Medium-term | 2 | 5 | The medium-term horizon aligns with our five-year strategic plan. |
| Long-term | 6 | 10 | The long-term horizon aligns with our 2030 science-based target. |

Identification, Assessment, and Management Process

2.2

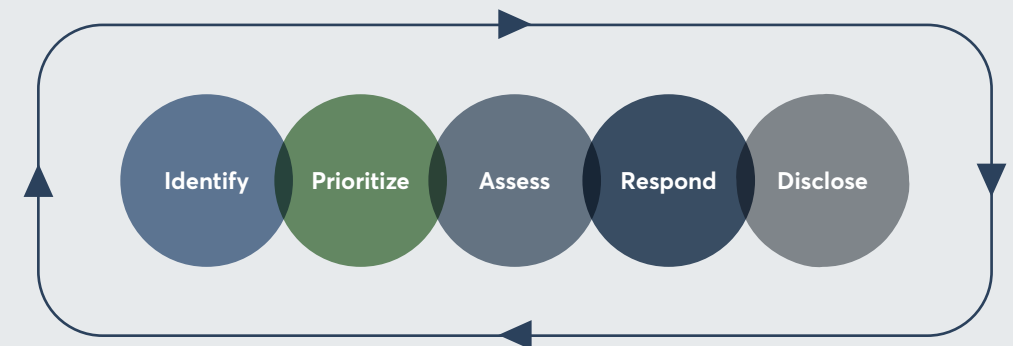
Process for identifying, assessing, and managing environmental dependencies, impacts, risks, and opportunities

MULTI-DISCIPLINARY RISK MANAGEMENT PROCESS

CN's identification and assessment of risk is based on the Chartered Professional Accountants of Canada's A Framework for Board Oversight of Enterprise Risk and covers internal and external trends impacting our business. We apply the double materiality principles to our materiality assessment and identified actual and potential, negative and positive impacts across our value chain based on the identified relevant sustainability topics. Through CN's enterprise risk management framework and CN's double materiality assessment, which identifies the actual and potential, negative and positive dependencies and impacts across our value chain, we found that climate change was one of the top topics that could impact CN and that CN impacted.

CN uses a multi-disciplinary company-wide risk management process to assess short-, medium-, and long-term climate-related risks and opportunities. At a company level, we use enterprise and operational risk management processes to identify, prioritize, assess, respond to, and disclose risks, including climate-related risks that have the potential to affect CN's business strategy. For each risk (inherent or residual), a ranking is provided ranging from high to low, based on financial, operational, environmental, and reputational impacts and the associated likelihood of occurring.

RISK MANAGEMENT PROCESS



At a company level, we use enterprise and operational risk management processes to identify, prioritize, assess, respond to, and disclose risks, including climate-related risks that have the potential to affect CN's business strategy.

Identification, Assessment, and Management Process (cont.)

| Environmental issue | Areas covered by the process for this environmental issue | Value chain covered • Coverage • Supplier tiers covered | Assessment type • Assessment frequency • Time horizons | Integration process • Location-specificity • Tools and Methods | Risk types and criteria considered | Partners and stakeholders considered | |
|-----------------------|---|---|--|---|--|--|---|
| Climate change | Dependencies Impacts Risks Opportunities | Direct operations Upstream value chain Downstream value chain • Full • Tier 1 suppliers | Qualitative and quantitative • Annually • Short-, Medium-, and Long-term | Integrated into multi-disciplinary organization-wide risk management process • Site-specific and national • Enterprise Risk Management Materiality assessment Scenario analysis External consultants | Acute physical <ul style="list-style-type: none"> • Landslides • Wildfires • Heat waves • Cold wave/frost • Flood (coastal, fluvial, pluvial, ground water) • Storm (including blizzards, dust, and sandstorms) Chronic physical <ul style="list-style-type: none"> • Increased severity of extreme weather events Policy <ul style="list-style-type: none"> • Carbon pricing mechanisms • Changes to national legislation | Market <ul style="list-style-type: none"> • Changing customer behaviour Reputation <ul style="list-style-type: none"> • Increased partner and stakeholder concern and partner and stakeholder negative feedback Technology <ul style="list-style-type: none"> • Transition to lower emissions technology and products Liability <ul style="list-style-type: none"> • Non-compliance with regulations | <ul style="list-style-type: none"> • Customers • Employees • Investors • Suppliers • Regulators • NGOs • Local communities • Indigenous peoples |

PROCESS FOR DETERMINING FINANCIAL OR STRATEGIC IMPACT

The determination of whether it has a substantive financial impact is aligned with our corporate risk management framework taking into consideration the likelihood and the severity of the impact.

For operational and business-level risks, including climate-related risks, a substantive financial or strategic impact is defined as having a maximum impact value that is greater than 2% on Earnings Before Interest and Taxes (EBIT) or is otherwise perceived as significant and could result in irreparable damage to CN's reputation and/or assets. Enterprise-level risks are captured on CN's enterprise risk heat map which includes enterprise-level risks that are associated with a financial impact as low as \$75 million and/or having undesirable outcomes related to strategic objectives.

We regularly report on our risks internally, highlighting substantive risks/opportunities that have the potential financial maximum impact value that is greater than 2% on EBIT or is otherwise perceived as significant and could result in irreparable damage to our reputation and/or assets.

CN's risk assessment processes integrate climate change, both physical risks, like increased frequency or severity of temperature extremes, flooding and sea level rise, fires, hurricanes, and tornadoes, as well as transition risks, like legal, policy, reputation and market impacts. The processes for climate-related risks and opportunities take place on an ongoing basis at the operational level, and formally on an annual basis during our climate risk assessment leading up to the business planning cycle and voluntary ESG disclosure events.

ASSESSING THE RESILIENCY OF OUR STRATEGY

We assess the resiliency of our strategy by modeling the impacts of climate change under multiple scenarios and integrate physical and transitional risk scenarios into our strategic planning and risk assessment processes. We leverage the best available information, including from the International Energy Agency (IEA), to improve our understanding of potential climate change impacts for our customers, supply chain partners, and regions where we operate. Through our analysis, we identify potential climate vulnerabilities that we translate into tangible actions to mitigate climate-related risks and take advantage of opportunities.

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Assessment of Interconnections

2.2.7

Interconnections between environmental dependencies, impacts, risks, and opportunities assessed

CN is committed to building a sustainable future, to working with our supply chain partners and customers to provide cleaner, more sustainable transportation services, and to working with stakeholders and rightsholders to avoid, minimize, or offset our environmental impact and when we do impact the environment, to restore it. CN's Environmental Policy and commitments are focused on continuous improvement, ensuring that environmental leadership and performance are firmly embedded in the way we work and that we comply with applicable legal and regulatory requirements.

Through CN's environment policy, the Company commits to employ comprehensive assessment frameworks and ESG business processes to identify and mitigate potential environmental risks and impacts related to CN operations. CN conducts environmental and social impact assessments before starting construction projects to understand and mitigate potential environmental risks which include ecosystem, biodiversity and community risks.

Assessment activities include, but are not limited to, taking inventory and mapping critical habitat, threatened and endangered species, wetlands, critical environmental receptors and adjacent lands and taking inventory of Indigenous communities and local municipalities when completing capacity growth and construction activities or in relation to derailment response events and remedial sites across the network.

CN's environmental strategy is guided by the Company's Environment Policy and focuses on emissions and energy efficiency, waste management, and biodiversity and land management and is firmly embedded in our operating practice and culture, and is a key area of consideration in every decision we make across our business. At the board level, CN's Governance, Sustainability and Safety Committee (GSS) was responsible to assist the Board in fulfilling its oversight responsibilities, in addition to the policies, practices and metrics relating to environmental, social, and governance.

As of April 2024, this is managed through CN's updated Board committees: the Governance and Sustainability Committee and the Safety and Environment Committee.

Interconnections between environmental dependencies, impacts, risks and/or opportunities are monitored through CN's management-level Sustainability Committee, which is mandated to monitor, assess, propose, and initiate mitigation measures for sustainability risks and opportunities. The committee comprises senior management-level representatives from relevant business units and corporate functions that have oversight over or can influence critical levers in managing CN's environmental or social impact. These include, but are not limited to, Operations, Human Resources, Legal, Procurement, and Sales and Marketing. CN's Senior Director, Sustainability chairs the meetings and reports directly to the Chief Financial Officer (CFO).

Priority Locations

2.3

Identification of priority locations across our value chain

CN conducts environmental and social impact assessments before starting construction projects to understand and mitigate potential environmental risks which include ecosystem, biodiversity and community risks. Assessment activities include, but are not limited to, taking inventory and mapping critical habitat, threatened and endangered species, wetlands, critical environmental receptors and adjacent lands and taking inventory of Indigenous communities and local municipalities when completing capacity growth and construction activities or in relation to derailment response events and remedial sites across the network.

We work cross-functionally within CN and externally with regulators, experts, local municipalities, and Indigenous communities to inventory and identify critical habitat, species at risk, sensitive areas as well as archaeological and heritage features. We also work with key stakeholders and rightsholders to identify opportunities to implement mitigation measures using the hierarchy of avoidance, minimization, restoration, and offsetting, where appropriate. Our systematic approach ensures we consider the specific environmental and regulatory context when completing maintenance, growth,

remediation, and/or emergency response projects across our network. When CN's operations have the potential to disturb nearby ecological or community environments, we make best efforts to minimize our impact. Where impacts are unavoidable, we implement appropriate measures to promote no net loss of sensitive habitat. Post-construction of projects, we monitor our mitigation measures and make adjustments when required. This allows us to verify that our biodiversity initiatives are functional, which helps improve the design and delivery of future projects. CN is also committed to follow-up programs and ongoing engagement with local and Indigenous communities.

We have a list and geospatial map of priority locations. We are currently identifying priority locations that could have substantive nature-related dependencies, impacts, risks, and/or opportunities. The process is underway, which is why CN has chosen not to disclose priority locations at this time.

[Environmental Policy](#)

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> Definition of Time Horizons Identification, Assessment and Management Process Assessment of Interconnections Priority Locations Substantive Effects

Substantive Effects

2.4

How we define substantive effects on our business

| Effect type | Type of definition | Indicator used to define substantive effect | Change to indicator • % Change | Metrics considered in definition | Application of definition |
|---------------|------------------------------|---|--------------------------------------|--|--|
| Risks | Qualitative and quantitative | EBIT | % decrease • 1–10% | <ul style="list-style-type: none"> Frequency of effect occurring Time horizon over which the effect occurs Likelihood of effect occurring | There are a number of factors that CN considers when defining a substantive financial or strategic impact on our business. CN uses a multi-disciplinary company-wide risk management process is used to assess short-, medium-, and long-term climate-related risks and opportunities. When identifying or assessing climate risk, the determination of whether it has a substantive financial impact is aligned with our corporate risk management framework taking into consideration the likelihood and the severity of the impact. |
| Opportunities | Qualitative and quantitative | EBIT | % increase • 1–10% | <ul style="list-style-type: none"> Frequency of effect occurring Time horizon over which the effect occurs Likelihood of effect occurring | For operational and business-level risks, including climate-related risks, a substantive financial or strategic impact is defined as having a maximum impact value that is greater than 2% on EBIT or is otherwise perceived as significant and could result in irreparable damage to CN's reputation and/or assets. Enterprise-level risks, such as climate change, are, as a whole, captured on CN's enterprise risk heat map which includes enterprise-level risks that are associated with a financial impact as low as \$75 million and/or having undesirable outcomes related to strategic objectives. |

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➤ IN THIS SECTION:

We share our environmental risks and opportunities which could have a substantive effect within our direct operations and other parts of our value chain, and the extent to which we are aligning our business and strategy with these risks and opportunities.

- 14 Summary of Substantive Risks and Opportunities
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- 23 Opportunity Disclosure

PICTURED: Cisco Bridges, Siska, BC

DISCLOSURE OF RISKS AND OPPORTUNITIES

Summary of Substantive Risks and Opportunities

3.1, 3.6

Identification of any environmental risks and opportunities that have, or are anticipated, to have a substantive effect on our company

ENVIRONMENTAL RISKS AND OPPORTUNITIES

Through our multi-disciplinary company-wide risk management process we have identified six climate change risks and opportunities which could have a substantive effect on our direct operations as well as our upstream/downstream value chain in the current reporting year, or may have an effect in the future.

Climate change is integrated into our risk assessment processes, which consider both physical risks, including increased frequency of temperature extremes, flooding, and sea level rise, fires, hurricanes, and tornadoes, as well as transition risks, including legal, policy, reputation, and market impacts. We use enterprise and operational risk management processes to identify, prioritize, assess, respond to, and disclose risks.

CN is also well positioned to take advantage of climate-related opportunities such as potential cost reductions and/or the ability to expand into new markets.

| | |
|---|---|
| Extreme weather, flooding and wildfires | Severe weather events, could disrupt operations and service for the railroad, affect the performance of locomotives and rolling stock, and disrupt operations for CN and our customers. These types of business interruptions could result in increased direct costs, increased potential liabilities, and lower revenues. |
| Changing customer behaviour | Increasing consumer preference for cleaner energy sources to limit the impacts of climate change, further accelerated by government commitments to clean energy, could affect commodities we move. CN has several risk mitigation strategies including continuing to derive our freight revenues from a diversified commodity groups. |
| Carbon pricing mechanisms | CN is subject to several provincial, state, and federal climate-related regulations. As approximately 87% of CN's Scope 1 emissions in 2023 are from our rail operations in Canada and the U.S. this could expose us to increased direct operating costs from federal, provincial/state carbon taxes, cap-and-trade purchases of credits for the use of fossil fuels, fuel distributor prices, and third-party services for GHG reporting and verification. |
| Use of more efficient modes of transport | With approximately 87% of our Scope 1 GHG emissions generated from rail operations, we see important cost saving opportunities from improving rail fuel and carbon efficiency in line with the Paris Agreement, anchored by our 2030 and 2050 (net zero) approved science-based targets. Cleaner, more fuel-efficient equipment continues to enable us to decouple our business growth from GHG emissions. |
| Ability to diversify business activities | Increasing demand by customers for low-carbon freight transportation presents opportunities to increase revenues from shipping heavy freight by rail over long distances versus other more carbon-intensive modes such as transport trucks. We are actively working with many of our customers to help them reduce their transportation supply chain GHG emissions. |
| Expansion into new markets | CN has multiple opportunities to expand into new markets. These include taking advantage of changing global trade routes, benefiting from the shift toward cleaner, renewable energy sources such as wood pellets, biofuels, propane, and hydrogen, and the growing market for electric vehicles (EV) including opportunities to transport critical inputs like lithium, copper, nickel, cobalt, and graphite. |

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> Summary of Substantive Risks and Opportunities Risk Disclosure Carbon Pricing and Tax Systems Opportunity Disclosure

Risk Disclosure

3.1.1

Climate-related risks with potential for a substantive financial or strategic impact on our business

RISK 1 | EXTREME WEATHER, FLOODING AND WILDFIRES

| Environmental issue | Risk description | Company-specific description of risk | Anticipated effect of the risk on our financial position, performance and cash flow | Anticipated financial effect and explanation of financial effect figures |
|---------------------|--|--|--|---|
| Climate change | <p>Risk identifier Risk1</p> <p>Risk type Acute physical</p> <p>Value chain Direct operations</p> <p>Country(s) the risk occurs Canada and U.S.</p> <p>Primary financial effect Disruption to sales</p> <p>Time horizon Short-term</p> <p>Likelihood Virtually certain</p> <p>Magnitude of impact High</p>  | <p>Severe weather events, could disrupt operations and service for the railroad, affect the performance of locomotives and rolling stock, and disrupt operations for CN and our customers. These types of business interruptions could result in increased direct costs, increased potential liabilities, and lower revenues.</p> <p>CN conducted a physical risk assessment to better understand the potential physical risks CN faces due to extreme cold temperatures on our rail network in Canada which acted as a proxy for our U.S. rail network. The analysis used the Representative Concentration Pathways (RCPs) 2.6 and 4.5 scenarios, data from the World Climate Research Programme, Climate Atlas, and Climate Explorer by calculating the total number of cold days impacting our Canadian rail network from 2020 to 2030 which was determined as a relevant time horizon.</p> <p>In RCP 2.6, the analysis found the number of extreme cold days that could impact CN's network by 2030 would decrease by 26% from 2020. In RCP 4.5, the number of extreme cold days that could impact CN's network by 2030 would decrease by 44% from 2020.</p> <p>In 2021, a major precipitation event in Western Canada shut down CN's mainline network for three weeks in Q4 (due to flooding, washouts, and mudslides) in which CN experienced 58 outages. In Q2 2023, wildfires in Western and Eastern Canada affected CN's operations, those of our customers and required us to make adjustments to ensure the safety of CN's employees and the community.</p> | <p>Severe weather and natural disasters, such as extreme cold or heat, flooding, droughts, fires, hurricanes, landslides and earthquakes, can disrupt operations and service for the railroad, affect the performance of locomotives and rolling stock, disrupt operations for both the Company and its customers as well as damage CN's infrastructure or properties.</p> <p>Changes in weather patterns caused by climate change are expected to increase the frequency, severity or duration of certain adverse weather conditions. Business interruptions resulting from severe weather could result in increased costs, including modifications to existing infrastructure or implementation of new infrastructure to prevent or reduce severity of future impacts to CN's business, and increased liabilities and lower revenues, which could have a material adverse effect on CN's results of operations, financial condition or liquidity. If any natural occurrence leads to catastrophic interruption of service, CN may not be able to restore service without a significant interruption in operations. Insurance maintained by CN to protect against loss of business and other related consequences resulting from these natural occurrences is subject to coverage limitations, depending on the nature of the risk insured. This insurance may not be sufficient to cover all of the Company's damages or damages to others, and may not continue to be available at commercially reasonable rates.</p> <p>Additionally, acute physical risk is anticipated to effect CN's direct operations through decreased revenues as extreme weather events disrupt operations and CN's ability to service its customers. Decreased revenues without a mitigating offset will serve to reduce CN's operating earnings and cash flows. It is important to note that these events are unpredictable and, as such, the impacts to our network are variable based on the length and severity of the weather event. The figures provided below are not representative of the total annual cost of climate-related physical risks and instead provide a range of potential impacts.</p> | <p>Anticipated financial effect Approximately \$60–\$130 million</p> <p>Explanation of financial effect figures The stated financial effect figure of our exposure to extreme cold physical risks was informed by CN's prior financial impacts experienced during the 2021 British Columbia floods and the Q2 2023 wildfires, both being a proxy for similar climate-related events. In late 2021, CN was impacted by large flooding events throughout British Columbia and Western Canada which shut down CN's mainline for 20 days between mid-November and December.</p> <p>In addition to the flooding in British Columbia, CN was prevented from moving the backed-up traffic in December 2021 due to a cold snap mid-December to the end of December which caused further delays. In turn, as a result of difficult operating conditions and network outages, CN could not move product worth approximately \$120 million to \$130 million of revenue which represent the maximum potential financial impact disclosed.</p> <p>In Q2 2023, wildfires in parts of both Eastern and Western Canada had a temporary impact on volumes as the result of disruptions to both our operations as well as those of our customers. We estimate the financial impact of the event to be worth approximately \$60 million of earning, which represent the minimum potential financial impact disclosed.</p> <p>In addition to the flooding and fire impacts CN experienced in 2021 and 2023, the results of our climate-related physical risk assessment underscored that in either scenario analyzed, CN's business would be impacted by climate change in jurisdictions where CN has already experienced impacts. For example, extreme cold days, on average, are most pronounced on our operations in Alberta, Manitoba, Saskatchewan, and British Columbia.</p> <p>CN used the \$60 million to \$130 million as an estimate of the monetary impact of a similar magnitude of event due to severe or acute weather circumstances for one region of our network. It is important to note that these events are unpredictable and, as such, the impacts to our network are variable based on the length and severity of the weather event. The figures provided are not representative of the total annual cost of climate-related physical risks and instead provide a range of potential impacts.</p> |

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> Summary of Substantive Risks and Opportunities Risk Disclosure Carbon Pricing and Tax Systems Opportunity Disclosure

Risk Disclosure (cont.)

RISK 1 | EXTREME WEATHER, FLOODING AND WILDFIRES (cont.)

| Environmental issue | Response to risk and cost | Response explanation | Cost calculation of response |
|---------------------|---|---|---|
| Climate change | <p>Response to risk Improve maintenance of infrastructure</p> <p>Cost of response to risk Approximately \$1.6 billion</p> | <p>The extreme cold scenario analysis continues to be discussed in the context of influencing our winter readiness plans, particularly in areas of extreme cold exposures. These strategies can include reducing carload train lengths as well as adapting and right sizing the fleet. The analysis has helped us better understand exposure and plan network resilience measures.</p> <p>During the 2023-2024 winter, CN had 1,950 high- and mid-horsepower locomotives available to ensure having the locomotive fleet required to operate through the network and move the traffic offered for shipment by customers, and we complete our locomotive winterization and equipment inspection programs well in advance of winter. To support customer demand for shipping, CN acquired 800 new high-capacity boxcars and 500 high-efficiency hopper cars in 2023 to increase capacity and productivity. These actions were the result of sustained capital investment through the years totaling approximately \$19 billion from 2018-2023.</p> <p>To manage the risk of extreme cold, CN has made significant changes in our operational planning model to deliver consistent results and improved network resiliency as well as continuing to invest capital in our network. CN has implemented other measures to maximize efficiency and car utilization such as acquiring new locomotives and rolling stock, investing in network infrastructure, and expanding our crew base.</p> | <p>In 2023, CN invested approximately \$1.6 billion from our capital program to track maintenance in support of safe and efficient operations, including the replacement of rail and ties, bridge improvements, crossing protection upgrades and maintenance. These investments ensure the continued safe and efficient operation of our rail network, increase capacity, improve fluidity and accommodate growth.</p> <p>Our capital program also creates optionality and nimbleness to better respond to the unexpected, including extreme winter weather. CN will continue to innovate and improve our ability to deal with severe weather events.</p> |

CASE STUDY | ENHANCING OUR FIRE RESPONSE



One of CN's new Poseidon firefighting trains to better protect our network.

To manage the risk of fire, sprinkler systems have been deployed on many of our wooden structures in high-risk areas, and our Poseidon Firefighting Train, a bulkhead flat car into a self-contained, rail-mounted fire suppression system, which draws water from attached tank cars, has been deployed since May 2023.

In 2023, CN made the decision to enhance our fire response by building two additional Poseidon Trains to better protect our network and support the communities in which we operate, and they were put into service in 2024.

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> Summary of Substantive Risks and Opportunities

Risk Disclosure

Carbon Pricing and Tax Systems

Opportunity Disclosure

Risk Disclosure (cont.)

RISK 2 | CHANGING CUSTOMER BEHAVIOUR

| Environmental issue | Risk description | Company-specific description of risk | Anticipated effect of the risk on our financial position, performance and cash flow | Anticipated financial effect and explanation of financial effect figures |
|---------------------|---|---|---|--|
| Climate change | <p>Risk identifier Risk2</p> <p>•</p> <p>Risk type Market</p> <p>•</p> <p>Value chain Direct operations</p> <p>•</p> <p>Country(s) the risk occurs Canada and U.S.</p> <p>•</p> <p>Primary financial effect Decreased revenues due to reduced demand for products and services</p> <p>•</p> <p>Time horizon Medium-term</p> <p>•</p> <p>Likelihood About as likely as not</p> <p>•</p> <p>Magnitude of impact Medium-high</p>  | <p>Increasing consumer preference for cleaner energy sources to limit the impacts of climate change, accelerated by government commitments to clean energy, could affect commodities moved by CN, such as coal.</p> <p>CN's coal commodity group consists of thermal grades of bituminous coal, metallurgical coal and petroleum coke which accounted for approximately 6% of CN's total freight revenues for the year ended December 31, 2023.</p> <p>In evaluating the risk associated with changing customer behaviour, we conducted a scenario analysis using the IEA's Sustainable Development Scenario (SDS) and the Stated Policy Scenario (STEPS) to determine the financial impact of reduced coal production on our business using a short term time horizon of 2030 and 2050 for the long term as they align with Canada's 2030 GHG reduction target and net-zero by 2050 commitments. The SDS outlines a major transformation of the global energy system and is aligned with an end-of-century warming below 1.8°C. The STEPS reflects current policy settings based on a sector-by-sector assessment of the specific policies that are in place, as well as those announced by governments around the world, and is aligned with an end-of-century warming around 2.6°C.</p> <p>Under the SDS, CN's thermal coal volumes and revenues would fall drastically representing a decline of approximately \$430 million by 2050 when compared to the 2019 base year. Under the conservative STEPS scenario, CN thermal coal volumes and revenues decrease by approximately \$365 million reduction in revenue by 2050.</p> | <p>CN's business is based on transporting a wide variety of commodities from suppliers to the marketplace. CN regularly transports energy commodities that serve refineries, processing locations, and end-users across North America and global markets. CN's business lines include thermal and metallurgical coal, crude oil and petroleum products, including liquefied petroleum gas, fuel oil, asphalt, gasoline, condensate (diluent), and lubricant oils.</p> <p>Shifting consumer demand to lower-carbon products and increased climate-focused regulations, such as carbon pricing and fuel regulations, may bring about a broad transition in the energy sector. A comprehensive transition in the energy sector could significantly impact the markets of CN's energy customers or lead to market differentiation through geographic variation in policies and demand trends. A portion of CN's business could be materially affected by potential future changes and instability of such a transition.</p> <p>Government incentives encouraging the use of alternative sources of energy also could affect certain of CN's customers and the markets for certain of the commodities it carries in a manner that could alter our traffic patterns. Climate change could affect the markets for, or the volume of, the goods CN carries or otherwise have a material adverse effect on CN's results of operations, financial positions or liquidity. As such, changing customer behaviour is anticipated to affect CN's direct operations through decreased revenues, mostly relating to the movement of thermal coal. Decreased revenues without a mitigating offset will serve to reduce CN's operating earnings and cash flows.</p> <p>CN has several risk mitigation strategies to reduce this changing customer behaviour risk, including deriving our freight revenues from a diversified commodity group which includes revenue related to providing low-carbon freight revenue. Traffic from our truck-competitive business accounted for 64% of CN's revenue in 2023.</p> | <p>Anticipated financial effect Approximately \$365–\$430 million</p> <p>Explanation of financial effect figures The stated financial impact of our exposure to changing customer behaviour was informed by a detailed climate scenario analysis CN completed in 2022.</p> <p>The climate scenario analysis was conducted for 1.8°C and 2.6°C warming scenarios to provide relevant insights from a temperature impact as well as a policy impact. We calculated the historical proportion of North American thermal coal production transported by CN and assumed this proportion remained constant until 2050. We then used this proportion to map the IEA World Energy Model (WEM) coal forecasts to tons of thermal coal transported by CN. A time-horizon of 2030 was selected for the short term and 2050 for the long term. Given the flows of movement of coal across the U.S.–Canada border, we analyzed CN's operations in North America as a whole.</p> <p>Under the conservative STEPS scenario, which considers only stated policies to date, tons of thermal coal are expected to decrease by 52% between 2019 and 2030 and by 80% between 2019 and 2050. Assuming CN maintains our same share of the contracting thermal coal market, this translates to an 80% reduction of tons of thermal coal transported by CN in 2050. As such, in 2050, CN would face approximately \$365 million in reduced revenue which represents the minimum reported financial impact.</p> <p>Under the SDS, which has a more ambitious decarbonization policy, thermal coal volumes would decrease by 75% by 2030 and 94% by 2050. Assuming CN maintains our same share of the contracting thermal coal market, CN's thermal coal volumes and revenues fall by 94%. As such in 2050, CN would face approximately \$430 million in reduced revenue which represents the reported maximum potential financial impact CN could face under this scenario.</p> <p>This estimation makes several high-level assumptions and is not meant to indicate a forecast of true costs to CN but presents the range of potential financial impacts to the Company.</p> |



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> Summary of Substantive Risks and Opportunities

Risk Disclosure

Carbon Pricing and Tax Systems

Opportunity Disclosure

Risk Disclosure (cont.)

RISK 2 | CHANGING CUSTOMER BEHAVIOUR (cont.)

| Environmental issue | Response to risk and cost | Response explanation | Cost calculation of response |
|-----------------------|---|--|---|
| Climate change | <p>Response to risk Engage with customers</p> <p>Cost of response to risk Approximately \$6.5 million</p> | <p>While changing customer behaviour could impact CN's future revenues, the results of the market analysis have reinforced our strategy to maintain a diversified portfolio of goods transported, continue to position the environmental benefits of shipping by rail and grow opportunities in new and sustainable products and markets.</p> <p>In 2023, we continued to play a key role in this transition by moving cleaner energy products including transporting methanol, solar panels, wood pellets and wind turbines. We provide shipments to meet the growing demand for a more sustainable renewable fuel solution for residential, institutional, or industrial heating. We leverage our network reach into the lithium-rich regions of North America to offer supply chain solutions for concentrate products. Finally, we extend our reach through additional EV automotive distribution centres.</p> <p>Also in 2023, CN launched a self-serve tool that provides customers with a detailed report of their estimated GHG emissions as well as the emissions avoided by choosing rail over truck. These insights into the environmental benefits of shipping via CN's transcontinental network empowers customers to make decisions that support their climate objectives.</p> | <p>The cost to manage this risk is approximately \$6.5 million based on CN's 2023 expenses associated with managing our relationships and engagement with current and potential customers. This includes CN's EcoConnexions Partnership program, which celebrates our customers and supply chain partners working to reduce their emissions, as well as internal resources supporting the development of new revenue streams, advertising, and consultant expenses.</p> |

CASE STUDY | ENHANCING ACCESS TO CLEAN ENERGY MARKETS



Green Shipping corridor member and supply chain partner, the Port of Prince Rupert, BC.

CN's freight revenues represent a diversified and balanced portfolio of goods transported between a wide range of origins and destinations which better positions us to face economic fluctuations and act on potential growth opportunities while playing a role in the low-carbon economy transition through the transportation of low-carbon products.

In 2023, CN announced participation in a global memorandum of understanding to establish a Green Shipping corridor between Canada and the United Arab Emirates. CN also joined the North Pacific Green Corridor Consortium whose members are committed to establishing the consortium as a catalyst for decarbonization efforts, including new markets for low-carbon fuels in North America and Asia.

