

CANADIAN NATIONAL RAILWAY CO  
Form 6-K  
December 04, 2013

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FORM 6-K  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16  
of the Securities Exchange Act of 1934

For the month of December, 2013

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 20-F

Form 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

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

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

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A

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Canadian National Railway Company

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Item

1. Press release dated December 4, 2013, “CN’s 2013 Investor Fact Book”.
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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: December 4, 2013

By: /s/ Cristina Circelli  
Name: Cristina Circelli  
Title: Deputy Corporate Secretary and  
General Counsel

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Item 1

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CN offers rail and other integrated transportation services – including intermodal, trucking, freight forwarding, warehousing and distribution. The Company continues to deliver the goods year in and year out.

CN is an engaged corporate citizen, committed to safety for everyone – including its employees, its customers and the public.

CN invests to build shareholder value and stronger communities, while focusing on environmental stewardship and developing a great work environment for its employees.

CN is a true backbone of the economy, transporting approximately \$250 billion worth of goods annually for a wide range of business sectors, ranging from resource products to manufactured products to consumer goods, across a rail network spanning Canada and mid-America, from the Atlantic and Pacific oceans to the Gulf of Mexico.

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5,059,000

CARLOADS  
MOVED IN 2012

20%

OF CANADA'S  
EXPORT-BASED  
TRAFFIC MOVING ON  
CN'S  
NETWORK

#### WEB SITE INFORMATION

For the most up-to-date information, please visit the Investor section of CN's Web site [www.cn.ca/en/investors](http://www.cn.ca/en/investors)

A variety of informative documents are available, including annual reports, proxy statements, quarterly earnings, press releases, company presentations and weekly performance metrics.

As used herein, the word “Company” or “CN” means, as the context requires, Canadian National Railway Company and/or its subsidiaries.

This document contains forward-looking statements. The Company cautions that, by their nature, forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and assumptions. Implicit in these statements, particularly in respect of long-term growth opportunities, is the Company’s assumption that such growth opportunities are less affected by the current situation in the North American and global economies. The Company cautions that its assumptions may not materialize and that the current economic conditions render such assumptions, although reasonable at the time they were made, subject to greater uncertainty. The Company cautions that its actual results or performance could differ materially from those expressed or implied in such forward-looking statements. Important risk factors that could cause such differences include, but are not limited to, the effects of adverse general economic and business conditions, industry competition, inflation, currency and interest rate fluctuations, changes in fuel prices, legislative and/or regulatory developments, compliance with environmental laws and regulations, actions by regulators, various events which could disrupt operations, including natural events such as severe weather, droughts, floods and earthquakes, labour negotiations and disruptions, environmental claims, uncertainties of investigations, proceedings or other types of claims and litigation, risks and liabilities arising from derailments, and other risks detailed from time to time in reports filed by the Company with securities regulators in Canada and the United States. Reference should be made to “Management’s Discussion and Analysis” in the Company’s annual and interim reports, Annual Information Form and Form 40-F filed with Canadian and U.S. securities regulators, available on the Company’s Web site, for a summary of major risk factors.

The Company assumes no obligation to update or revise forward-looking statements to reflect future events, changes in circumstances, or changes in beliefs, unless required by applicable Canadian securities laws. In the event the Company does update any forward-looking statement, no inference should be made that the Company will make additional updates with respect to that statement, related matters, or any other forward-looking statement.

CAUTIONARY STATEMENT FOR PURPOSES OF THE “SAFE HARBOR” PROVISIONS OF THE U.S. PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 AND CANADIAN SECURITIES LAWS.

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CN's most recent stock split (two-for-one), which took the form of a stock dividend, occurred in November 2013. All information in this edition of the CN Investor Fact Book is presented on a pre-stock-split basis.

TICKER SYMBOLS

C N R Toronto Stock Exchange  
C N I New York Stock Exchange



## LETTER FROM THE PRESIDENT

Welcome to the 2013 edition of the CN Investor Fact Book, a comprehensive information source that explains CN's business model, its franchise and book of business. It also lays out CN's financial performance and plans for the future.

