

CANADIAN NATIONAL RAILWAY CO  
Form 6-K  
March 24, 2015

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 6-K

REPORT OF FOREIGN ISSUER PURSUANT TO RULE 13a-16 OR 15d-16  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the month of March 2015

Commission File Number: 001-02413

Canadian National Railway Company  
(Translation of registrant's name into English)

935 de la Gauchetiere Street West  
Montreal, Quebec  
Canada H3B 2M9  
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form	Form X
20-F	40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes	No	X
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Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes	No	X
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Indicate by check mark whether by furnishing the information contained in this Form, the Registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes	No	X
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If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A



SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Canadian National Railway Company

Date: March 24, 2015

By: /s/ Sean Finn  
Name: Sean Finn  
Title: Executive Vice-President  
Corporate Services  
and Chief Legal Officer

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CANADIAN NATIONAL RAILWAY COMPANY

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Item 1

NOTICE OF ANNUAL  
MEETING OF SHAREHOLDERS

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

The Peabody Memphis  
Venetian Room  
149 Union Avenue  
Memphis, Tennessee, U.S.

on Tuesday, April 21, 2015, at 8:30 a.m.  
(Central Daylight Time) for the purposes of:

1. receiving the consolidated financial statements for the year ended December 31, 2014, and the auditors' reports thereon;
2. electing the directors;
3. appointing the auditors;
4. considering and approving, in an advisory, non-binding capacity, a resolution (the full text of which is set out on page 9 of the accompanying management information circular) accepting the Company's approach to executive compensation as disclosed in the Statement of Executive Compensation section of the accompanying management information circular; and
5. transacting such other business as may properly be brought before the meeting or any adjournment or postponement thereof.

The directors have fixed March 5, 2015, as the Record Date for the determination of the holders of common shares entitled to receive notice of the meeting and vote at the meeting.

By order of the Board of Directors

(Signed) Sean Finn  
Sean Finn  
Executive Vice-President

Corporate Services and Chief Legal Officer  
and Corporate Secretary

March 10, 2015  
Montréal, Quebec

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Item 2

APRIL 21, 2015

NOTICE OF ANNUAL  
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By order of the Board of Directors

(Signed) Sean Finn

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

March 10, 2015  
Montréal, Quebec





March 10, 2015

Dear Shareholder:

On behalf of the Board of Directors and management of Canadian National Railway Company (the “Company”), we cordially invite you to attend the annual meeting of shareholders that will be held this year at The Peabody Memphis hotel, Venetian Room, 149 Union Avenue, Memphis, Tennessee (United States) on Tuesday, April 21, 2015, at 8:30 a.m. (Central Daylight Time).

This management information circular (the “Information Circular”) describes the business to be conducted at the meeting and provides information on executive compensation and CN’s governance practices. In addition to these items, we will discuss at the meeting highlights of our 2014 performance and our plans for the future. You will have the opportunity to meet and interact with your directors and the senior officers of the Company.

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

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

In addition, we would like to recognize Messrs. Charles Baillie and Edward Lumley, who are not standing for re-election and will retire from the Board of Directors at our annual meeting on April 21, 2015. We want to thank them for their dedication, wisdom and leadership throughout their outstanding tenure on the CN Board of Directors.

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

We look forward to seeing you at the meeting.

Sincerely,

(Signed) Robert Pace

Robert Pace  
Chair of the Board

(Signed) Claude Mongeau

Claude Mongeau  
President and Chief Executive Officer

## PROXY SUMMARY

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

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**SHAREHOLDER VOTING MATTERS**

VOTING MATTERS	BOARD VOTE RECOMMENDATION	FOR MORE INFORMATION SEE PAGES
Election of 11 Directors	FOR each nominee	8, 10
Appointment of KPMG LLP as Auditors	FOR	8
Advisory Resolution on Executive Compensation	FOR	9, 34

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**OUR DIRECTOR NOMINEES**

NAME	AGE	DIRECTOR SINCE	POSITION	INDEPENDENT	COMMITTEE MEMBERSHIP	ATTENDANCE IN 2014	OTHER PUBLIC BOARDS
D.J. Carty	68	2011	Corporate Director	Yes	Audit (Chair) – Governance – Environment – Compensation – Strategic	100%	3
G.D. Giffin	65	2001	Senior Partner, McKenna Long & Aldridge	Yes	Audit – Donations – Compensation (Chair) – Investment – Strategic	100%	5
E.E. Holiday	63	2001	Corporate Director and Trustee	Yes	Governance – Finance – Compensation – Investment – Strategic	100%	4
V.M. Kempston Darkes	66	1995	Corporate Director	Yes	Governance – Environment (Chair) – Finance – Compensation – Strategic	100%	4

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D. Losier	62	1994	Corporate Director	Yes	Audit – Governance (Chair) – Compensation – Investment – Strategic	100%	2
K.G. Lynch	64	2014	Vice-Chair, BMO Financial Group	Yes	Governance – Environment – Finance – Compensation – Strategic	100%	2
C. Mongeau	53	2009	President and CEO, CN	No	Donations (Chair) – Strategic	100%	1
J.E. O'Connor	65	2011	Corporate Director	Yes	Audit – Environment – Finance – Compensation – Strategic (Chair)	100%	1
R. Pace	60	1994	Chair of the Board, CN President and CEO, The Pace Group	Yes	Governance – Donations – Environment – Compensation – Strategic	100%	1
R.L. Phillips	64	2014	President, R.L. Phillips Investments Inc.	Yes	Audit – Governance – Environment – Compensation – Strategic	100%	4
L. Stein	53	2014	Executive Vice-President – General Counsel, The Clorox Company	Yes	Audit – Environment – Finance – Compensation – Strategic	100%	1

## EXECUTIVE COMPENSATION

### Disciplined Approach to Compensation

CN's approach to executive compensation is driven by a commitment to deliver sustainable and solid returns to shareholders. CN exercises a disciplined approach to executive compensation by ensuring that target compensation, while reasonable, supports attraction and retention of executive talent. In addition, compensation programs are structured to provide leverage within its short and long-term incentive plans, with strong ties between realized pay and shareholder returns. Compensation programs are designed to encourage appropriate behaviours and include appropriate risk mitigation mechanisms. The executive compensation policy aims to position total direct compensation between the median and the 60th percentile of the executives' respective comparator group. On a constant currency and Long-Term Incentive valuation basis, the year-over-year total compensation decreased by 2.8% for the President and CEO and 4.8% on average for the other Named Executive Officers in 2014.

### BEST PRACTICES ADOPTED BY CN

- ~ 80% of Named Executive Officers' target total direct compensation is variable and linked to CN's performance
- Incentive payout capped and no guaranteed minimum payout
- Inclusion of a relative total shareholder return condition in 2015
- Stringent stock ownership requirements
- CEO post-retirement shareholding requirement
- Overlap of performance measures for short and long-term incentives to mitigate risk
- Double trigger change of control policy
- Anti-hedging policy on CN securities
- Executive clawback policy
- No employment contracts for NEOs
- Independent executive compensation consultant retained by the Compensation Committee
- Annual "Say on Pay" vote

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### HIGHLIGHTS OF CORPORATE GOVERNANCE BEST PRACTICES

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

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

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**VOTE YOUR SHARES**

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

**INFORMATION CIRCULAR**

This Information Circular is provided in connection with the solicitation of proxies by management of Canadian National Railway Company for use at the annual meeting of its shareholders or at any adjournment or postponement thereof (the “Meeting”). In this document “you” and “your” refer to the shareholders of, and “CN”, the “Company”, “we”, “our” refer to Canadian National Railway Company. The Meeting will be held on Tuesday, April 21, 2015, at 8:30 a.m. (Central Daylight Time) for the purposes set forth in the foregoing Notice of Meeting. The information contained herein is given as at February 27, 2015, except as indicated otherwise.

**IMPORTANT** — If you are not able to attend the Meeting, please exercise your right to vote by signing the enclosed form of proxy or voting instruction form and, in the case of registered shareholders by returning it to Computershare Trust Company of Canada in the enclosed envelope, or by voting over the internet no later than 5:00 p.m. (Eastern Daylight Time) on April 20, 2015, or, if the Meeting is adjourned or postponed, by no later than 5:00 p.m. (Eastern Daylight Time) on the business day prior to the day fixed for the adjourned or postponed meeting. If you are a non-registered shareholder, reference is made to the section entitled “How do I vote if I am a non-registered shareholder?” on page 6 of this Information Circular. If you are a holder of Employee Shares (as such term is defined in this Information Circular), reference is made to the section entitled “How do I vote if I own Employee Shares” on page 7 of this Information Circular.

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## QUESTIONS AND ANSWERS

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### VOTING AND PROXIES

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

#### Who can vote?

Shareholders who are registered as at the close of business on March 5, 2015 (the “Record Date”), will be entitled to vote at the Meeting or at any adjournment or postponement thereof, either in person or by proxy.

As of the close of business on February 27, 2015, the Company had 807,040,436 common shares without par value outstanding. Subject to the voting restrictions described below, each common share carries the right to one vote.

To the knowledge of the directors and senior officers of the Company, based on the most recent publicly available information, the only person who beneficially owns, or directly or indirectly, exercises control or direction over, shares carrying 10% or more of the voting rights attached to any class of shares of the Company is Mr. William H. Gates, III. Mr. Gates is the sole member of Cascade Investment, L.L.C. (“Cascade”). Cascade held 86,324,874 common shares of the Company as of February 27, 2015, representing 10.7% of the outstanding common shares of the Company. In addition, Mr. Gates is a co-trustee of the Bill & Melinda Gates Foundation Trust, which held 17,126,874 common shares of the Company as of February 27, 2015, representing 2.1% of the outstanding common shares of the Company. Hence, as of February 27, 2015, Mr. Gates is deemed to have control or direction over 103,451,748 common shares, representing 12.8% of the outstanding common shares of the Company.

#### What will I be voting on?

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

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

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

#### Who is soliciting my proxy?

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

#### Who can I call with questions?

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

#### How can I contact the transfer agent?

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

How do I vote?

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

What are the voting restrictions?

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

How do I vote if I am a registered shareholder?

1. **VOTING BY PROXY**

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

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

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

- What is the deadline for receiving the form of proxy?

The deadline for receiving duly completed forms of proxy or a vote over the internet is 5:00 p.m. (Eastern Daylight Time) on April 20, 2015, or if the Meeting is adjourned or postponed, by no later than 5:00 p.m. (Eastern Daylight Time) on the business day prior to the day fixed for the adjourned or postponed meeting.