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> Summary of Substantive Risks and Opportunities

Risk Disclosure

Carbon Pricing and Tax Systems

Opportunity Disclosure

Risk Disclosure (cont.)

RISK 3 | CARBON PRICING MECHANISMS

| Environmental issue | Risk description | Company-specific description of risk | Anticipated effect of the risk on our financial position, performance and cash flow | Anticipated financial effect and explanation of financial effect figures |
|---------------------|--|--|--|--|
| Climate change | <p>Risk identifier Risk3</p> <p>Risk type Market</p> <p>Value chain Direct operations</p> <p>Country(s) the risk occurs Canada and U.S.</p> <p>Primary financial effect Decreased revenues due to reduced demand for products and services</p> <p>Time horizon Medium-term</p> <p>Likelihood About as likely as not</p> <p>Magnitude of impact Medium-high</p>  | <p>CN operates across Canada and the U.S. and conducts activities in rail, trucking and marine transportation. CN is subject to several provincial, state and federal climate-related regulations and approximately 87% of CN's Scope 1 emissions in 2023 are from our rail operations and could be impacted by carbon pricing mechanisms. Carbon pricing has a direct impact on our operational costs.</p> <p>In evaluating the risk associated with carbon pricing regulations, we multiplied the carbon price by the forecasted locomotive emission volumes, taking into consideration fuel efficiency gains in line with CN's climate target, to determine the financial exposure to carbon pricing. CN used a climate transition scenario from the IEA, the Bank of Canada, and a time horizon from 2019 to 2030, which acted as our base year and target year respectively. For the analysis, a long-term time horizon to 2030 was relevant as it aligns with our science-based targets.</p> <p>The SDS outlines a major transformation of the global energy system to achieve universal access to energy, to reduce the severe health impacts of air pollution and to tackle climate change. The Nationally Determined Contributions (NDCs) outlines a scenario where, as of 2020, countries act according to their pledges under the Paris Agreement. They reduce global warming, but their actions are not enough to limit warming to an additional 2°C above preindustrial levels by 2100.</p> | <p>Government action or inaction to address climate change could also affect CN. The Company is currently subject to climate change and other emissions-related laws and regulations that have been proposed and, in some cases adopted, at the federal, provincial and state levels.</p> <p>While CN is continually focused on efficiency improvements and reducing our carbon footprint, cap and trade systems, carbon taxes, or other controls on emissions of greenhouse gases imposed by various government bodies could increase the Company's capital and operating costs. An escalating price on carbon emissions could materially increase direct costs related to fuel purchases and indirect expenses related to purchased goods, materials, and electricity required to operate our business. The Company may not be able to offset such impacts through, for example, higher freight rates.</p> <p>Specifically, carbon pricing regulations are anticipated to effect CN's direct operations through higher operating expenses, mostly relating to fuel for our locomotive fleet. Higher operating costs without a mitigating offset will serve to reduce CN's operating earnings and cash flows.</p> | <p>Anticipated financial effect Approximately \$450–\$750 million</p> <p>Explanation of financial effect figures The stated financial impact figure of our exposure to carbon price mechanisms was informed by a detailed climate scenario analysis CN completed in 2021.</p> <p>Carbon pricing has a direct impact on our operational costs. Through CN's scenario analysis, CN could incur a potential maximum carbon price impact of approximately \$750 million by 2030 under the SDS where CN does not have a science-based target. The climate scenario analysis was conducted for 1.8°C and 3.5°C warming scenarios to provide relevant insights. We applied the Government of Canada's carbon price projections until 2030, which line up with the Bank of Canada's scenario that aligns with the well-below 2°C Paris Agreement goals. We also modeled the Bank of Canada's NDCs, which is aligned to a 3.5°C warming scenario by the end of the century. For the U.S., we analyzed the SDS leading to below 2°C and a prorated Bank of Canada's NDC scenario for our U.S. operations leading to 3.5°C.</p> <p>For the assessment, we modeled two different scenarios, one in which CN's projections and assumptions are consistent with our climate science-based target and another scenario in which CN does not have a science-based target specific to each of the 1.8°C and 3.5°C warming scenarios. Using our 2019 GHG baseline and estimated future emissions to 2030, we multiplied those emissions by the respective carbon pricing scenarios as forecasted by the IEA and Bank of Canada for Canada and the U.S.</p> <p>The reported minimum potential financial impact aligns with the IEA's SDS. In 2030, under this scenario, CN is exposed to a carbon price financial impact of approximately \$450 million where CN meets our science-based target. Conversely in 2030, under this scenario, CN is exposed to a carbon price financial impact of approximately \$750 million where no science-based target exists.</p> <p>This estimation makes several high-level assumptions and is not meant to indicate a forecast of true costs to CN but presents the range of potential financial impacts to the Company.</p> |



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Risk Disclosure (cont.)

RISK 3 | CARBON PRICING MECHANISMS (cont.)

| Environmental issue | Response to risk and cost | Response explanation | Cost calculation of response |
|---------------------|---|--|--|
| Climate change | <p>Response to risk Establish organization-wide targets</p> <p>Cost of response to risk Approximately \$1.5 billion</p> | <p>CN has several risk mitigation strategies to limit our exposure to carbon pricing mechanisms. For example, as part of our Climate Action Plan, our strategy to reduce our Scope 1 emissions intensity includes a focus on fuel efficiency, including fleet renewal, and cleaner fuels. CN's fleet renewal approach will focus on acquiring cleaner, more fuel-efficient equipment to enable us to decouple our business growth from GHG emissions. CN's cleaner fuels approach presents an opportunity for us to further reduce our emissions by testing and exploring the greater use of sustainable fuel blends, beyond regulated amounts, in our locomotives.</p> <p>Our 2030 science-based target informs our low-carbon transition plan and business strategy. To achieve our science-based target, we are focused on five key strategic areas: fleet renewal, innovative technology, big data, operating practices, and cleaner fuels. Our fleet renewal approach included receiving 10 units in 2022 and 40 units in 2023 out of a multiyear modernization program, where existing locomotives from the CN fleet are upgraded with the latest technology, extending their life and enhancing fuel efficiency. Additionally, we continue to purchase the most fuel-efficient high-horsepower locomotives and grain hopper cars currently available.</p> <p>CN is also actively working with our fuel suppliers, other Class I's, and locomotive manufacturers and is focused on testing and exploring the greater use of sustainable renewable fuel blends, beyond regulated amounts, in our locomotives to achieve our target.</p> | <p>The cost to manage this risk is approximately \$1.5 billion based on CN's capital program spend on equipment from 2021 to 2023. Specifically, to achieve our 2030 science-based target, cleaner, more fuel-efficient equipment will enable us to decouple our business growth from GHG emissions. As such, we continue to purchase the most fuel-efficient high-horsepower locomotives currently available with the acquisition of 69 units in 2021, 53 units in 2022, and 10 units in 2023.</p> <p>Additionally, included in the cost calculation is CN's spend on acquiring high-efficiency hopper cars from 2021 to 2023. During this time frame, CN acquired 1,491 high-efficiency grain hopper cars.</p> |

CASE STUDY | TESTING SUSTAINABLE FUEL BLENDS



Testing a blend of renewable fuels on two classes of locomotives.

The above activities build on prior decarbonization efforts where in 2021 we announced a partnership with Progress Rail and Chevron REG to test high-level renewable fuel blends including both biodiesel and renewable diesel in support of our sustainability goals. These testing programs allow us to better understand the long-term operational impacts of renewable fuels on locomotives, especially in cold weather, and plan needed modifications to leverage their usage over the next decade.

In 2023, we also joined forces with another Class I railroad to share the costs and resources needed to test a blend of renewable fuels on two classes of locomotives.

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> Summary of Substantive Risks and Opportunities

Risk Disclosure

Carbon Pricing and Tax Systems

Opportunity Disclosure

Risk Disclosure (cont.)

3.1.2

Amount and proportion of our financial metrics that are vulnerable to the substantive effects of environmental risks

FINANCIAL VULNERABILITY TO ENVIRONMENTAL RISKS

To determine the amount and proportion of CN's financial metrics from the reporting year that are vulnerable to the substantive effects of environmental risks, we looked to the reported financial effect figure from the reported risks in section 3.1.1.

| Environmental issue | Financial metric | Risk category | Amount of metric vulnerable to risk • % of metric vulnerable to risk | Explanation of financial figures |
|---------------------|------------------|-----------------|--|--|
| Climate change | Revenue | Transition risk | Approximately \$430 million • 1 - 10% | <p>Changing customer behaviour is a transition risk that will have an impact on CN's revenue. CN used its detailed climate scenario analysis from 2022 to inform the financial impact figure of our exposure to changing customer behaviour.</p> <p>The climate scenario analysis was conducted for 1.8°C and 2.6°C warming scenarios to provide relevant insights from a temperature impact as well as a policy impact. We calculated the historical proportion of North American thermal coal production transported by CN and assumed this proportion remained constant until 2050. We then used this proportion to map the IEA World Energy Model coal forecasts to tons of thermal coal transported by CN. A time-horizon of 2030 was selected for the short term and 2050 for the long term. Under the conservative STEPS scenario, tons of thermal coal are expected to decrease by 52% between 2019 and 2030 and by 80% between 2019 and 2050. Assuming CN maintains our same share of the contracting thermal coal market, CN could face approximately \$365 million in reduced revenue. Under the more ambitious SDS, thermal coal volumes would decrease by 75% by 2030 and 94% by 2050.</p> <p>Assuming CN maintains our same share of the contracting thermal coal market, CN could face approximately \$430 million in reduced revenue. We used the maximum effect of \$430 million to calculate the % of 2023 total revenues vulnerable to transition risk.</p> |
| | Revenue | Physical risk | Approximately \$130 million • Less than 1% | <p>Acute physical risk will also have an impact on CN's revenues. The stated financial impact of our exposure to extreme cold physical risks was informed by CN's prior financial impacts experienced during the 2021 British Columbia floods for similar climate-related events.</p> <p>In late 2021, CN was impacted by large flooding events throughout British Columbia and Western Canada which shut down CN's mainline for 20 days between mid-November and December. In addition to the flooding in British Columbia, CN was prevented from moving the backed-up traffic in December 2021 due to a cold snap which caused further delays.</p> <p>In turn, as a result of difficult operating conditions and network outages, CN could not move product worth approximately \$120 million to \$130 million of revenue which represent the maximum potential financial impact disclosed. We used the maximum impact of \$130 million to calculate the percentage of 2023 total operating earnings vulnerable to physical risk.</p> |



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Financial Planning, page 55

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Carbon Pricing and Tax Systems

3.5.2

Emissions Trading Scheme (ETS) we are regulated by

CARBON PRICING SYSTEMS

| System name | Percentage of Scope 1 emissions covered by the ETS • Percentage of Scope 2 emissions covered by the ETS | Period start and end date | Allowances allocated • Allowances purchased | Verified Scope 1 emissions in metric tonnes CO ₂ e | Verified Scope 2 emissions in metric tonnes CO ₂ e | Details of ownership | Comments |
|-------------------------------------|---|-------------------------------------|---|---|---|-------------------------------|---|
| Quebec Cap-and-Trade (CaT) ETS | 4.38% • 0% | January 1, 2023 - December 31, 2023 | 177 • 0 | 217,759 | 0 | Facilities we own and operate | No additional comment as we have included the emission trading schemes CN is regulated by. |
| Nova Scotia Cap-and-Trade (CaT) ETS | 0% • 0% | January 1, 2023 - December 31, 2023 | 187 • 1,000 | 0 | 0 | Facilities we own and operate | Nova Scotia transitioned from the cap-and-trade program to an Output-Based Pricing System with 2023 being the final year of the program. No additional comment as we have included the emission trading schemes CN is regulated by. |

3.5.3

Tax systems we are regulated by

CARBON TAX SYSTEMS

| Tax system | Period start date | Period end date | Percentage of total Scope 1 emissions covered by tax | Total cost of tax paid | Comments |
|----------------------------------|-------------------|-------------------|--|------------------------|--|
| Canada federal fuel charge | January 1, 2023 | December 31, 2023 | 48% | \$112.9 million | No additional comment as we have included the carbon tax systems CN is regulated by. |
| British Columbia carbon tax | January 1, 2023 | December 31, 2023 | 13% | \$47.3 million | |
| New Brunswick carbon tax | January 1, 2023 | December 31, 2023 | 0.6% | \$1.7 million | |
| Northwest Territories carbon tax | January 1, 2023 | December 31, 2023 | 0.001% | \$13,671 | |

3.5.4

Strategy for complying with the systems we are regulated by

DESCRIPTION OF STRATEGY FOR COMPLYING WITH THE SYSTEM

Our strategy to comply with the emission trading and tax systems is to ensure we effectively monitor, forecast and plan for the impacts of carbon pricing and regulations on our business. On an annual basis, we report and verify our emissions, track our fuel consumption and import volumes to calculate regulated emissions, and submit the required verified reports, and pay our carbon tax and cap-and-trade liabilities promptly.

For example, within each of the jurisdictions, we track our monthly fuel purchases and consumption data to estimate carbon cost impacts to the Company, as well as to determine our regulatory compliance obligations under the respective cap-and-trade or tax systems. Cap-and-trade compliance obligations are tracked by the Sustainability department, who arrange to participate in the quarterly emissions allowance auctions as required. Carbon tax obligations are tracked and paid monthly by Accounts Payable with support from the Taxation group.

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Opportunity Disclosure

3.6.1

Climate-related opportunities with potential for a substantive financial or strategic impact on our business

OPPORTUNITY 1 | USE OF MORE EFFICIENT MODES OF TRANSPORT

| Environmental issue | Opportunity description | Company-specific description of opportunity | Anticipated effect on financial position, performance and cash flow | Anticipated financial effect and explanation of financial effect figures |
|---------------------|--|---|--|--|
| Climate change | <p>Opportunity identifier Opp1</p> <p>Opportunity type Resource efficiency</p> <p>Value chain Direct operations</p> <p>Country(s) the opportunity occurs Canada and U.S.</p> <p>Primary financial effect Reduced direct costs</p> <p>Time horizon Short-term</p> <p>Likelihood Virtually certain</p> <p>Magnitude of impact Medium</p>  | <p>With approximately 87% of our Scope 1 GHG emissions generated from rail operations, we see important cost saving opportunities from improving rail fuel and carbon efficiency in line with the Paris Agreement, anchored by our 2030 and 2050 (net zero) approved science-based targets.</p> <p>Since 1993, we have reduced our rail locomotive GHG intensity by 45%, avoiding over 58 million tonnes of CO₂e, and we consume approximately 15% less locomotive fuel per gross ton mile than the industry average. Cleaner, more fuel-efficient equipment enables us to decouple our business growth from GHG emissions.</p> <p>Reducing our rail carbon footprint is driven by focusing on five key strategic areas: fleet renewal, innovative technologies, big data, operating practices, and cleaner fuels. These areas help identify important strategic opportunities to improve our fuel and carbon efficiency and save costs. Since 2019, CN's locomotive fuel savings, from these initiatives, amounted to approximately \$129 million.</p> <p>Opportunities to deliver locomotive fuel savings, which can reduce CN's direct costs, is furthered by acquiring the most fuel efficient high-horsepower locomotives available, leveraging big data, and investing in innovative technologies. For example, our in-house built Horsepower Tonnage Analyzer that instructs crews on how to optimize a locomotive's horsepower-to-tonnage has been instrumental in achieving an approximate 6.5% improvement from our 2019 efficiency.</p> | <p>The use of more efficient modes of transport is anticipated to effect CN's direct operations through decreased operating expenses, mostly fuel in our locomotive fleet. Decreased operating expenses will serve to increase CN's operating earnings and cash flows.</p> | <p>Anticipated financial effect Approximately \$25.8 million</p> <p>Explanation of financial effect figures By focusing our efforts on ensuring we deliver carbon efficiencies and fuel savings, we can enable the reduction of operating costs, while observing emission savings. Since 2019, the annual average direct cost savings due to the use of more efficient modes of transportation from our fuel efficiency efforts amounts to approximately \$25.8 million in fuel savings which represents the potential impact figure noted in our response.</p> <p>To determine the impact of the fuel efficiency efforts on annual fuel volumes, the actual amount of diesel fuel consumed in a given year was compared to the estimated amount of diesel fuel that would have been required based on the prior year's locomotive fuel efficiency performance and using actual GTMs. This was then assessed over a 5-year timeframe to determine the average annual impact on fuel volumes.</p> <p>Details on inputs to financial impact figure In 2019, locomotive fuel efficiency performance was 0.935 U.S. gallons of locomotive fuel consumed per 1,000 GTMs. In 2023, CN moved 452,043 million GTMs. Using 2019 locomotive fuel efficiency performance, moving the 2023 GTMs would have required approximately 422.7 million U.S. gallons of fuel (0.935 x 452,043,000,000 ÷ 1000 = 422,660,000).</p> <p>In 2023, approximately 395.1 million U.S. gallons of fuel were actually consumed. Hence, the average annual improvement in locomotive fuel efficiency between 2023 and 2019 is approximately 5.5 million U.S. gallons of fuel (395,100,000 – 422,660,000 = -27,600,000/5 = -5,500,000).</p> <p>To determine the financial impact, the fuel savings for each year from 2019 through 2023 were multiplied by the average price of fuel for the previous year. The sum of the annual savings was then averaged over 5 years.</p> |

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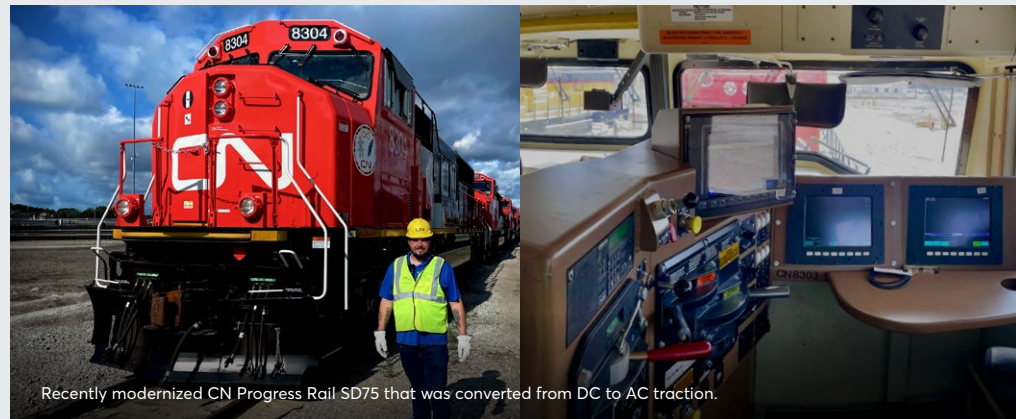
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Opportunity Disclosure (cont.)

OPPORTUNITY 1 | USE OF MORE EFFICIENT MODES OF TRANSPORT (cont.)

| Environmental issue | Cost to realize the opportunity | Strategy to realize the opportunity | Cost calculation |
|---------------------|---------------------------------|---|---|
| Climate change | Approximately \$700 million | <p>Our strategy to reduce our rail carbon footprint and achieve fuel efficiency savings requires taking actions that are informed by our low-carbon transition plan as well as our business strategy and focus on five key strategic areas: fleet renewal, innovative technologies, big data, operating practices, and cleaner fuels. These actions are driven from our Climate Action Plan which outlines how CN plays a key role in the transition to a low-carbon economy.</p> <p>Additionally, CN embeds climate metrics into executive compensation. The performance goals of senior management and executives include improvements in CN's fuel efficiency. For 2023, the Fuel Efficiency results did not achieve the required threshold.</p> | The cost to realize the rail fuel efficiency opportunities is calculated based on equipment acquisitions, upgrades, and fuel-efficient operations, which change annually. In 2023 we invested \$700 million in equipment. |

CASE STUDY | FLEET RENEWAL ENHANCES FUEL EFFICIENCY AND EXTENDS LIFE



Recently modernized CN Progress Rail SD75 that was converted from DC to AC traction.

CN's fleet renewal approach focuses on to purchasing the most fuel-efficient high-horsepower locomotives currently available with the acquisition of 69 units in 2021, 53 units in 2022, and 10 units in 2023.

We also received 10 units in 2022 and 40 units in 2023 out of a multiyear modernization program, where existing locomotives from the CN fleet are upgraded with the latest technology, extending their life and enhancing fuel efficiency. Cleaner, more fuel-efficient equipment enables us to decouple our business growth from GHG emissions and can lead to gains in CN's fuel efficiency.

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Opportunity Disclosure (cont.)

OPPORTUNITY 2 | ABILITY TO DIVERSIFY BUSINESS ACTIVITIES

| Environmental issue | Opportunity description | Company-specific description of opportunity | Anticipated effect on financial position, performance and cash flow | Anticipated financial effect and explanation of financial effect figures |
|---------------------|--|---|--|---|
| Climate change | <p>Opportunity identifier Opp2</p> <p>•</p> <p>Opportunity type Products and services</p> <p>•</p> <p>Value chain Direct operations</p> <p>•</p> <p>Country(s) the opportunity occurs Canada and U.S.</p> <p>•</p> <p>Primary financial effect Increased revenues resulting from increased demand for products and services</p> <p>•</p> <p>Time horizon Medium-term</p> <p>•</p> <p>Likelihood More likely than not</p> <p>•</p> <p>Magnitude of impact Medium-high</p>  | <p>Increasing demand by our customers for low-carbon freight transportation goods and services presents opportunities for us to increase revenues from shipping heavy freight by rail over long distances versus other more carbon-intensive modes such as transport trucks.</p> <p>Rail has tremendous potential to reduce the environmental impact of transportation services and we are actively working with many of our customers to help them reduce their transportation supply chain GHG emissions, by leveraging rail for the long haul and trucking over shorter distances. Shipping heavy freight by rail can reduce GHG emissions by up to 75% when compared to trucks. The greater use of combined modes helps lower transportation emissions by allowing each mode to be used for the portion of the trip to which it is best suited.</p> <p>Our strategy to further reduce our Scope 1 and 2 emissions will help us maintain our position as a key enabler of supply chain decarbonization over the long term. Specifically, positioning rail as a less emissions intensive way to move freight over land could present opportunities to grow revenue within our intermodal and carload segments.</p> <p>For example, revenue from our truck-competitive business accounted for 64% of total revenue in 2023. CN is also investing to grow its intermodal business, including our commitment to realize CN's Milton Logistics Hub which will help meet growing demand for goods in Southern Ontario. In 2023, CN partnered with Union Pacific and Ferromex, to launch the Falcon Premium intermodal service — a best-in-class, Mexico-U.S.-Canada route with seamless interconnection in Chicago. This service directly benefits intermodal customer and is designed to lower greenhouse gas emissions through reduced rail miles and truck-to-rail conversion. We are also deploying advanced technologies to improve decision-making, capacity, productivity, and service levels at key intermodal terminals.</p> <p>Revenues from truck competitive and intermodal could increase as we grow our market share of truck-competitive business by better positioning the environmental benefits of rail with our customers and continuing to decouple carbon emissions intensity from volume growth.</p> | <p>Diversification of CN's business activities is anticipated to effect CN's direct operations through increased revenues. Increased revenues will serve to increase CN's operating earnings and cash flows.</p> | <p>Anticipated financial effect Approximately \$10.4 billion</p> <p>Explanation of financial effect figures The potential financial impact related to providing low-carbon freight transportation goods and services is between \$1 and up to approximately \$10.4 billion.</p> <p>The range was estimated by determining revenue from our truck-competitive business which accounted for 64% of CN's revenue in 2023. In 2023, the revenue related to providing low-carbon freight transportation goods and services was approximately \$10.4 billion.</p> <p>Note, we cannot specifically quantify the financial amount of that opportunity due to restrictions governing public disclosure of sensitive forward-looking financial information.</p> |

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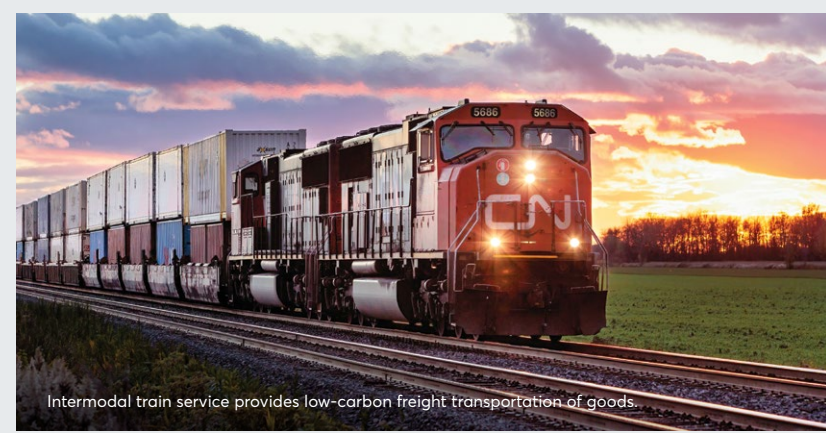
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Opportunity Disclosure (cont.)

OPPORTUNITY 2 | ABILITY TO DIVERSIFY BUSINESS ACTIVITIES (cont.)

| Environmental issue | Cost to realize the opportunity | Strategy to realize the opportunity | Cost calculation |
|---------------------|---------------------------------|--|---|
| Climate change | Approximately \$7.25 billion | <p>CN recently expanded many of our 22 inland terminals to increase capacity to meet our customers' growing needs. We are also investing in the digital intermodal supply chain of the future by equipping our terminals with advanced operational technology that demonstrate our commitment to managing customer supply chains through system integration. Our strategic acquisitions of TransX and H&R's temperature controlled businesses allow us to broaden our supply chain focus and provide expanded opportunities for our customers, especially in the domestic refrigerated market.</p> <p>CN provides customers a transcontinental network with strong access to key natural resources, three-coast optionality and service through 22 inland rail terminals. To grow our reach for carload customers, CN recently expanded many of its terminals to increase capacity to meet our customers' growing needs. We are also investing in the digital intermodal supply chain of the future by equipping our terminals with advanced operational technology that demonstrate our commitment to managing customer supply chains through system integration.</p> <p>Supported by our rail access to three North American coasts, as well as expansions of CN-served ports, inland terminals and our partnerships, CN's international intermodal franchise is prepared for new opportunities for our import/export customers and additional international intermodal volumes.</p> <p>Additionally, our Climate Action Plan includes actively engaging with existing and potential customers to position the environmental benefits that rail offers for long-haul shipments of freight over other modes of transport.</p> | <p>The cost to realize the opportunity was calculated based on CN's investment in our strategic initiatives to increase capacity and equipment investment from 2019 to 2023.</p> <p>Between 2019 and 2023, we invested approximately \$7.25 billion on strategic initiatives to increase capacity, enable growth, and improve our network resiliency including line capacity upgrades and information technology initiatives.</p> |

CASE STUDY | STRATEGIC INTERMODAL PARTNERSHIPS



Intermodal train service provides low-carbon freight transportation of goods.

In 2023, CN partnered with Union Pacific and Ferromex, to launch the Falcon Premium intermodal service — a best-in-class, Mexico–U.S.–Canada route with seamless interconnection in Chicago. This service directly benefits intermodal customer and is designed to lower greenhouse gas emissions through reduced rail miles and truck-to-rail conversion.

CN has also partnered with Norfolk Southern to operate a domestic intermodal service through interchanges in Detroit and Chicago to convert long-haul truck traffic to/from Kansas City and Atlanta to rail. CN is also the sole Canadian partner in the Equipment Management Pool, an interline equipment sharing program with over 40,000 containers across North America.

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Opportunity Disclosure (cont.)

OPPORTUNITY 3 | EXPANSION INTO NEW MARKETS

| Environmental issue | Opportunity description | Company-specific description of opportunity | Anticipated effect on financial position, performance and cash flow | Anticipated financial effect and explanation of financial effect figures |
|---------------------|--|---|---|---|
| Climate change | <p>Opportunity identifier Opp3</p> <p>•</p> <p>Opportunity type Markets</p> <p>•</p> <p>Value chain Direct operations</p> <p>•</p> <p>Country(s) the opportunity occurs Canada and U.S.</p> <p>•</p> <p>Primary financial effect Increased revenues through access to new and emerging markets</p> <p>•</p> <p>Time horizon Long-term</p> <p>•</p> <p>Likelihood More likely than not</p> <p>•</p> <p>Magnitude of impact Medium</p>  | <p>Shifts in global trade Supply chains have been diversifying their supplier base by partnering across different geographies to enhance their resilience in the face of major disruptions, including Southern California port congestion. Decoupling of the Chinese and U.S. economies could lead to further fragmentation of global supply chains, with Southeast Asian countries gaining more prominence and shifting supply routes to the Atlantic through the Suez Canal. CN expects to benefit from these shifting global trade routes with continued growth at the Port of Prince Rupert and the Port of Halifax, which are exclusively served by CN, as well as the Gulf Coast ports of Mobile and New Orleans.</p> <p>Delivering clean energy Increasing growth in the cleaner energy market present opportunities to grow CN's revenues. Global efforts to combat climate change are driving policy and demand shifts toward cleaner, renewable energy sources, like wood pellets, biofuels, propane and hydrogen.</p> <p>Transition to electric vehicles Three of CN's five largest automotive customers are expecting 100% EV production by 2035. This shift provides CN with opportunities as EV assembly plants are being announced on or near our network. EV battery production is expected to create long-term opportunities for CN to transport critical inputs like lithium, copper, nickel, cobalt and graphite. Demand for aluminum is expected to increase as an alternative to steel in EV manufacturing. Canada has large deposits of these materials and CN is actively working with our customers on supply chain solutions.</p> | <p>Expanding into new markets is anticipated to effect CN's direct operations through increased revenues. Increased revenues will serve to increase CN's operating earnings and cash flows.</p> <p>Leveraging global market predictions, like BP's Energy Outlook, there is a significant opportunity for CN to increase our revenues in these markets. Assuming government policies evolve at a similar speed as in the past, renewables share is expected to triple to approximately 13% of global energy generation by 2036. For example, although the base is smaller, CN's clean energy revenues continued to grow year over year.</p> <p>As such, based on global market predictions, our "Clean Energy" compound annual growth rate (CAGR) could increase by about 7% out to 2036, from a 2019 baseline. This would imply a growth of revenues from clean energy from approximately \$500 million in 2023 to approximately \$780 million by 2036.</p> <p>In 2023, CN's clean energy share of our total freight revenue was approximately 9%.</p> | <p>Anticipated financial effect Approximately \$780 million</p> <p>Explanation of financial effect figures Using the global market predictions which imply that CN's "Clean Energy" CAGR could increase by about 7% out to 2036 from a 2019 baseline, we have estimated the financial impact of the clean energy market within an approximate range of \$1 to \$780 million by 2036.</p> <p>The potential financial impact range reflects the possible 2036 clean energy revenue of approximately \$780 million based on the estimated compounded annual growth rate of the clean energy market of approximately 7% out to 2036 from a 2019 baseline, using the global market predictions, and recognizing that this growth may not be linear.</p> <p>We ensure CN will continue to play a key role in energy transition by moving cleaner energy products including transporting oil seeds, vegetable oils, renewable fuels, wind turbines and solar panels. Additionally, CN's network reaches into lithium-rich regions which will serve the growing demand for EVs. We are shipping lithium out of northern Quebec and are actively working on supply chain solutions with our customers on several large lithium-mining projects, which are progressing toward production.</p> <p>Note, we cannot specifically quantify the financial amount of that opportunity due to restrictions governing public disclosure of sensitive forward-looking financial information.</p> |

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Opportunity Disclosure (cont.)