CN continues to advance its agenda of supply-chain collaboration with its sights set on becoming a true supply-chain enabler. The Company sees tremendous value for its customers and shareholders in approaching its business from an end-to-end perspective, with a clear view of the steps in between. This approach constitutes a new paradigm that drives improved supply-chain efficiencies; breaks down silos and encourages meaningful communication and problem-solving; and helps position CN customers to achieve greater competitiveness within their own markets. It is also central to CN's role as a true backbone of the economy and the Company's ability to keep fostering prosperity in the North American markets it serves. CN handles approximately \$250 billion worth of goods annually and carries more than 300 million tons of cargo, serving exporters, importers, retailers, farmers and manufacturers, touching the lives of people every day.

## DEEPENING CN'S STRATEGIC AGENDA

CN has deepened its strategic agenda by building on its industry-leading speed, to focus on the first and last miles of service. The Company has improved its ability and increased its focus to meet customer orders; CN people are working hard to switch customers' plants and facilities when promised; and CN people are also making sure that they communicate and resolve issues effectively when there are service exceptions. CN people are also tightening up the communications process with respect to promised transit times so that customers have a greater ability to plan their work.

All this requires careful balancing of operational and service excellence. Efficiency and asset utilization remain at the core of CN's business model, balanced by the clear realization that good customer service is critical to grow and gain a greater share of customers' business. Operational and service excellence is the foundation for CN's objective to grow the business faster than the overall economy and achieve that growth at low incremental cost. It also drives the Company's commitment to create value for shareholders through sustainable financial performance, including strong free cash flow and a solid return on investment. CN's cash flow performance allows the Company to invest 18 to 20 per cent of revenues in capital programs while increasing shareholder returns through increased dividends and share repurchase programs – CN has increased its dividend 17 consecutive times since privatization in 1995 while initiating several share-repurchase programs.

The passion and dedication of CN's workforce of over 23,000 employees are key to all Company efforts. That's why CN continues to make employee engagement a key priority. This is particularly important given the workforce renewal CN is now experiencing through generational change. In the four years ending in 2013, the Company will have worked on welcoming and engaging over 10,000 new employees. The Company has increased the reach of corporate messages to ensure a common understanding of CN's culture, goals and strategy.

The safety of CN operations and of the communities through which CN trains pass is of utmost importance to everyone at the Company. The long-term improvement in CN's safety record is being driven by major investments in infrastructure, rigorous track and train inspection, as well as a solid focus on employee training and safety awareness. The Company also works closely with communities through outreach efforts in preparing for and responding to possible transportation incidents. CN's comprehensive, integrated safety plan, based on people, process and technology, has delivered a substantial improvement in the Company's safety performance. In fact, CN's 2012 main-track accident performance was the best on record.

CN's long-term success is also dependent on the Company's contribution to a sustainable future. CN people are dedicated to enhancing environmental stewardship as a strategic priority for the Company. CN people focus on emissions and energy efficiency, waste management, land and bio-diversity and a clean workplace to convert that dedication into action.

## TAKING ADVANTAGE OF GROW TH OPPORTUNITIES

CN's objective to grow faster than the overall economy rests on its agenda of supply-chain collaboration, its insistence on continuous service improvement, and the deployment of a culture that encourages nimbleness and values the ability to seize opportunities quickly. To illustrate this commitment, the following pages of this edition of the CN Investor Fact Book include examples of the growth opportunities the Company sees at this point. There are, in fact, several that CN Investor Fact Book readers will want to "Keep an eye on":

- in the Intermodal segment, for example, CN's bold agenda of supply-chain collaboration is paying off with strong growth in that segment;
- in the manufacturing segment, CN's strong franchise and end-to-end supply-chain approach will help the Company to take advantage of the U.S. housing market recovery as well as the energy renaissance taking place in North America;
- and finally, on the bulk side of the business, CN is well positioned to benefit from a record grain crop in Canada and a recovery in the coal market.

## GROWING THE BUSINESS AT LOW INCREMENTAL COST

CN is also committed to growing its business while keeping its costs under tight control. That commitment flows naturally from CN's Precision Railroading mindset but also reflects the fact that the Company's centre of gravity has been and remains in operations. It is demonstrated through CN's pursuit of continued efficiency gains and the Company's conviction that service and efficiency can improve at the same time.

CN's continued search for efficiency is best captured in its performance according to key operating metrics such as car velocity and locomotive productivity. Both are at the centre of a highly productive and fluid railroad operation, requiring daily engagement in the field. Such engagement is what makes CN target year-over-year gains for all of 2013 in spite of an extremely difficult winter. Such engagement is what leads CN to plan for the expected growth in lumber and other housing-related traffic with fewer cars than the Company had before the Great Recession of 2008-2009. And it is what is now allowing CN to offer valuable car-management services to owners of private cars in the Company's customer base.