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

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

FOR the election of management's nominees as directors,

FOR the appointment of KPMG LLP as auditors,

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

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

- If I change my mind, how can I revoke my proxy?

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

## 2. VOTING IN PERSON

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

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

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

1. GIVING YOUR VOTING INSTRUCTIONS

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

2. VOTING IN PERSON

However, if you wish to vote in person at the Meeting, insert your own name in the space provided on the voting instruction form provided by your nominee to appoint yourself as proxy holder and follow the signature and return instructions of your nominee. Computershare Trust Company of Canada must receive your appointment no later than 5:00 p.m. (Eastern Daylight Time) on April 20, 2015. Non-registered shareholders who appoint themselves as proxy holders should present themselves at the Meeting to a representative of Computershare Trust Company of Canada. Do not otherwise complete the voting instruction form sent to you as you will be voting at the Meeting.

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

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

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

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

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

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

## BUSINESS OF THE MEETING

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## FINANCIAL STATEMENTS

Our consolidated financial statements for the year ended December 31, 2014, together with the auditors' reports thereon, are included in the 2014 Annual Report of the Company, available on our website at [www.cn.ca](http://www.cn.ca), on SEDAR at [www.sedar.com](http://www.sedar.com), in the Company's annual report on Form 40-F available on EDGAR at [www.sec.gov](http://www.sec.gov), and in print, free of charge, to any shareholder who requests copies by contacting our Corporate Secretary at (514) 399-7091 or Investor Relations at (514) 399-0052.

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## ELECTION OF DIRECTORS

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

The term of office of each of the present directors expires at the close of the Meeting. The persons named in the section entitled "Nominees for Election to the Board — Description of Nominees" will be presented for election at the Meeting as management's nominees. All of the nominees proposed for election as directors are currently directors of the Company. Mr. A. Charles Baillie and the Hon. Edward C. Lumley are not standing for re-election at the Meeting. All persons nominated were recommended to the Board of Directors by the Corporate Governance and Nominating Committee. Information relating to Messrs. Baillie and Lumley does not appear along with the information regarding the 11 proposed nominees for election as directors of the Company. Nevertheless, because Messrs. Baillie and Lumley acted as directors up to the Meeting, information concerning them appears in the other sections of this Information Circular that pertain to the members of the Board.

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

## MAJORITY VOTING POLICY

The Board of Directors has adopted a policy which is part of our Corporate Governance Manual, to the effect that a nominee for election as a director of the Company who receives a greater number of votes "withheld" than votes "for", with respect to the election of directors by shareholders, will be expected to offer to tender his or her resignation to the Board Chair promptly following the meeting of shareholders at which the director is elected. The Corporate Governance and Nominating Committee will consider such offer and make a recommendation to the Board of Directors whether to accept it or not. The Board of Directors will make its decision and announce it in a press release within 90 days following the meeting of shareholders. The director who offered to tender his or her resignation should not be part of any committee or Board of Directors deliberations pertaining to the resignation offer. This policy only applies in circumstances involving an uncontested election of directors. An "uncontested election of directors" means

that the number of director nominees is the same as the number of directors to be elected to the Board and that no proxy material is circulated in support of one or more nominees who are not part of the candidates supported by the Board of Directors.

#### APPOINTMENT OF AUDITORS

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

KPMG LLP has served as the Company's auditors since 1992. For the years ended December 31, 2014 and 2013, the fees for audit, audit-related, tax and all other services provided to the Company by KPMG LLP were the following:

	2014	2013
FEES (IN THOUSANDS)	(\$C)	(\$C)
Audit	2,728	2,608
Audit-related	1,162	1,249
Tax	746	834
All other	92	131
<b>TOTAL FEES</b>	<b>4,728</b>	<b>4,822</b>

Pursuant to the terms of its charter, the Audit Committee approves all audit and audit-related services, audit engagement fees and terms and all non-audit engagements provided by the external auditors. The Audit Committee pre-approved all the services performed by our external auditors for audit-related and non-audit related services for the years ended December 31, 2014 and 2013.

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

#### AUDIT FEES

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

#### AUDIT-RELATED FEES

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

#### TAX FEES

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

#### ALL OTHER FEES

Consist primarily of fees incurred for services related to a foreign subsidiary (2014) and Information Technology (2013).

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

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#### ADVISORY VOTE ON EXECUTIVE COMPENSATION

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

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

"RESOLVED that, on an advisory basis and not to diminish the role and responsibilities of the Board of Directors, the shareholders accept the approach to executive compensation disclosed in the section entitled "Statement of Executive Compensation" of the Information Circular of the Company dated March 10, 2015."

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





## NOMINEES FOR ELECTION TO THE BOARD

## DESCRIPTION OF NOMINEES

The following tables set out information as of February 27, 2015, unless otherwise indicated, and include a profile of each nominated director with an explanation of his or her experience, qualifications, top three competencies, participation on the Board and its committees, ownership of securities of CN, as well as participation on the boards of other public companies during the past five years. A more detailed description of our directors' competencies can be found under the heading "Competency Matrix" in the section entitled "Statement of Corporate Governance Practices". All nominees are current directors of the Company.

**Donald J. Carty,**

**O.C., LL.D.**

Corporate Director

Age: 68 (1)

Texas, U.S.A.

Director Since:

January 1, 2011

Independent

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

In the voluntary sector, Mr. Carty is on the Executive Board of the SMU Cox School of Business. He is a former Chairman of Big Brothers Big Sisters of America. In 1999, Board Alert named Mr. Carty one of the year's Outstanding Directors. He was named an Officer of the Order of Canada in 2003.

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

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

## Principal Competencies

- Strategy
- Finance/Accounting
- Human Resources

MEMBER OF (6)	ATTENDANCE 2014	OTHER PUBLIC BOARDS DURING PAST 5 YEARS	
Board	100%	EMC Corporation	(2015-present)
Audit Committee (Chair)	100%	Talisman Energy Inc.	(2009-present)
Corporate Governance and Nominating Committee	100%	Virgin America Inc. (Chairman)	(2006-present)
Environment, Safety and Security Committee	100%	Gluskin, Sheff & Associates Inc.	(2006-2013)
Finance Committee	100%	Barrick Gold Corporation	(2006-2013)

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Human Resources and Compensation Committee	100%	Dell, Inc.	(1992-2013)
Investment Committee of CN's Pension Trust Funds (5)	100%	Hawaiian Holdings, Inc.	(2004-2011)
Strategic Planning Committee	100%		

2014 VOTES IN FAVOUR 99.49%

SECURITIES HELD

VALUE AT RISK C\$4,898,621(3)

COMMON SHARES OWNED OR CONTROLLED (2)

February 2015	56,667
February 2014	38,785

**Ambassador  
Gordon D. Giffin**

Senior Partner,  
McKenna Long  
& Aldridge  
Age: 65 (1)  
Georgia, U.S.A.  
Director Since:  
May 1, 2001  
Independent

Mr. Giffin is Senior Partner and the Chair of the Public Policy and International department at McKenna Long & Aldridge LLP, where he maintains offices in Washington, D.C. and Atlanta. He has been engaged in the practice of law or government service for more than thirty-five years. Mr. Giffin was United States Ambassador to Canada from 1997 to 2001.

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

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

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

Principal Competencies

- Public Policy
- Legal
- Human Resources

MEMBER OF (6)	ATTENDANCE 2014	OTHER PUBLIC BOARDS DURING PAST 5 YEARS	
Board	100%	Element Financial Corporation	(2013-present)
Human Resources and Compensation Committee (Chair)	100%	Just Energy Group Inc.	(2006-present)
Audit Committee	100%	Canadian Natural Resources Limited	(2002-present)
Donations and Sponsorships Committee (5)	100%	TransAlta Corporation (Chair)	(2002-present)
Environment, Safety and Security Committee	100%	Canadian Imperial Bank of Commerce	(2001-present)

Finance Committee	100%
Investment Committee of CN's Pension Trust Funds (5)	100%
Strategic Planning Committee	100%

SECURITIES HELD

2014 VOTES IN FAVOUR	97.16%	VALUE AT RISK	C\$7,543,688 (3)
		Common Shares Owned or Controlled (2)	
		February 2015	87,265
		February 2014	83,682

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**Edith E. Holiday**

Corporate Director  
& Trustee

Age: 63 (1)

Florida, U.S.A.

Director Since:

June 1, 2001

Independent

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

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

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

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

Principal Competencies

- Legal
- Public Policy
- Strategy

MEMBER OF (6)	ATTENDANCE 2014	OTHER PUBLIC BOARDS DURING PAST 5 YEARS	
Board	100%	White Mountains Insurance Group, Ltd.	(2004-present)
Corporate Governance and Nominating Committee	100%	RTI International Metals, Inc.	(1999-present)
Finance Committee	100%	Franklin Templeton Group of Funds (various companies)	(1996-present)
Human Resources and Compensation Committee	100%	Hess Corporation	(1993-present)
Investment Committee of CN's Pension Trust Funds (5)	100%	H.J. Heinz Company	(1994-2013)
Strategic Planning Committee	100%		
		SECURITIES HELD	
2014 VOTES IN FAVOUR	99.35%	VALUE AT RISK	C\$8,794,730 (3)
		Common Shares Owned or Controlled (2)	
		February 2015	101,737
		February 2014	98,390

**V. Maureen**

**Kempston Darkes,**  
**O.C., D. COMM., LL.D.**

Corporate Director

Age: 66 (1)

Ontario, Canada

Florida, U.S.A.

Director Since:

March 29, 1995

Independent

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

She is an Officer of the Order of Canada, a member of the Order of Ontario and was ranked by Fortune magazine in 2009 as the 12th Most Powerful Woman in International Business and amongst the top 100 most powerful women in Canada in 2012. In 2006, she was the recipient of the Governor General of Canada's Awards in Commemoration of the Persons Case and was inducted as a fellow of the Institute of Corporate Directors in 2011. She has also been appointed by the Government of Canada to the Science, Technology and Innovation Council and the Advisory Council for Promoting Women on Boards.

In addition to serving on the public boards mentioned in the following table, Ms. Kempston Darkes is also a director of Irving Oil Company Ltd.