OPPORTUNITY 3 | EXPANSION INTO NEW MARKETS (cont.)

| Environmental issue | Cost to realize the opportunity | Strategy to realize the opportunity | Cost calculation |
|---------------------|---------------------------------|--|--|
| Climate change | Approximately \$6.5 million | <p>As one of the most efficient and environmentally friendly ways to move goods on land, rail has a tremendous potential to reduce the environmental impact of transportation by offering sustainable transportation solutions today and into the future.</p> <p>We are working closely with our customers to further develop new clean energy market opportunities. This includes proactively marketing the environmental benefits of shipping by rail. For example, CN is working closely with our customers to provide supply chain solutions to transport wood pellets from North American plants to customers across the world looking to move to a more sustainable renewable fuel solution.</p> <p>As part of our annual Climate Action Plan, we are working closely with our customers to further develop these business opportunities. This includes proactively engaging with clean energy customers to market the environmental benefits of shipping by rail.</p> | <p>The cost to realize the opportunity is approximately \$6.5 million based on CN's 2023 general expenses associated with managing our relationships and engagement with current and potential customers. This includes CN's EcoConnexions Partnership program, which celebrates our customers and supply chain partners working to reduce their emissions, as well as internal resources supporting the development of new revenue streams, advertising, and consultant expenses.</p> |

CASE STUDY | MOVING CLEANER ENERGY PRODUCTS



CN grain train, Ste. Agathe, MB

CN is a key player in the rapidly developing renewable fuels market in North America. We transport seed to oilseed crush plants, vegetable oil and other feedstocks to refineries, and renewable fuels to end markets. CN has efficient and integrated supply chain solutions to participate in the transportation of raw materials and finished products for the renewables industry in Canada and the U.S. Canola oil and soybean oil are both important sources of feedstock to support the dramatic expansion in renewable fuels production in North America.

New canola crush plants in Western Canada and soybean crush projects in the U.S. are coming online or being expanded. Growth in ethanol demand on both sides of the border is also expected thanks to changes in government fuel standards as well as the sustainable aviation fuel market.

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> Summary of Substantive Risks and Opportunities Risk Disclosure Carbon Pricing and Tax Systems Opportunity Disclosure

Opportunity Disclosure (cont.)

3.6.2

Amount and proportion of our financial metrics that are aligned with substantive effects of environmental opportunities

FINANCIAL ALIGNMENT WITH ENVIRONMENTAL OPPORTUNITIES

| Environmental issue | Financial metric | Amount of financial metric aligned with environmental opportunities | Percent of financial metric aligned with environmental opportunities | Explanation of financial figures aligned to environmental opportunities |
|---------------------|------------------|---|--|--|
| Climate change | OPEX | \$25.8 million | Less than 1% | <p>The use of more efficient modes of transports resulting from improved rail fuel and carbon efficiency will have an impact on CN's direct operating costs, mostly locomotive fuel costs. By focusing our efforts on ensuring we deliver carbon efficiencies and fuel savings, we can enable the reduction of operating costs, while observing emission savings. Since 2019, the annual average direct cost savings due to the use of more efficient modes of transportation from our fuel efficiency efforts amounts to approximately \$25.8 million in fuel savings which represents the potential impact figure noted in our response.</p> <p>To determine the impact of the fuel efficiency efforts on annual fuel volumes, the actual amount of diesel fuel consumed in a given year was compared to the estimated amount of diesel fuel that would have been required based on the prior year's locomotive fuel efficiency performance and using actual GTMs. This was then assessed over a 5-year timeframe to determine the average annual impact on fuel volumes.</p> <p>Detail on inputs to the financial impact figure</p> <p>In 2019, locomotive fuel efficiency performance was 0.935 U.S. gallons of locomotive fuel consumed per 1,000 GTMs. In 2023, CN moved 452,043 million GTMs. Using 2019 locomotive fuel efficiency performance, moving the 2023 GTMs would have required approximately 422.7 million U.S. gallons of fuel ($0.935 \times 452,043,000 \div 1000 = 422,660,000$).</p> <p>In 2023, approximately 395.1 million U.S. gallons of fuel were actually consumed. Hence, the average annual improvement in locomotive fuel efficiency between 2023 and 2019 is approximately 5.5 million U.S. gallons of fuel ($395,100,000 - 422,660,000 = -27,600,000 \div 5 = -5,500,000$). To determine the financial impact, the fuel savings for each year from 2019 through 2023 were multiplied by the average price of fuel for the previous year. The sum of the annual savings was then averaged over 5 years.</p> <p>We used the range of \$1 to \$25.8 million to calculate the percentage of 2023 total operating expenses aligned with climate change opportunities. In both cases, the impact to OPEX was less than 1% (0% and approximately 0.3% respectively).</p> |
| | Revenue | \$5.6 billion | 31–40% | <p>As one of the most efficient and environmentally friendly ways to move goods over land, rail has a tremendous potential to reduce the environmental impact of transportation by offering sustainable transportation solutions today and into the future. We are working closely with our customers to further develop new clean energy market opportunities and by leveraging rail for the long haul and trucking over shorter distances.</p> <p>To determine the impact of clean energy growth, we used global market predictions which imply that CN's "Clean Energy" CAGR could increase by about 7% out to 2036 from a 2019 baseline, we have estimated the financial impact of the clean energy market to be between \$1 and \$780 million by 2036.</p> <p>To determine the impact of providing low-carbon freight transportation goods and services, we estimated the upper range by determining traffic from our truck-competitive business which accounted for 64% of CN's revenue in 2023. In 2023, the revenue related to providing low-carbon freight transportation goods and services was approximately \$10.4 billion.</p> <p>The sum of these two opportunities yields a range of \$1 to \$11.2 billion with the average being \$5.6 billion or approximately 34% of total freight revenue.</p> |

 Business Strategy,
Financial Planning, page 55

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➤ IN THIS SECTION:

We provide information on CN's governance structure, mechanisms and approach to environmental issues at the board and management-level including: public policy, board oversight and competency, management's responsibility, incentives, external engagement and environmental communications.

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PICTURED: CN track near Jasper, AB

GOVERNANCE

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Board Oversight

4.1-4.1.1

Board composition, diversity and board-level oversight for environmental issues

BOARD OF DIRECTORS

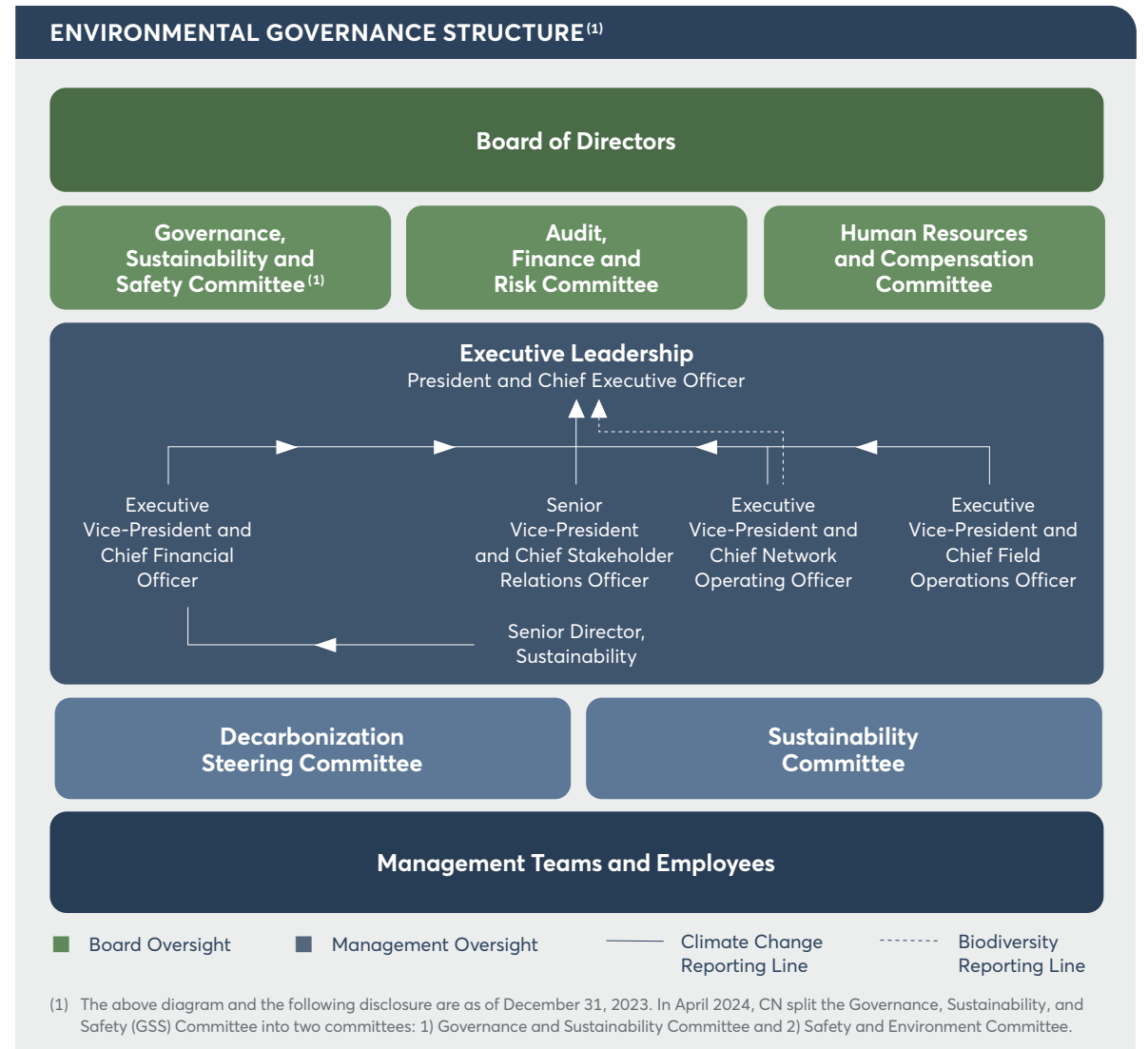
Responsible governance is a fundamental part of our business practices and culture. Having in place a strong governance structure is the foundation of an effective framework to support and embed our *Delivering Responsibly* philosophy and provide clear guidance on how authority is exercised within our Company. CN's Board comprises a non-executive and independent Chairman, the President and Chief Executive Officer, and ten non-executive independent directors, who meet on a regular basis (more frequently than quarterly).

BOARD DIVERSITY AND INCLUSION POLICY

In 2015, the CN Board approved a diversity policy for the Board (Diversity Policy). This policy was most recently revised in early 2024 to, among other matters, update CN's diversity targets with respect to the representation of under-represented groups in Board and executive management positions and is reviewed regularly.

The Diversity Policy acknowledges that the ability to draw on a wide range of viewpoints, backgrounds, skills, and experience is critical to the CN's success. Furthermore, diversity helps ensure that a wide variety of perspectives are brought to bear on issues, while enhancing the likelihood that proposed solutions will be nuanced and comprehensive. CN believes in the benefits of having diversity at the Board and Executive Management levels and that it is an important element of good corporate governance, reflects the communities where we live and work and is essential in maintaining a competitive focus.

CN aims to have a Board whose members represent diverse backgrounds and experiences, having regard to gender, members of visible minorities, Indigenous status, persons with disabilities, age, business experience, professional qualifications, stakeholder perspectives, and geographic context. CN recognizes the importance of having a diverse Executive Management team which offers a depth of perspectives and enhances CN's operations.



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[Diversity Policy](#)
[2023 Data Supplement](#)

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Board Oversight (cont.)

4.1.2

Individuals or committees on the board with accountability for environmental issues and details of oversight

CN's Board has ultimate accountability and oversight for climate change and biodiversity environmental issues.

| Environmental issue | Accountability level | Policies which outline accountability | Frequency with which climate-related issues are a scheduled agenda item | Governance mechanisms into which climate-related issues are integrated | Explanation of oversight |
|---------------------|---|---------------------------------------|---|--|--|
| Climate change | Chief Financial Officer Chief Network Operating Officer Chief Field Operations Officer Board-level committee | Board mandate | Scheduled agenda item in every board meeting (standing agenda item) | <ul style="list-style-type: none"> Reviewing and guiding annual budgets Overseeing and guiding scenario analysis Overseeing the setting of corporate targets Monitoring progress toward corporate targets Overseeing and guiding major capital expenditures Overseeing and guiding the development of a business strategy Monitoring the implementation of the business strategy Overseeing reporting, audit, and verification processes Overseeing and guiding the development of a climate transition plan Monitoring the implementation of a climate transition plan Approving corporate policies and/or commitments Monitoring compliance with corporate policies and/or commitments Reviewing and guiding the assessment process for dependencies, impacts, risks, and opportunities Overseeing and guiding public policy engagement Approving and/or overseeing employee incentives | <p>The GSS Committee of the Board has the highest level of responsibility for the Company's environmental and sustainability issues and performance, policies, and practices, including CN's Climate Action Plan, as well as the monitoring of the Company's progress against our set targets under such plan, and all related climate matters and risk exposures relating to climate change. In line with such responsibility, the GSS Committee reviews CN's Climate Action Plan (including the Company's targets set under the plan, our strategy for meeting them and our progress towards achieving them) at least twice a year. The Audit, Finance and Risk (AFR) Committee of the Board has the highest level of responsibility for enterprise risk management, including climate-related risks.</p> <p>The Board ensures that the skillset developed by Directors through their business expertise, experience and training meet the needs of the Board. Board members have access to education and information on an ongoing basis; in 2023, external speakers provided presentations on sustainability and climate matters and some Board members undertook climate change training. The competency matrix reviewed by the GSS Committee, and the Board, includes consideration of climate change knowledge, as part of their annual review of the credentials of nominees for election or re-election as members of the Board. CN's Executive Vice-President and Chief Financial Officer and our Senior Director Sustainability, who have direct overall responsibility for CN's sustainability strategy (including the Climate Action Plan) and who are responsible for sustainability and climate-related issues, provide executive oversight. As of April 2024, these governance mechanisms are managed through CN's updated Board committees: the Governance and Sustainability Committee and the Safety and Environment Committee.</p> <p>In 2023, CN split the Chief Operating Officer role into two roles, a Chief Network Operating Officer role and a Chief Field Operations Officer role, who each lead different aspects of CN's operations and are both Chief Operating Officers. CN's Executive Vice-President and Chief Network Operating Officer leads the network operations, mechanical, engineering, and the corporate safety team. CN's Executive Vice-President and Chief Field Operations Officer leads CN's transportation and intermodal operations. Both Executives drive operational and service excellence while supporting CN's fuel efficiency and rail network resiliency.</p> |

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Board Oversight (cont.)

| Environmental issue | Accountability level | Policies which outline accountability | Frequency with which climate-related issues are a scheduled agenda item | Governance mechanisms into which climate-related issues are integrated | Explanation of oversight |
|---------------------|--|---------------------------------------|---|---|--|
| Biodiversity | Chief Network Operating Officer Board-level committee | Board mandate | Scheduled agenda item in some board meetings (at least annually) | <ul style="list-style-type: none"> Overseeing the setting of corporate targets Monitoring progress toward corporate targets Monitoring compliance with corporate policies and/or commitments | <p>At the board level, CN's GSS Committee is responsible to assist the Board in fulfilling its oversight responsibilities, in addition to the policies, practices and metrics relating to environmental, social, governance – which includes biodiversity-related issues. The GSS is responsible for monitoring performance against our biodiversity strategy and environmental performance goals. Biodiversity strategy and performance areas at the GSS level include CN's environmental assessment and permitting standards, construction and environmental compliance, significant spills and restoration efforts, and vegetation management, in addition to our commitment to working with customers, Indigenous communities, and local municipalities to plant 3 million trees by 2030. As of April 2024, these governance mechanisms are managed through CN's updated Board committees: the Governance and Sustainability Committee and the Safety and Environment Committee.</p> <p>In 2023, CN split the Chief Operating Officer role into two roles, a Chief Network Operating Officer role and a Chief Field Operations Officer role, who each lead different aspects of CN's operations and are both Chief Operating Officers. CN's Executive Vice-President and Chief Network Operating Officer leads the network operations, mechanical, engineering, safety and environment functions. CN's environmental strategy is guided by our Environmental Policy and focuses on, among other priorities, land management and biodiversity. The Company's Chief Network Operating Officer and executive leadership team are responsible for the approval of governance documents overseeing our Environmental Management System and Environmental Management Programs.</p> |

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Board Competency

4.2

Board-level competency and expertise on environmental issues

The Board ensures that the skillset developed by Directors through their business expertise, experience and training meet the needs of the Board. Board members have access to education and information on an ongoing basis; in 2023, external speakers provided presentations on sustainability and climate matters and some Board members undertook climate change training. The competency matrix reviewed by the GSS Committee and the Board includes consideration of climate change knowledge, as part of their annual review of the credentials of nominees for election or re-election as members of the Board.

MECHANISMS TO MAINTAIN AN ENVIRONMENTALLY COMPETENT BOARD

- Integrating knowledge of environmental issues into board nominating process
- Having at least one board member with expertise on this environmental issue
- Consulting regularly with an internal, permanent, subject-expert working group
- Engaging regularly with external stakeholders and experts on environmental issues
- Regular training for directors on environmental issues, industry best practice, and standards (e.g., TCFD, SBTi)

ENVIRONMENTAL EXPERTISE OF THE BOARD MEMBER

Additional training

- CN's Board Chair, Ms. Shauneen Bruder, and Ms. Jo-ann dePass Olsovsky, member of CN's Safety and Environment Committee, each completed a course on climate and biodiversity-related issues to provide insight on best climate-related governance practices.

Experience

- Active member of an environmental committee or organization: Michel Letellier
- Executive-level experience in a role focused on environmental issues: David Freeman
- Experience in an organization that is exposed to environmental-scrutiny and is going through a sustainability transition: Al Monaco and Tracy Robinson



PICTURED: CN's Board of Directors, CN Campus, Homewood, IL. (From left to right) David Freeman, Justin M. Howell, Jo-Ann dePass Olsovsky, Michel Letellier, Tracy Robinson, Susan C. Jones, Margaret A. McKenzie, Shauneen Bruder, Denise Gray, Robert Knight. Photo taken in March 2023. Al Monaco was elected to the Board of Directors on April 25, 2023 (not in the photo).

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Management Responsibility

4.3

Highest senior management-level position(s) or committee(s) with responsibility for environmental issues

CN's executive management have accountability and oversight for climate change and biodiversity environmental issues.

| Environmental issue | Position of individual or committee with responsibility | Climate-related responsibilities of this position | Reporting line • Frequency of reporting to the Board | Explanation of oversight |
|---------------------|---|---|---|---|
| Climate change | Chief Financial Officer | <p>Dependencies, impacts, risks and opportunities</p> <ul style="list-style-type: none"> Assessing and managing environmental dependencies, impacts, risks, and opportunities Assessing future trends in environmental dependencies, impacts, risks, and opportunities <p>Engagement</p> <ul style="list-style-type: none"> Managing supplier compliance with environmental requirements Managing value chain engagement related to environmental issues <p>Policies, commitments, and targets</p> <ul style="list-style-type: none"> Setting corporate environmental policies and/or commitments Monitoring compliance with corporate environmental policies and/or commitments Setting corporate environmental targets Measuring progress towards environmental corporate and science-based targets <p>Strategy and financial planning</p> <ul style="list-style-type: none"> Conducting environmental scenario analysis Developing and implementing a climate transition plan Managing annual budgets related to environmental issues Managing environmental reporting, audit, and verification processes Managing major capital and/or operational expenditures relating to environmental issues Managing priorities related to innovation/low-environmental impact products or services (including R&D) <p>Other</p> <ul style="list-style-type: none"> Providing employee incentives related to environmental performance | <p>Reports directly to the CEO and the Board</p> <p>•</p> <p>More frequently than quarterly</p> | <p>As part of the Executive Leadership Team, the Executive Vice-President and CFO is the highest-level management position with direct responsibility for climate-related issues and reports on these issues to the Governance and Sustainability Board Committee, formerly the GSS Committee of the Board. In addition to overseeing the Finance function, including financial management and financial planning, the CFO, working with the Senior Director, Sustainability, oversees CN's Sustainability team, and reports directly to the President and CEO and the Board.</p> <p>Additionally, CN's enterprise risk management (ERM) program functionally reports to the Chief Financial Officer. Our identification and assessment of risk is based on the Chartered Professional Accountants of Canada's Framework for Board Oversight of Enterprise Risk and the risk assessment covers internal and external trends impacting our business, including climate change. Our ERM program provides a framework to identify, assess, monitor, and mitigate key business risks. Oversight of specific risks that naturally fall within the mandate of one of the other committees is delegated to that committee. For example, climate change risk is reviewed at the GSS Committee.</p> <p>In 2023, CN's GSS Board Committee received updates on sustainability and climate priorities more frequently than quarterly facilitated by CN's CFO and Senior Director, Sustainability.</p> |

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Management Responsibility (cont.)

| Environmental issue | Position of individual or committee with responsibility | Climate-related responsibilities of this position | Reporting line • Frequency of reporting to the Board | Explanation of oversight |
|---------------------|---|--|---|---|
| Climate change | Chief Network Operating Officer Chief Field Operations Officer | <p>Dependencies, impacts, risks and opportunities</p> <ul style="list-style-type: none"> Assessing and managing environmental dependencies, impacts, risks, and opportunities Assessing future trends in environmental dependencies, impacts, risks, and opportunities <p>Policies, commitments, and targets</p> <ul style="list-style-type: none"> Setting corporate environmental policies and/or commitments <p>Strategy and financial planning</p> <ul style="list-style-type: none"> Developing a business strategy which considers environmental issues Implementing the business strategy related to environmental issues Implementing a climate transition plan Managing environmental reporting, audit, and verification processes Managing annual budgets related to environmental issues Managing major capital and/or operational expenditures relating to environmental issues Managing priorities related to innovation/low-environmental impact products or services (including R&D) | <p>Reports directly to the CEO</p> <p>•</p> <p>More frequently than quarterly</p> | <p>As part of the Executive Leadership Team, the Executive Vice-President and Chief Network Operating Officer (CNOO) and the Executive Vice-President and Chief Field Operations Officer (CFOO) report directly to the President and CEO, and the Board on climate-related risks, which include fuel efficiency, winter readiness plans, and rail network resiliency and safety.</p> <p>CN's operating executives' mandate is to drive operational and service excellence and enable the Company to run a safe, fluid, reliable, and efficient railroad. CN's CNOO is accountable for overseeing Network Operations across North America as well as overseeing the Mechanical, Engineering, Safety and Environment functions. CN's CFOO is responsible for running the operational plan for the Western, Eastern and Southern regions and for Multimodal Operations.</p> <p>With approximately 87% of our Scope 1 GHG emissions generated from rail operations, this mandate includes providing executive management oversight on the fuel efficiency strategy to meet relevant targets and oversight on implementation of innovative rail technologies. CN's CNOO and CFOO receive updates on these priorities more frequently than quarterly through CN's internal Sustainability Committee and internal Decarbonization Committee as well as through CN's Senior Director, Sustainability.</p> <p>Through CN's Sustainability team, individual business units reporting to CN's CNOO and CFOO are engaged to help with planning and the initial execution of priority sustainability initiatives as well as supported to build capabilities within the units to manage these initiatives independently. These initiatives can include fleet renewal, operating practices as well as innovative technologies to help CN maximize locomotive operating effectiveness and efficiency.</p> |

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Management Responsibility (cont.)

| Environmental issue | Position of individual or committee with responsibility | Climate-related responsibilities of this position | Reporting line • Frequency of reporting to the Board | Explanation of oversight |
|---------------------|---|--|--|---|
| Climate change | Chief Stakeholder Relations Officer | Engagement <ul style="list-style-type: none"> Managing engagement in landscapes and/or jurisdictions Managing public policy engagement related to environmental issues | Reports directly to the CEO • More frequently than quarterly | <p>As part of the Executive Leadership Team, the Senior Vice-President and Chief Stakeholder Relations Officer (CSRO) drives the Company's stakeholder engagement and communications strategies, which includes public and government affairs, media relations, corporate communications, as well as investor relations.</p> <p>CN's CSRO is responsible for managing overall stakeholder engagement on behalf of the Company across the network. The CSRO's role incorporates leading and managing public policy engagement on environmental issues, which includes climate change. CN's CSRO is responsible for ensuring the effective implementation of the Company's Stakeholder and Indigenous Peoples Engagement Framework. The framework is underpinned by CN's commitment to delivering responsibly through moving our customer's goods safely and efficiently, doing so in a manner that minimizes the impact on the environment, attracting, retaining, and developing the best people, helping build safer, stronger communities, all while adhering to the highest governance standards.</p> <p>CN's CSRO receives updates on sustainability and climate priorities more frequently than quarterly through CN's internal Sustainability Committee, of which they are a member, as well as through CN's Senior Director, Sustainability. The CSRO reports directly to the CEO and the Board on stakeholder engagements.</p> <p>Additionally, in 2024, CN's CSRO was announced as the chair of the Board of Directors for the Railway Association of Canada (RAC). Since 1995, through the RAC, CN's has been actively working with the Government of Canada to address the impacts of rail activities on the environment through a Memorandum of Understanding which reflects a shared vision of working towards net-zero emissions by 2050.</p> |
| Climate change | Sustainability Committee | Dependencies, impacts, risks and opportunities <ul style="list-style-type: none"> Managing environmental dependencies, impacts, risks, and opportunities Assessing future trends in environmental dependencies, impacts, risks, and opportunities Policies, commitments, and targets <ul style="list-style-type: none"> Monitoring compliance with corporate environmental policies and/or commitments Setting corporate environmental targets Measuring progress towards environmental corporate and science-based targets | CFO • More frequently than quarterly | <p>The mandate of CN's Sustainability Committee is to monitor, assess, propose, and initiate mitigation measures for sustainability risks and opportunities, including climate related matters.</p> <p>The committee comprises senior management-level representatives from relevant business units and corporate functions that have oversight over or can influence critical levers in managing CN's environmental or social impact. These include, but are not limited to, Operations, Human Resources, Legal, Procurement, and Sales and Marketing. CN's Senior Director, Sustainability chairs the monthly meetings and reports directly to the CFO. Critical matters are reported to the GSS Committee of the Board.</p> |

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Management Responsibility (cont.)

| Environmental issue | Position of individual or committee with responsibility | Climate-related responsibilities of this position | Reporting line · Frequency of reporting to the Board | Explanation of oversight |
|-----------------------|---|--|--|---|
| Climate change | Decarbonization Steering Committee | <p>Dependencies, impacts, risks and opportunities</p> <ul style="list-style-type: none"> Assessing and managing environmental dependencies, impacts, risks, and opportunities Assessing future trends in environmental dependencies, impacts, risks, and opportunities <p>Policies, commitments, and targets</p> <ul style="list-style-type: none"> Measuring progress towards environmental corporate and science-based targets <p>Strategy and financial planning</p> <ul style="list-style-type: none"> Implementing the business strategy related to environmental issues Implementing a climate transition plan | <p>CFO</p> <p>·</p> <p>More frequently than quarterly</p> | <p>The mandate of CN's Decarbonization Steering Committee is to provide strategic support and decisions regarding CN's decarbonization investments and projects, developed at the cross-functional working group level, comprising of subject matter experts who work to realize the projects.</p> <p>The committee includes the Chief Network Operating Officer, the Chief Information and Technology Officer, the Chief Strategy Officer, the Chief Stakeholder Relations Officer, Vice-President, Mechanical, and the Assistant Vice-President of Procurement. CN's Senior Director, Sustainability, chairs the monthly meetings and reports directly to the CFO. Critical matters are reported to the GSS Committee of the Board.</p> |
| Biodiversity | Chief Network Operating Officer | <p>Dependencies, impacts, risks and opportunities</p> <ul style="list-style-type: none"> Assessing and managing environmental dependencies, impacts, risks, and opportunities Assessing future trends in environmental dependencies, impacts, risks, and opportunities <p>Policies, commitments, and targets</p> <ul style="list-style-type: none"> Setting corporate environmental policies and/or commitments Monitoring compliance with corporate environmental policies and/or commitments <p>Strategy and financial planning</p> <ul style="list-style-type: none"> Managing annual budgets related to environmental issues | <p>CEO</p> <p>·</p> <p>As important matters arise</p> | <p>CN's Executive Vice-President and Chief Network Operating Officer (CNOO), is one of CN's two operating executives, who is responsible for network operations across North America as well as overseeing the Mechanical, Engineering, Safety and Environment functions.</p> <p>As part of the Executive Leadership Team, the CNOO reports directly to the President and CEO, and the Board on environmental-related risks. CN's environmental strategy is guided by our Environmental Policy and focuses on, among other priorities, land management and biodiversity. The Environment function, which reports through the CNOO, supports CN's objective to avoid, minimize, and offset potential environmental impacts from our operations will be delivered.</p> <p>At CN's executive level, our Executive Review Committee is responsible for the approval of governance documents overseeing our Environmental Management Programs, as advanced through our Emergency Management Systems (EMS). Committed to continuous improvement, CN's EMS strategy is led by the Senior Director of Environment, who reports under CN's CNOO, who works across all layers of the Executive Review Committee to provide oversight across systems, policies, and programs to ensure our policy, standards and commitments are delivered across the network.</p> |

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Management Responsibility (cont.)

| Environmental issue | Position of individual or committee with responsibility | Climate-related responsibilities of this position | Reporting line • Frequency of reporting to the Board | Explanation of oversight |
|---------------------|---|---|--|--|
| Biodiversity | Sustainability Committee | <p>Dependencies, impacts, risks and opportunities</p> <ul style="list-style-type: none"> Assessing and managing environmental dependencies, impacts, risks, and opportunities Assessing future trends in environmental dependencies, impacts, risks, and opportunities <p>Policies, commitments, and targets</p> <ul style="list-style-type: none"> Monitoring compliance with corporate environmental policies and/or commitments Measuring progress towards environmental corporate targets | <p>Chief Network Operating Officer (CNOO)</p> <p>Chief Field Operations Officer (CFOO)</p> <p>•</p> <p>Not reported to the Board</p> | <p>The mandate of CN's Sustainability Committee is to monitor, assess, propose, and initiate mitigation measures for sustainability risks and opportunities, including environmental-related matters.</p> <p>The committee comprises senior management-level representatives from relevant business units and corporate functions that have oversight over or can influence critical levers in managing CN's environmental or social impact. These include, but are not limited to, Operations, Human Resources, Legal, Procurement, and Sales and Marketing. CN's Senior Director, Sustainability chairs the meetings and reports directly to the CFO. Critical matters are reported to the GSS Committee of the Board as required.</p> |

Incentives

4.5

% of total C-suite and board-level monetary incentives linked to the management of environmental issues

| Environmental issue | % of total C-suite and board-level monetary incentives linked to climate change | Further details of incentive(s) |
|---------------------|---|--|
| Climate change | 6.67% | <p>The 2023 Annual Incentive Bonus Plan (AIBP) for executives was based on CN's performance against preset goals for three corporate components: 70% financial, 20% strategic and 10% safety. In 2023, the corporate strategic objectives included three quantitative strategic measures: environmental performance measured through fuel efficiency, employee engagement and customer centricity, each weighting 6.67% of the overall bonus target. Environmental leadership is measured through improvement of locomotive fuel efficiency (U.S. gallons of locomotive fuel consumed per 1,000 gross ton miles [GTMs]), which is directly correlated to GHG emissions intensity and a key contributor towards the achievement of CN's 2030 science-based climate target.</p> <p>In 2024, CN's updated our AIBP. The environmental measure of the corporate strategic component is now measured by Locomotive GHG emission intensity, a key contributor towards the achievement of CN's 2030 science-based climate target.</p> |

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Incentives (cont.)