## LETTER FROM THE PRESIDENT

CN's conviction that service and efficiency can improve simultaneously comes from years of strong execution, but also from the Company's understanding of how service must be designed and how assets need to be mobilized on the network. The Company's more recent push towards end-to-end supply-chain collaboration represents another frontier for better service and better asset utilization. Thanks to mutual trust and daily engagement around a few key performance indicators (KPIs), it is clear that assets move around more quickly for customers and for CN, be it in intermodal, grain, coal or other markets.

## MAINTAINING CN'S MOMENTUM

As CN prepares for 2014 and beyond, the Company is looking to maintain the momentum of growth at low incremental cost it has developed since 2010. CN's goal is to continue to innovate... continue to improve safety and drive better service and efficiency... and continue to compete as if it still had everything to prove. CN is determined to keep delivering because we are committed to ensuring that our transformation journey continues.

/s/ Claude Mongeau  
Claude Mongeau  
President and CEO

## COMPANY PROFILE

CN is engaged in the rail and related transportation business. The Company's network of 20,000 route miles of track spans Canada and mid-America, connecting three coasts: the Atlantic, the Pacific and the Gulf of Mexico. CN's extensive network, and its co-production arrangements, supply-chain collaboration activities, routing protocols, marketing alliances, and interline agreements, provide its customers with access to all three North American Free Trade Agreement (NAFTA) nations. CN's freight revenues are derived from seven commodity groups representing a diversified and balanced portfolio of goods transported between a wide range of origins and destinations. This product and geographic diversity better positions the Company to face economic fluctuations and enhances its potential for growth opportunities. In 2012, no individual commodity group accounted for more than 20 per cent of revenues. From a geographic standpoint, 17 per cent of revenues relate to United States (U.S.) domestic traffic, 29 per cent transborder traffic, 22 per cent Canadian domestic traffic and 32 per cent overseas traffic.

The Company is the originating carrier for approximately 85 per cent of traffic moving along its network, which allows it to capitalize on service advantages and build on opportunities to efficiently use assets.

CN's focus is on running a safe and efficient railroad. While remaining at the forefront of the rail industry, CN's goal is to be internationally regarded as one of the best-performing transportation companies. CN's commitment is to create value for both its customers and shareholders. By deepening customer engagement, leveraging the strength of its franchise, and delivering operational and service excellence, the Company seeks to provide quality and cost-effective service that creates value for its customers.

CN's business model is anchored on five core principles: providing quality service, controlling costs, focusing on asset utilization, committing to safety and sustainability, and developing people. Precision Railroading is at the core of CN's business model. It is a highly disciplined process whereby CN handles individual rail shipments according to a specific trip plan and manages all aspects of railroad operations to meet customer commitments efficiently and profitably. Precision Railroading demands discipline to execute the trip plan, the relentless measurement of results, and the use of such results to generate further execution improvements in the service provided to customers. CN aims to increase velocity, improve reliability, lower costs, enhance asset utilization and, ultimately, help the Company to grow the top line. It has been a key contributor to CN's earnings growth and improved return on invested capital. The success of the business model is dependent on commercial principles and a supportive regulatory environment, both of which are key to an effective rail transportation marketplace throughout North America.

The basic driver of the Company's business is demand for reliable, efficient, and cost-effective transportation. As such, the Company's focus is the pursuit of its long-term business plan, providing a high level of service to customers, operating safely and efficiently, and meeting short- and long-term financial commitments.

To meet its business plan objectives, the Company's priority is to grow the business at low incremental cost. The Company's strategy to pursue deeper customer engagement and service improvements is expected to continue to create growth.

[COMPANY PROFILE](#)

[NETWORK MAP](#)

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## FINANCIAL &amp; STATISTICAL HIGHLIGHTS