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

MEMBER OF (6)	ATTENDANCE 2014	OTHER PUBLIC BOARDS DURING PAST 5 YEARS	
Board	100%	Schlumberger Limited	(2014-present)
Environment, Safety and Security Committee (Chair)	100%	Balfour Beatty Plc.	(2012-present)
Audit Committee	100%	Enbridge Inc.	(2010-present)
Corporate Governance and Nominating Committee	100%	Brookfield Asset Management Inc.	(2008-present)
Finance Committee	100%		
Human Resources and Compensation Committee	100%		
Investment Committee of CN's Pension Trust Funds (5)	100%		

Strategic Planning Committee 100%

		SECURITIES HELD	
2014 VOTES IN FAVOUR	97.30%	VALUE AT RISK	C\$15,496,717 (3)
		Common Shares Owned or Controlled (2)	
		February 2015	179,464
		February 2014	175,969

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**The Hon.  
Denis Losier,  
P.C., LL.D., C.M.**  
Corporate Director  
Age: 62 (1)  
New Brunswick,  
Canada  
Director Since:  
October 25, 1994  
Independent

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

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

Mr. Losier holds a Bachelor of Economics from the University of Moncton and a Masters of Economics from the University of Western Ontario. Mr. Losier was awarded an Honorary Doctorate Degree in Business Administration from the University of Moncton.

Principal Competencies

- Finance/Accounting
- Human Resources
- Sales/Marketing

MEMBER OF (6)	ATTENDANCE 2014	OTHER PUBLIC BOARDS DURING PAST 5 YEARS
Board	100%	Capital DGMC Inc. (Chairman) (2013-present)
Corporate Governance and Nominating Committee (Chair)	100%	Plazacorp Retail Properties Ltd. (2007-present)
Audit Committee	100%	XL-ID Solutions Inc. (formerly, Excellium Inc.) (2013)
Donations and Sponsorships Committee (5)	100%	NAV CANADA (2004-2013)
Environment, Safety and Security Committee	100%	
Human Resources and Compensation Committee	100%	
Investment Committee of CN's Pension Trust Funds (5)	100%	
Strategic Planning Committee	100%	
<b>SECURITIES HELD</b>		
2014 VOTES IN FAVOUR	97.25%	VALUE AT RISK C\$24,914,738 (3) Common Shares Owned or Controlled (2)



February 2015	288,532
February 2014	284,137

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

Vice-Chair, BMO  
Financial Group  
Age: 64 (1)  
Ontario, Canada  
Director Since:  
April 23, 2014  
Independent

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

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

Principal Competencies

- Public Policy
- Finance/Accounting
- Strategy

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

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

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

MEMBER OF (6)	ATTENDANCE 2014	OTHER PUBLIC BOARDS DURING PAST 5 YEARS	
Board	100%	CNOOC Limited	(2014-present)
Corporate Governance and Nominating Committee	100%	Empire Company Limited (Sobey's)	(2013-present)
Environment, Safety and Security Committee	100%		
Finance Committee	100%		

Human Resources and Compensation Committee	100%
Strategic Planning Committee	100%

		SECURITIES HELD	
2014 VOTES IN FAVOUR	99.78%	VALUE AT RISK	C\$583,035 (3)
		Common Shares Owned or Controlled (2)	
		February 2015	6,752
		February 2014	NIL

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**Claude Mongeau**

President & CEO, CN

Age: 53 (1)

Quebec, Canada

Director Since:

October 20, 2009

NOT Independent

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

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

Mr. Mongeau is a nominee for election as director of the board of The Toronto-Dominion Bank, at its March 26, 2015 annual shareholder meeting. Mr. Mongeau also serves as Chairman of the Board of the Railway Association of Canada.

Mr. Mongeau holds an MBA from McGill University.

Principal Competencies

- Strategy
- Transport Industry/Safety
- Finance/Accounting

MEMBER OF (6)	ATTENDANCE 2014	OTHER PUBLIC BOARDS DURING PAST 5 YEARS	
Board	100%	TD Bank	(2015 nominee)
Donations and Sponsorships Committee (Chair) (5)	100%	SNC-Lavalin Group Inc.	(2003-present)
Investment Committee of CN's Pension Trust Funds (5)	100%		
Strategic Planning Committee	100%		
 		<b>SECURITIES HELD</b>	
2014 VOTES IN FAVOUR	99.84%	VALUE AT RISK C\$41,245,337 (3)	
		Common Shares Owned or Controlled (2)	Stock Options Held (4)
		February 2015	February 2015
		477,653	1,738,000
		February 2014	February 2014
		469,982	1,738,000

**James E. O'Connor**

Corporate Director

Mr. O'Connor is the retired chair of the board of directors of Republic Services, Inc., a leading provider of non-hazardous solid waste collection, recycling and disposal services in the

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Age: 65 (1)  
 Florida, U.S.A.  
 Director Since:  
 April 27, 2011  
 Independent

United States. From 1998 to 2011, Mr. O'Connor was chair and Chief Executive Officer of Republic Services, Inc. Prior to 1998, he had held various management positions at Waste Management, Inc.

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

Principal Competencies

- Strategy
- Engineering/Environment
- Human Resources

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

MEMBER OF (6)	ATTENDANCE 2014	OTHER PUBLIC BOARDS DURING PAST 5 YEARS	
Board	100%	Clean Energy Fuels Corp.	(2011-present)
Audit Committee	100%	Republic Services, Inc.	(1998-2011)
Environment, Safety & Security Committee	100%		
Finance Committee	100%		
Human Resources and Compensation Committee	100%		
Investment Committee of CN's Pension Trust Funds (5)	100%		
Strategic Planning Committee (Chair)	100%		
<b>SECURITIES HELD</b>			
2014 VOTES IN FAVOUR	97.14%	VALUE AT RISK	C\$1,873,971(3)
		Common Shares Owned or Controlled (2)	
		February 2015	21,678
		February 2014	18,668



**Robert Pace, D. COMM.**

Chair of the Board, CN

President & CEO,

The Pace Group

Age: 60 (1)

Nova Scotia, Canada

Director Since:

October 25, 1994

Independent

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

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

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

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

Principal Competencies

- Human Resources
- Transport Industry/Safety
- Strategy

MEMBER OF (6)	ATTENDANCE 2014	OTHER PUBLIC BOARDS DURING PAST 5 YEARS	
Board (Chair)	100%	High Liner Foods Incorporated	(1998-present)
Audit Committee	100%	Hydro One Inc.	(2007-2014)
Corporate Governance and Nominating Committee	100%	Overland Realty Limited	(2006-2010)
Donations and Sponsorships Committee (5)	100%		
Environment, Safety & Security Committee	100%		
Human Resources and Compensation Committee	100%		
Investment Committee of CN's Pension Trust Funds (5)	100%		
Strategic Planning Committee	100%		
<b>SECURITIES HELD</b>			
2014 VOTES IN FAVOUR	99.05%	VALUE AT RISK	C\$25,829,357 (3)
		Common Shares Owned or Controlled (2)	
		February 2015	299,124
		February 2014	288,926

**Robert L. Phillips**

President,  
R.L. Phillips  
Investments Inc.  
Age: 64 (1)  
British Columbia,  
Canada  
Director Since:  
April 23, 2014  
Independent

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

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

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

Principal Competencies

- Transport Industry/Safety
- Strategy
- Sales/Marketing

MEMBER OF (6)	ATTENDANCE 2014	OTHER PUBLIC BOARDS DURING PAST 5 YEARS	
Board	100%	West Fraser Timber Co. Ltd (Lead Director)	(2005-present)
Audit Committee	100%	Precision Drilling Corporation (Chairman)	(2004-present)
Corporate Governance and Nominating Committee	100%	MacDonald Dettwiler & Associates Ltd. (Chairman)	(2003-present)
Environment, Safety & Security Committee	100%	Canadian Western Bank	(2001-present)
Human Resources and Compensation Committee	100%	Axia NetMedia Corporation	(2000-2014)
Strategic Planning Committee	100%	Epcor Utilities Inc.	(2005-2014)
		Capital Power Corporation	(2009-2013)
2014 VOTES IN FAVOUR	99.79%	Terra Vest Income Fund	(2004-2012)

SECURITIES HELD

VALUE AT RISK C\$1,068,754 (3)

Common Shares Owned or Controlled (2)

February 2015 12,377

February 2014 4,125

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**Laura Stein**  
 Executive  
 Vice-President –  
 General Counsel  
 The Clorox Company  
 Age: 53 (1)  
 California, U.S.A.  
 Director Since:  
 April 23, 2014  
 Independent

Ms. Stein is the Executive Vice-President – General Counsel of The Clorox Company (marketer and manufacturer of consumer products) where she serves on the executive committee. From 2000 to 2005, Ms. Stein was Senior Vice-President, General Counsel of the H.J. Heinz Company. She was also previously a corporate lawyer with Morrison & Foerster in San Francisco and Hong Kong.

Ms. Stein is a director of Franklin Resources, Inc. and a former director of Nash Finch Company and serves on the boards of several not-for-profit organizations, including Corporate Pro Bono, Equal Justice Works, the Leadership Council on Legal Diversity and the Association of General Counsel. Previously, Ms. Stein was chair of the Association of Corporate Counsel, co-chair of the General Counsel Committee of the ABA Business Law Section and a director of the Pittsburgh Ballet Theater.

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

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

Principal Competencies

- Legal
- Engineering/Environment
- Finance/Accounting

MEMBER OF (6)	ATTENDANCE 2014	OTHER PUBLIC BOARDS DURING PAST 5 YEARS	
Board	100%	Franklin Resources Inc.	(2005-present)
Audit Committee	100%		
Environment, Safety & Security Committee	100%		
Finance Committee	100%		
Human Resources and Compensation Committee	100%		
Strategic Planning Committee	100%		
		SECURITIES HELD	
2014 VOTES IN FAVOUR	99.79%	VALUE AT RISK	C\$571,406 (3)
		Common Shares Owned or Controlled (2)	
		February 2015	6,610
		February 2014	NIL

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- (1) The age of the directors is provided as at April 21, 2015, the date of the Meeting.
- (2) The information regarding common shares beneficially owned, controlled or directed has been furnished by the respective nominees individually and includes Deferred Share Units (“DSUs”) under the Deferred Share Unit Plan for Directors (“DSU Plan”) in the case of non-executive directors. In the case of Claude Mongeau it includes DSUs under the Company’s Voluntary Incentive Deferral Plan (“VIDP”) but does not include common shares under stock options. For further details on the VIDP, please see the Deferred Compensation Plans section and for further information on the DSU Plan, please see the “Board of Directors Compensation” section of this Information Circular.
- (3) The Value at Risk represents the total value of common shares and DSUs which total value is based on the February 27, 2015 closing price of the common shares on the Toronto Stock Exchange (C\$86.35) or, for Donald J. Carty, Ambassador Gordon D. Giffin, Edith E. Holiday, James E. O’Connor and Laura Stein, the New York Stock Exchange (U.S.\$69.14) using the closing exchange rate (U.S.\$1.00 = C\$1.2503) on the same date.
- (4) The information regarding stock options comprises the stock options granted to Claude Mongeau under the Management Long-Term Incentive Plan. For further details on the plan, please see the “Statement of Executive Compensation” section of this Information Circular.
- (5) The Donations and Sponsorships Committee and the Investment Committee of CN’s Pension Trust Funds are mixed committees composed of both members of the Board of Directors as well as officers of the Company.
- (6) For a detailed review of the Board and committee attendance by director nominees, please refer to the Attendance Table found in the Statement of Governance Practices of this Information Circular.