4.5.1

Monetary incentives for management of environmental issues including the attainment of targets

With approximately 87% of our Scope 1 GHG emissions generated from rail operations, we believe the best way to reduce our carbon footprint is by continuously improving our rail efficiency. Locomotive emissions represent CN's largest source of Scope 1 emissions and are derived from the fuel that powers our locomotives. Improving CN's fuel and the attainment of CN's fuel efficiency targets drives progress towards our medium- and long-term targets and focuses the business on reducing operating expenses,

as fuel is a major expense for rail. The attainments of CN's fuel efficiency goal, among other goals, is incorporated into the short-term incentive plan for senior management and executives. These incentive contributions vary according to employee levels within the organization and the extent to which the employee contributes to meeting objectives, and are outlined below.

| Environmental issue | Position entitled to monetary incentive | Incentive(s) • Performance metric(s) • Incentive plan the incentive(s) link to | Further details of incentive(s) |
|---------------------|--|--|--|
| Climate change | Chief Executive Officer Chief Financial Officer Corporate Executive Team | Bonus: % of salary • Progress towards environmental targets Reduction in emissions intensity • Both Short-Term and Long-Term Incentive Plan | CN's executive compensation policy and programs are designed to ensure there is a clear link between the Company's long-term strategy, its business plan and executive rewards, thus encouraging appropriate behaviours. Executive incentive compensation is, as a result, 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 2023 AIBP was based on CN's performance against preset goals for three corporate components: 70% financial, 20% strategic and 10% safety. In 2023, the corporate strategic objectives included three quantitative strategic measures: environmental performance measured through fuel efficiency, employee engagement and customer centricity, each weighting 6.67% of the overall bonus target. Environmental leadership is measured through improvement of locomotive fuel efficiency (U.S. gallons of locomotive fuel consumed per 1,000 gross ton miles [GTMs]), which is directly correlated to GHG emissions intensity and a key contributor towards the achievement of CN's 2030 science-based climate target. Long-term incentives aim to align management interests with shareholder value growth and reward the achievement of sustained financial performance and the creation of shareholder value. CN is committed to long-term value creation through strong financial performance, shareholder distributions, a strong balance sheet, sound capital investment and Delivering Responsibly. Delivering Responsibly is the heart of all CN's decisions, commitments and investments to help build a sustainable future. The Company continues to focus on moving customers' goods safely and efficiently, doing so in a manner that seeks to minimize our impact on the environment, attracting and retaining top talent, helping build safer and stronger communities, and adhering to the highest governance standards. In 2024, CN's updated our AIBP. The environmental measure of the corporate strategic component is now measured by Locomotive GHG emission intensity, a key contributor towards the achievement of CN's 2030 science-based climate target. |
| | Management Group | Bonus: % of salary • Progress towards environmental targets Reduction in emissions intensity • Short-Term Incentive Plan | The attainment of three goals, environmental performance measured through fuel efficiency, employee engagement and customer centricity, are incorporated into the short-term incentive plan for senior management and executives. The 2023 AIBP was based on CN's performance against preset goals for three corporate components: 70% financial, 20% strategic and 10% safety. In 2023, the corporate strategic objectives included three quantitative strategic measures: environmental performance measured through fuel efficiency, employee engagement and customer centricity, each weighting 6.67% of the overall bonus target. Environmental leadership is measured through improvement of locomotive fuel efficiency (U.S. gallons of locomotive fuel consumed per 1,000 gross ton miles [GTMs]), which is directly correlated to GHG emissions intensity and a key contributor towards the achievement of CN's 2030 science-based climate target. In 2024, CN's updated our AIBP. The environmental measure of the corporate strategic component is now measured by Locomotive GHG emission intensity, a key contributor towards the achievement of CN's 2030 science-based climate target. |

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2024 Management
Information Circular

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Environmental Policies

4.6

Details of CN's environmental policies

| Environmental issue(s) covered | Level of coverage Value chain stages covered | Alignment with global environmental treaties or policy goals | Availability of policy | Explanation of coverage | Environmental policy content |
|--------------------------------|--|--|------------------------|--|--|
| Climate change Biodiversity | Organization-wide Direct operations Upstream value chain Downstream value chain | Paris Agreement | Publicly available | <p>CN is committed to building a sustainable future, to working with our supply chain partners and customers to provide cleaner, more sustainable transportation services, and to working with stakeholders and rightsholders to avoid, minimize, or offset our environmental impact and when we do impact the environment, to restore it.</p> <p>Our Environmental Policy and commitments are focused on continuous improvement, ensuring that environmental leadership and performance are firmly embedded in the way we work and that we comply with applicable legal and regulatory requirements.</p> <p>CN's Environment Policy applies to all employees, subsidiaries, suppliers and contractors who perform services for, or on behalf of CN (collectively referred to as CN agents). It is expected that CN agents will act in accordance with the Policy when performing work for CN across the entirety of our rail network, land holdings, facilities, and business operations. There are no exclusions to the policy within CN's operations.</p> | <ul style="list-style-type: none"> • Commitment to net-zero emissions • Commitment to comply with regulations and mandatory standards • Commitment to take environmental action beyond regulatory compliance • Commitment to stakeholder engagement and capacity building on environmental issues • Commitment to respect and protect the customary rights to land, resources, and territory of Indigenous Peoples and Local Communities • Commitment to implementation of nature-based solutions that support landscape restoration and long-term protection of natural ecosystems • Commitment to a circular economy strategy |

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[Environmental Policy](#)

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External Frameworks or Initiatives

4.10

External frameworks, initiatives and/or commitments related to environmental issues for which CN is a signatory/member



SCIENCE-BASED TARGETS INITIATIVE

In 2017, CN became the first railroad in North America, and was amongst the first hundred companies globally, to set an approved science-based target. To ensure consistency with the most recent climate science and best practices that apply a well below 2°C scenario, and in the context of the Company’s acquisition of TransX, we revised our target in 2021.

The new target, which was approved by the Science-Based Targets initiative in April 2021, commits CN to reducing Scope 1 and 2 GHG emissions by 43% per gross ton mile by 2030 from a 2019 base year.

We also commit to reducing Scope 3 GHG emissions from fuel- and energy-related activities by 40% per gross ton mile by 2030 from a 2019 base year. CN’s net-zero target commits the Company to net-zero GHG emissions across the value chain by 2050 which is a reduction in Scope 1, 2 and 3 GHG emissions of 90% by 2050 based on 2019 levels which is 1.5°C-aligned.



TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

In 2020, CN became the first North American railroad company to formally support the framework, which promotes more effective climate-related financial disclosures, joining more than 1,500 organizations globally. CN’s TCFD report reinforces the Company’s long-standing commitment to transparent disclosure on Environmental, Social, and Governance (ESG) matters through our Delivering Responsibly report.

CN’s approach to sustainability disclosure aligns with international standards, including the UNGC (United Nations Global Compact), the GRI (Global Reporting Initiative), the SASB (Sustainability Accounting Standards Board), the UNSDG (United Nations Sustainable Development Goals).



RACE TO ZERO CAMPAIGN

In 2017, CN became the first railroad in North America, and was among the first 100 companies globally, to set an approved science-based target for GHG emissions reductions. In 2021, CN was the first North American railroad to formally commit to setting a 2050 net-zero target which was validated by the SBTi in 2024.

CN commits to net-zero GHG emissions across the value chain by 2050 which is a reduction in Scope 1, 2 and 3 GHG emissions of 90% by 2050 based on 2019 levels.

WE SUPPORT



UN GLOBAL COMPACT

In 2022, CN joined the United Nations Global Compact initiative – a platform for the development, implementation, and disclosure of responsible business practice. This commitment further strengthens CN’s ongoing support of the Sustainable Development Goals.

Launched in 2000, the UN Global Compact is the largest corporate sustainability initiative in the world, with more than 20,000 participants in over 160 countries, and provides a universal language for corporate responsibility and provides a framework to guide all businesses regardless of size, complexity or location.

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Public Policy Engagement

4.11

External engagement activities that could directly or indirectly influence policy, law, or regulation that may impact the environment

| External engagement activities | Types of transparency register | Transparency registers and relevant ID numbers | Process to ensure that external engagement activities are consistent with CN's environmental commitments and/or transition plan |
|---|--------------------------------|--|--|
| <ul style="list-style-type: none"> Directly with policy makers Indirectly through, and/or provided financial or in-kind support to a trade association or other intermediary organization or individual whose activities could influence policy, law, or regulation | Mandatory government register | <p>Office of the Integrity Commissioner of Ontario</p> <ul style="list-style-type: none"> Lobbyist Number: PP1861 Registration Number: PP1861-20160901017851 <p>Office of the Registrar of Lobbyists Saskatchewan</p> <ul style="list-style-type: none"> Registration Number: 3362-1621-13 <p>Alberta Lobbyist Registry</p> <ul style="list-style-type: none"> Registration Number: OL-10497-22 <p>Lobbyisme Québec</p> <ul style="list-style-type: none"> La Compagnie des chemins de fer nationaux du Canada Quebec Business Number: 1142327262 <p>Office of the Commissioner of Lobbying of Canada</p> <ul style="list-style-type: none"> Registration Number: 951358-5260 <p>Office of the Clerk U.S. House of Representatives</p> <ul style="list-style-type: none"> House Identification Number: 353030000 Senate Identification Number: 58795-12 | <p>CN's advocacy, directly to governments, and indirectly through trade associations, is a key part of our strategy and our commitment to reduce emissions and improve our greenhouse gas emissions intensity in line with the Paris Agreement, anchored by our industry-leading approved science-based target and recent net-zero commitments under the "Business Ambition for 1.5C" and UN "Race to Zero" Campaign.</p> <p>CN is recognized as a company that delivers responsibly, is a key part of the solution for customers, and is essential to the economy and the communities we serve. Over the year, we continued to deepen our sustainability agenda: moving customer goods safely and efficiently, ensuring environmental stewardship, attracting and developing the best diverse team of railroaders, and helping build safer and stronger communities, in each case while adhering to the highest ethical standards.</p> <p>CN engages directly with policy makers, indirectly through trade associations that could influence policy, law, or regulation that may impact the climate and indirectly by funding organizations who could influence climate policies, laws or regulations. The GSS Committee of the Board oversees CN's strategic government advocacy, corporate memberships, and political contributions. The GSS receives an update annually that provides information on our lobbying activities, a detailed list of our corporate memberships, including industry associations and policy organizations, and a list of our corporate political contributions. As of April 2024, these governance mechanisms are managed through CN's updated Board committees: the Governance and Sustainability Committee and the Safety and Environment Committee.</p> <p>CN prides ourselves on being a company that our stakeholders can count on to make the right choices and do the right thing. Specifically, the direct and indirect activities that could influence public policy are typically reviewed by the Government and Public Affairs department on an annual basis to ensure alignment with the strategic direction of the business, including our climate change strategic focus areas. Public policy decisions that could impact our overall climate strategy are communicated to the Sustainability team to be validated for consistency with our climate strategy. Where inconsistencies are noted, recommendations are proposed to ensure alignment. CN's Climate Action Plan, included in our Management Information Circular available on our website, is our public commitment to conduct our engagement activities in line with the goals of the Paris Agreement.</p> |

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Public Policy Engagement (cont.)

4.11.1

Policy, law, or regulation that may impact the environment that CN engages directly with policy makers

| Category of legislation • Focus of legislation • Environmental issues related | Geographic coverage • Country/region | Corporate position • Alignment with global environmental treaties or policy goals • Funding provided in the reporting year | Description of engagement | Relevance of this policy, law, or regulation to the achievement of CN's environmental commitments and/or transition plan, how this has informed your engagement, and how you measure the success of your engagement |
|--|---|--|---|---|
| Low-carbon and decarbonization technologies • Alternative fuels • Climate change | Regional and National • Canada and U.S. | Support with no exceptions • Evaluated, and aligned with the Paris Agreement • \$0 | <ul style="list-style-type: none"> Regular meetings Participation in working groups organized by policy makers Responding to consultations Submitting written proposals/inquiries | <p>CN's Climate Action Plan is focused on reducing our rail carbon footprint which accounts for approximately 87% of our Scope 1 GHG emissions. We believe the best way to reduce our carbon footprint is by continuously improving our rail efficiency. As such, we have set two 2030 GHG emissions intensity targets, which are aligned to a well below 2°C scenario, in addition to a net-zero by 2050 target, which is aligned to 1.5°C scenario, and are all validated by the Science-Based Targets initiative. To achieve our science-based targets, we are focused on five key strategic areas which are supported by Canadian and U.S. low-carbon and alternative fuel policy options. In Canada, the federal Clean Fuel Regulation and other renewable and clean fuel standards in jurisdictions where CN operates, continue to present an important opportunity for us to further reduce our emissions. The Clean Fuel Regulation provides incentives and opportunities for fuel suppliers and producers to increase the available of sustainable renewable fuels which are key to reducing our carbon emissions from our locomotives. Achieving our target is dependent in part on the continuing successful development and availability of innovative technologies and the availability of sufficient volumes of cost competitive sustainable renewable fuels in the years to come.</p> <p>Since 1995, through the Railway Association of Canada, CN has been actively working with the Government of Canada to address the impacts of rail activities on the environment through a Memorandum of Understanding (MOU). The 2023-2030 MOU, announced in December 2023, reflects a shared vision of working towards net-zero emissions by 2050 and commits Transport Canada and RAC members to advancing low-carbon fuel use. In the US, CN is a member of the Executive Advisory Board for decarbonization of the freight rail sector, managed by the Department of Energy, and participates in key discussions such as the Federal Railroad Administration Rail Decarbonization Workshop held in 2023.</p> |
| Carbon price and emission trading schemes • Carbon taxes • Climate change | National • Canada | Support with no exceptions • Evaluated, and aligned with the Paris Agreement • \$0 | <ul style="list-style-type: none"> Regular meetings Participation in working groups organized by policy makers Responding to consultations Submitting written proposals/inquiries | <p>CN's Climate Action Plan is focused on reducing our rail carbon footprint which accounts for approximately 87% of our Scope 1 GHG emissions. We believe the best way to reduce our carbon footprint is by continuously improving our rail efficiency. As such, we have set two 2030 GHG emissions intensity targets, which are aligned to a well below 2°C scenario, in addition to a net-zero by 2050 target, which is aligned to 1.5°C scenario, and are all validated by the Science-Based Targets initiative. To achieve our science-based targets, we are focused on five key strategic areas which are supported by Canadian carbon tax and pricing policies.</p> <p>CN engages with provincial and federal government officials on climate-related regulations and carbon pricing and emissions trading schemes. Our engagement with government includes the Quebec Cap-and-Trade System and the Nova Scotia output-based pricing system, which includes GHG reporting and verification obligation, British Columbia and Alberta carbon taxes, the Government of Canada Federal backstop levy that came into effect in April 2019, the Canadian Government's Federal Fuel Charge of \$15 per tonne yearly from 2023 to 2030, which aligns with the British Columbia and Northwest Territories carbon tax requirements as well as the Clean Fuel Regulation enacted in 2022. CN engages policy makers on carbon price and emission trading scheme to move the transportation sector forward in identifying the most practical, effective and simplified solutions that contribute to, and support, future policy developments in a manner that will foster low-carbon economic growth while ensuring significant GHG emission reductions. We engage with various Canadian federal and provincial governments on their programs to position rail freight as a viable low-carbon transportation solution.</p> <p>While CN is continually focused on efficiency improvements and reducing our carbon footprint, programs that place a price on carbon emissions or other government restrictions on certain market sectors may further impact current and potential freight rail customers in the energy sector. Climate change legislation, including carbon pricing and emission trading schemes, and regulation could also affect CN's customers; make it difficult for CN's customers to produce products in a cost-competitive manner due to increased energy costs.</p> |

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Public Policy Engagement (cont.)

4.11.2

Indirect engagement on policy, law, or regulation that may impact the environment that CN engages with through trade associations

| Trade Associations | Is our position on climate change consistent with theirs? Level of support Alignment with global environmental treaties or policy goals | The trade association's position on environmental issues, explain where your organization's position differs, and how you are attempting to influence their position | Funding provided in the reporting year | Aim of this funding and how it could influence policy, law or regulation that may impact the environment |
|---|---|---|--|---|
| Railway Association of Canada (RAC) | Consistent We publicly promote their current position Evaluated, and aligned with the Paris Agreement | <p>The RAC represents close to 60 freight and passenger railway companies. RAC's mission is to work with governments and communities to ensure that Canada's rail sector remains globally competitive, sustainable, and most importantly, safe. We are a long-standing full member of RAC and hold two seats on RAC's Board of Directors. Our Senior Director, Sustainability is a member of the Environment Committee and works closely with RAC's Policy Analyst and Program Coordinator on matters of policy, emissions regulations, and climate risks and opportunities.</p> <p>In 2023, RAC announced that it has signed another MOU with Transport Canada to establish voluntary reduction targets for emissions produced by locomotives in Canada. This is the fifth MOU signed by RAC and the federal government since 1995, and it demonstrates the rail industry's long-time commitment to reducing locomotive emissions. The MOU also builds upon ongoing research and development efforts to advance new and innovative solutions to reduce emissions from the rail sector. Transport Canada and Canada's railways are advancing this work through direct research with technology developers, academia, standards development organizations, and the U.S. wherever possible.</p> <p>We supported policy recommendations by RAC to the Government of Canada with respect to the Canadian Clean Fuel Regulation, which included ensuring Environment and Climate Change Canada work with fuel suppliers to ensure that renewable fuel content disclosure is make available, and creating a robust funding program to support research, development and deployment of low-carbon and net-zero technology in the Canadian rail sector. Through the RAC, we have been actively working with the Government of Canada to address the impacts of rail activities on the environment. The RAC initiatives as noted above are consistent with CN's Climate Action Plan and approach to achieving our 2030 science-based targets which focus on five key strategic areas including fleet renewal, innovative technology, big data, operating practices, and cleaner fuels.</p> | \$3,639,804 USD | Our funding relates to our long-standing membership of the RAC. The aim of our funding is to ensure CN's active engagement in initiatives such as the MOU with Transport Canada and the development of emissions targets. CN holds two seats on RAC's Board of Directors. CN's Senior Director of Sustainability is a member of the Environment Committee and works closely with RAC's Policy Manager and Program Coordinator on matters of policy, emissions regulations, and climate risks and opportunities. |
| Association of American Railroads (AAR) | Consistent We publicly promote their current position Evaluated, and aligned with the Paris Agreement | <p>Founded in 1934, the AAR is the world's leading railroad policy, research, standard-setting and technology organization that focuses on the safety and productivity of the U.S. freight rail industry. AAR full members include the seven Class I freight railroads in the U.S., Canada, and Mexico. Working with elected officials and leaders in Washington, DC, AAR advances sound public policy that supports the interests of the freight rail industry to ensure it will continue to meet America's transportation needs. The AAR positions freight rail as being ahead of other land modes of surface transportation when it comes to limiting its carbon footprint. Yet it also advocates and works with its members to enhanced operating practices and rail car components to minimize fuel usage by improving aerodynamics and reducing overall weight, friction between wheels and rail, and total horsepower required for moving the train. The AAR recently released a series of policy proposals in March 2021 aimed at effectively combating climate change.</p> <p>We engage with the AAR as a member of the organization and support them in promoting cleaner, greener, efficient, and environmentally responsible transportation solutions. Our Senior Director, Sustainability is a member of the Environment Committee and works with the AAR on matters of climate policy, and to position the environmental benefits of shipping heavy freight by rail as well as the industry's efforts to further decarbonize rail operations. The AAR positions as noted above are consistent with CN's Climate Action Plan and approach to achieving our 2030 science-based targets which focus on five key strategic areas including fleet renewal, innovative technology, big data, operating practices, and cleaner fuels.</p> | \$3,599,700 USD | The aim of our funding is to ensure CN's membership to the AAR which includes supporting them in promoting cleaner, greener, efficient, and environmentally responsible transportation solutions. CN's Senior Director, Sustainability is a member of the Environment Committee and works with the AAR on matters of climate policy, and to position the environmental benefits of shipping heavy freight by rail as well as the industry's efforts to further decarbonize rail operations. |

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Communications

4.12

Information CN has published relating to our response to environmental issues

| Publication | Communication pathway | Environmental issues covered in the publication | Standard or framework | Status | Page references | Content elements | Comments |
|---------------------------------|--|---|-----------------------|----------|---|--|---|
| Annual Report | Mainstream report | Climate change Biodiversity | – | Complete | xix, xx, xxiii, xxvi 4, 8–9, 60, 66–67 | <ul style="list-style-type: none"> • Strategy • Risks and opportunities • Emission targets • Other metrics | We publish information on our sustainability initiatives, our fuel efficiency performance (directly relates to our locomotive emissions), as well as business risks related to climate change in our 2023 Annual Report, available on our website www.cn.ca . |
| Management Information Circular | Mainstream report, in line with environmental disclosure standards or frameworks | Climate change Biodiversity | TCFD | Complete | 5–6, 33, 35, 36, 40, 44–45, 47–48, 51, 53–55, 64, 89–90, 93 | <ul style="list-style-type: none"> • Strategy • Governance • Risks and opportunities • Dependencies and impacts • Value chain engagement • Public policy engagement • Emission targets • Emissions figures | We publish information on our Climate Action Plan in our 2024 Management Information Circular available on our website www.cn.ca which incorporates the TCFD four sections of Governance, Risk Management, Strategy and Metrics & Targets. |
| Sustainability Report | Voluntary sustainability report | Climate change Biodiversity | – | Complete | 2, 3, 6–9, 14–15, 17, 28–45, 60, 63, 71–72, 74–75 | <ul style="list-style-type: none"> • Strategy • Governance • Risks and opportunities • Dependencies and impacts • Content of environmental policies • Value chain engagement • Public policy engagement • Emission targets • Emissions figures • Biodiversity indicators | We publish a comprehensive overview of how we drive sustainability including progress around: the SDGs, our climate change strategy, our carbon reductions, and low-carbon transition plan, as well as building resiliency and biodiversity The 2022 Delivering Responsibly Report was published in 2023 and is available on our website www.cn.ca . |
| Data Supplement | Voluntary sustainability report | Climate change Biodiversity | – | Complete | 2–3, 5–7, 15-16 | <ul style="list-style-type: none"> • Strategy • Emissions figures • Emission targets • Biodiversity indicators | Annually we publish statistics related to our carbon inventory emissions intensity emissions targets and other energy and fuel efficiency metrics in our 2023 Data Supplement published in 2024, available on our website www.cn.ca . |

- ↓
- [2023 Annual Report](#)
- [2024 Management Information Circular](#)
- [2023 Data Supplement](#)
- [2022 Sustainability Report](#)

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➤ IN THIS SECTION:

We share how environmental issues are integrated into our business strategy, outlining our scenario analysis, climate transition plan, financial and strategic planning, and carbon pricing. We also share how we engage with stakeholders to drive progress on environmental issues.

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PICTURED: Blue River, BC



BUSINESS STRATEGY

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Scenario Analysis

5.1

Our use of scenario analysis to identify environmental outcomes

OUR APPROACH TO SCENARIO ANALYSIS

In alignment with our climate risk process, CN has undertaken qualitative and quantitative climate change scenario analysis to explore climate vulnerabilities to enhance our resilience to climate-related risks. Our scenario analysis capabilities has deepened our understanding of climate-related risks and opportunities. We have also taken further steps to translate these insights into tangible actions that will enable us and our customers to mitigate climate-related risks and take advantage of the opportunities that the transition to net zero will create.

Physical Risk 4.0°C and Above

1

RCP 8.5 SCENARIO

- Represents the high range of possible future warming and results in ~4.5°C average global temperature rise by 2100 relative to pre-industrial times.
- The RCP 8.5 envisions a future with high population growth, increased reliance on fossil fuels, and little progress in energy efficiency or emission reduction technologies.
- CN used the Intergovernmental Panel on Climate Change (IPCC) WGI Interactive Atlas as the data source as well as the SSP 5 pathway to conduct the analysis.
- The SSP 5 assumes economic growth is very strong, driven by the heavy use of fossil fuels and technology advances.
- RCP 8.5 scenario was selected as it represents the maximum warming case and is considered to reflect the most extreme potential physical risks.

[Read more on page 49](#)

Physical Risk 2.5°C - 2.9°C

2

RCP 4.5 SCENARIO

- Represents moderate action to reduce GHG emissions, resulting in a stabilization of atmospheric concentrations where global warming is projected to reach 2.4°C to 3°C above pre-industrial levels by 2100.
- The RCP 4.5 assumes a combination of policy, technological advancements, and market-based solutions will help to reduce emissions. The SSP 2 is a middle-of-the road scenario and assumes there are medium challenges to mitigation.
- CN used the IPCC WGI Interactive Atlas as the data source as well as the SSP 2 pathway to conduct the analysis.
- RCP 4.5 scenario and SPP 2 were selected as they represent the middle-of-the-road warming case with substantial impacts of climate change still occurring, but they are less severe.

[Read more on page 50](#)

Transition Risk 1.6°C - 1-9°C vs. 3.5°C

3

INTERNATIONAL ENERGY ASSOC (IEA SDS)

- Under IEA Sustainable Development Scenario (SDS), assumes carbon prices increase steadily based on the Government of Canada's carbon price projections. The SDS reflects a surge in clean energy policies and investment and is consistent with limiting the global temperature to 1.8°C.

NATIONALLY DETERMINED CONTRIBUTION (NDC)

- Bank of Canada's Nationally Determined Contribution (NDC) reflects countries acting according to their pledges under the Paris Agreement. The countries reduce global warming, but their actions are not enough to limit warming to an additional 2°C above pre-industrial levels by 2100.

These above two scenarios were used to assess the financial impact of carbon prices in North America as it relates to our locomotive fuel emissions.

[Read more on page 51](#)

Influences our strategy, financial planning, risk and opportunities identification, assessment and management

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Scenario Analysis (cont.)