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### ADDITIONAL DISCLOSURE RELATING TO DIRECTORS

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

- (i) Mr. Mongeau, a director and the President and Chief Executive Officer of the Company, became a director of Nortel Networks Corporation (“NNC”) and Nortel Networks Limited (“NNL”) on June 29, 2006. On January 14, 2009, NNC, NNL and certain other Canadian subsidiaries initiated creditor protection proceedings under the CCAA in Canada. Certain U.S. subsidiaries filed voluntary petitions in the United States under Chapter 11 of the U.S. Bankruptcy Code, and certain Europe, Middle East and Africa subsidiaries made consequential filings in Europe and the Middle East. Mr. Mongeau resigned as a director of NNC and NNL effective August 10, 2009;
- (ii) Ms. Kempston Darkes, a director of the Company, was an officer of General Motors Corporation (“GM”) when GM filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code on June 1, 2009. None of the operations for which she was directly responsible in Latin America, Africa and the Middle East were included in the bankruptcy filing. GM emerged from bankruptcy protection on July 10, 2009 in a reorganization in which a new entity acquired GM’s most valuable assets. Ms. Kempston Darkes retired as a GM officer on December 1, 2009;
- (iii) Mr. Giffin, a director of the Company, was a director of AbitibiBowater Inc. until January 22, 2009. AbitibiBowater Inc. and certain of its U.S. and Canadian subsidiaries filed voluntary petitions in the United States

under Chapter 11 of the U.S. Bankruptcy Code on April 16, 2009. AbitibiBowater Inc. and certain of its Canadian subsidiaries filed for creditor protection under the CCAA in Canada on April 17, 2009. Mr. Giffin is no longer a director of AbitibiBowater Inc.; and

(iv) Mr. Losier, a director of the Company, was a director of XL-ID Solutions Inc. (formerly, Excellium Inc.) (“XL-ID”) from July 23, 2013 to August 29, 2013. On January 3, 2014, XL-ID announced that it had submitted a proposal to its creditors under the Bankruptcy and Insolvency Act (Canada). On February 13, 2014, XL-ID announced that it had received a final order from the Superior Court of Quebec approving the proposal approved by its creditors.

15 directors' compensation moves to a "flatfee" structure eliminating meeting and travel attendance fees in line with market best practices.

#### BOARD OF DIRECTORS COMPENSATION

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

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

The Corporate Governance and Nominating Committee undertook in 2014 a review of compensation arrangements for non-executive directors, which had last been reviewed in 2011. In October 2014, the Corporate Governance and Nominating Committee retained the services of Towers Watson to provide expertise and advice on a compensation market review for the non-executive directors. For this study, the Corporate Governance and Nominating Committee asked Towers Watson to assist in the determination of the appropriate comparator groups for CN non-executive directors, review the level and form of directors' compensation for the comparator groups, and review the trends in level and form of director compensation in Canada and the U.S.

#### COMPARATOR GROUPS

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

##### Selected Class I Railroads

###### COMPANY NAME

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

##### Canadian Peer Group of Companies

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

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CHANGES TO COMPENSATION

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

In 2015 directors' compensation moves to a "flat-fee" structure eliminating meeting and travel attendance fees in line with market best practices.



## COMPENSATION LEVELS

The following table shows the compensation levels for CN's non-executive directors during 2014, together with the new compensation levels as discussed above, effective as of January 1, 2015 (such new levels to remain the same for two years):

TYPE OF FEE	FEEES	FEEES	(1) The Board Chair receives no additional director retainer nor committee chair or committee member retainer.
	(U.S.\$)	(U.S.\$)	
	2014	2015	
Board Chair Cash Retainer (1) (2)	120,000	175,000	(2) Directors (including Board Chair) may choose to receive all or part of their cash retainer in common shares or DSUs (see compensation table below for details) and their common share grant retainer can also be received in DSUs. The common shares are purchased on the open market.
Board Chair Share Grant Retainer (1) (2)	350,000	375,000	
Director Cash Retainer (2)	15,000	35,000	(3) Committee chairs receive no additional committee chair or committee member retainer in 2014.
Director Share Grant Retainer (2)	175,000	200,000	
Committee Chair Cash Retainers (2)			(4) The committee member retainer in 2014 was paid on a per-committee basis.
Audit and HRC Committees Chairs	25,000(3)	75,000	
Other Committees Chairs	15,000(3)	65,000	(5) Directors are reimbursed for expenses incurred in attending Board and committee meetings.
Committee Member Cash Retainer (2)	3,500(4)	55,000	
Board Meeting Attendance Fee	1,500	N/A	
Committee Meeting Attendance Fee	1,500	N/A	
Travel Attendance Fee (5)	1,500	N/A	

## COMPENSATION TABLE

The table below reflects in detail the compensation earned by non-executive directors in the 12-month period ended December 31, 2014.

DIRECTOR	FEES EARNED				PER
	BOARD VICE-CHAIR	BOARD AND COMMITTEE	BOARD AND COMMITTEE ATTENDANCE	SHARE- OTHER	
				ALL OTHER	CC

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NAME OF DIRECTOR	BOARD CHAIR RETAINER (C\$)(1)	CHAIR RETAINER (C\$)(1)	MEMBER RETAINER (C\$)(1)	AND TRAVEL FEES (C\$)(1)(2)	BASED AWARDS (C\$)(3)	COMPEN- SATION (C\$)(4)	TOTAL (C\$)
Current Directors							
A. Charles Baillie	16,646	16,646	15,536	61,300	194,198	–	304,326
Donald J. Carty	16,646	18,409	19,420	66,270	194,198	4,970	319,913
Ambassador Gordon D. Giffin	16,568	27,613	14,174	69,584	194,198	1,657	323,794
Edith E. Holiday	16,568	–	19,329	66,270	194,198	–	296,365
V. Maureen Kempston Darkes	16,568	16,568	15,463	67,927	194,198	–	310,724
The Hon. Denis Losier	16,568	20,249	16,752	71,240	194,198	3,314	322,321
The Hon. Edward C. Lumley	16,568	16,568	12,886	62,957	194,198	–	303,177
The Hon. Kevin G. Lynch	11,025	–	12,863	49,703	128,625	–	202,216
James E. O'Connor	16,568	11,045	16,752	69,584	194,198	1,657	309,804
Robert Pace (8)	92,803	9,204	6,445	67,927	321,481	3,609	501,469
Robert L. Phillips	10,952	–	12,778	48,046	127,774	4,970	204,520
Laura Stein	10,894	–	12,710	49,703	127,097	–	200,404
Retired Directors							
Michael R. Armellino (7)	5,523	5,523	6,443	26,508	64,732	–	108,729
Hugh J. Bolton (7)	5,523	5,523	5,155	23,195	64,732	–	104,128
David G.A. McLean (7)	44,180	–	–	23,195	129,465	570 (5)	197,410
TOTAL	313,600	147,348	186,706	823,409	2,517,490	20,747	4,009,300



- (1) All directors earned compensation in U.S. currency. Compensation received in cash was converted to Canadian dollars using the average rate of exchange of the Bank of Canada for 2014 (U.S.\$1.00 = C\$1.1045). Compensation elected to be received in common shares or DSUs was converted to Canadian dollars using the closing rate of exchange of the Bank of Canada (U.S.\$1.00 = C\$1.1097), on the purchase day (February 3, 2014). Robert Pace's election for such compensation as Chair of the Board was converted to Canadian dollars using the closing rate of exchange of the Bank of Canada on May 13, 2014 (U.S.\$1.00 = C\$1.0910). The Hon. Kevin G. Lynch, Robert L. Phillips and Laura Stein election for such compensation was converted to Canadian dollars using the closing rate of exchange of the Bank of Canada respectively on April 28, 2014 (U.S.\$1.00 = C\$1.1025), on May 5, 2014 (U.S.\$1.00 = C\$1.0952) and on May 7, 2014 (U.S.\$1.00 = C\$1.0894). In addition to the common shares or DSUs received by the directors, the Board Vice-Chair, and the Board Chair, as described in note (3) below, the directors, the Board Vice-Chair and the Board Chair may choose to receive all or part of their cash retainers in common shares or DSUs. The following directors made such election with respect to the amounts set forth beside their names: A. Charles Baillie (C\$48,828), Donald J. Carty (C\$36,066), the Hon. Kevin G. Lynch (C\$23,888), Robert Pace (C\$87,280), Robert L. Phillips (C\$23,730) and Laura Stein (C\$15,861). The amount of cash retainers elected to be received in common shares or DSUs is included in these columns.
- (2) Includes travel fees which amounted to a total of C\$165,675, in aggregate, for all directors.
- (3) Represents a common share grant valued at U.S.\$175,000 received by each non-executive director as part of the Director Retainer, U.S.\$175,000 for the Board Vice-Chair as part of the Board Vice-Chair Retainer, and U.S.\$350,000 for the Board Chair as part of the Board Chair Retainer. Such values were converted to Canadian dollars using the closing rate of exchange of the Bank of Canada (U.S.\$1.00 = C\$1.1097) on February 3, 2014. The Hon. Kevin G. Lynch, Robert L. Phillips and Laura Stein election for such compensation was converted to Canadian dollars using the closing rate of exchange of the Bank of Canada respectively on April 28, 2014 (U.S.\$1.00 = C\$1.1025), on May 5, 2014 (U.S.\$1.00 = C\$1.0952) and on May 7, 2014 (U.S.\$1.00 = C\$1.0894).

- (4) Such values represent committee attendance fees received in cash for attendance to meetings of board committees of which they were not members. Such values were converted to Canadian dollars using the average rate of exchange of the Bank of Canada for 2014 (U.S.\$1.00 = C\$1.1045).
- (5) Includes the value of insurance premiums for 2014. For Robert Pace: for North American emergency protection outside his province of residence, the annual cost to the Company for such benefits was C\$295 (based on an annual premium of C\$1,792). For David G.A. McLean: for insurance premiums for medical and dental coverage in Canada and the U.S., the total cost to the Company was C\$570 (based on total annual premiums of C\$1,841).
- (6) This percentage is calculated by dividing the aggregate of the cash retainer elected by non-executive directors to be received in common shares or DSUs described in note (1) above and the value provided under the share-based awards column, by the value provided under the total column.
- (7) Michael R. Armellino, Hugh J. Bolton and David G.A. McLean retired from the Board on April 23, 2014.
- (8) Robert Pace became Chair of the Board on April 23, 2014. Prior to this date, he had been Board Vice-Chair since April 23, 2013.

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## SHARE OWNERSHIP

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

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

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

### Changes to Share Ownership

In connection with the changes made to the compensation structure, effective with this year's Meeting, the share ownership requirements for non-executive directors include a new feature to the effect that each director is required to continue to hold CN Securities with a value of at least the higher of: (i) C\$250,000 or (ii) 50% of the Minimum Shareholding Requirement, for a period of 2 years after the director leaves the Board.

Approximately 69% of the total annual compensation of the non-executive directors for 2014 was in the form of CN Securities. As of the date hereof, the average value of CN Securities owned by non-executive directors is approximately C\$11.5 million (based on the February 27, 2015, closing price of the common shares of the Company on the Toronto Stock Exchange (C\$86.35), or the New York Stock Exchange (U.S.\$69.14) for U.S. directors).

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

## SHARE OWNERSHIP TABLE

The following table provides information on the number and the value of common shares and DSUs owned by the Company's current directors as at February 27, 2015, and the amount needed to meet the Minimum Shareholding Requirement.

DIRECTOR	YEAR (1)	NUMBER OF COMMON SHARES OWNED, OR DIRECTED	2015 TOTAL VALUE OF COMMON SHARES (VALUE AT RISK)(3) (C\$)	NUMBER OF DSUs HELD	2015 TOTAL VALUE OF DSUs (VALUE AT RISK)(3) (C\$)	TOTAL NUMBER OF COMMON SHARES OWNED, OR DIRECTED AND DSUs (2)	2015 TOTAL VALUE OF COMMON SHARES AND DSUs (VALUE AT RISK) (3) (C\$)	GUIDELIN ME O INVESTMEN REQUIRED TO MEE GUIDELIN (C\$)
A. Charles Baillie	2015	207,400		122,330		329,730		
	2014	207,400	17,908,990	119,166	10,563,196	326,566	28,472,186	
	Variation	–		3,164		3,164		
Donald J. Carty	2015	37,620		19,047		56,667		
	2014	20,000	3,252,089	18,785	1,646,532	38,785	4,898,621	
	Variation	17,620		262		17,882		
Ambassador Gordon D. Giffin	2015	42,493		44,772		87,265		
	2014	40,118	3,673,339	43,564	3,870,349	83,682	7,543,688	
	Variation	2,375		1,208		3,583		
Edith E. Holiday	2015	73,341		28,396		101,737		
	2014	73,341	6,340,017	25,049	2,454,713	98,390	8,794,730	
	Variation	–		3,347		3,347		
V. Maureen Kempston Darkes	2015	127,368		52,096		179,464		
	2014	124,590	10,998,227	51,379	4,498,490	175,969	15,496,717	
	Variation	2,778		717		3,495		
The Hon. Denis Losier	2015	184,254		104,278		288,532		

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	2014	184,254	15,910,333	99,883	9,004,405	284,137	24,914,738	
	Variation	–		4,395		4,395		
The Hon. Edward C. Lumley	2015	121,370		89,387		210,757		
	2014	123,370	10,480,300	87,170	7,718,567	210,540	18,198,867	
	Variation	(2,000)		2,217		217		
The Hon. Kevin G. Lynch	2015	–		6,752		6,752		
	2014	–	–	–	583,035	–	583,035	298,42
	Variation	–		6,752		6,752		
Claude Mongeau	2015	66,503		411,150		477,653		
	2014	64,496	5,742,534	405,486	35,502,803	469,982	41,245,337	
	Variation	2,007		5,664		7,671		
James E. O'Connor	2015	21,678		–		21,678		
	2014	18,668	1,873,971	–	–	18,668	1,873,971	
	Variation	3,010		–		3,010		
Robert Pace	2015	200,557		98,567		299,124		
	2014	191,715	17,318,097	97,211	8,511,260	288,926	25,829,357	
	Variation	8,842		1,356		10,198		
Robert L. Phillips	2015	5,625		6,752		12,377		
	2014	4,125	485,719	–	583,035	4,125	1,068,754	
	Variation	1,500		6,752		8,252		
Laura Stein	2015	–		6,610		6,610		
	2014	–	–	–	571,406	–	571,406	310,05
	Variation	–		6,610		6,610		

(1) The number of common shares and DSUs held by each director for 2015 is set out as at February 27, 2015, and for 2014 is set out as at February 28, 2014.

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

(3) The total value is based on the February 27, 2015 closing price of the common shares on the Toronto Stock Exchange (C\$86.35) or, for Donald J. Carty, Ambassador Gordon D. Giffin, Edith E. Holiday, James E. O'Connor and Laura Stein, the New York Stock Exchange (U.S.\$69.14) using the closing exchange rate (U.S.\$1.00 = C\$1.2503) on the same date.

(4) For a discussion on Claude Mongeau's shareholding requirements, please see the section "Stock Ownership Status" on p. 49 of this Information Circular.

## DIRECTORS' DEFERRED SHARE UNIT PLAN

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

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

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

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

## STATEMENT OF CORPORATE GOVERNANCE PRACTICES

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### GENERAL

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

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

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

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

The role, mandate and rules of the Board of Directors and of its committees are set forth in our corporate governance manual, a detailed document available on our website. CN is one of the few issuers

in Canada with such a comprehensive governance manual publicly available.

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## CODE OF BUSINESS CONDUCT

The Board of Directors reviews and updates our Code of Business Conduct to ensure that it is consistent with current industry trends and standards; clearly communicates CN's organizational mission, values, and principles; and, most importantly, serves as a reference guide for employees to support everyday decision making. The Code is applicable to directors, officers and employees of CN. It addresses many important matters, including conflicts of interest, protection and proper use of corporate assets and opportunities, confidentiality of corporate information, fair dealing, compliance with laws and reporting of any illegal or unethical behaviour. No waiver has ever been granted to a director or executive officer in connection therewith. The Code of Business Conduct is available on our website at [www.cn.ca](http://www.cn.ca), under Delivering Responsibly/Governance and in print to any share-holder who requests a copy by contacting our Corporate Secretary. The Code has also been filed with the Canadian and U.S. securities regulatory authorities.

The Board, through its Corporate Governance and Nominating Committee, reviews, monitors and oversees the disclosure relating to the Company's Code of Business Conduct. Each year, management reports to such committee on the implementation of the Code of Business Conduct within the organization and on any material contravention of the Code of Business Conduct by employees of the Company.

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

The Company believes that ethical business conduct is an important part of its success. Hence, the mandate of the Board attached as Schedule "A" to this Information Circular states that the Board has the responsibility for overseeing management in the competent and ethical operation of the Company. As part of the Company's Code of Business Conduct, employees are also required to avoid outside interests that may impair or appear to impair the effective performance of their responsibilities to the Company, and be fair and impartial in all dealings with customers, suppliers and partners. A key person in the implementation of the Company's Code of Business Conduct is CN's Ombudsman, who presents reports to the Corporate Governance and Nominating Committee. The office of the Ombudsman offers a confidential, neutral and informal avenue which facilitates fair and equitable resolutions to concerns arising within the Company.

The Board of Directors has adopted procedures allowing interested parties to communicate directly with the Board Chair.





The Board of Directors also adopted procedures allowing interested parties (i) to submit accounting and auditing complaints or concerns to us and (ii) to communicate directly with the Board Chair, who presides over all non-executive director sessions. These procedures are described on our website at [www.cn.ca](http://www.cn.ca), under Delivering Responsibly/Governance. The Code of Business Conduct provides that concerns of employees regarding any potential or real wrongdoing in terms of accounting or auditing matters may be submitted confidentially through CN's Hotline.

## INDEPENDENCE OF DIRECTORS

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

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

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

## INDEPENDENT CHAIR OF THE BOARD

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

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

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

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## POSITION DESCRIPTIONS

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

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## COMMITTEES OF THE BOARD

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

The following is a brief summary of the mandate of each committee of the Board of Directors.

Schedule "B" to this Information Circular provides reports on the activities of each Board Committee.

### Audit Committee

The Audit Committee has the responsibility of overseeing the Company's financial reporting, monitoring risk management, internal controls and internal and external auditors. The mandate of the Audit Committee is further described in the section entitled "Statement of Corporate Governance Practices — Audit Committee Disclosure" on page 32 of this Information Circular and in the charter of such committee which is included in our Corporate Governance Manual. The charter of the Audit Committee provides that such Committee must be composed solely of independent directors. As at February 27, 2015, all members of the Audit Committee are independent.

Finance Committee

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

#### Corporate Governance and Nominating Committee

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

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

The charter of the Corporate Governance and Nominating Committee provides that such Committee must be composed solely of independent directors. As at February 27, 2015, all members of the Corporate Governance and Nominating Committee are independent.

#### Human Resources and Compensation Committee

The Human Resources and Compensation Committee has the responsibility of monitoring executive management's performance assessment and succession planning. This Committee also has the mandate to review human resources practices by ensuring, amongst other things, that appropriate human resources systems are in place so that the Company can attract, motivate and retain the quality of personnel required to meet its business objectives. The mandate of the Human Resources and Compensation Committee is further described in the section entitled "Statement of Executive Compensation — Human Resources and Compensation Committee" on page 36 of this Information Circular and in the charter of such Committee which is included in our Corporate Governance Manual. The charter of the Human Resources and Compensation Committee provides that such Committee must be composed solely of independent directors. As at February 27, 2015, all members of the Human Resources and Compensation Committee are independent.