5.1.1

Details of the scenarios used in our analysis

SCENARIO 1 | PHYSICAL RISK – MINIMAL MITIGATION (RCP 8.5)

| Environmental issue | Scenario details | Temperature alignment of scenario | Assumptions, uncertainties, constraints and rationale for choice of scenario |
|---------------------|---|-----------------------------------|---|
| Climate change | <p>Scenario used RCP 8.5</p> <p>•</p> <p>SSP used in conjunction with scenario SSP5</p> <p>•</p> <p>Scenario coverage Organization-wide</p> <p>•</p> <p>Risk types Acute physical Chronic physical</p> <p>•</p> <p>Reference year 2023</p> <p>•</p> <p>Timeframes covered 2050 / 2090</p> <p>•</p> <p>Driving forces in scenario Climate change (one of five drivers of nature change)</p> | 4.0°C and above | <p>Assumptions, uncertainties and constraints</p> <p>CN conducted a qualitative climate scenario analysis using RCP 8.5 scenario, which represents the high range of possible future warming and results in ~4.5°C average global temperature rise by 2100 relative to pre-industrial times. The scenario envisions a future with high population growth, increased reliance on fossil fuels, and little progress in energy efficiency or emission reduction technologies. CN used the Intergovernmental Panel on Climate Change (IPCC) WGI Interactive Atlas as the data source as well as the SSP 5 pathway to conduct the analysis.</p> <p>The physical risk analysis was conducted for the RCP 8.5 and SSP 5 scenarios at an organization-wide level. The RCPs describe four different 21st century pathways of green GHG emissions and atmospheric concentrations, air pollutant emissions and land use, adopted by the IPCC. The RCP 8.5 is the high-emissions scenario and assumes global GHG emissions are emitted at a very high rate without significant changes in energy use, technology, or policies and predicts global temperatures rise significantly over the next century.</p> <p>The SSP 5 assumes economic growth is very strong, driven by the heavy use of fossil fuels and technology advances. Within the IPCC WGI Interactive Atlas tool, CN covered its entire network and selected IPCC variables to represent each of the categories of physical risk determined relevant including, but not limited to, extreme temperature, warming trend/drought, extreme precipitation, extreme wind, snowfall and sea rise. Limitations within the scenario include areas of uncertainty in the model which does not allow for granularity in the analysis and the need for a wider range of indicators focused on the compounding effect of the variables.</p> <p>Rationale for choice</p> <p>Sustainability is at the heart of how CN is building for the future. CN's goal is to conduct its operations in a way that seeks to minimize environmental impact, while offering a carbon-efficient and sustainable way to move goods. CN is focused on making a positive contribution in the fight against climate change and playing a key role in the transition to a lower-carbon economy.</p> <p>CN's success is dependent on its ability to operate its railroad efficiently. Severe weather and natural disasters, such as extreme cold or heat, flooding, droughts, fires, hurricanes, landslides and earthquakes, can disrupt operations and service for the railroad, affect the performance of locomotives and rolling stock, disrupt operations for both the Company and its customers as well as damage the Company's infrastructure or properties. Changes in weather patterns caused by climate change are expected to increase the frequency, severity or duration of certain adverse weather conditions.</p> <p>CN selected the RCP 8.5 scenario as it represents the maximum warming case and is considered to reflect the most extreme potential physical risks. CN used the IPCC WGI Interactive Atlas as the data source. The IPCC WGI Interactive Atlas was selected as the tool for its credibility as an international authority on science related to climate change and offers a single, consistent source of data for CN's network. In completing the assessment, CN selected a mid-century time frame, representing potential physical risks in the near-term as well as a late-century time frame, considered relevant given the long-lived nature of CN's assets.</p> |

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Scenario Analysis (cont.)

SCENARIO 2 | PHYSICAL RISK – MODERATE MITIGATION (RCP 4.5)

| Environmental issue | Scenario details | Temperature alignment of scenario | Assumptions, uncertainties, constraints and rationale for choice of scenario |
|---------------------|---|-----------------------------------|--|
| Climate change | <p>Scenario used RCP 4.5</p> <p>•</p> <p>SSP used in conjunction with scenario SSP2</p> <p>•</p> <p>Scenario coverage Organization-wide</p> <p>•</p> <p>Risk types Acute physical Chronic physical</p> <p>•</p> <p>Reference year 2023</p> <p>•</p> <p>Timeframes covered 2050 / 2090</p> <p>•</p> <p>Driving forces in scenario Climate change (one of five drivers of nature change)</p> | 2.5°C - 2.9°C | <p>Assumptions, uncertainties and constraints</p> <p>CN conducted a qualitative climate scenario analysis using RCP 4.5 scenario, which is considered the moderate mitigation scenario. The RCP 4.5 scenario represents a world where we take moderate action to reduce GHG emissions, resulting in a stabilization of atmospheric concentrations by the end of the century where global warming is projected to reach 2.4°C to 3°C above pre-industrial levels by 2100. The impact of climate change would still be substantial but less severe. CN used the IPCC WGI Interactive Atlas as the data source as well as the SSP 2 pathway to conduct the analysis.</p> <p>The physical risk analysis was conducted for the RCP 4.5 and SSP 2 scenarios at an organization-wide level. The RCPs describe four different 21st century pathways of GHG emissions and atmospheric concentrations, air pollutant emissions and land use, adopted by the IPCC. The RCP 4.5 is a stabilization scenario and assumes a combination of policy, technological advancements, and market-based solutions will help to reduce emissions. The SSP 2 is a middle-of-the-road scenario and assumes there are medium challenges to mitigation and adaptation.</p> <p>Within the IPCC WGI Interactive Atlas tool, CN covered its entire network and selected IPCC variables to represent each of the categories of physical risk determined relevant including, but not limited to, extreme temperature, warming trend/drought, extreme precipitation, extreme wind, snowfall and sea rise. Limitations within the scenario include areas of uncertainty in the model which does not allow for granularity in the analysis and the need for a wider range of indicators focused on the compounding effect of the variables.</p> <p>Rationale for choice</p> <p>Sustainability is at the heart of how CN is building for the future. CN's goal is to conduct its operations in a way that seeks to minimize environmental impact, while offering a carbon-efficient and sustainable way to move goods. CN is focused on making a positive contribution in the fight against climate change and playing a key role in the transition to a lower-carbon economy.</p> <p>CN's success is dependent on its ability to operate its railroad efficiently. Severe weather and natural disasters, such as extreme cold or heat, flooding, droughts, fires, hurricanes, landslides and earthquakes, can disrupt operations and service for the railroad, affect the performance of locomotives and rolling stock, disrupt operations for both the Company and its customers as well as damage the Company's infrastructure or properties. Changes in weather patterns caused by climate change are expected to increase the frequency, severity or duration of certain adverse weather conditions.</p> <p>CN selected the RCP 4.5 scenario and SPP 2 as it represents the middle-of-the-road warming case with substantial impacts of climate change still occurring, but they are less severe. CN used the IPCC WGI Interactive Atlas as the data source. The IPCC WGI Interactive Atlas was selected as the tool for its credibility as an international authority on science related to climate change and offers a single, consistent source of data for CN's network. In completing the assessment, CN selected a mid-century time frame, representing potential physical risks in the near-term as well as a late-century time frame, considered relevant given the long-lived nature of CN's assets.</p> |


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> Scenario Analysis Climate Transition Plan Strategy and Financial Planning Revenue Alignment with Our Climate Transition Plan Low-Carbon Research and Development Carbon Pricing Value Chain Engagement

Scenario Analysis (cont.)

SCENARIO 3 | TRANSITION RISK – (IEA SDS vs. NDC)

| Environmental issue | Scenario details | Temperature alignment of scenario | Assumptions, uncertainties, constraints and rationale for choice of scenario |
|---------------------|--|-----------------------------------|---|
| Climate change | <p>Scenario used IEA SDS</p> <p>•</p> <p>Scenario coverage Organization-wide</p> <p>•</p> <p>Risk types considered Policy</p> <p>•</p> <p>Reference year 2020</p> <p>•</p> <p>Timeframes covered 2030 / 2090</p> <p>•</p> <p>Driving forces in scenario Global targets</p> <p>Level of action (from local to global)</p> | 1.6°C – 1.9°C | <p>Assumptions, uncertainties and constraints</p> <p>CN conducted a quantitative climate scenario analysis using the IEA SDS to help evaluate potential risks and business impacts aligned with our risk process focused on a transition risk scenario analysis. The IEA SDS scenario was chosen as the scenario provide a structured, credible, and comprehensive way to explore different energy futures.</p> <p>Under the SDS, it is assumed global warming is limited to 1.8°C and a major transformation of the global energy system to achieve universal access to energy, to reduce the severe health impacts of air pollution and to tackle climate change. The IEA SDS assumes carbon prices increase steadily based on the Government of Canada’s carbon price projections. The SDS reflects a surge in clean energy policies and investment and is consistent with limiting the global temperature to 1.8°C, which aligns with CN’s 2030 science-based target. CN also used the Bank of Canada’s NDC which is aligned to a 3.5°C warming scenario by the end of the century. The NDC reflects countries, beginning in 2020, acting according to their pledges under the Paris Agreement. The countries reduce global warming, but their actions are not enough to limit warming to an additional 2°C above pre-industrial levels by 2100. These two scenarios were leveraged to assess the financial impact of carbon prices in North America up to 2030 related to our locomotive fuel emissions.</p> <p>In our analysis, we applied the Government of Canada’s carbon price projections until 2030, which line up with the Bank of Canada’s scenario that aligns with the well-below 2°C Paris Agreement goals. We modelled the Bank of Canada’s NDCs, which is aligned to a 3.5°C warming scenario by the end of the century. For the U.S., we analyzed the IEA SDS leading to below 1.8°C and a prorated Bank of Canada’s NDC scenario for our U.S. operations leading to 3.5°C. To conduct the carbon price analysis, we multiplied the carbon price by the forecasted locomotive emission volumes to determine the financial exposure to the carbon price. Scenario inputs included CN GHG locomotive fuel emissions for the 2019 baseline year, as well as emission projections up to 2030, taking into consideration forecasted business volumes as well as fuel efficiency gains in line with our climate science target.</p> <p>Rationale for choice</p> <p>CN’s goal is to conduct its operations in a way that seeks to minimize environmental impact, while offering a carbon-efficient and sustainable way to move goods. With approximately 87% of our Scope 1 GHG emissions generated from rail operations, we believe the best way to reduce our carbon footprint is by continuously improving our rail efficiency. As such, our target informs our low-carbon transition plan and business strategy. CN is investing to drive incremental fuel and carbon efficiency and to improve network resiliency.</p> <p>Government action or inaction to address climate change could affect CN. CN is currently subject to climate change and other emissions-related laws and regulations that have been proposed and, in some cases adopted, at the federal, provincial and state levels. While CN is continually focused on efficiency improvements and reducing its carbon footprint, cap and trade systems, carbon taxes, or other controls on emissions of greenhouse gases imposed by various government bodies could increase CN’s capital and operating costs. An escalating price on carbon emissions could materially increase direct costs related to fuel purchases and indirect expenses related to purchased goods, materials, and electricity required to operate our business.</p> <p>CN conducted a climate scenario analysis using the IEA SDS to help evaluate potential risks and business impacts aligned with our risk process focused on a transition risk scenario analysis. CN used the SDS as well as the NDCs which is aligned to a 3.5°C warming scenario by the end of the century. These two scenarios were leveraged to assess the financial impact of carbon prices in North America up to 2030 related to our locomotive fuel emissions were chosen as they explore a best-case/low emissions scenario that is likely considering announced climate mitigation strategies. We determined that a long-term time horizon until 2030 for the analysis was relevant as it aligns with our science-based target and Canada’s 2030 GHG reduction target. The SDS reflects a surge in clean energy policies and investment and is consistent with limiting the global temperature to 1.8°C, which aligns with CN’s 2030 science-based target. The Bank of Canada’s NDCs reflects countries, beginning in 2020, acting according to their pledges under the Paris Agreement. The countries reduce global warming, but their actions are not enough to limit warming to an additional 2°C above pre-industrial levels by 2100.</p> |

 [Risk Disclosure: Carbon Pricing Mechanisms, page 19](#)

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Scenario Analysis (cont.)

5.1.2

Outcomes of our scenario analysis and implications for other environmental issues

OUTCOMES OF OUR SCENARIO ANALYSIS

Our scenario analysis has deepened our understanding of climate-related risks and opportunities and helps to influence our corporate business strategy and financial planning. We have also taken further steps to translate these insights into tangible actions that will enable us and our customers to mitigate climate-related risks and take advantage of the opportunities that the transition to net zero will create.

Further Integrating Climate Risk Management into CN's Business Plan

Climate change is integrated into our risk assessment processes, which consider both physical risks, including increased frequency or severity of temperature extremes, flooding and sea level rise, fires, hurricanes, and tornadoes, as well as transition risks, including legal, policy and market impacts.

In 2023, CN's Audit, Finance and Risk (AFR) Committee of the board reviewed management's assessment of enterprise risks, including the identification of the Company's net risks, which incorporated different scenarios and the identification of physical and transition climate-related risks. Specifically, the AFR Committee reviewed management's report to the GSS Committee on our climate risk mitigation controls and initiatives to integrate climate risk management activities into the business plan.

Establishing a Cross-functional Working Group

In 2023, CN created a cross-functional working group to:

- share information and perspectives between departments relevant to a corporate-level understanding of CN's work on climate resiliency; and
- make recommendations for highest priority actions to improve CN's climate resiliency.

In the first year of the working group, members evaluated the SSP 5 and RCP 8.5 scenario to understand potentially high priority regions and/or variables worth more detailed study. Based on this exercise, CN focused further study to understand in detail the potential risks and opportunities for prioritized regions and assets.

Reinforcing Our Commitment to Achieving Our Science-based Target

CN's IEA SDS carbon pricing analysis found that in a below 1.8°C scenario, CN could be exposed to a financial impact of approximately \$750 million by 2030, where no science-based target exists versus approximately \$450 million where CN meets our science-based target. Conversely, in a 3.5°C scenario, CN could be exposed to a financial impact of approximately \$350 million by 2030, where no science-based target exists, versus \$200 million where CN meets our science-based target. The results of the carbon pricing scenario analysis have informed and reinforced our commitment to achieving our science-based target and climate strategy.

For example, in 2023, we continued to purchase the most fuel-efficient high-horsepower locomotives currently available, acquiring 10 units and receiving delivery of 40 units out of a multiyear modernization program, where existing locomotives from the CN fleet are upgraded with the latest technology, extending their life and enhancing fuel efficiency.

The increased usage of biodiesel and renewable diesel between now and 2030 is the key strategic enabler for meeting our target. Canadian Federal Clean Fuel Regulations and other renewable and low-carbon fuel standards in jurisdictions where CN operates will continue to present an important opportunity for us to further reduce our emissions. Trials and qualifications on CN's existing locomotive fleet of up to 100% sustainable renewable fuel blends continued to progress in 2023. Carried out in partnership with locomotive manufacturers, fuel producers and other Class I railroads, these trials will allow CN and the industry to better understand the long-term durability and operational impacts of sustainable renewable fuels on locomotives, especially in cold weather, and plan needed modifications to leverage their increased usage over the next decade.

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Climate Transition Plan

5.2.1

Overview of our climate transition plan which aligns with a 1.5°C world

OVERVIEW OF OUR TRANSITION PLAN

As a supporter of the Paris Agreement, and one of the first companies to enable shareholders to vote on CN's Climate Action Plan, we are committed to providing our stakeholders with transparent climate change disclosures aligned with leading practices. Our Climate Action Plan aligns with a 1.5°C world and is voted on by shareholders at the company's Annual General Meeting. Our Climate Action Plan incorporates four core elements comprising the TCFD framework: Governance, Metrics and Targets, Strategy, and Risk Management. An index of our conformance to TCFD is part of our 2024 CDP Corporate Questionnaire and can be found on [page 92](#).

5.2.6

Explanation of spending on and revenue generation from activities that contribute to fossil fuel expansion

Full details on our Climate Action Plan can be found in our [2024 Management Information Circular](#).

CN has been making a positive contribution in the fight against climate change by offering carbon-efficient transportation solutions to our customers. With approximately 87% of our Scope 1 GHG emissions generated from rail operations, we believe the best way to reduce our carbon footprint is by continuously improving our rail efficiency. Since 1993, we have reduced our rail locomotive GHG intensity by 45%, avoiding over 54 million tonnes of CO₂e, and we remain a leader in the North American rail industry, consuming approximately 15% less locomotive fuel per gross ton mile than the industry average.

5.2.7

Mechanism by which feedback is collected from shareholders on our climate transition plan

We recognize that rail has a tremendous potential to reduce the environmental impact of transportation services and we are actively working with many of our customers to help them reduce their transportation supply chain GHG emissions, by leveraging rail for the long haul and trucking over shorter distances. Shipping heavy freight by rail can reduce GHG emissions by up to 75% when compared to trucks. The greater use of combined transportation modes helps lower emissions by allowing each mode to be used for the portion of the trip to which it is best suited. It also helps reduce road traffic congestion, accidents and the burden on public transportation infrastructure. Our strategy to reduce our Scope 1 and 2 emissions will help the Company maintain its position as a key enabler of supply chain decarbonization over the long term. In turn, these activities will contribute to reducing the Scope 3 emissions of our customers.

5.2.10

Description of key assumptions and dependencies on which the transition plan relies

CN is a publicly regulated service and subject to the 'common carrier' obligations defined in sections 113 to 115 of the Canadian Transportation Act. The common carrier obligations mean that railways are obliged to accommodate all traffic offered to them and must operate a network that meets the needs of all shippers.

KEY ASSUMPTIONS AND DEPENDENCIES

CN has set several specific climate targets, including near-term 2030 GHG emissions intensity targets as well as a 2050 net-zero target. Achieving these targets is subject to several risks and uncertainties. For example, future investments in and the availability of GHG emissions reduction tools and technologies, significant changes in our GHG emissions profile as a result of changes to our railway asset base, the ability to work with governments and third parties to mitigate the impacts of climate change, domestic and international economic conditions, including exchange rates, the effects of competition and regulation, uncertainties in the financial markets, capital spending, actions of vendors, the willingness of customers to acquire our services, cost of network expansion, maintenance and retrofits, and physical impact of climate change on our business.

Highlighted in our Climate Action Plan, our low-carbon transition plan and business strategy focuses on five key strategic areas: fleet renewal, innovative technology and big data, operating practices and cleaner fuels. Achieving our 2030 targets is dependent on the availability of sufficient volumes of cost competitive sustainable renewable fuels in the years to come, as well as on the continuing development and availability of innovative technologies. The extent of our ability to fully deploy and implement new technologies, as well as obtain and use sufficient volumes of sustainable renewable fuels, will require collaboration between locomotive manufacturers, fuel producers, and governments. This ecosystem of collaboration is a key area of focus and potential risk.

As we look to 2030 and beyond, decarbonizing rail transportation will continue to focus on driving operational efficiency and transitioning to cleaner energy sources, in line with our five key strategic areas. CN recognizes the need for shifting to alternative propulsion to meet the deep decarbonization required to achieve net-zero emissions.



[2024 Management Information Circular](#)

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Climate Transition Plan (cont.)

5.2.11

Description of progress against transition plan

PROGRESS IN FIVE KEY STRATEGIC AREAS

With approximately 87% of our Scope 1 GHG emissions generated from rail operations, we believe the best way to reduce our carbon footprint is by continuously improving our rail efficiency. Our target informs our low-carbon transition plan and business strategy.

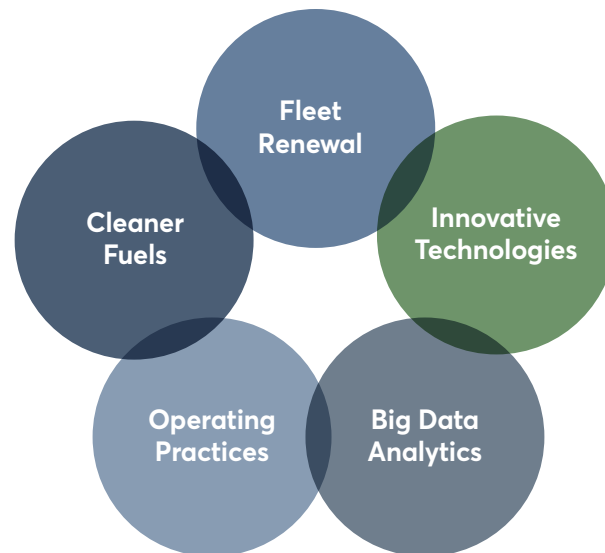
We are focused on five key strategic areas:

Fleet Renewal

In 2023, we continued to purchase the most fuel-efficient high-horsepower locomotives currently available, acquiring 10 units and receiving delivery of 40 units out of a multiyear modernization program, where existing locomotives from the CN fleet are upgraded with the latest technology, extending their life and enhancing fuel efficiency.

Innovative Technology and Big Data

We continue to explore and invest in innovative technologies such as energy management and data telemetry systems as well as distributed power functionality, to help us maximize locomotive operating effectiveness and efficiency. CN's in-house Horsepower Tonnage Analyzer uses the data from the systems to optimize a locomotive's horsepower-to-tonnage ratio, further minimizing fuel consumption.



Operating Practices

In 2023, CN's commitment to a disciplined scheduled operating plan helped to improve car velocity and train speed, increasing network fluidity. CN continues to leverage real-time information on train operations, enabling on-the-job guidance on practices that reduce fuel consumption. CN's disciplined approach to capital allocation support the safety of our network, improve efficiency and resilience, and enable growth. Capacity upgrades, including lengthening sidings and doubling sections of mainline track, allow us to drive fluidity in our busiest corridors, improving fuel and carbon efficiency. Investments in new equipment like higher-capacity hopper cars also save fuel as such cars can carry more volume per train.

Cleaner Fuels

The increased usage of biodiesel and renewable diesel between now and 2030 is the key strategic enabler for meeting our target. Canadian Federal Clean Fuel Regulations and other renewable/low carbon fuel standards in jurisdictions where CN operates will continue to present an important opportunity for us to further reduce our emissions.

Trials and qualifications on CN's existing locomotive fleet of up to 100% renewable fuel blends continued to progress in 2023. Carried out in partnership with locomotive manufacturers, fuel producers and other Class I railroads, these trials will allow CN and others to better understand the long-term durability and operational impacts of renewable fuels on locomotives, especially in cold weather, and plan needed modifications to leverage their increased usage over the next decade.

To support our strategy and meet our targets, CN has been continuously investing in initiatives and programs that decarbonize our activities and provide other benefits such as improved capacity and service to our customers. From 2019 to 2023, CN's investments supporting decarbonization were approximately \$2,925 million.

- ↓
- [2023 Annual Report](#)
- [2024 Management Information Circular](#)
- [2022 Sustainability Report](#)

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Strategy and Financial Planning

5.3.1

Description of where and how environmental risks and opportunities have affected our strategy

RISKS AND OPPORTUNITIES THAT HAVE EFFECTED OUR STRATEGY

| Environmental issue | Effect type | Business area | Description of how environmental risks and/or opportunities have affected our strategy in this area |
|---------------------|-------------------------|----------------------------------|---|
| Climate change | Risks and Opportunities | Products and services | <p>Market risks and opportunities have a direct influence on our products and services strategy in the short, medium and long term. Our intermodal and carload business growth strategy has been influenced by the ability to position the environmental benefits of rail with our customers. For example, we are actively working with many of our customers to help them reduce their transportation supply chain GHG emissions. Shipping heavy freight by rail can reduce GHG emissions by up to 75% when compared to trucks. The greater use of combined modes helps lower transportation emissions by allowing each mode to be used for the portion of the trip to which it is best suited. Our strategy to further reduce our Scope 1 and 2 emissions will help CN to maintain our position as a key enabler of supply chain decarbonization over the long term. In turn, these activities will contribute to reducing the Scope 3 emissions of our customers.</p> <p>Specifically, increases in carbon pricing in North America, coupled with growing pressures on our customers to reduce their supply chain emissions, presents opportunities for our business. With approximately 87% of our Scope 1 GHG emissions generated from rail operations, we believe the best way to reduce our carbon footprint is by continuously improving our rail efficiency. As such, to achieve our 43% science-based reduction target we are focused on five key strategic areas: fleet renewals, leveraging innovative technologies, big data analytics, operating practices, and cleaner fuels. We also continue to strengthen our position within emerging cleaner energy markets, such as wood pellets, wind turbines, solar panels, and biofuels.</p> |
| | | Upstream/ downstream value chain | <p>Regulatory risks and opportunities associated with the decrease of carbon and air emissions and the increase of renewable fuel sources have a significant short-, medium- and long-term influence on our fuel procurement and management strategy, which includes the active engagement of our locomotive manufacturers as well as our fuel suppliers. In the medium term, Canada's Clean Fuel Regulations, and other existing renewable and clean fuel standards in jurisdictions where CN operates, will also present an important opportunity to further reduce our emissions.</p> <p>Shifting consumer demand to lower-carbon products and increased climate-focused regulations, such as carbon pricing and fuel regulations, may bring about a broad transition in the energy sector. Programs that place a price on carbon emissions or other government restrictions on certain market sectors may further impact current and potential freight rail customers in the energy sector. A comprehensive transition in the energy sector could significantly impact the markets of the Company's energy customers or lead to market differentiation through geographic variation in policies and demand trends. A portion of the Company's business could be materially affected by potential future changes and instability of such a transition. Government incentives encouraging the use of alternative sources of energy also could affect certain of the Company's customers and the markets for certain of the commodities it carries in a manner that could alter our traffic patterns. Climate change could affect the markets for, or the volume of, the goods the Company carries or otherwise have a material adverse effect on the Company's results of operations, financial positions or liquidity.</p> |

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Strategy and Financial Planning (cont.)

| Environmental issue | Effect type | Business area | Description of how environmental risks and/or opportunities have affected our strategy in this area |
|---------------------|-------------------------|--|---|
| Climate change | Risks and Opportunities | Investment in research and development | <p>CN is pursuing an ambitious innovation agenda by leveraging the rapid evolution in technology, analytics and automation to be more efficient, improve safety, grow market share, and deliver more reliable and seamless services to our customers. Our innovation efforts are focused on making it easier to do business with us through closer data integration and transparency. We are also exploring applications of advanced analytics to proactively remove human error, reduce risk, optimize our decision making, and improve predictive maintenance. We continue to explore and invest in innovative technologies such as energy management and data telemetry systems as well as distributed power functionality, to help us maximize locomotive operating effectiveness and efficiency. Through these systems, we collect large amounts of data to help improve performance and fuel consumption.</p> <p>In the medium term, the Canadian Clean Fuel Regulations and other renewable and clean fuel standards in jurisdictions where CN operates will continue to present important opportunities for us to further reduce our emissions. We are actively working with our fuel suppliers and locomotive manufacturers to explore and test the greater use of sustainable renewable fuel blends in our locomotives, beyond regulated amounts, to achieve our target. Trials and qualifications of up to 100% bio-based diesel fuel, important steps in reducing GHG emissions from CN's existing locomotive fleet, have continued to progress in 2022. These testing programs will allow us to better understand the long-term operational impacts of renewable fuels on locomotives, especially in cold weather, and plan needed modifications to leverage their usage over the next decade.</p> |
| | | Operations | <p>CN's objective is to deliver sustainable, profitable growth by providing superior customer service, growing faster than the economy, pricing ahead of rail inflation, and continuously improving operating efficiency. Regulatory risks and opportunities like the increase of fuel efficiency, use of renewable fuels, and carbon pricing, also influence our short- and medium-term operations strategy. As part of the our Climate Action Plan and to comply with our environmental policy, we are focused on five key strategic areas: fleet renewal focused on cleaner, more fuel-efficient equipment to enable us to decouple our business growth from GHG emissions; innovative technology such as energy management and data telemetry systems as well as distributed power functionality; big data to collect large amounts of data to improve performance and fuel conservation; operating practices such as CN's commitment to a disciplined scheduled operating plan, with a focus on velocity, to drive related gains in fuel efficiency; and cleaner fuels to further reduce our emissions.</p> <p>The Company's operations are subject to numerous federal, provincial, state, municipal and local environmental laws and regulations in Canada and the U.S. A risk of environmental liability is inherent in railroad and related transportation operations; real estate ownership, operation or control; and other commercial activities of the Company with respect to both current and past operations. As a result, the Company incurs significant operating and capital costs, on an ongoing basis, associated with environmental regulatory compliance and clean-up requirements in its railroad operations and relating to its past and present ownership, operation or control of real property. The Company's exposure to such risk may be reduced by mitigation strategies including periodic audits, employee training programs, emergency plans and procedures, and insurance.</p> |

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Strategy and Financial Planning (cont.)

5.3.2

Description of where and how environmental risks and opportunities have affected our financial planning

FINANCIAL PLANNING

Revenues

As part of our financial planning processes, we assess the revenues and growth projections from individual commodity groups, which include impacts of climate-related risks and opportunities. CN's freight revenues are derived from seven commodity groups representing a diversified and balanced portfolio of goods transported between a wide range of origins and destinations. This product and geographic diversity better position the Company to face economic fluctuations and enhances its potential for growth opportunities. Specifically, as part of CN's climate risk process, the Company reviewed the potential impact of changing consumer behaviour for low-carbon products like thermal coal, which could be impacted by more aggressive climate policy changes and regulations.

CN ensures it mitigates any potential negative revenue impacts by continuing to play a key role in energy transition by moving cleaner energy products including transporting methanol, solar panels, and wind turbines as well as providing shipments of wood chips and wood pellets to meet the growing demand for a more sustainable renewable fuel solution for residential, institutional, or industrial heating. Specifically, our time horizon for financial planning is a 3-year forward-looking revenue and demand view. The revenue/demand plan drives all resource and capital planning decisions. Major investments, such as a new intermodal terminal, would generally be on a 5-year planning basis.

Direct Costs

We track the potential impact of climate-related events on our operating costs on an annual time horizon. To achieve our decarbonization targets, CN will need to continue to improve the fuel efficiency of our fleets, increase our use of sustainable renewable fuels and test innovative propulsion technologies while working collaboratively to bring low-carbon alternatives to market. Collaboration with suppliers, customers, supply chain partners, innovators and regulators is critical for CN to deliver on our climate commitments and to help drive economic prosperity in a low-carbon environment. Specifically, fuels procurement has a direct impact on our costs as CN's operating expenses. In 2023, fuel costs were 17% or \$421 million lower mainly due to lower fuel prices.

Capital Expenditures

We furthermore allocate a significant budget to our capital program. CN's success is dependent on our ability to operate our railroad efficiently. In 2023, CN spent approximately \$3.20 billion in our capital program, of which \$1.60 billion was invested to maintain the safety and integrity of CN's network, particularly track infrastructure. CN's capital spending also included \$0.90 billion for strategic initiatives

to increase capacity, enable growth and improve network resiliency, including line capacity upgrades and information technology initiatives, and \$0.70 billion on equipment, including the acquisition of 500 new grain hopper cars.

Severe weather and natural disasters, such as extreme cold or heat, flooding, droughts, fires, hurricanes, and earthquakes, can disrupt operations and service for the railroad, affect the performance of locomotives and rolling stock, as well as disrupt operations for both CN and our customers. Business interruptions resulting from severe weather could result in increased costs, increased liabilities, and lower revenues, which could have a material adverse effect on CN's results of operations, financial condition or liquidity. To help mitigate some of the risks associated with severe weather, CN prepares a Winter Plan on an annual basis which sets out the actions we are taking to effectively plan and execute our operations throughout the season, and serves as a framework to support our efforts to safely meet the needs of our customers and stakeholders during the winter months ahead. The plan is shaped by four thematic objectives including a focus on improving resiliency across the network.