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

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

#### Environment, Safety and Security Committee

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

#### Strategic Planning Committee

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

#### Investment Committee of CN's Pension Trust Funds

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

#### Donations and Sponsorships Committee

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

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## RISK MANAGEMENT OVERSIGHT

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

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

Management undertakes an enterprise-wide process to identify, classify, assess and report on CN's significant risks and mitigation strategies. For a detailed explanation of the material risks applicable to CN and its affiliates, see the section entitled "Business risks" in CN's Management's Discussion and Analysis dated February 2, 2015 included in CN's 2014 Annual Report, available on SEDAR at [www.sedar.com](http://www.sedar.com), on EDGAR at [www.sec.gov](http://www.sec.gov) and on CN's website at [www.cn.ca](http://www.cn.ca).

Risk information is reviewed by committees of the Board and/or the Board throughout the year and Company Officers present updates on the execution of business strategies, risks and mitigation activities. The Audit Committee is responsible for ensuring that appropriate risk management processes are in place across the organization and it considers the effectiveness of the operation of CN's internal control procedures and reviews reports from CN's internal and external auditors. As part of its risk management process activities, the Audit Committee ensures that significant risks identified are referred to a Board committee or the Board for oversight, as appropriate. Specifically, the Audit Committee reviews the Company's risk assessment and risk management policies including information technology risk management, business interruption management, and assists the Board with the oversight of the Company's compliance with applicable legal and regulatory requirements. From a financial perspective, the Company is exposed to various risks such as customer credit risk, commodity price risk, interest rate risk, foreign currency risk, and liquidity risk. To manage these risks, CN follows a financial risk management framework, which is monitored and approved by the Finance Committee, with a goal of maintaining a strong balance sheet, optimizing earnings per share and free cash flow, financing CN's operations at an optimal cost of capital and preserving the Company's liquidity. The Finance Committee, as part of its responsibility to review CN's liquidity position, also oversees pension funding risks. The Human Resources and Compensation Committee considers risks relating to compensation, succession planning and CN's employee benefit obligations while the Environment, Safety and Security Committee considers risks related to environment, health and safety, and security.

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## BOARD AND COMMITTEE MEETINGS

### Process

The Board Chair, in collaboration with the Corporate Secretary, has the responsibility of establishing a schedule for the meetings of the Board of Directors and its committees. During this process, the Corporate Secretary, in

collaboration with the Board and committee chairs and the appropriate executive officers, establishes Board and committee working plans for the year. We believe that proceeding in this manner helps in the preparation of in-depth presentations conducive to meaningful information sessions and discussions while allowing management to plan ahead. If, during the course of the year, events or circumstances require Board or committee action or consideration, additional meetings are called. The total number of meetings and the attendance record for each director for all board and committee meetings held during the course of 2014 are set out in the section entitled “Nominees for Election to the Board — Board and Committee Attendance” of this Information Circular.

Board and  
Committee working  
plans are established  
for the year.

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

#### In Camera Meetings

The independent Board members meet before or after every regular in-person meeting of the Board of Directors in in camera sessions, without the presence of management and under the chairmanship of the Board Chair. During the financial year ended December 31, 2014, there were 9 in camera sessions that were attended exclusively by non-executive directors.

In camera sessions  
are held by  
independent board  
members at every  
regular in-person  
meeting of the board  
of directors.



## BOARD AND COMMITTEE ATTENDANCE

## Attendance Table

The following tables show the record of attendance by director at meetings of the Board and its committees, as well as the number of Board and Board committee meetings held during the 12-month period ended December 31, 2014.

## NUMBER AND % OF MEETINGS ATTENDED

DIRECTOR	(1) BOARD	AUDIT COMMITTEE	CORPORATE GOVERNANCE AND NOMINATING COMMITTEE	DONATIONS AND SPONSORSHIPS COMMITTEE	ENVIRONMENT, SAFETY AND SECURITY COMMITTEE	FINANCE COMMITTEE	COMP CO
A. Charles Baillie(2)	9/9 (100%)	–	2/2	–	–	7/7 (Chair)	
Donald J. Carty(3)	9/9 (100%)	5/5 (Chair)	5/5	–	3/3	3/3	
Ambassador Gordon D. Giffin(4)	9/9 (100%)	5/5	–	3/3	2/2	3/3	
Edith E. Holiday	9/9 (100%)	–	5/5	–	–	7/7	
V. Maureen Kempston Darkes(5)	9/9 (100%)	3/3	3/3	–	5/5 (Chair)	4/4	
The Hon. Denis Losier(6)	9/9 (100%)	5/5	5/5 (Chair)	1/1	2/2	–	
The Hon. Edward C. Lumley(7)	9/9 (100%)	–	2/2	–	–	7/7	
The Hon. Kevin G. Lynch(8)	7/7 (100%)	–	3/3	–	3/3	5/5	
Claude Mongeau(9)	9/9 (100%)	–	–	3/3 (Chair)	–	–	

James E. O'Connor(10)	9/9 (100%)	5/5	–	–	5/5	7/7
Robert Pace(11)	9/9 (100%) (Chair)	3/3	5/5	3/3	3/3	–
Robert L. Phillips(12)	7/7 (100%)	3/3	3/3	–	3/3	–
Laura Stein(13)	7/7 (100%)	3/3	–	–	3/3	5/5

- (1) In addition to committee members, all non-executive board members attended on a non-voting basis the January 2014 meeting of the Human Resources and Compensation Committee. The following directors who did not sit on the Finance Committee attended the October meeting on a non-voting basis: Donald J. Carty, Ambassador Gordon D. Giffin, The Hon. Denis Losier, Robert L. Phillips and Robert Pace. The following directors also attended the November Finance Committee meeting on a non-voting basis: Donald J. Carty, The Hon. Denis Losier and Robert L. Phillips. Messrs. Robert Pace and Robert L. Phillips also attended the April Finance Committee meeting.
- (2) A. Charles Baillie stepped down as member of the Corporate Governance and Nominating Committee on April 23, 2014.
- (3) Donald J. Carty became Chair of the Audit Committee, member of the Environment, Safety and Security Committee, member of the Human Resources and Compensation Committee and stepped down as member of the Finance Committee and of the Investment Committee of CN's Pension Trust Funds on April 23, 2014.
- (4) Ambassador Gordon D. Giffin stepped down as member of the Finance Committee and of the Environment, Safety and Security Committee on April 23, 2014.
- (5) V. Maureen Kempston Darkes became a member of the Finance Committee, member of the Corporate Governance and Nominating Committee and stepped down as member of the Audit Committee and of the Investment Committee of CN's Pension Trust Funds on April 23, 2014.
- (6) The Hon. Denis Losier became Chair of the Corporate Governance and Nominating Committee and remained member of the Audit Committee. He stepped down as a member of Donations and Sponsorships Committee and of the Environment, Safety and Security Committee on April 23, 2014.
- (7) The Hon. Edward C. Lumley stepped down as member of the Corporate Governance and Nominating Committee on April 23, 2014.
- (8) The Hon. Kevin G. Lynch became a member of the Finance Committee, member of the Corporate Governance and Nominating Committee, member of the Environment, Safety and Security Committee, member of the Human Resources and Compensation Committee and member of the Strategic Planning Committee on April 23, 2014.
- (9) In addition to committee members, Claude Mongeau attended five Audit Committee meetings, five Corporate Governance and Nominating Committee meetings, five Environment, Safety and Security Committee meetings, six Finance Committee meetings and five Human Resources and Compensation Committee meetings on a non-voting basis. Mr. Mongeau stepped down as member of the Investment Committee of CN's Pension Trust Funds on April

23, 2014.

- (10) James E. O'Connor became Chair of the Strategic Planning Committee, member of the Human Resources and Compensation Committee and stepped down as member of the Investment Committee of CN's Pension Trust Funds on April 23, 2014.
- (11) Robert Pace became Chair of the Board and member of the Environment, Safety and Security Committee and stepped down as member of the Audit Committee and of the Investment Committee of CN's Pension Trust Funds on April 23, 2014.
- (12) Robert L. Phillips became a member of the Audit Committee, member of the Corporate Governance and Nominating Committee, member of the Environment, Safety and Security Committee, member of the Human Resources and Compensation Committee and member of the Strategic Planning Committee on April 23, 2014.
- (13) Laura Stein became a member of the Audit Committee, member of the Finance Committee, member of the Environment, Safety and Security Committee, member of the Human Resources and Compensation Committee and member of the Strategic Planning Committee on April 23, 2014.

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## Meetings Held Table

BOARD AND BOARD COMMITTEE MEETINGS	NUMBER OF MEETINGS HELD IN 2014
Board	9
Audit Committee	5
Corporate Governance and Nominating Committee	5
Donations and Sponsorships Committee	3
Environment, Safety and Security Committee	5
Finance Committee	7
Human Resources and Compensation Committee	5
Investment Committee of CN's Pension Trust Funds	4
Strategic Planning Committee	3

## DIRECTOR SELECTION

### Review of Credentials

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

Any director who has attended less than 75% of Board or committee meetings for more than two years without a valid reason will not be renominated.

## Competency Matrix

The Corporate Governance and Nominating Committee, together with the Board Chair, is responsible for determining the needs of the Board in the long term and identifying new candidates to stand as nominees for election or appointment as directors. The last few years, the Corporate Governance and Nominating Committee and the Board Chair focused on board renewal and succession in light of upcoming director retirements, with a view to expanding and completing the Board's overall expertise in certain areas. The Board Chair and the Corporate Governance and Nominating Committee continue to engage in an on-going, in-depth succession planning process. Board renewal and succession has been an item at most meetings of the Corporate Governance and Nominating Committee. In proposing the list of Board nominees, the Board of Directors is guided by the process described in our Corporate Governance Manual. As part of the process, the Board Chair, in consultation with the Corporate Governance and Nominating Committee, develops a competency matrix based on knowledge areas, types of expertise, gender and geographical representation, and identifies any gaps to be addressed in the director nomination process. The Board ensures that the skill set developed by directors, through their business expertise and experience, meets the needs of the Board. The Board also gives careful consideration to factors such as age, diversity (including gender), geographical location, competencies and experience of current directors, the suitability and performance of directors proposed for election, as well as his or her independence, qualifications, financial acumen, business judgment and board dynamics. This competency matrix is reviewed regularly by the Board Chair with Board members, and is updated as may be required.

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

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

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

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

An evergreen list of potential board candidates is maintained and updated from time to time.

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

(1) Definition of competencies:

**Sales/Marketing:** Experience as a senior executive in a product, service or distribution company; experience in supply chain management and strong knowledge of CN's markets, customers and strategy.

**Finance/Accounting:** Experience in corporate finance, overseeing complex financial transactions, investment management; experience in financial accounting and reporting, auditing, and internal controls.

**Legal:** Experience as a senior practicing lawyer either in private practice or the legal department of a major public entity.

- **Strategy:** Experience in strategic planning and leading growth for a major public entity.

**Human Resources:** Experience in oversight of compensation programs, particularly compensation programs for executive level employees and incentive based compensation programs and experience with talent management, succession planning, leadership development and executive recruitment.

- **Engineering/Environment:** Thorough understanding of the operations of the transportation industry (particularly the rail industry), environmental issues and transportation industry regulations.

**Transport Industry/Safety:** Knowledge and experience in the transportation industry, including strategic context and business and safety issues facing the transportation industry.

**Public Policy:** Experience in, or a strong understanding of, the workings of government and public policy in Canada and the United States.

Board Diversity

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

On March 10, 2015 the Board adopted a target of having a minimum representation of one-third of the Board by women by 2017.

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

- access to a significant part of the potential relevant talent pool that can contribute to and lead in a variety of technical and other functional areas;

- unique and tangible contributions, resulting from different perspectives, experiences, concerns and sensibilities, in product development, marketing, customer relations, mentoring and employee relations in a world of diverse customers and workforces;

- the potential for richer discussion and debate at the executive and board level (and at other levels of management) that may ultimately increase effectiveness in their decision-making and advising functions;

- executive teams and boards with diverse backgrounds increase the likelihood that the perspectives and concerns of all stakeholders are represented in discussions; and

- signaling CN's values to various stakeholders, including employees at all levels, shareholders, customers, communities, regulators and other government officials, and the public.

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

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

- developed recruitment protocols that seek to include diverse candidates in any director search. These protocols take into account that qualified candidates may be found in a broad array of organizations, including academic institutions, privately held businesses, nonprofit organizations, professions such as accounting, human resources and legal services and trade associations, in addition to the traditional candidate pool of corporate directors and officers;

- strived to use, to their fullest potential, the current network of organizations and trade groups that may help identify diverse candidates and may rely on executive search firms to identify diversity candidates as well; and

- periodically reviewed director recruitment and selection protocols so that diversity remains a component of any director search.

#### Board Diversity Policy

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

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

In addition, the Corporate Governance and Nominating Committee –considers the level of representation of women on the Board by overseeing the selection process and ensuring that sufficient numbers of women and other diverse candidates are included in the slate of candidates for Board of Directors consideration. Following the Board's discussion in 2012 about the importance of diversity to the Board, CN recruited Laura Stein who has a strong public company background in ethics and compliance, corporate communications, crisis management, risk management, finance and internal audit matters. Laura Stein was elected to the board as of April 23, 2014, increasing the total number of women on the Board to three, or 27% of the Board nominees in 2015.

#### Diversity and Senior Management

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



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

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

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

Company-wide diversity hiring targets have been established in Canada. In 2014, our "Women in Operations Council" was launched with strong executive level sponsorship. In 2015, internships will be expanded to provide additional learning opportunities for women. With upcoming retirements and development actions, we will have the opportunity to place diverse talent at more senior levels. These actions, in line with our continuing education and training initiatives, create additional positions for diversity within our organization. In 2014, approximately 19% of promotions in Canada were filled by women (women represent 10% of our Canadian employees overall). The number of women hired in skilled trade positions has more than doubled on a year-over-year basis.

As at December 31, 2014, four of CN's 28 executive officers were women, representing 14% of the executive officer population. Although no gender diversity targets have been established specifically for senior executive positions, CN promotes an inclusive and diverse hiring approach that supports the recruitment of female candidates and provides opportunities for their advancement. Specific targets or quotas for gender diversity are not currently used for senior executive positions as appointments are based on a balance of criteria, including merit, experience and competency of the individual at the relevant time. Nonetheless, executive officer appointments are reviewed with our diversity and talent management objectives in mind, including the level of representation of women in executive officer positions.

CN's commitment to diversity and inclusion initiatives focuses on the following areas: minorities, women, persons with disabilities, aboriginals in Canada and veterans in the U.S. In 2014, approximately 26% of CN's new employees in Canada and 23% in the U.S. were hired from these segments.

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

#### Common Directorships

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

As of February 27, 2015, no members of our Board of Directors served together on the boards of other public companies.

No Board members sit together on the Board of another public company.

#### Number of Directorships

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

for candidates that are chief executive officers or other senior executives of public corporations, the Board will prefer individuals who hold no more than two (2) public corporation directorships (excluding CN's Board) in addition to membership on the board of the corporation at which an individual is employed;

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

for other candidates, the Board will prefer individuals who hold no more than five (5) public corporation directorships (excluding CN's Board).

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

re-election for another term.

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

#### Retirement from the Board

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

#### Board Tenure and Term Limits

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

Our policy on term limits, together with our policy on mandatory retirement age, ensures a fresh perspective in the boardroom.

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

Effective as of April 23, 2014, but without regard to past service, committee chairs will serve for a term of three (3) years, renewable for one further two (2) year term, subject to the discretion of the Board of Directors to further extend the term, if deemed appropriate.

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

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

The Board has implemented a comprehensive assessment process.

The following chart shows the tenure of the Company's Board as of April 21, 2015:

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

#### Director Emeritus

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

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

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## BOARD PERFORMANCE ASSESSMENT

### Process

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

The Board has implemented a comprehensive assessment process.

The following questionnaires are prepared by the Office of the Corporate Secretary and approved by the Corporate Governance and Nominating Committee and the Board Chair, taking into account current issues, the findings of previous years and input from the Board of Directors:

- Board and committee performance evaluation questionnaires, including a self-assessment by individual directors;
  - Board Chair evaluation questionnaire; and
  - Committee Chair evaluation questionnaires.

Each questionnaire is then sent to every director and a complete set of the responses is forwarded to the Board Chair, except for the responses to the evaluation questionnaire relating to the Board Chair, which is forwarded directly to each of the Chairs of the Corporate Governance and Nominating Committee and the Human Resources and Compensation Committee.

•Following receipt of the completed questionnaires, the Board Chair contacts every director and conducts open and confidential one-on-one meetings. The purpose of these meetings is to discuss the answers received from and in respect of each director, to take into account any comments which the director may have and to review the self-evaluation of each director. One of the Corporate Governance and Nominating Committee or Human Resources and Compensation Committee Chairs also discusses individually with each director his or her responses and comments on the Board Chair evaluation questionnaire

Reports are then made by the Board Chair, the Corporate Governance and Nominating Committee and Human Resources and Compensation Committee Chairs to the Board of Directors, with suggestions to improve the effectiveness of the Board of Directors, Board committees, Board and committee chairs, and separately to individual directors in respect of their personal performance.

¶The Board Chair and committee chairs take into consideration the overall results and suggestions derived from the annual Board performance assessment in order to improve the functioning and activities of the Board and Board committees.

#### Independent Advisor

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

#### Peer Assessment

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

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

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## DIRECTOR ORIENTATION AND CONTINUING EDUCATION

### Orientation

Our orientation program includes presentations by the Company's –officers on CN's organizational structure and the nature and operation of its business, a review with the Board Chair of the methods of operation and the roles of the Board and its committees, a discussion on the contribution individual directors are expected to make and access to appropriate information or outside resources as required. New directors are provided with the following: a Directors' handbook containing corporate and other information required to familiarize themselves with the Company, its organization and operations and CN's key corporate governance and public disclosure documents, including CN's Corporate Governance Manual and board and committee charters; information regarding the review process for the Board, its committees and their chairs, and individual directors; CN's important policies and procedures, including CN's Code of Business Conduct; and organizational charts and other business orientation materials, including CN's Investor Fact Book, sustainability and safety brochures, financial statements and regulatory information.



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

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

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

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

#### Continuing Education

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

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

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

In 2014, Board members were provided with educational reading materials and presentations on a variety of matters and topics, including corporate governance, executive compensation, executive succession planning, shareholders and

shareholder associations, key accounting considerations, financial strategy, risk management and disclosure, and Canadian and U.S. securities law developments. The Board regularly received updates and reports by CN's internal counsel on regulatory matters of importance and emerging issues of significance, such as diversity, safety and risk mitigation, to CN and the railway industry.

In addition, in 2014 members of the Board attended external courses in subject areas which included anti-trust law, trends in law and business, data security, compensation strategies, safety training, enterprise risk management and board succession and renewal.

Directors also interacted with executive and senior management at every board meeting and received regular and extensive presentations on matters of strategic importance to the Company's business, including presentations on its customer engagement initiatives, safety, stakeholder and community outreach initiatives, business growth strategy, operating plans, supply chain strategy, car management, CN's sustainability initiatives and regulatory matters relevant to the business of the Company.

Moreover, the directors have, from time to time, been provided with first-hand opportunities to visit certain sites where CN has made –significant investments, such as the intermodal terminals in Prince George and at the Port of Prince Rupert. They have also visited certain CN main yards, as well as our Information Technology command center, Kirk Yard and the EJ&E properties in the United States. In 2014, the Board visited CN's new state-of-the-art training center in Winnipeg, Manitoba where they participated in locomotive, belt pack and crane simulators. They were briefed on various operational practices and technologies including hot box detectors, switches, handbrake applications, wheel and welding shops. The Board attended classes and met with training participants. During such events, the Board had the opportunity to interact with CN officers to gain a full appreciation of CN's modernized training program and to learn more about CN's overall operations. In addition, the Board visited the Port of Montreal, an important supply chain partner. Directors also attend community dinners and other company events throughout the year.



The following table lists seminars and courses by external providers, as well as dedicated internal sessions and presentations on key CN subject matters, that the directors of the Company attended in 2014 and early 2015.