Assets

As part of our financial planning process, our Network Transportation and System Engineering function will assign specific budgets to ensure we plan for potential disruptions to our network and impact on our assets from extreme weather events. A significant portion of CN's investments in 2023 were dedicated to track maintenance to support safe and efficient operations, including the replacement of rail and ties, bridge improvements, crossing protection upgrades and maintenance, as well as other general track maintenance. Our capital program also creates optionality and nimbleness to better respond to the unexpected, including extreme winter weather. In 2023, CN invested approximately \$1.6 billion from our capital program to track maintenance in support of safe and efficient operations, including the replacement of rail and ties, bridge improvements, crossing protection upgrades and maintenance.

Access to Capital

CN's access to long-term funds in the capital markets depends on our credit ratings and market conditions. In March 2021, CN became the first North American railroad to secure a sustainability-linked loan tying the cost of capital to environmental targets which include GHG emission reductions and increased fuel efficiency.

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Revenue Alignment with Our Climate Transition Plan

5.4 – 5.4.2

Identification of spending or revenue that is aligned with our climate transition plan

| Financial metric | Amount of selected financial metric that is aligned in current reporting year | Percentage share of selected financial metric aligned in current reporting year | Percentage share of selected financial metric planned to align in 2025 | Percentage share of selected financial metric planned to align in 2030 | Description of alignment with our climate transition plan |
|------------------|---|---|--|--|---|
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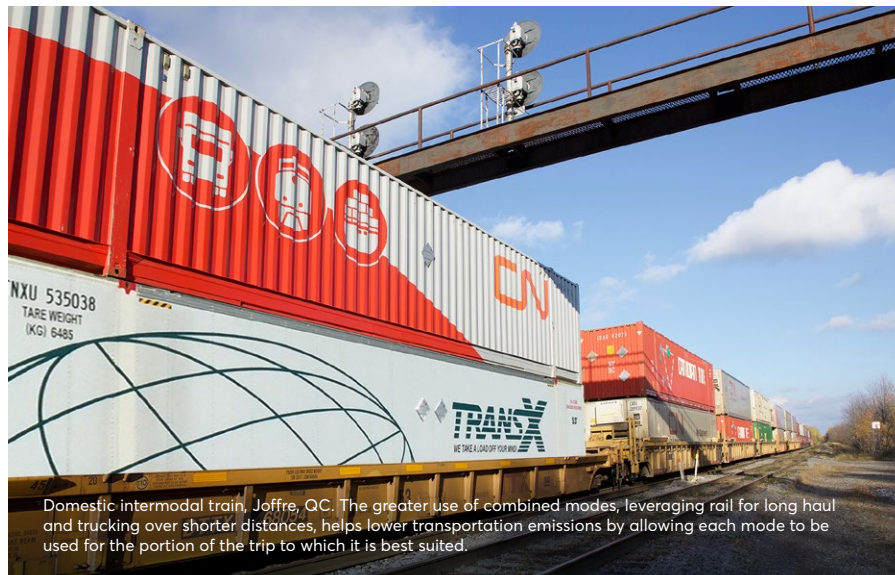
| | | | | | |
|---------|----------------|-----|-----|-----|--|
| Revenue | \$10.4 billion | 64% | 64% | 64% | |
|---------|----------------|-----|-----|-----|--|

CN has been making a positive contribution in the fight against climate change by offering carbon-efficient transportation solutions to our customers. Moving long haul freight by train instead of truck can reduce GHG emissions by up to 75%. We recognize that rail has a tremendous potential to reduce the environmental impact of transportation services and we are actively working with many of our customers to help them reduce their transportation supply chain GHG emissions, by leveraging rail for the long haul and trucking over shorter distances. The greater use of combined modes helps lower transportation emissions by allowing each mode to be used for the portion of the trip to which it is best suited. It also helps reduce road traffic congestion, accidents, and the burden on transportation infrastructure.

The revenue related to providing low-carbon freight transportation goods and services is \$10.4 billion, which we calculated based on our truck-competitive business segment. CN's truck-competitive business segment accounted for 64% of CN's total revenue in 2023. We ensure CN will continue to play a key role in energy transition by moving cleaner energy products including transporting methanol, solar panels, and wind turbines as well as providing shipments of wood chips and wood pellets to meet the growing demand for a more sustainable renewable fuel solution for residential, institutional, or industrial heating.

We are committed to reduce emissions and improve our GHG emissions intensity consistent with stabilizing global temperatures. In 2021, we announced our commitment to setting a target in line with a 1.5°C scenario and to net-zero carbon emissions. We were the first North American railroad to formally commit to setting a net-zero target by joining the Business Ambition for 1.5°C and the United Nations' Race To Zero campaign. In 2023, CN submitted our 2050 target to SBTi for approval, and it was validated in 2024.

Note, we cannot specifically quantify the percentage of financial revenue or revenue aligned with a 1.5°C world in 2025 or 2030 due to restrictions governing public disclosure of sensitive forward-looking financial information.



Domestic intermodal train, Joffre, QC. The greater use of combined modes, leveraging rail for long haul and trucking over shorter distances, helps lower transportation emissions by allowing each mode to be used for the portion of the trip to which it is best suited.

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Low-Carbon Research and Development

5.5

Details of our investments in low-carbon R&D for transport-related activities over the last three years

With approximately 87% of our direct GHG emissions generated from rail operations, we believe the best way to reduce our carbon footprint is by continuously improving our rail fuel efficiency. Over the years, this focus has led us to strategically focus on investing in new technologies to drive even greater efficiency through investments in research and development. Operating an efficient railroad extends to our non-rail operations, enabling further carbon reductions in our ground and vessel fleets, buildings and yards. CN is also investing in developing the necessary technology to decarbonize these aspects of our business.

| Activity | Technology area | Stage of development | Average % of total R&D investment over the last 3 years | Investment in the reporting year | Average % of total R&D investment planned for the next 5 years | Explanation of how R&D investment in this technology area is aligned with CN's climate commitments and/or climate transition plan |
|---------------------------|--------------------------|-----------------------------------|---|----------------------------------|--|--|
| Light Duty Vehicles (LDV) | Battery electric vehicle | Pilot demonstration | 1% | \$600,000 | 1% | CN purchased Ford F-150 Lightning trucks for use in our operations. The majority of the electric trucks have been deployed in mixed applications to test the technical and economic feasibility of the vehicles. Preliminary results on mileage have been received, and the feedback is positive. Further analysis is being done to assess impact to maintenance costs. |
| Rail | Electrification | Pilot demonstration | 0% | \$200,000 | 9% | In 2021, we announced the purchase of Wabtec's FLXdrive battery-electric freight locomotive, the first 100% battery heavy-haul locomotive in support of our ambitious long-term goals. The anticipated efficiencies and emission reductions from the technology will be significant, reducing locomotive consist fuel consumption and emissions by up to 30%, and will help open the door to new alternatives beyond the diesel-powered locomotives used today. This new technology is a key component in achieving an effective transition to a lower-carbon future. In 2023, design of the locomotive and of the method of charging continued to progress. We also engaged in discussions with the electricity provider and undertook engineering work to assess the necessary infrastructure changes to deliver power. |
| Rail | Control systems | Large scale commercial deployment | 7% | \$1,639,000 | 7% | In addition to the capital-intensive renewal of our fleet, the development and deployment of innovate technologies help us maximize locomotive operating effectiveness and efficiency. We use data from our locomotive telemetry systems to enable deeper analysis of our performance to continue to identify, through trend analysis, additional opportunities to further reduce emissions. With approximately 87% of our GHG emissions generated from rail operations, we believe the best way to reduce our carbon footprint is by continuously improving our rail efficiency in alignment with our science-based target reduction of 43% GHG emission intensity by 2030. |
| Rail | Control systems | Applied research and development | 1% | \$200,000 | 1% | CN has renewed our investment in operations research partnering with Université de Montréal for development of mathematical models to potentially find new operational and fuel efficiencies. More optimal assignment and routing of locomotives, loading of intermodal trains to improve aerodynamics, and integrated planning can drive possible carbon emission reductions and are focus areas within this research. Some preliminary results have been produced and CN is reviewing model performance to evaluate their potential to drive business impact. |
| Heavy Duty Vehicles (HDV) | Battery electric vehicle | Pilot demonstration | 0% | \$0 | 1% | In 2020, we announced a Memorandum of Understanding (MOU) with Lion Electric to pilot zero-emission trucks for use at our intermodal terminals across our network, such as Vancouver, Greater Toronto, and Montreal. These zero-emission trucks will be tested for various tasks such as urban delivery, container shuttle service to port operations and cross-town service. The trucks are being custom-built, produce no noise pollution and are estimated to remove 100 tonnes of GHG from the road annually. By using the zero-emission trucks in different settings, we want to identify where these trucks can make the most impact on how we service our customers and reduce emissions. It is expected that the first truck will be delivered in 2024. The project is also expected to spur innovation and create jobs in surrounding communities. |
| Rail | Alternative fuels | Pilot demonstration | 8% | \$5,500,000 | 1% | CN is building important partnerships on the journey toward decarbonization. For example, we are actively working with the industry on testing and exploring the greater use of sustainable renewable fuel blends, beyond regulated amounts, in our locomotives. Along with Progress Rail and Chevron Renewable Energy Group, we continue testing high-level renewable fuel. |

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Carbon Pricing

5.10

Details of our internal price on carbon

CN has established an internal shadow price of carbon of \$44.65/per metric tonne as the minimum, which was the weighted average Quebec Cap-and-Trade Settlement price in the 2023 auctions, and \$65/metric tonne as the maximum, which was the Canadian Federal Carbon Tax rate in 2023. In 2023, our shadow price covers 63% of CN's total Scope 1 GHG emissions.

CN's objective for implementing an internal carbon price include:

- Navigate regulations
- Stakeholder expectations
- Identify and seize low-carbon opportunities
- Drive low-carbon investment
- Drive energy efficiency
- Setting and/or achieving of climate-related policies and targets
- Incentivize consideration of climate-related issues in risk assessments and decision-making

Factors considered when determining the price include alignment with the price of a carbon tax and with the price of allowances under an Emissions Trading Scheme.

CARBON PRICING APPROACH

CN's network of 18,800 route miles of track spans Canada and the United States of America (U.S.), connecting Canada's Eastern and Western coasts with the U.S. South. As such, we are exposed to different carbon prices given the broad range of jurisdictions in which we operate.

CN uses a differentiated internal price of carbon to best align with the prevailing cost of carbon within the jurisdiction of decision making. It is used as a strategic planning tool, considering that addressing climate change is a business cost and opportunity. The development of an internal price of carbon helps to identify revenue opportunities, risks, and creates an incentive to drive energy efficiencies to reduce costs.

For example, our Taxation Department uses the Federal and British Columbia carbon taxes and the Quebec Cap-and-Trade System to ensure compliance to our obligations under Canadian regulatory requirements. Our Corporate Procurement Department uses them to inform business decisions related to the purchase of fuels, and we look at regulatory carbon prices to assess tariffs. Finally, CN's Sales and Marketing uses the prices to assess customer pricing.

CALCULATION METHODOLOGY AND ASSUMPTIONS

We internalize the cost of carbon-based on current and projected carbon tax and cap-and-trade carbon pricing analysis. We also leverage our transition risk scenario analysis to inform our internal price of carbon which considers the Canadian Federal carbon tax rate was \$65/MT in 2023. This rate is publicly available on the Government of Canada website, and CN uses it to inform our maximum actual carbon price. The Quebec Cap-and-Trade System is a provincial mechanism in lieu of the Federal backstop. We use the Quebec Cap-and-Trade System price to inform our minimum actual carbon price because it is lower than the Federal rate. To calculate the 2023 Quebec Cap-and-Trade price, we determined the weighted average settlement price at the quarterly auctions. This information is publicly available on the Quebec Government's website.

We internalize the cost of carbon-based on current and projected carbon tax and cap-and-trade carbon pricing analysis. Canada's carbon tax, also known as its price on carbon, came into effect at \$20 per tonne in 2019. It has steadily climbed in the years since rose to \$65 per tonne in 2023. It is scheduled to go up another \$15 each year until 2030, when it reaches \$170 a tonne. The Quebec cap-and-trade system started in 2013 with a settlement price of \$10.75/MT. Since that time, the settlement price has risen to above \$40/MT in 2023. The regulation requires that the auction reserve price, the minimum price at which emission units are available at auction, be equivalent to the annual minimum price of the previous year, increased by 5% and an Indexation rate based on the Price Index Consumption (CPI) as established by the *Financial Administration Act*.

Given these regulatory measures which support an increasing price of carbon over time, CN expects its internal carbon price to rise over time.

MONITORING AND EVALUATION

CN considers current and projected carbon taxes when determining its internal price of carbon. The price of a carbon tax changes over time depending on prevailing policy and regulations. Within Canada, for example, the Federal carbon tax came into effect in 2019 at \$20/metric tonne (MT). It has steadily climbed in the years since and was \$50/MT in 2023 and increased to \$65/MT in April of 2024 and is scheduled to go up another \$15/MT each year until 2030 when it reaches \$170/MT.

CN monitors current and projected carbon taxes across the jurisdictions in which we operate on at least an annual basis.

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Value Chain Engagement

5.11 Value chain stakeholders we engage with on environmental issues

We recognize the importance of engaging with suppliers, supply chain partners, customers, and investors and shareholders to achieve an effective transition to a low-carbon future.

Our decarbonization goals are ambitious and will require the support and collaboration of many stakeholders, starting internally with our employees, as well as external partners who will play a key role.

5.11.1 SUPPLIER ASSESSMENT OF ENVIRONMENTAL DEPENDENCIES AND/OR IMPACTS

Assessment of supplier environmental dependencies and/or impacts

| Environmental issue(s) | Assessment of supplier dependencies and/or impacts on the environment | Criteria for assessing supplier dependencies and/or impacts on the environment | % Tier 1 suppliers assessed | Definition for threshold for classifying suppliers as having substantive dependencies and/or impacts on the environment | % Tier 1 suppliers meeting the thresholds for substantive dependencies and/or impacts on the environment | # of Tier 1 suppliers meeting the thresholds for substantive dependencies and/or impacts on the environment |
|------------------------|---|--|-----------------------------|---|--|---|
| Climate change | Yes, we assess the dependencies and/or impacts of our suppliers | Contribution to supplier-related Scope 3 emissions | 76–99% | We adopt a multi-pronged approach to manage opportunities and risks in our supply chain, specifically targeting our Significant Tier 1 suppliers who are Tier 1 suppliers that have been identified as a critical supplier, a high-spend supplier, a supplier deemed to have a substantial ESG impact to our business, or a combination thereof. In 2023, these suppliers represented 30% of our procurement spend. | 1–25% | 478 |

5.11.2 SUPPLIER ENGAGEMENT PRIORITIZATION

Details of our supplier engagement prioritization on environmental issues

At CN, we prioritize which suppliers to engage with on environmental issues including:

- Procurement spend
- Product lifecycle
- Reputation management
- Supplier performance improvement
- Business risk mitigation
- Vulnerability of suppliers
- Strategic status of suppliers

We understand the importance of risk mitigation and relationship management throughout the procurement process. We have partnered with a third party that utilizes a cloud-based platform to help us identify, manage, and monitor the ESG performance of our suppliers. The ESG platform is used to review and onboard critical and high-spend suppliers. Currently, suppliers representing approximately 40% of CN's addressable spend are monitored by the third-party platform.

We use ESG platform scorecards, which consider country- and industry-specific ESG risks, to monitor our supplier's sustainability performance and to reference during performance reviews to discuss any improvement areas or corrective actions required based on the results of our risk framework.

In conjunction with the ESG platform, onsite audits and safety performance assessments are leveraged to assess ESG issues. The supplier risk assessment audits examine the quality system of our suppliers and to ensure alignment with all applicable requirements and guidelines, including CN's Supplier Code of Conduct. We have expanded our audit checklist to include ESG topics (i.e., human rights, safety, decarbonization, environment, etc.), encompassing the review of policies in place and a walkthrough of processes. If deficiencies are found, we require our suppliers to build corrective action plans, and we review their progress until the issue is resolved.

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Value Chain Engagement (cont.)

5.11.5–5.11.6

Details on our environmental requirements suppliers need to make as part of our purchasing process and compliance measures in place

SUPPLIER ENVIRONMENTAL REQUIREMENTS

At CN, our suppliers need to meet environmental requirements related to climate change and are included in our supplier contracts.

CN's Supplier Code of Conduct states supplier must conduct their operations with minimal environmental impact, respect applicable environmental laws and regulations and adopt procedures, contingency plans, emergency response measures and management systems, as appropriate for their business. Suppliers should also take the necessary measures to ensure the resiliency of their business to the impacts of climate change. Suppliers should implement measures to prevent pollution, limit energy consumption, reduce greenhouse gas emissions and other pollutants, including setting climate change objectives and targets.

Suppliers will be expected to demonstrate compliance with the Supplier Code upon CN's request. CN reserves the right to verify compliance with this Supplier Code including through site visits and inspections by CN personnel or designated agents. Suppliers must cooperate with requests from CN to provide information to assist in CN's efforts to conduct any compliance verifications.

If a supplier fails to comply with any aspect of this Supplier Code, immediate notice of the violation must be provided to CN. The supplier is expected to implement corrective actions immediately to address any contraventions of this Supplier Code, to the reasonable satisfaction of CN. In the event of non-compliance with the Supplier Code, CN may consider such event as a breach of contract.

| Environmental issue | Environmental requirement | Mechanisms for monitoring compliance with requirement | % Tier 1 suppliers by procurement spend required to comply with requirement | Non-compliance details | Threshold for classifying suppliers as having substantive dependencies and/or impacts on the environment |
|---------------------|--|--|---|--|--|
| Climate change | Environmental disclosure through a non-public platform | <ul style="list-style-type: none"> Supplier scorecard or rating Supplier self-assessment | 1–25% % in compliance 76–99% | Response to supplier non-compliance Retain and engage % of non-compliant suppliers engaged 1–25% Procedures to engage non-compliant suppliers Providing information on appropriate actions that can be taken to address non-compliance | CN's Sustainable Procurement program focuses on integrating sustainability into the procurement process, encompassing supplier selection, risk assessment, continuous improvement, and capacity building. We seek opportunities which enable us to reduce our environmental impact while focusing on safety, positive social change, transparency, and active supplier engagement. To assess ongoing sustainability performance of our suppliers, we have partnered with a third-party cloud-solution platform enabling us to help identify, manage, and monitor high ESG risk and opportunity suppliers. Currently, we onboard critical and high spend suppliers and request they respond to the ESG assessment, which is a requirement outlined in their supplier contracts and that must be met within a set timeframe. We use the scorecards, which consider country and industry specific risks, to monitor our suppliers' sustainability performance and during performance reviews to discuss any improvement areas or corrective actions required based on the results of our risk framework. Suppliers that do not meet a minimum threshold are sent a corrective action request requiring performance improvement actions be taken within their next assessment period. This improvement request, along with re-assessment requests, are discussed during the ESG portion of supplier performance reviews. Through the assessment, suppliers have access to peer benchmarks to help them compare their performance within relative industries. |

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Value Chain Engagement (cont.)

5.11.7

Additional details on how we proactively engage with our suppliers on environmental initiatives

SUPPLY CHAIN ENGAGEMENT ON ENVIRONMENTAL ISSUES

| Environmental issue | Action driven by supplier engagement | Type and details of engagement | Upstream value chain coverage | % of Tier 1 suppliers by procurement spend covered by engagement | Definition for threshold for classifying suppliers as having substantive dependencies and/or impacts on the environment | Engagement is helping your Tier 1 suppliers meet an environmental requirement |
|---------------------|--|--|-------------------------------|--|---|--|
| Climate change | Upstream value chain transparency and human rights | <p>Capacity building</p> <ul style="list-style-type: none"> Periodic business reviews with suppliers <p>Financial incentives</p> <ul style="list-style-type: none"> Feature environmental performance in supplier awards scheme <p>Information collection</p> <ul style="list-style-type: none"> Collect environmental risk and opportunity information at least annually from suppliers Collect targets information at least annually from suppliers <p>Innovation and collaboration</p> <ul style="list-style-type: none"> Collaborate with suppliers on innovations to reduce environmental impacts in products and services | Tier 1 suppliers | 51-75% | <p>CN's Sustainable Procurement focuses on integrating sustainability into the procurement process, encompassing supplier selection, risk assessment, continuous improvement, and capacity building. We strive to collaborate with businesses sharing our commitment to sustainability, strategically deploying procurement spend to meet operational requirements but also promoting fairness and competition. We seek opportunities which enable us to reduce our environmental impact while focusing on safety, positive social change, transparency, and active supplier engagement.</p> <p>CN utilizes ESG platform scorecards, which consider country- and industry-specific ESG risks, to monitor our supplier's sustainability performance and to reference during performance reviews to discuss any improvement areas or corrective actions required based on the results of our risk framework. In conjunction with the ESG platform, onsite audits and safety performance assessments are leveraged to assess ESG issues.</p> <p>Additionally, to enable further collaboration and understanding of risks within the supply chain, we have started including ESG performance discussions as part of recurring supplier performance reviews starting with a phased roll out to our Significant Tier 1 suppliers. In 2023, we had 17 ESG reviews with Significant Tier 1 suppliers and screened 90% of CN's Critical suppliers on ESG issues. Through these discussions, we set expectations on CN's sustainable procurement program and requirements, provide guidance to suppliers on improvement areas and learn more about our suppliers' sustainability journeys.</p> <p>In 2023, we extended our EcoConnexions Partnership Program to our suppliers to recognize their efforts in embedding sustainability within their operations and supply chains, with a particular focus on climate action, resource efficiency and biodiversity. Through CN's EcoConnexions Partnership Program, we recognized 68 customers, suppliers and supply chain partners for their enhanced and continued commitment to sustainability.</p> | Yes, environmental disclosure through a non-public platform or Supplier Code of Conduct. |

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| | | | | | | Carbon Pricing | <u>Value Chain Engagement</u> | | |

Value Chain Engagement (cont.)

5.11.9

Details on engagement activity with our customers

CUSTOMER ENGAGEMENT ON ENVIRONMENTAL ISSUES

| Environmental issue | Type and details of engagement | % of stakeholder type engaged | Rationale for engaging these stakeholders and scope of engagement | Effect of engagement and measures of success |
|---------------------|--|-------------------------------|---|---|
| Climate change | <p>Education</p> <ul style="list-style-type: none"> Run an engagement campaign to educate stakeholders about the environmental impacts about your products, goods and/or services <p>Information sharing</p> <ul style="list-style-type: none"> Share information on environmental initiatives, progress and achievements <p>Innovation and collaboration</p> <ul style="list-style-type: none"> Align our company goals to support customers' targets and ambitions | 100% | <p>Rationale for engagement and scope of engagement</p> <p>As part of our active engagement with customers, we use both public forums and customized approaches to serve the needs of our customers. We continued to communicate our Climate Action Plan and our performance, which include through our sustainability reports, resulting sustainability ratings, as well as through a continuous education campaign to help our customers better understand the environmental benefits of shipping their goods by rail.</p> <p>Though all our sustainability reports are accessible to our customers, we also proactively engage with customers who reach out to learn more about our climate action plan, as well as how we can support their objectives to achieve their carbon reduction commitments. This active engagement includes one-on-one meetings, sustainability performance reviews and discussions on how we can align our services with their climate-related objectives and in support of carbon saving strategies.</p> <p>We continued to promote our web-based carbon calculator, which is a business tool that allows existing and potential customers to estimate the emissions from rail, marine and truck transportation. As the carbon calculator is publicly accessible, we assume all customers access and use this tool.</p> <p>Our EcoConnexions partnership program aims to both partner with and recognize customers who are committed to building an efficient and more sustainable future, including leveraging the environmental benefits of shipping heavy freight over long distances by rail rather than truck to reduce emissions. Each year, customers are invited to partake in the EcoConnexions partnership program and submissions are evaluated based on the following sustainability criteria: availability of policies or commitments, climate action plans and CDP reporting, responsible consumption including energy efficiency and waste reduction, and integrating modal shift. Based on the evaluation, we recognize customers based on their level of commitment, and in honor of this partnership, we dedicate the greening of communities across Canada and the U.S. to promote biodiversity and minimizing environmental impacts.</p> | <p>We measure our success by looking at various metrics: the number of requests for our carbon emissions web-based calculator as well as taking note of both recurring and first-time customer engagement, such as customer meetings and sustainability performance reviews.</p> <p>Last year, we deemed our engagement with our customers as successful because we saw an increase in the occurrence of direct interactions with customers. In 2023, we launched a new self-service, sustainability tool, My Carbon Emissions. The new tool, available on the CN One eBusiness platform, provides customers with a detailed report of their estimated GHG emissions based on all their loaded shipments moved on CN, as well as the emissions avoided by choosing rail over truck. Consequently, engagement with customers via presentations or discussions, number of responses to customer questionnaires, including during the request for proposal phase, increased by 86% as compared to 2022.</p> <p>In 2023, we recognized 68 of our customers and in 2022, extended the program to suppliers in recognition of the pivotal role they play in supporting CN's day-to-day operations and in the advancement of the Company's sustainability ambitions. We measure our success by our continued engagement with past participants as well as an increase in the number of customers participating in the program, with an exceedance threshold of 58 – the number of customers recognized in 2022. Last year, there was an increase in participation to 74 total applications received.</p> |

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Value Chain Engagement (cont.)

5.11.9

Details on engagement activity with our investors and shareholders

INVESTORS AND SHAREHOLDERS ENGAGEMENT

| Environmental issue | Type and details of engagement | % of stakeholder type engaged | Rationale for engaging these stakeholders and scope of engagement | Effect of engagement and measures of success |
|---------------------|--|-------------------------------|--|---|
| Climate change | <p>Information sharing</p> <ul style="list-style-type: none"> Share information on environmental initiatives, progress and achievements <p>Innovation and collaboration</p> <ul style="list-style-type: none"> Collaborate with stakeholders in creation and review of our climate transition plan | 76–99% | <p>Rationale for engagement and scope of engagement</p> <p>Since CN became a publicly traded company in 1995, our Board has adopted governance practices that have been widely recognized as meeting the highest standards and supporting shareholder value creation. With the ever-growing complexity of global issues, the role of companies is increasingly being viewed by both investors and other stakeholders as being more expansive.</p> <p>At CN, the Board has oversight responsibility for the stewardship of CN and our business and is accountable to shareholders for the performance of CN. The Board's role is to supervise the management of CN's business and affairs, with the objective of creating value for shareholders and considering the interests of other stakeholders.</p> <p>The Board and CN's executive team recognize that ESG responsibility is a key priority for our stakeholders. Accordingly, the Board has put in place measures with a view of ensuring that the Company is well positioned to meet these complex challenges. Succinctly stated, CN believes that how we succeed is just as important as what we achieve. One of the key elements of CN's ESG commitment is an annual advisory vote on the Company's Climate Action Plan.</p> <p>As a supporter of the Paris Agreement, this vote complements CN's long-standing and extensive climate change plans and disclosures, its public reporting of its GHG emissions, its strategy to reduce emissions, as well as its year-over-year progress. Transparency regarding climate-related risks and opportunities is critical to maintaining the trust of our shareholders and allows our investors to better understand the implications of climate change on our business.</p> <p>Additionally, we engage regularly with our shareholders and the broader investment community to share information and solicit feedback about our company strategy, financial and ESG performance, capital allocation, performance expectations, and business growth objectives.</p> | <p>As a supporter of the Paris Agreement, and one of the first companies to enable shareholders to vote on its Climate Action Plan, we are committed to providing our stakeholders with transparent climate change disclosures aligned with leading practices. We obtain feedback on our Climate Action Plan from shareholder votes at our annual general meetings (AGM). Our Climate Action Plan includes annual disclosure of our GHG emissions aligned to the TCFD recommendations, a science-based 2030 emission intensity reduction target, and annual progress update. The first non-binding vote took place at our AGM of shareholders in April 2021.</p> <p>We, in part, measure the success of our Climate Action Plan, through the annual non-binding shareholder vote at our AGMs. The last vote took place in April 2024 with 97.5% in support of CN's Climate Action Plan. This vote complements CN's long-standing and robust climate change plans and disclosures, our public reporting of our GHG emissions, our strategy to reduce emissions, as well our year-over-year progress. The significant shareholder support we receive through the annual non-binding vote for CN's Climate Action Plan ensures our efforts to decarbonize CN's business remain aligned with shareholder interests.</p> |

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> IN THIS SECTION:

We recognize the interconnection of climate change, and all nature-related issues. New this year, companies responding to the CDP Corporate Questionnaire were asked to provide data on biodiversity and plastics in addition to their climate change performance. This is an effort to encourage more holistic and balanced disclosure across different environmental issues.

The consolidated approach is the method used to calculate environmental impacts.

67 Consolidated Approach: Climate Change, Biodiversity, and Plastics

PICTURED: Swan Lake, AB

Environmental Performance

CONSOLIDATED APPROACH

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Consolidated Approach

6.1

Details on our consolidation approach for the calculation of environmental performance data

CLIMATE CHANGE

CN's climate-related impacts are reported using a consolidated approach within an operational control reporting boundary. CN uses an operational control approach as it focuses on the emissions from operations where we have control meaning we can directly implement measures to reduce emissions and ensure compliance with new and emerging regulations. Additionally, our reporting approach aligns with the Greenhouse Gas Protocol, which is widely used for emissions reporting.

BIODIVERSITY

As our network extends to three North American coasts, it passes through a wide range of habitats, including national parks, forests, prairies and wetlands. These habitats are home to rich and diverse species that provide essential ecosystem and social benefits to the surrounding communities. We are committed to improving the environment where we operate and conducting our activities and operations in a way that minimizes our disturbance of these ecosystems.

In 2023, CN began to baseline its environmental performance data related to biodiversity and intends to disclose performance on these metrics in future reporting. Prior biodiversity information disclosed to CDP pertained to project-specific key performance indicators CN and is not representative of the Company's biodiversity performance overall.

PLASTICS

We apply the principles of materiality and stakeholder inclusiveness to prioritize the topics that matter most to our business and our stakeholders, which helps us to focus our strategic priorities, refine our reporting, and inform the evolution of our sustainability programs. In 2022 and 2023, we conducted our most recent biennial materiality assessment to identify and prioritize our sustainability topics and applied the principles of double materiality from a business and social impact perspective. In our most recent assessment, plastics was not identified as a material sustainability topic and as such is not deemed an immediate strategic priority.



Rail has tremendous potential to reduce the environmental impact of transportation. We are committed to playing a key role in the transition to a more sustainable world.



Launched in 2011, our EcoConnexions Employee Engagement Program empowers our employees to conserve energy, reduce waste and improve housekeeping.



Our network passes through diverse habitats and home to a variety of species. We are committed to minimizing our impact, and improving the environment where we operate.

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➤ IN THIS SECTION:

We disclose our emissions methodologies, breakdown, energy-related activities, production data, and intensity and efficiency metrics. We also share CN's climate targets, details on emission reduction initiatives, and the advancement of our low-carbon products and services.

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- 70 Emissions Inventory
- 75 Emissions Breakdown
- 78 Energy-related Activities
- 80 Efficiency, Intensity and Other Climate-related Metrics
- 83 Targets
- 86 Emission Reduction Initiatives
- 88 Low-carbon Products and Services

PICTURED: Sioux Lookout, ON
Photo by CN Employee **Steven Roberts**



Environmental Performance

CLIMATE CHANGE

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> **Emissions Methodology** Emissions Inventory Emissions Breakdown Energy-related Activities Efficiency, Intensity and Other Climate-related Metrics Targets Emissions Reduction Initiatives Low-carbon Products and Services

Emissions Methodology

7.1

Change(s) in methodology, boundary, reporting year definition, or recalculations

CHANGES OR RECALCULATIONS

| First year reporting to the CDP | Structural changes in the reporting year being accounted for in emissions data disclosure | Change(s) in methodology, boundary, and/or reporting year definition | Details of methodology, boundary, and/or reporting year definition change(s) | Recalculations of base year emissions and past years' emissions and rationale | Base year emissions recalculation policy, including significance threshold | Past years' recalculation |
|---------------------------------|---|--|--|---|--|---------------------------|
| No | No | Yes | We have updated our Scope 2 methodology from a spend-based process of estimating electricity consumption to a hybrid approach that sources data from a third-party tool to source actual electricity consumption data for a portion of CN's total coverage merged with estimated electricity consumption data from spend on electricity sourced from SAP cost data provided by accounting (Accounts Payable) covering electricity invoices by reporting period for specific site addresses. This change only applies to our reporting years 2022 and 2023. We continue to work on improving the quality of our Scope 2 emissions data. | No, because the impact does not meet our significance threshold | No impact to base year | Yes |

7.2

Standards, protocols, or methodology used to collect activity data and calculate emissions

STANDARDS AND PROTOCOLS USED

- ISO 14064-1
- Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)
- The Greenhouse Gas Protocol: Scope 2 Guidance
- The Greenhouse Gas Protocol: Corporate Value Chain (Scope 3) Standard

7.3

Our approach to reporting Scope 2 emissions

SCOPE 2 EMISSIONS: REPORTING APPROACH

| Scope 2, location-based | Scope 2, market-based |
|---|---|
| We are reporting a Scope 2, location-based figure | We have operations where we are able to access electricity supplier emission factors or residual emissions factors, but are unable to report a Scope 2, market-based figure |

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> Emissions Methodology

Emissions Inventory

Emissions Breakdown

Energy-related Activities

Efficiency, Intensity and Other Climate-related Metrics

Targets

Emissions Reduction Initiatives

Low-carbon Products and Services

Emissions Inventory

7.5

Base year and base year emissions (Scope 1, 2 and 3)

BASE YEAR EMISSIONS

| Scope | Category | Base year end | Base year emissions (metric tonnes CO ₂ e) | Methodological details |
|---------|---|-------------------|---|---|
| Scope 1 | – | December 31, 2019 | 5,771,270 | <p>The Greenhouse Gas Protocol was applied.</p> <p>Please refer to CN's annual Data Supplement for additional notes on our methodology.</p> |
| Scope 2 | Location-based | December 31, 2019 | 164,641 | |
| Scope 3 | Purchased goods and services | December 31, 2019 | 384,934 | |
| Scope 3 | Capital goods | December 31, 2019 | 445,895 | |
| Scope 3 | Fuel-and-energy-related activities (not included in Scope 1 or 2) | December 31, 2019 | 1,845,296 | |
| Scope 3 | Upstream transportation and distribution | December 31, 2019 | 56,373 | |
| Scope 3 | Waste generated in operations | December 31, 2019 | 46,225 | |

7.6

Gross global Scope 1 emissions

SCOPE 1 EMISSIONS: GROSS GLOBAL

| Year | Gross global Scope 1 emissions (metric tonnes CO ₂ e) | End date | Methodological details |
|------|--|-------------------|--|
| 2023 | 4,968,856 | December 31, 2023 | Our Scope 1 GHG emissions include rail and non-rail emissions. The Greenhouse Gas Protocol (GHG Protocol) was applied. We calculated carbon dioxide, methane and nitrous oxide using emission factors and global warming potentials from the Environment and Climate Change Canada National Inventory report (1990–2021) and the International Panel on Climate Change Sixth Assessment reports, respectively. Scope 1 emission exclude direct CO ₂ emissions from the use of biofuels. |

7.7

Gross global Scope 2 emissions (location-based)

SCOPE 2 EMISSIONS: GROSS GLOBAL

| Year | Gross global Scope 2 location-based emissions (metric tonnes CO ₂ e) | End date | Methodological details |
|------|---|-------------------|--|
| 2023 | 93,762 | December 31, 2023 | <p>A new methodology was implemented for 2022 and 2023, where CN utilizes a hybrid approach that sources actual electricity consumption data for a portion of CN's total coverage merged with estimated electricity consumption data from spend on electricity by reporting period for specific site addresses using CN specific rate. The formula used is: GHG Emissions (tCO₂e) = Electricity Consumption (kWh)* Electricity EF (tCO₂e/kWh). Canadian emission factors were sourced from the National Inventory Report (1990-2021, part 3, Annex 13). U.S. emission factors were sourced from the eGrid2022.</p> |
| 2022 | 97,333 | December 31, 2022 | |

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> Emissions Methodology **Emissions Inventory** Emissions Breakdown Energy-related Activities Efficiency, Intensity and Other Climate-related Metrics Targets Emissions Reduction Initiatives Low-carbon Products and Services

Emissions Inventory (cont.)

7.8

Our organization's gross global Scope 3 emissions explaining any exclusions

RELEVANT AND CALCULATED SCOPE 3 EMISSIONS

Percentage of emissions calculated using data obtained from suppliers or value chain partners equals 100%.

| Scope 3 category | Emissions in reporting year (metric tons CO ₂ e) | Emissions calculation methodology | Explanation |
|---|---|-----------------------------------|---|
| Purchased goods and services | 201,636 | Hybrid method | <p>CN's key goods purchases were identified based on spend and value to the business. These include locomotives, freight cars, containers, rail ties, ballast, and rail and other track materials. Quantities and weights of goods purchased by source location were calculated by summing supplier invoice data from SAP. Representative materials for each type of good were identified. Emissions factors for each material and source location were then applied to the corresponding total weight of goods purchased. Emissions factors applied were taken from various sources including GREET1_2021, GREET2_2021, GREET2_2023, ICE V3.0, ecoinvent 3.9.1, ecoinvent 3.10 and studies on primary aluminum production in China (Han Hao, Yong Geng and Wen Hang, 2016), and railroad cross ties (Christopher Bolin and Stephen Smith, 2013). The split of Scope 3 emissions between capital goods and other goods purchased was derived based on 2023 capital vs operating expenses extract from SAP (excluding TransX intermodal purchased goods).</p> <p>Emissions from purchased services are quantified following a spend-based methodology as follows: 2023 spend by vendor was extracted from SAP for vendors with spend greater than \$2 million to capture top areas of spend. From this extract, spend dollars for purchased services were categorized by industry sector which was then mapped to a relevant economic sector. Economic input-output emission factors were developed based on emissions and GDP per economic sector for Canada from the World Input Output database. GDP data was adjusted for inflation and converted to Canadian dollars. These emission factors were applied to the 2023 CN spend by economic sector to calculate the estimated CN Scope 3 emissions from purchased services. Emissions from the "Inland transport" economic sector were separated from other purchased services into the "Upstream transportation and distribution" Scope 3 category.</p> |
| Capital goods | 506,688 | Hybrid method | <p>CN's key goods purchases were identified based on spend and value to the business. These include locomotives, freight cars, containers, rail ties, ballast, and rail and other track materials. Quantities and weights of goods purchased by source location were calculated by summing supplier invoice data from SAP. Representative materials for each type of good were identified. Emissions factors for each material and source location were then applied to the corresponding total weight of goods purchased. Emissions factors applied were taken from various sources including GREET1_2021, GREET2_2021, GREET2_2023, ICE V3.0, ecoinvent 3.9.1, ecoinvent 3.10 and studies on primary aluminum production in China (Han Hao, Yong Geng and Wen Hang, 2016), and railroad cross ties (Christopher Bolin and Stephen Smith, 2013). The split of Scope 3 emissions between capital goods and other goods purchased was derived based on 2023 capital vs. operating expenses extract from SAP (excluding TransX intermodal purchased goods).</p> |
| Fuel-and-energy-related activities (not included in Scope 1 or 2) | 1,500,557 | Fuel-based method | Liters/gallons of fuel purchased by jurisdiction across all fleet types were obtained from supplier invoice data in our SAP system. |
| Upstream transportation and distribution | 65,336 | Spend-based method | Emissions from the "Inland transport" economic sector were separated from other purchased services into the "Upstream transportation and distribution" Scope 3 category. |
| Waste generated in operations | 41,271 | Waste-type-specific method | Emissions were calculated by using tonnes of waste generated by disposal method which were obtained directly from our waste management service providers. Emission factors were obtained from various sources including Canada's National Inventory Report, 1990-2021, 2006 IPCC Guidelines for National Greenhouse Gas Inventories Metal Industry Emissions, and the Ecoinvent database V3. |

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> Emissions Methodology **Emissions Inventory** Emissions Breakdown Energy-related Activities Efficiency, Intensity and Other Climate-related Metrics Targets Emissions Reduction Initiatives Low-carbon Products and Services

Emissions Inventory (cont.)

SCOPE 3 EMISSIONS THAT ARE NOT RELEVANT AS PER PROVIDED EXPLANATION

| Scope 3 category | Emissions in reporting year (metric tons CO ₂ e) | Emissions calculation methodology | Explanation |
|--|---|-----------------------------------|--|
| Business travel | N/A | N/A | Estimated to be below 1% of total Scope 3. |
| Employee commuting | N/A | N/A | Employees travel to and from work using road transport (car or bus) or commuter train or subway. In 2023, employee commuting emissions represented less than 1% of Scope 3 emissions and were considered negligible in the reporting year. |
| Upstream leased assets | N/A | N/A | We lease railcars and some rail equipment. Emissions related to the operation of these assets are included in our Scope 1 and Scope 3, category 3 emissions. |
| Downstream transportation and distribution | N/A | N/A | As a transport and logistics services company, all distribution and transportation-related emissions are included in our Scope 1 and 2 emissions. |
| Processing of sold products | N/A | N/A | As a transport and logistics services company, we do not process sold products. |
| Use of sold products | N/A | N/A | We do not process sold products that are then used by third parties. We offer a transportation and logistics services. |
| End of life sold products | N/A | N/A | We do not process sold products and therefore end-of-life treatment of sold products is not relevant. |
| Downstream leased assets | N/A | N/A | We do not lease assets downstream. |
| Franchises | N/A | N/A | We do not own any franchises. |
| Investments | N/A | N/A | CN does hold an equity share in entities outside of its operational control, which we have estimated to not contribute materially to our Scope 3 emissions. CN will continue to evaluate annually whether to include Category 15 emissions in our inventory, and if so, will update our disclosures accordingly. |

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Emissions Inventory (cont.)

7.8.1

Scope 3 emissions data for previous years

SCOPE 3 EMISSIONS: PREVIOUS REPORTING YEAR

| Year | End date | Scope 3 category | Metric tonnes CO ₂ e | Comment |
|------|-------------------|---|---------------------------------|---|
| 2022 | December 31, 2022 | Fuel-and-energy-related activities (not included in Scope 1 or 2) | 1,530,966 | For Scope 3 – Fuel production – CN has restated our inventory for 2020-2022 to bring inclusions in line with our base year. The other categories of Scope 3 emissions that are relevant to CN (Purchased goods and services, Capital goods, Upstream transportation and distribution, and waste generated in operations) remained the same. The figures reported in this section are consistent with what was reported in 2022. The remaining categories are stated as zero given these categories have not been restated. |

7.9

Details of the verification/assurance undertaken for Scope 1, 2, and 3 emissions

VERIFICATION OR ASSURANCE STATUS

We have a third-party limited assurance process in place for Scope 1, Scope 2 and Scope 3 emissions as outlined below.

| Scope category | Verification or assurance cycle in place | Status | Type of verification or assurance | Relevant standard | Proportion of reported emissions verified (%) |
|---|--|----------|-----------------------------------|-------------------|---|
| Scope 1 | Annual process | Complete | Limited assurance | CSAE 3410 | 87% |
| Scope 2 location-based | Annual process | Complete | Limited assurance | CSAE 3410 | 100% |
| Scope 3: Fuel and energy-related activities (not included in Scopes 1 or 2) | Annual process | Complete | Limited assurance | CSAE 3410 | 89% |
| Scope 3: Purchased goods and services | Annual process | Complete | Limited assurance | CSAE 3410 | 100% |
| Scope 3: Capital goods | Annual process | Complete | Limited assurance | CSAE 3410 | 100% |
| Scope 3: Upstream transportation and distribution | Annual process | Complete | Limited assurance | CSAE 3410 | 100% |



GHG Emissions
Assurance Statement 2023

Emissions Inventory (cont.)

7.10–7.10.2

Gross global Scope 1 and 2 emissions (combined) compared to previous reporting year

SCOPE 1 AND 2 EMISSIONS: CHANGE OVER PREVIOUS REPORTING YEAR

Compared to the previous year, our gross global emissions have decreased. Our emissions performance calculations use a location-based Scope 2 emissions figure.

| Reason | Change in emissions (metric tonnes CO ₂ e) | Direction of change in emissions | Emissions value (percentage) | Calculation Explanation |
|--|---|----------------------------------|------------------------------|--|
| Change in renewable energy consumption | 75,712 | Decreased | 1.5% | Difference is equal to 2023 global Scope 1 and 2 emissions minus 2022 global Scope 1 and 2 emissions. The percent is equal to the difference divided by 2022 emissions. |
| Other emissions reduction activities | 380,542 | Decreased | 7.5% | Please refer to Question 7.55.1 for a detail description of contributing activities. The percent is calculated by dividing the estimated emission reductions by total Scope 1+2 in 2022. |

7.12

Carbon dioxide emissions from biogenic carbon

BIOGENIC CARBON

Carbon dioxide emissions from biogenic carbon are relevant to our organization. In 2023, CN's emissions from biogenic carbon were 126,612 CO₂ related to volumes of biodiesel and other biofuels.

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Emissions Breakdown

7.15.1

Gross global
Scope 1 emissions by
greenhouse gas type

SCOPE 1 BREAKDOWN: GREENHOUSE GAS TYPE

| Greenhouse gas | Scope 1 emissions (metric tonnes in CO ₂ e) | GWP reference |
|------------------|--|---|
| CO ₂ | 4,533,162 | IPCC Sixth Assessment Report (AR6 – 100 year) |
| CH ₄ | 7,434 | IPCC Sixth Assessment Report (AR6 – 100 year) |
| N ₂ O | 428,258 | IPCC Sixth Assessment Report (AR6 – 100 year) |

7.16

Gross global
Scope 1 and 2 emissions
by country/area

SCOPE 1 AND 2 BREAKDOWN: COUNTRY

| Country/Area | Scope 1 emissions (metric tonnes in CO ₂ e) | Scope 2, location-based, emissions (metric tonnes in CO ₂ e) | Scope 2, market-based, emissions (metric tonnes in CO ₂ e) |
|--------------------------|--|---|---|
| Canada | 3,499,551 | 31,666 | 0 |
| United States of America | 1,469,304 | 60,394 | 0 |

7.17

Gross global
Scope 1 emissions by
business activity

SCOPE 1 BREAKDOWN: BUSINESS ACTIVITY

| Activity | Scope 1 emissions (metric tonnes in CO ₂ e) |
|--------------------------------|--|
| Locomotives | 4,309,099 |
| Intermodal Trucks | 151,361 |
| Marine Fleet | 172,347 |
| On Company Service Fleet | 96,200 |
| Miscellaneous Fuel Consumption | 177,551 |
| Intermodal Equipment | 62,297 |

7.19

Gross global
Scope 1 emissions by
sector production activity

SCOPE 1 BREAKDOWN: SECTOR PRODUCTION ACTIVITY

| Sector production activity | Scope 1 emissions (metric tonnes in CO ₂ e) |
|-------------------------------|--|
| Transport services activities | 4,968,856 |

| | | | | | | | | | |
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Emissions Breakdown (cont.)

7.20–7.21

Gross global Scope 2 emissions by business activity and sector production activity

SCOPE 2 BREAKDOWN: BUSINESS ACTIVITY / SECTOR PRODUCTION ACTIVITY

| Business activity | Scope 2, location-based, emissions (metric tonnes in CO ₂ e) | Scope 2, market-based, emissions (metric tonnes in CO ₂ e) |
|-------------------------------|---|---|
| Transport services activities | 93,762 | 0 |

7.22

Gross global Scope 1 and 2 emissions between consolidated accounting group and other entities

SCOPE 1 AND 2 BREAKDOWN: CONSOLIDATED ACCOUNTING GROUP AND OTHER ENTITIES

| Group of Entities | Scope 1 emissions (metric tonnes in CO ₂ e) | Scope 2, location-based, emissions (metric tonnes in CO ₂ e) | Explanation |
|-------------------------------|--|---|---|
| Consolidated accounting group | 4,968,856 | 93,762 | Scope 1 and 2 captured for single CN entity |

7.23

Gross global Scope 1 and 2 emissions by subsidiary

SCOPE 1 AND 2 BREAKDOWN: SUBSIDIARIES

| Subsidiary name Primary activity | Unique identifier | Scope 1 (metric tonnes CO ₂ e) | Scope 2, location-based, emissions (metric tonnes in CO ₂ e) | Comment |
|-------------------------------------|----------------------|---|---|---|
| TransX Intermodal transport | No unique identifier | 89,998 | 1,160 | We do not disaggregate for any other subsidiaries |

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> Emissions Methodology Emissions Inventory **Emissions Breakdown** Energy-related Activities Efficiency, Intensity and Other Climate-related Metrics Targets Emissions Reduction Initiatives Low-carbon Products and Services

Emissions Breakdown (cont.)

7.26

Emissions allocation for goods and services sold to customers

CUSTOMER EMISSIONS

We calculate Scope 1 emissions values allocated to Supply Chain members who request them. Our allocation method and unit of measure are based on tonne kilometres shipped. The primary sources of emissions come from burning locomotive fuel to transport products. Our allocation has not been verified by a third party or used in any other publication.

| Requesting member | Emissions in metric tonnes of CO ₂ e allowing for a variance of ± 5% | Explanation of GHG source identification, any major limitations to this process and assumptions made |
|-------------------------|---|---|
| Canada Post Corporation | 825 | CN identifies emission sources within its operational control boundary using the general procedures for identifying and selecting sources, as detailed in standards such as ISO 14064 and the GHG Protocol. As almost 87% of CN's direct GHG emissions come from locomotives, CN's Scope 1 methodology is as follows: |
| Dow Chemical Company | 53,458 | Locomotives: CN calculates fuel consumption based on the total weights and distances of a customer's locomotive freight service, using a fuel conversion factor provided by the Railway Association of Canada (Litres of fuel per Revenue Tonne Km). |
| Ford Motor Company | 8,283 | On Company Service (OCS) Fleet: CN uses fuel (gasoline and diesel) purchases paid by fuel credit cards and uploaded into the Automotive Management Information System (AMIS), reconciling the AMIS and credit card records annually to attain a 99% reporting accuracy. |
| General Motors Company | 19,643 | Miscellaneous Fuel Consumption: CN uses data from invoices for fuel purchases entered into CN's tanks database. |
| WestRock Company | 6,195 | Intermodal Trucking: CN estimates fuel consumption in gallons based on total weights and distances for the intermodal freight service, using an average fuel efficiency of 5.64 miles per gallon combined with an average payload of 16.3 tons per truck. CN converts the fuel consumption data to emissions using emission factors in Environment Canada's National Inventory Report 1990-2020: Greenhouse Gas Sources and Sinks. |

7.27-7.28

Challenges in allocating emissions to different customers and plans to develop allocation capabilities

CHALLENGES IN ALLOCATING CUSTOMER EMISSIONS

We applied conservative estimates to allocate emissions. CN has data related to business volume, including freight weights and distances, directly allocated to each customer, which enables a reasonably accurate emissions calculation for freight transportation, the largest emission source. To improve, CN will continue to work on improving the allocation methodology to allow for commodity specific emissions allocations.

| | | | | | | | | | |
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Energy-related Activities

7.29

Operational spend on energy-related activities

ENERGY SPEND

Percentage of total operational spend on energy-related activities is more than 15% but less than or equal to 20%

7.30

Energy consumption totals for our energy-related activities

ENERGY CONSUMPTION

We only consume fuel and purchased or acquired electricity. We don't consume any – purchased, acquired or generated – heat, steam, or cooling.

| Activity | Heating value | MWh from renewable sources | MWh from non-renewable sources | Total (renewable + non-renewable) MWh |
|--|---------------------------------|----------------------------|--------------------------------|---------------------------------------|
| Consumption of fuel (excluding feedstock) | HHV (higher heating value) | 504,898 | 18,196,805 | 18,701,703 |
| Consumption of purchased or acquired electricity | Unable to confirm heating value | 126,885 | 268,065 | 394,950 |
| Total energy consumption | HHV (higher heating value) | 631,783 | 18,464,869 | 19,096,653 |



CN's new Toronto Fuel Distribution Centre includes ethanol, renewable diesel and sustainable aviation fuel.

| | | | | | | | | | |
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Energy-related Activities (cont.)

7.30.1

Applications of our consumption of fuel

We only consume fuel for the generation of heat (including combustion for engines). We don't consume fuel for the generation of electricity, steam, or cooling, or for co-generation or tri-generation.

7.30.7

Fuel consumed by fuel type

FUEL CONSUMPTION: BY FUEL TYPE

| Fuel type (excluding feedstocks) | Heating value | Total MWh consumed by the organization | Comment |
|----------------------------------|----------------------------|--|---|
| Oil | HHV (higher heating value) | 17,571,409 | Diesel, Gasoline, Other oil-based fuels |
| Sustainable biomass | HHV (higher heating value) | 504,898 | Biogasoline + Biodiesel |
| Gas | HHV (higher heating value) | 625,396 | Natural gas |
| Total fuel | HHV (higher heating value) | 18,701,703 | All fuel types summed |

7.30.16

Non-fuel energy consumption by country

ENERGY CONSUMPTION: COUNTRY/AREA

| Country | Consumption of purchased electricity (MWh) | Total electricity/heat/steam/cooling energy consumption (MWh) |
|---------|--|---|
| Canada | 242,406 | 242,406 |
| U.S. | 152,544 | 152,544 |

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> Emissions Methodology Emissions Inventory Emissions Breakdown Energy-related Activities **Efficiency, Intensity and Other Climate-related Metrics** Targets Emissions Reduction Initiatives Low-carbon Products and Services

Efficiency, Intensity and Other Climate-related Metrics

7.36

Relevant efficiency metrics to transport products and/or services

EFFICIENCY METRICS

| Activity | Metric figure | Metric numerator | Metric denominator | Percentage change from previous year | Explanation |
|---------------------------|---------------|------------------------------------|--------------------------------|--------------------------------------|---|
| Rail | 9.53 | 4,309,099 tonnes CO ₂ e | 452,043 million GTMs | 0.63% | Overall, our rail emissions intensity in 2023 increased versus 2022, due to challenging operating conditions including wildfires experienced on our network. Offsetting some of that impact, we kept focusing on key strategic areas to improve fuel efficiency. Our continued commitment to a disciplined scheduled operating plan helps to improve car velocity and train speed, increasing network fluidity. We continue to leverage real-time information on train operations, enabling on-the-job guidance on practices that reduce fuel consumption. Capacity upgrades, including lengthening sidings and doubling sections of mainline track, allow us to drive fluidity in our busiest corridors, improving fuel and carbon efficiency. Investments in new equipment such as higher-capacity hopper cars also save fuel as such cars can carry more volume per train. We continue to explore and invest in innovative technologies such as energy management and data telemetry systems as well as distributed power functionality, to help us maximize locomotive operating effectiveness and efficiency. We continue to purchase the most fuel-efficient high-horsepower locomotives currently available, and in 2023 we acquired 10 units and receiving delivery of 40 units out of a multiyear modernization program, where existing locomotives from the CN fleet are upgraded with the latest technology, extending their life and enhancing fuel efficiency. |
| Heavy Duty Vehicles (HDV) | 1.08 | 151,361 tonnes CO ₂ e | 139,616 thousand kms travelled | -2.7% | Our HDV fleet – CNTL and TransX trucks – makes up approximately 3% of our Scope 1 and 2 emissions. Over the past few years, we have been focused on improving the fuel efficiency of these fleets. Overall, our truck emission intensity in 2023 decreased versus 2022 due to improvement in operational efficiencies. Our teams continue to be trained on fuel efficiency, including on the usage of fleet management system technologies. |
| Marine | 17.65 | 172,347 tonnes CO ₂ e | 9,765 million net ton mile | 3.1% | Our marine fleet makes up approximately 3% of our Scope 1 and 2 emissions. Overall, our marine emissions intensity in 2023 increased versus 2022 due to a change to how we operate the fleet. |

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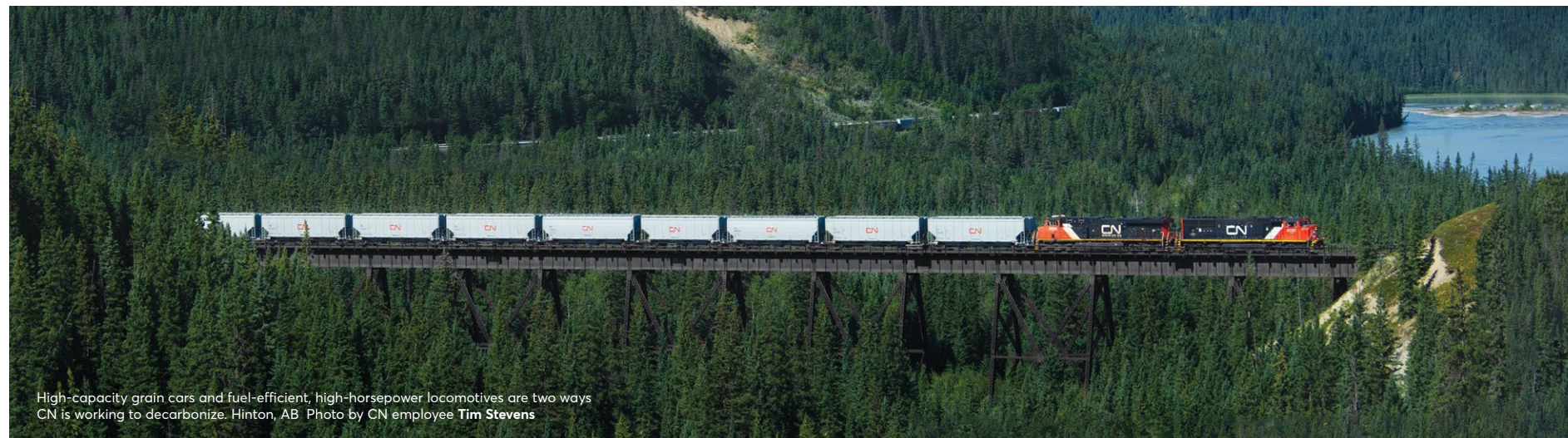
Efficiency, Intensity and Other Climate-related Metrics (cont.)

7.45

Gross global combined Scope 1 and 2 emissions intensity

INTENSITY METRICS

| Intensity figure | Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tonnes CO ₂ e) | Metric denominator Metric denominator: Unit total | Scope 2 figure used | Percentage change from previous year Direction of change and reason for change | Explanation |
|------------------|---|---|---------------------|---|---|
| 0.000312 | 5,062,617 | Thousand dollars of freight revenue 16,236,000,000 | Location-based | 0.5% Increased, due to a change in physical operating conditions | Overall, our rail emissions intensity in 2023 increased versus 2022, due to challenging operating conditions including wildfires experienced on our network. Offsetting some of that impact, we kept focusing on key strategic areas to improve fuel efficiency. Our continued commitment to a disciplined scheduled operating plan helps to improve car velocity and train speed, increasing network fluidity. We continue to leverage real-time information on train operations, enabling on-the-job guidance on practices that reduce fuel consumption. Capacity upgrades, including lengthening sidings and doubling sections of mainline track, allow us to drive fluidity in our busiest corridors, improving fuel and carbon efficiency. Investments in new equipment such as higher-capacity hopper cars also save fuel as such cars can carry more volume per train. We continue to explore and invest in innovative technologies such as energy management and data telemetry systems as well as distributed power functionality, to help us maximize locomotive operating effectiveness and efficiency. We continue to purchase the most fuel-efficient high-horsepower locomotives currently available, and in 2023 we acquired 10 units and receiving delivery of 40 units out of a multiyear modernization program, where existing locomotives from the CN fleet are upgraded with the latest technology, extending their life and enhancing fuel efficiency. |



High-capacity grain cars and fuel-efficient, high-horsepower locomotives are two ways CN is working to decarbonize. Hinton, AB Photo by CN employee Tim Stevens

| | | | | | | | | | |
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Efficiency, Intensity and Other Climate-related Metrics (cont.)