SUBJECT MATTER/TOPIC PRESENTED	PRESENTED/HOSTED BY	ATTENDED BY
SAFETY	CN Corporate Services	All directors
• Emergency Response Co-operation	CN Operations	
• Safety Practices		
CUSTOMER RELATIONS	CN Marketing	All directors
• CustomerFIRST Initiatives	CN Operations	Strategic Planning Committee members
• Supply Chain Monitoring Tools		
• Customer Survey		
• Balancing Operational and Service Excellence		
INVESTOR RELATIONS	CN Investor Relations	All directors
• Shareholders		
• Shareholder Associations		
MARKETING	CN Marketing	All directors
• Grain Business	CN Network Strategies	Strategic Planning Committee members
• Export Supply Chain		
• Energy Sector		
• LNG Projects		
FINANCE	External Auditors KPMG	Audit Committee members
• KPMG Training Session	CN Accounting	
• Investor Financial Perspectives	RBC Capital Markets	All directors
• Shareholder Distributions and Capital Structure	Wells Fargo Securities	
	Downstream Consulting at IHS/Purvin & Gertz	
SUSTAINABILITY		All directors
• Environmental Stewardship	CN Corporate Services	
• Workforce Renewal and Training Excellence	CN Operations	
	CN Human Resources	
TECHNOLOGY	CN Information Technology	All directors
• Business Intelligence	CN Operations	

- Enhanced Risk Mitigation  
Through Process and Technology

LAW

CN Corporate Services

All directors

- Competition Bureau Update
- CTA Review Update

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## STAKEHOLDER ENGAGEMENT

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

- engaging with governments as a participant on advisory councils, review boards and regulatory proceedings;
- investment community outreach;
- working collaboratively with supply chain partners;
- participating in industry associations (Railway Association of Canada; Association of American Railroads);

engaging with suppliers at our annual supplier council and through our Sustainable Procurement Excellence program;

- strengthening our relationships and improving our communication with customers;
- ensuring the opportunity for regular two-way communication with employees;
- structured community engagement; and
- open dialogue with Aboriginal peoples.

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

Throughout 2014, CN also continued its support of hundreds of CN railroaders in the Community who are champions in the causes they choose to support. CN granted C\$690,000 to support its employees, their families and pensioners in their volunteer efforts.

In 2014, CN received a number of awards and recognition including:

- Recognition by the Dow Jones sustainability index as both a North American and a world leader in the transportation and transportation infrastructure sector

- Recognition by CDP as a carbon disclosure leader by being awarded with a position on the A list: the CDP climate performance leadership index 2014
- Awards by Investor Relations Magazine in the following categories (among others): best corporate governance, best investor community meetings and global top 50 company for Investor Relations
- Recognition by Corporate Knights as top 50 Corporate Citizens in Canada

As well, our Investor Relations department actively engages with the broad investment community, including shareholders, analysts, potential investors, as well as shareholder advocacy groups, to provide public information on the Company, as well as to address any specific questions or concerns. We have in place various means of communication for receiving feedback from interested parties, such as a toll-free number for general inquiries (1-888-888-5909). The Board of Directors also adopted procedures allowing interested parties (i) to submit accounting and auditing complaints or concerns to us and (ii) to communicate directly with the Chair of the Board, who presides over all non-executive director sessions. These procedures are described on our website at [www.cn.ca](http://www.cn.ca), under Delivering Responsibly/Governance.

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## AUDIT COMMITTEE DISCLOSURE

National Instrument 52-110 — Audit Committees (“NI 52-110”) of the CSA requires issuers to include the charter of their audit committee and disclose information with respect to the composition, education and experience of the members of their audit committees, as well as all fees paid to external auditors in their annual information form. We comply with the requirements regarding composition and responsibilities, as summarized hereinafter, and we refer to our Annual Information Form — section “10.2 Audit Committee Disclosure” and “Schedule A” — available on SEDAR [www.sedar.com](http://www.sedar.com) and on our website at [www.cn.ca](http://www.cn.ca), under Investors for a description of the education and relevant experience of the Audit Committee members and with regards to the charter of our Audit Committee.

### Composition of the Audit Committee

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

### MANDATE OF THE AUDIT COMMITTEE

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

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

### OVERSEEING FINANCIAL REPORTING

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

assess the adequacy of those procedures.

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

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

#### MONITORING RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

#### MONITORING INTERNAL AUDITORS

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

#### MONITORING EXTERNAL AUDITORS

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

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

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

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

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

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Furthermore, the mandate of the Audit Committee states that the Audit Committee may retain independent advisors to help it carry out its responsibilities, including fixing such advisors' fees and retention terms, subject to advising the Board Chair. The Committee makes arrangements for the appropriate funding for payment of the external auditors and any advisors retained by it. Pursuant to its charter, the Audit Committee also has direct communication channels with the internal and external auditors to discuss and review specific issues as appropriate. The internal and external auditors must meet separately with the Audit Committee, without management, twice a year, and more frequently as required.

The Audit Committee met five (5) times in 2014 and held in camera sessions at each meeting. The report of the Audit Committee, set forth in Schedule "B" to this Information Circular, outlines the major subject areas reviewed by the Committee during the year, in compliance with its mandate.

#### NON-AUDIT SERVICES

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

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

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

The Audit Committee received periodically management's report assessing the adequacy and effectiveness of our disclosure controls and procedures and systems of internal control in respect of the 2014 fiscal year. The Company's external auditors, KPMG LLP, are responsible for performing an independent audit of our consolidated financial statements in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board ("PCAOB") in the U.S., and an independent audit of the effectiveness of internal controls over financial reporting, in accordance with the standards of the PCAOB. These audits serve as a basis for KPMG LLP's opinions addressing whether the consolidated financial statements fairly present our financial position, results of operations, and cash flows in conformity with U.S. Generally Accepted Accounting Principles.

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

KPMG LLP provided the Committee with written disclosures and the letter required by Rule 3526 of the PCAOB. The Audit Committee has discussed with KPMG LLP the firm's independence from the Company. A formal written statement describing all relationships between KPMG LLP and the Company was remitted to the Audit Committee and it includes a written confirmation that KPMG LLP are independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation and are independent public accountants with respect to the Company within the meaning of all relevant U.S. professional and regulatory standards, including the independence rules adopted by the SEC pursuant to the Sarbanes-Oxley Act, and Rule 3520 of the PCAOB.

Based on this review and these discussions, the Audit Committee recommended to the Board that the Company's audited consolidated financial statements be filed with Canadian securities regulators and included in the Company's Annual Report on Form 40-F for the year ended December 31, 2014 filed with the SEC.

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

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

In determining if a director is an "audit committee financial expert", the Board considers if the director is a person who has: (a) an understanding of generally accepted accounting principles and financial statements; (b) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves; (c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more persons engaged in such activities; (d) an understanding of internal controls and procedures for financial reporting; and (e) an understanding of audit committee functions.

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



## STATEMENT OF EXECUTIVE COMPENSATION

## DEAR SHAREHOLDER:

On behalf of the Human Resources and Compensation Committee (the “Committee”) and the Board of Directors of Canadian National Railway Company (“CN” or the “Company”), we are pleased to share with you our approach to executive compensation. Our annual “Say on Pay” advisory vote received strong support in 2014 with 97.7% of the votes cast in favour of our disciplined approach to executive compensation. CN remains committed to transparency by providing clear and comprehensive disclosure information to its shareholders.

## 2014 Overview

2014 marked the fifth year since Mr. Mongeau’s appointment as President and Chief Executive Officer (the “President and CEO”). The experienced executive team of Named Executive Officers (the “NEOs”) has been stable since his appointment in 2010 with only the Executive Vice-President and Chief Operating Officer position turning over in 2013 with the appointment of Mr. Jim Vena. Since Mr. Mongeau’s appointment, the share price has increased by 179% on the TSX for an annualized return of 23%. The market capitalization of CN has increased by C\$38B and the Company attained the fourth largest market capitalization in Canada at the end of 2014.

CN continued to deliver solid financial results in 2014 despite brutal winter conditions which impacted operations in the first quarter of the year. Our 2014 financial results are a testimony to the dedication and hard working attitude of CN’s railroaders who showed resilience despite exceptional weather and operational circumstances. CN remains committed to maintain its industry leading position by balancing operational and service excellence, delivering superior growth at low incremental cost, building a solid team of railroaders and actively engaging stakeholders.

	2014 STRETCH OBJECTIVE (1)		2014 ACTUAL	
IN MILLIONS (EXCEPT PER SHARE DATA)	C\$	C\$	INCREASE VS. 2013 RESULTS	INCREASE VS. 2014 STRETCH OBJECTIVES
Revenues (2) (\$M)	\$11,819	\$12,134	+ 14.7%	+ 2.7%
Operating Income (\$M)	\$4,454	\$4,624	+ 19.4%	+ 3.8%
EPS	\$3.55	\$3.85	+ 24.6%	+ 8.5%
Free Cash Flow (\$M)	\$1,794	\$2,220	+ 36.8%	+ 23.7%
ROIC	15.90%	17.36%	+ 84bps	+ 146bps

(1) Adjusted for currency.

(2) Adjusted to reflect actual fuel surcharges.

## Disciplined Approach to Compensation

CN's approach to executive compensation is driven by our goal to deliver sustainable and solid returns to shareholders. CN exercises a disciplined approach to executive compensation by ensuring that target compensation, while reasonable, supports attraction and retention of executive talent. In addition, compensation programs are structured to provide leverage within its short and long-term incentive plans, with strong ties between realized pay and shareholder returns.

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

CN's executive compensation policy aims to position total direct compensation between the median and the 60th percentile of the executives' respective comparator group. Our disciplined approach to compensation has resulted in an overall aggregate positioning of all executives' total direct compensation close to the median as confirmed by Towers Watson's review in December 2014.

## Compensation Decisions in 2014

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

## BASE SALARY AND ANNUAL INCENTIVE BONUS PLAN

CN's policy for base salaries and target bonus is to be at the 50th percentile of the comparator group. In 2014, the target bonus of the NEOs other than the President and CEO was increased from 70% to 80% of base salary to increase the weighting of at risk pay and better align with prevailing target bonus levels across the Class I railroad industry. Concurrent with the change in the bonus target, the base salary of these four (4) NEOs was kept unchanged in 2014. Furthermore, with the exception of Mr. Vena who was promoted in 2013, the Committee decided to keep base salaries unchanged in 2015 for all NEOs, including the President and CEO.

## LONG-TERM INCENTIVE PROGRAM

The Long-Term Incentive (the "LTI") valuation methodology for bench-mark, grant and disclosure purposes has been revised to reinforce alignment throughout the compensation review process. Starting in 2014, the disclosed LTI value in the Summary Compensation Table on page 56 will be calculated using the Towers Watson expected life binomial methodology. The same methodology will also be used for benchmarking and grant purposes to ensure consistency throughout the full compensation process.