7.51

Intensity (activity-based) metrics for our emissions from transport activities

EMISSIONS INTENSITY METRICS BY ACTIVITY

| Activity | Scopes used for calculation of intensities | Intensity figure | Metric numerator (emissions in metric tonnes CO ₂ e) | Metric denominator: unit | Metric denominator: unit total | Percentage change from previous year | Explanation of any exclusions in your coverage of transport emissions in selected category, and reasons for change in emissions intensity. |
|----------|--|------------------|---|--------------------------|--------------------------------|--------------------------------------|--|
| HDV | Scope 1 only | 1.08 | 151,361 | p.km | 139,616 | -2.7% | Our HDV fleet – CNTL and TransX trucks – makes up approximately 3% of our Scope 1 and 2 emissions. Over the past few years, we have been focused on improving the fuel efficiency of these fleets. Overall, our truck emission intensity in 2023 decreased versus 2022 due to improvement in operational efficiencies. Our teams continue to be trained on fuel efficiency, including on the usage of fleet management system technologies. There are no exclusions. |
| Rail | Scope 1 only | 9.53 | 4,309,099 | t.mile | 452,043 | 0.63% | Overall, our rail emissions intensity in 2023 increased versus 2022, due to challenging operating conditions including wildfires experienced on our network. Offsetting some of that impact, we kept focusing on key strategic areas to improve fuel efficiency. Our continued commitment to a disciplined scheduled operating plan helps to improve car velocity and train speed, increasing network fluidity. We continue to leverage real-time information on train operations, enabling on-the-job guidance on practices that reduce fuel consumption. Capacity upgrades, including lengthening sidings and doubling sections of mainline track, allow us to drive fluidity in our busiest corridors, improving fuel and carbon efficiency. Investments in new equipment such as higher-capacity hopper cars also save fuel as such cars can carry more volume per train. We continue to explore and invest in innovative technologies such as energy management and data telemetry systems as well as distributed power functionality, to help us maximize locomotive operating effectiveness and efficiency. We continue to purchase the most fuel-efficient high-horsepower locomotives currently available, and in 2023 we acquired 10 units and receiving delivery of 40 units out of a multiyear modernization program, where existing locomotives from the CN fleet are upgraded with the latest technology, extending their life and enhancing fuel efficiency. There are no exclusions. |
| Marine | Scope 1 only | 17.65 | 172,347 | t.mile | 9,765 | 3.1% | Our marine fleet makes up approximately 3% of our Scope 1 and 2 emissions. Overall, our marine emissions intensity in 2023 increased versus 2022 due to a change to how we operate the fleet. There are no exclusions. |
| All | Scope 1 and 2 | 10.67 | 5,062,617 | t.mile | 474,402 | 0.67% | Overall, our combined Scope 1 and 2 emissions intensity, from a revenue standpoint, in 2023 slightly increased versus 2022. This is mostly due to challenging operating conditions including wildfires experienced on our network. Offsetting some of that impact, we kept focusing on key strategic areas to improve energy efficiency. With 85% of our Scope 1 and 2 emissions generated from rail operations, we believe the best way to reduce our carbon footprint is by continuously improving our rail efficiency. As such, we kept focusing on key strategic areas: fleet renewal, innovative technology, big data, and operating practices. |

Targets

7.53.2

Emissions intensity targets active in reporting year

EMISSIONS INTENSITY TARGET (SCOPES 1 AND 2)

| Target reference number | Scope(s) | End date of target | Percentage achieved relative to base year | Further details |
|--|---|---|---|---|
| Int1 Is this a science-based target? Target ambition Date target was set Target coverage Greenhouse gases covered by target Land-related emissions covered by target | Scope 1 and Scope 2 (location-based) Intensity metric End date of base year Intensity figure base year and percentage covered | Target reduction from base year (%) Intensity figure at end date of target for all selected Scopes % change anticipated in absolute Scope 1 + 2 emissions Intensity figure in reporting year for all selected Scopes | Target derived using a sectoral decarbonization approach Target coverage explanation and any exclusions | Target Objective Plan to Achieve Target |
| Yes, and this target has been approved by the Science Based Targets initiative Well-below 2°C aligned January 30, 2021 Organization-wide Carbon dioxide (CO ₂) Methane (CH ₄) Nitrous oxide (N ₂ O) | December 31, 2019 tCO ₂ e/million gross ton miles Scope 1: 11.29 (100%) Scope 2: 0.32 (100%) All Scopes (Scope 1 and 2): 11.61 (66%) | 2030 43% 6.6 tCO ₂ e/million gross ton miles -22.5% Scope 1: 10.47 Scope 2: 0.198 All Scopes (Scope 1 and 2): 10.668 | 18.87% No This target is for Scope 1 and 2, subject to the methodological details described in our annual Data Supplement | <p>Target Objective</p> <p>As we prepare for the future, we are committed to reduce GHG emissions and improve our GHG emissions intensity consistent with stabilizing global temperatures. In 2017, CN became the first railroad in North America to set an approved science-based target. Our current 2030 target, set in 2021 and aligns to a well-below 2-degrees scenario, versus the 2-degrees scenario reflected in our 2017 target. The Science-Based Target initiative ("SBTi") approved CN's 2030 target which reflects a commitment to reduce Scope 1 and 2 GHG emissions by 43% per gross ton mile by 2030 from a 2019 base year, and to reduce Scope 3 GHG emissions from fuel- and energy-related activities by 40% per gross ton mile by 2030 from a 2019 base year.</p> <p>Plan to Achieve Target</p> <p>With 87% of our Scope 1 GHG emissions generated from rail operations, we believe the best way to reduce our carbon footprint is by continuously improving our rail efficiency. As such, our target informs our low-carbon transition plan and business strategy. To achieve our science-based target to reduce our Scope 1 and 2 GHG emission intensity by 43% by 2030 based on 2019 levels, we are focused on five key strategic areas: fleet renewal, innovative technology, big data, operating practices, and cleaner fuels. Operating an efficient railroad extends to our non-rail operations, enabling further carbon reductions in our ground and vessel fleets, buildings and yards, through best practice initiatives, new equipment and technologies. We are taking concrete steps to reduce our non-rail carbon footprint, which comprises 15% of our Scope 1 and 2 GHG emissions, focusing on driving ground fleet upgrades, retrofitting yards and buildings, and decarbonizing our vessel fleet.</p> |
| No, the target does not cover any land-related emissions (e.g. non-FLAG SBT) | | | | |



SBTi Targets and Commitments

| | | | | | | | | | |
|-------------------------|---|---------------------------------------|---------------------------|---|-----------------------------|---------------------------------|----------------------------------|----------|---|
| C1 | C2 | C3 | C4 | C5 | ENVIRONMENTAL PERFORMANCE | | | | ← |
| INTRODUCTION | IDENTIFICATION, ASSESSMENT, AND MANAGEMENT OF DEPENDENCIES, IMPACTS, RISKS, AND OPPORTUNITIES | DISCLOSURE OF RISKS AND OPPORTUNITIES | GOVERNANCE | BUSINESS STRATEGY | C6 CONSOLIDATED APPROACH | C7 CLIMATE CHANGE | C11 BIODIVERSITY | APPENDIX | ≡ |
| > Emissions Methodology | Emissions Inventory | Emissions Breakdown | Energy-related Activities | Efficiency, Intensity and Other Climate-related Metrics | <u>Targets</u> | Emissions Reduction Initiatives | Low-carbon Products and Services | → | |

Targets (cont.)

EMISSIONS INTENSITY TARGET (SCOPE 3)

| Target reference number | Scope(s) | End date of target | Percentage achieved relative to base year | Further details |
|--|--|--|---|--|
| Int2 Is this a science-based target? Target ambition Date target was set Target coverage Greenhouse gases covered by target Land-related emissions covered by target | Intensity metric End date of base year Intensity figure for base year and percentage covered | Target reduction from base year (%) Intensity figure at end date of target for Scope 3 emissions % change anticipated in absolute Scope 3 emissions Intensity figure in reporting year and percentage covered in all Scope 3 categories | Target derived using a sectoral decarbonization approach Target coverage explanation and any exclusions | Target Objective As we prepare for the future, we are committed to reduce GHG emissions and improve our GHG emissions intensity consistent with stabilizing global temperatures. In 2017, CN became the first railroad in North America to set an approved science-based target. Our current 2030 target, set in 2021 and aligns to a well-below 2-degrees scenario, versus the 2-degrees scenario reflected in our 2017 target. The Science-Based Target initiative ("SBTi") approved CN's 2030 target which reflects a commitment to reduce Scope 1 and 2 GHG emissions by 43% per gross ton mile by 2030 from a 2019 base year, and to reduce Scope 3 GHG emissions from fuel- and energy-related activities by 40% per gross ton mile by 2030 from a 2019 base year. |
| Yes, and this target has been approved by the Science Based Targets initiative Well-below 2°C aligned January 30, 2021 Business division Carbon dioxide (CO ₂) Methane (CH ₄) Nitrous oxide (N ₂ O) | Fuel-and-energy-related activities (not included in Scopes 1 or 2) tCO ₂ e/million gross ton miles December 31, 2019 Scope 3: 3.61 (100%) | 2030 40.3% 2.155 tCO ₂ e/million gross ton miles -18.3% Scope 3: 3.16 (66%) | 30.93% No This target is for Scope 3 Category 3, subject to the methodological details described in our annual Data Supplement. | Plan to Achieve Target To reduce fuel- and energy-related activities from our Scope 3 emission, we are mainly focused on locomotive carbon efficiencies. With 87% of our Scope 1 GHG emissions generated from rail operations, we believe the best way to reduce our carbon footprint is by continuously improving our rail efficiency. As such, our target informs our low-carbon transition plan and business strategy. We are focused on five key strategic areas: fleet renewal, innovative technology, big data, operating practices, and cleaner fuels. These initiatives taken to reduce Scope 1 emissions from running locomotives will cascade to reducing the volume of fuel purchased. |
| No, the target does not cover any land-related emissions (e.g. non-FLAG SBT) | | | | |



SBTi Targets and Commitments

| | | | | | | | | | |
|--------------|---|---------------------------------------|------------|-------------------|-----------------------------|----------------------|---------------------|----------|---|
| C1 | C2 | C3 | C4 | C5 | ENVIRONMENTAL PERFORMANCE | | | | ← |
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> Emissions Methodology Emissions Inventory Emissions Breakdown Energy-related Activities Efficiency, Intensity and Other Climate-related Metrics **Targets** Emissions Reduction Initiatives Low-carbon Products and Services

Targets (cont.)

7.54.3

Details of our net-zero target

NET-ZERO TARGET

| Target reference number • Date target was set • Target coverage • Targets linked to this net-zero target | Target year • Is this a science-based target? • Scopes • Greenhouse gases covered by target | Objective • Target status in reporting year • Process for reviewing target | Further details |
|--|--|---|---|
| NZ1 • April 15, 2024 • Organization-wide • Int1, Int2 | 2050 • Yes, and this target has been approved by the Science Based Targets initiative • Scopes 1, 2, and 3 • Carbon dioxide (CO ₂) Methane (CH ₄) Nitrous oxide (N ₂ O) | Achieve net-zero greenhouse gas emissions across the value chain by 2050 • Underway • Annual review by Internal GHG team and annual reporting process | CN's net-zero target is organization-wide, covering all direct and indirect emissions (Scopes 1, 2, and 3) across all business activities, sites, and regions. It also includes land-related emissions from bioenergy feedstocks. CN's target seeks to reduce absolute Scope 1, 2, and 3 GHG emissions by 90% by 2050 from a 2019 base year. There are no significant exclusions. The objective of the target is to achieve net-zero greenhouse gas emissions across the value chain by 2050. Our near-term focus is on emissions reduction within our direct operations and continued value chain engagement on emissions reduction opportunities. CN's pathway to net-zero and other GHG emissions reduction targets may not be linear as we transition to a low-carbon future. CN provides an update on our progress toward our emission targets in CN's Climate Action Plan, which is included in our management information circular and updated on an annual basis. |



SBTi Targets and Commitments

| | | | | | | | | | |
|--------------|---|---------------------------------------|------------|-------------------|-----------------------------|----------------------|---------------------|----------|---|
| C1 | C2 | C3 | C4 | C5 | ENVIRONMENTAL PERFORMANCE | | | | ← |
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Emissions Reduction Initiatives

7.55.1

Emissions reduction initiatives active within the reporting year

| Stage of development | Number of initiatives | Total estimated annual CO ₂ e savings in metric tonnes CO ₂ e |
|----------------------|-----------------------|---|
| Under investigation | 5 | N/A |
| Implemented | 7 | 380,542 |

7.55.2

Emissions reduction initiatives implemented in the reporting year

| Initiative category | Initiative type Estimated annual CO ₂ e savings (metric tonnes CO ₂ e) | Scope(s) Voluntary or mandatory? | Annual monetary savings Investment required | Payback period Estimated lifetime of the initiative | Comments |
|---|---|-------------------------------------|--|--|--|
| Energy efficiency in buildings | Lighting | Scope 2 (location-based) | \$250,500 | 4 - 10 years | We continue to work to reduce our Scope 2 emissions from electricity consumption at our buildings and yards. We continuously invest in energy efficiency projects including lighting and boiler upgrades. This includes an approximate \$5 million EcoFund to support energy and emission reduction projects. In addition, through our EcoConnexions employee engagement program, our employees receive training on energy efficiency practices at our yard facilities. |
| | 935 | Voluntary | \$1.1 million | 11 - 15 years | |
| Energy efficiency in production processes | Machine/equipment replacement | Scope 1 | \$152.5 million | 4 - 10 years | The estimated emissions savings relate to Scope 1 emissions covering our rail locomotives. We continue to purchase the most fuel-efficient high-horsepower locomotives currently available. Cleaner, more fuel-efficient equipment enables us to decouple our GHG emissions from our business growth. |
| | 370,529 | Voluntary | \$52 million | >30 years | |
| Energy efficiency in buildings | Boiler upgrades | Scope 1 | \$313,780 | 4 - 10 years | We continue to work to reduce our Scope 1 emissions from electricity consumption at our buildings and yards. We continuously invest in energy efficiency projects including lighting and boiler upgrades. This includes an approximate \$5 million EcoFund to support energy and emission reduction projects. In addition, through our EcoConnexions employee engagement program, our employees receive training on energy efficiency practices at our yard facilities. |
| | 33 | Voluntary | \$1.8 million | 6 - 10 years | |
| Energy efficiency in production processes | Smart control system | Scope 1 | \$3.8 million | 4 - 10 years | The estimated emissions savings relate to Scope 1 emissions covering our rail locomotives. In 2023, we continued to implement projects related to our rail locomotive emissions, which represent approximately 87% of our direct greenhouse gas emissions. This includes installation of new locomotive technologies such as Trip Optimizer, locomotive telemetry systems, and anti-idling devices. Our locomotive engineers receive real-time information on train characteristics, performance and terrain through an Energy Management System (EMS), which helps to compute the most efficient train settings and regulate speed. Our in-house-built Horsepower Tonnage Analyzer (HPTA) also instructs crews on how to optimize a locomotive's horsepower-to-tonnage ratio to minimize fuel consumption. In 2023, CN's recommitment to a disciplined scheduled operating plan, with a focus on velocity, helped to increase network fluidity, reducing unplanned train stops across the network and driving related gains in fuel efficiency. These initiatives will help us achieve our science-based emissions intensity reduction target of 43% in 2030, based on 2019 levels. |
| | 9,333 | Voluntary | \$1.6 million | >30 years | |
| Energy efficiency in production processes | Electrification | Scope 1 | \$17,130 | 4 - 10 years | Through our annual approximate \$5 million EcoFund which supports energy and emission reduction projects, we make investments to electrify mobile handling equipment at our yards and within our operations. For example, in 2023, we invested in an electric fork lift which reduced emissions, reduced waste (oil filters), and improved operator safety and efficiency. |
| | 6 | Voluntary | \$109,000 | 6 - 10 years | |

| | | | | | | | | | |
|-------------------------|---|---------------------------------------|---------------------------|---|-----------------------------|--|----------------------------------|----------|---|
| C1 | C2 | C3 | C4 | C5 | ENVIRONMENTAL PERFORMANCE | | | | ← |
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| > Emissions Methodology | Emissions Inventory | Emissions Breakdown | Energy-related Activities | Efficiency, Intensity and Other Climate-related Metrics | Targets | Emissions Reduction Initiatives | Low-carbon Products and Services | → | |

Emissions Reduction Initiatives (cont.)

7.55.3

Methods driving investment in emissions reduction activities

DEDICATED BUDGET FOR ENERGY EFFICIENCY

Energy efficiency is part of our approach to achieving our science-based target to reduce our GHG emission intensity by 43% by 2030, based on 2019 levels. To meet this objective, we identify processes and equipment where the biggest reductions are possible by reviewing our energy management data information. Once identified, we conduct a business analysis to determine the key projects that could support our reduction initiatives. We then assess the projects based on saving potentials, investment needs and return on investment calculations. Feasible projects are financed through a dedicated energy management budget, facility-specific budgets and subsidies/grants. We have also established a dedicated EcoFund budget of approximately \$5 million annually for our emission and energy reduction activities as identified through our EcoConnexions employee engagement program.

EMPLOYEE ENGAGEMENT

Our employees are integral to our ability to reduce energy consumption. Our EcoConnexions employee engagement program focuses on embedding environmental sustainability into our corporate culture through targeted initiatives to reduce energy consumption, minimize waste and improve housekeeping practices at our yards and offices. Since 2011, CN employees have initiated actions that have reduced energy consumption by 30% and avoided 171,000 metric tonnes of CO₂ emissions at key yards and facilities, diverted 260,000 tonnes of operational waste from municipal landfills, and completed over 1,500 projects to improve housekeeping and create cleaner, more efficient and safer workplaces and communities.

INTERNAL INCENTIVES/RECOGNITION PROGRAMS

CN's AIBP is aligned with the long-term strategic vision of CN and our ESG priorities, and supports employee engagement on safety and strategic initiatives. Specifically, the attainment of CN's fuel efficiency targets drives progress towards our medium- and long-term targets and focuses the business on reducing operating expenses, as fuel is a major expense for rail. The attainments of CN's fuel efficiency goal, among other goals, is incorporated into the short-term incentive plan for senior management and executives. These incentive contributions vary according to employee levels within the organization and the extent to which the employee contributes to meeting objectives.

COMPLIANCE WITH REGULATORY REQUIREMENTS/STANDARDS

Through the U.S. EPA and Environment Canada Locomotive Emission Standards, we continue to follow through on our commitment to acquire, retire and upgrade locomotives to improve air quality, enhance rail fuel efficiency and reduce rail GHG emission intensity. Based on this obligation, we assess our locomotive fleet annually through financial optimization calculations to determine the budget that would be necessary to meet our commitments in the context of our business needs.

In 2023, CN spent approximately \$3.2 billion in its capital program, of which \$1.6 billion were invested to maintain the safety and integrity of its network, particularly track infrastructure. CN's capital spending also included \$0.9 billion for strategic initiatives to increase capacity, enable growth and improve network resiliency, including line capacity upgrades and information technology initiatives, and \$0.7 billion on equipment, including the acquisition of 500 new grain hopper cars and 10 new locomotives.

| | | | | | | | | | |
|--------------|---|---------------------------------------|------------|-------------------|-----------------------------|----------------------|---------------------|----------|---|
| C1 | C2 | C3 | C4 | C5 | ENVIRONMENTAL PERFORMANCE | | | | ← |
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> Emissions Methodology Emissions Inventory Emissions Breakdown Energy-related Activities Efficiency, Intensity and Other Climate-related Metrics Targets Emissions Reduction Initiatives **Low-carbon Products and Services**

Low-carbon Products and Services

7.74

Services we classify as low-carbon products or services

LOW-CARBON TRANSPORTATION SERVICE

The rail freight service we provide is on average three to four times more fuel efficient than highway freight transportation by heavy truck. One single freight train can replace over 300 big trucks. By leveraging CN for the long haul, this equates to a 75% reduction in CO₂e for freight transportation by rail that could have been moved by heavy truck. Additionally, CN trains consume approximately 15% less locomotive fuel per gross ton mile than the industry average.

| Taxonomy used to classify product(s) or service(s) as low-carbon Methodology used to calculate avoided emissions | Life cycle stage(s) covered Functional unit used Reference product/service | Life cycle stage(s) covered for the reference product/service Estimated avoided emissions compared to reference product/service or baseline scenario | Explanation of calculation of avoided emissions, including any assumptions | Revenue generated from low-carbon product(s) or service(s) as % of total revenue in the reporting year |
|--|---|---|---|--|
| Taxonomy used is based off the avoided emissions (See methodology below) Estimating and Reporting the Comparative Emissions Impacts of Products (WRI) | Use stage Hauling an 81.6 tonnes (average weight of a railcar) railcar for 1,000 kilometers by rail compared to trucking. Moving freight with a long-haul truck with an average 6 miles per gallon fuel efficiency. | Use stage 5.1 metric tonnes CO ₂ e per functional unit | We applied an attributional approach to our LCA and calculated the difference in combustion emissions between transporting by rail using CN's current fuel efficiency performance and movement by heavy truck using industry average fuel efficiency numbers. We used the following Global warming potential factors from the IPCC 6th assessment report: CO ₂ : 1, CH ₄ :27.9, N ₂ O: 273 and the emission factors in the Environment Canada's Inventory Report for Rail 2,965.9 and for trucking 2,725.0 measured in CO ₂ e (g/L). Based on the fuel efficiency for both modes of transportation as well as an assumed payload per truck, we were able to estimate the combustion GHG intensity measured in grams of CO ₂ e per tonne km and calculate the avoided emissions for a defined distance and load weight. | 64% |

7.75

Tracking metrics for the implementation of low-carbon transport technology

LOW-CARBON TECHNOLOGY IMPLEMENTATION

| Activity | Metric | Technology | Metric figure | Unit | Explanation |
|---------------------------|--|---|---------------|--|--|
| Rail | Yearly purchase | New high-horsepower locomotives with reduced GHG and particulate matter emissions | 10 | Number of locomotives | The acquisition of cleaner, more fuel-efficient locomotives enables CN to decouple our GHG emissions from business growth. In 2023, we acquired 10 new high-horsepower locomotives. |
| Heavy Duty Vehicles (HDV) | Use of renewable fuels in trucking fleet | Vehicle using biofuel | 2.2 | Biodiesel % of total trucking fuel consumption | CN's owner operated CNTL trucking fleet and TransX trucking fleet use diesel blended with renewable fuels when operating in Canada, in compliance with federal and provincial renewable fuel standards and clean fuel regulations. As these regulations increase in stringency, emissions from our trucks are expected to decrease in intensity. |

| | | | | | | | | | |
|--------------|---|---------------------------------------|------------|-------------------|-----------------------------|----------------------|-----------------------------|----------|---|
| C1 | C2 | C3 | C4 | C5 | ENVIRONMENTAL PERFORMANCE | | | | ← |
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| | | | | | | | | | → |

➤ IN THIS SECTION:

We share our commitment to protecting and restoring the natural environments where we operate. This involves taking action to preserve biodiversity, minimize disruptions, and investing in nature within the communities along our network.

We are working to establish a baseline for biodiversity data to enhance our ability to measure performance over time and for future reporting.

- 90 Actions to Progress Our Biodiversity-related Commitments
- 90 Biodiversity Indicators
- 90 Activities Areas

PICTURED: Prince Rupert, BC



Environmental Performance

BIODIVERSITY

| | | | | | | | | | |
|--------------|---|---------------------------------------|------------|-------------------|-----------------------------|----------------------|-----------------------------|----------|---|
| C1 | C2 | C3 | C4 | C5 | ENVIRONMENTAL PERFORMANCE | | | |  |
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> [Actions to Progress Biodiversity-related Commitments](#) [Biodiversity Indicators](#) [Activities Areas](#)

Actions to Progress Biodiversity-related Commitments

11.2 *Actions taken to progress our biodiversity-related commitments*

Protecting and restoring the natural environments along our rail lines is an important part of CN's commitment to sustainability. Our network passes through a wide range of habitats, including national parks, forests, prairies, and wetlands. We have a broad range of programs in place to preserve and rehabilitate ecosystems close to our tracks.

We are taking actions to progress our biodiversity-related commitments including:

- Land/water management
- Species management
- Education and awareness
- Law and policy

Biodiversity Indicators

11.3 *Biodiversity indicators to monitor performance*

At CN, we use various biodiversity indicators to monitor performance across our activities including: state and benefit indicators, pressure indicators, and response indicators.

Activities Areas

11.4 *Activities located in or near to areas important for biodiversity*

In 2023, CN began to baseline its environmental performance data related to biodiversity and intends to disclose performance on these metrics in future reporting. Prior biodiversity information disclosed to CDP pertained to project-specific key performance indicators CN and is not representative of the Company's biodiversity performance overall.

2024 TCFD INDEX

CN supports the recommendations from the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TCFD), which are designed to encourage consistent and comparable reporting on climate-related risks and opportunities by companies to their stakeholders. We have been providing disclosures aligned to the TCFD recommendations annually since 2019. This disclosure reflects CN’s long standing journey in climate change transparency since 2009 through the CDP and is aligned with our 2024 CDP Corporate Questionnaire.

| TCFD Category | TCFD Recommendation | Response / Location, Page and URL |
|---|--|---|
| Governance Disclose the organization’s governance around climate-related issues and opportunities. | a) Describe the board’s oversight of climate-related risks and opportunities. | 2024 CDP Corporate Questionnaire , Board Oversight, p. 31–34 2024 Management Information Circular , p. 35, 49, 93 2024 Corporate Governance Manual , Governance and Sustainability Committee, p. 29–34, Safety and Environment Committee, p. 38–41, Say on Climate Action Plan, p. 45–46 |
| | b) Describe the management’s role in assessing and managing climate-related risks and opportunities. | 2024 CDP Corporate Questionnaire , Management Responsibility, p. 35–39 |
| Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organization’s business, strategy and financial planning where such information is material. | a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term. | 2024 CDP Corporate Questionnaire , Disclosure of Risks and Opportunities, p. 16–21 and 23–29 2023 Annual Report , p. 66–67 |
| | b) Describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning. | 2024 CDP Corporate Questionnaire , Disclosure of Risks and Opportunities, p. 16–21 and 23–29, Climate Transition Plan, p. 53–54, Strategy and Financial Planning, p. 55–57, Revenue Alignment with Climate Transition Plan, p. 58, Low-Carbon Research and Development, p. 59 |
| | c) Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. | 2024 CDP Corporate Questionnaire , Scenario Analysis, p. 48–52 |
| Risk Management Disclose how the organization identifies, assesses and manages climate-related risks. | a) Describe the organization’s processes for identifying and assessing climate-related risks. | 2024 CDP Corporate Questionnaire , Identification, Assessment, and Management of Dependencies, Impacts, Risks, and Opportunities, p. 9–10, 12 |
| | b) Describe the organization’s processes for managing climate-related risks. | 2024 CDP Corporate Questionnaire , Disclosure of Risks and Opportunities, p. 16–29, Identification, Assessment, and Management of Dependencies, Impacts, Risks, and Opportunities, p. 9–10, 12; 2024 Management Information Circular , p. 50 |
| | c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization’s overall risk management. | 2024 CDP Corporate Questionnaire , Identification, Assessment, and Management of Dependencies, Impacts, Risks, and Opportunities, p. 9–10, 12, Summary of Substantive Risks and Opportunities, p. 14, Board Oversight, p. 32, Management Responsibility, p. 35–39 2024 Management Information Circular , p. 50 |
| Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material. | a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process. | 2024 CDP Corporate Questionnaire , Incentives, p. 39–40, Environmental Performance – Climate Change, p. 69–85, Carbon Pricing and Tax Systems, p. 22 2023 Data Supplement / GRI and SASB Index , p. 3, 5–7 |
| | b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks. | 2024 CDP Corporate Questionnaire , Emissions Methodology, p. 69, Emissions Inventory, p. 70–74, Emissions Breakdown, p. 75–77, Energy-related Activities, p. 78–79, Efficiency, Intensity and Other Climate-related Metrics, p. 80–82 2023 Data Supplement / GRI and SASB Index , p. 3, 5–7 |
| | c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets. | 2024 CDP Corporate Questionnaire , Targets, p. 83–85 2023 Data Supplement / GRI and SASB Index , p. 3, 5–7 2024 Management Information Circular , p. 49–51; 2023 Annual Report , p. xx |

| | | | | | | | | | |
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| C1 | C2 | C3 | C4 | C5 | ENVIRONMENTAL PERFORMANCE | | | APPENDIX | |
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PICTURED
Above: Drummondville, QC, **Cover:** Moose Lake, BC (Photo by CN Employee, **Tim Stevens**)

CONTACT

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As used herein, "Company" or "CN" refers to Canadian National Railway Company and, as the context requires, its wholly owned subsidiaries.

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Forward-looking statements reflect information as of the date on which they are made. CN assumes no obligation to update or revise forward-looking statements to reflect future events, changes in circumstances, or changes in beliefs, unless required by applicable securities laws. In the event CN does update any forward-looking statement, no inference should be made that CN will make additional updates with respect to that statement, related matters, or any other forward-looking statement.



OUR SUSTAINABILITY COMMITMENT

Delivering Responsibly is at the heart of how CN is building for a sustainable future. It means transporting goods safely and efficiently, in a manner that seeks to minimize the impact on the environment, attracting, retaining and engaging top talent, and helping build stronger, safer communities, while adhering to the highest governance standards. Five principles anchor our commitment:

ENVIRONMENT

Conduct our operations in a manner that seeks to minimize our environmental impact, while providing cleaner, more sustainable transportation services to our customers.

SAFETY

Be the safest railroad in North America by establishing an uncompromising safety culture and implementing a management system designed to minimize risk and drive continuous improvement.

PEOPLE

Provide a safe, supportive, and diverse work environment where our employees can grow to their full potential and be recognized for their contributions to our success.

COMMUNITY

Build safer, stronger communities by investing in development, creating socioeconomic benefits, and ensuring open dialogue with all stakeholders and Indigenous peoples.

GOVERNANCE

Continuously improve our culture of integrity and ethical business conduct, building trust and confidence with all our stakeholders.

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