## FINANCIAL HIGHLIGHTS

unaudited

in millions, except per share data, or unless otherwise indicated

	2010	2011	2012	2012 H1	2013 H1
Financial results					
Revenues	\$ 8,297	\$ 9,028	\$ 9,920	\$ 4,889	\$ 5,132
Operating income	3,024	3,296	3,685	1,778	1,822
Net income	2,104	2,457	2,680	1,406	1,272
Adjusted net income (1)	1,973	2,194	2,456	1,182	1,223
Diluted earnings per share	4.48	5.41	6.12	3.18	2.98
Adjusted diluted earnings per share (1)	4.20	4.84	5.61	2.67	2.87
Weighted-average number of diluted shares (millions)	470.1	454.4	437.7	441.5	426.4
Financial ratios (%)					
Operating ratio	63.6	63.5	62.9	63.6	64.5
Debt-to-total capitalization	35.0	38.1	38.5	37.8	39.6
Adjusted debt-to-total capitalization	36.8	40.0	40.4	39.6	41.5
Adjusted debt-to-adjusted EBITDA	1.7 times	1.7 times	1.6 times	1.6 times	1.7 times
Other information					
Dividend per share	\$ 1.08	\$ 1.30	\$ 1.50	\$ 0.75	\$ 0.86
Net capital expenditures	1,586	1,625	1,731	613	646
Free cash flow (2)	1,122	1,175	1,006	703	437



(1) Adjusted to exclude items affecting the comparability of results. See page 98 for a reconciliation of Non-GAAP measures.

(2) See page 98 for a reconciliation of Non-GAAP measures.

CN's most recent stock split (two-for-one), which took the form of a stock dividend, occurred in November 2013. All information in this edition of the CN Investor Fact Book is presented on a pre-stock-split basis.

## FINANCIAL &amp; STATISTICAL HIGHLIGHTS

## STATISTICAL HIGHLIGHTS

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	2010	2011	2012	2012 H1	2013 H1
Statistical operating data					
Gross ton miles (GTM) (millions)	341,219	357,927	383,754	189,479	197,848
Revenue ton miles (RTM) (millions)	179,232	187,753	201,496	99,373	103,278
Carloads (thousands)	4,696	4,873	5,059	2,491	2,547
Route miles (includes Canada and the U.S.)	20,600	20,000	20,100	20,000	20,000
Employees (end of period)	22,444	23,339	23,430	23,667	23,925
Employees (average for the period)	22,055	23,079	23,466	23,380	23,681
Productivity					
GTMs per route mile	16.6	17.9	19.1	9.47	9.89
Rail freight revenue per RTM (cents)	4.14	4.32	4.44	4.45	4.52
Rail freight revenue per carload (\$)	1,579	1,664	1,767	1,775	1,832
Operating expenses per GTM (cents)	1.55	1.60	1.62	1.64	1.67
GTMs per average number of employees (thousands)	15,471	15,509	16,354	8,104	8,355
Diesel fuel consumed (US gallons in millions)	355.7	367.7	388.7	194.3	205.2
Average fuel price (\$/US Gallon)	2.64	3.39	3.47	3.47	3.52
GTMs per US gallon of fuel consumed	959	973	987	975	964
Rolling Stock					
Diesel locomotives	1,839	1,880	1,913	1,925	2,008

Freight cars	70,236	67,796	68,006	68,358	67,560
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Statistical data and related productivity measures are based on estimated data available at such time and are subject to change as more complete information becomes available; as such, certain of the 2012, 2011 and 2010 comparative data and related productivity measures have been restated.

## BALANCING OPERATIONAL AND SERVICE EXCELLENCE

For many years, CN's relentless pursuit of efficiency has been the Company's hallmark. The CN Precision Railroading model, which focuses on improving every process that affects continues to guide the Company's performance. Ultimately, CN is in business to help customers win in their own markets. While CN is a leader in fast and reliable service hub to hub, the Company is truly distinguishing itself by bringing greater value to the entire range of customer touch points.

The Company continues to strengthen its commitment to operational and service excellence through a wide range of innovations anchored on its continuous-improvement philosophy.

CN's major push in first-mile/last-mile activities is all about quality interaction— with customers – from developing— a sharper outside—in perspective, to better monitoring of traffic forecasts; from the Company's car-management distribution activities to higher and more responsive car order fulfillment; from improving customer communication to iAdvise (proactive customer— communication— system at the local level).

CN's continued focus on execution supports all of these activities. The Company's capacity-building investments contribute to enhancing the fluidity of its network. CN's Fuel Management Excellence program – which deploys state-of-the-art technology and better train handling – results in significant productivity gains and helps reduce greenhouse gas emissions. In addition, because safety enables performance, embedding CN's safety culture in all aspects of the operations remains a top priority.

## BALANCING OPERATIONAL AND SERVICE EXCELLENCE

### OPERATIONAL EXCELLENCE

For many years, CN has operated with a mindset that drives efficiency. The Company maintains that philosophy today and works hard to run more efficient trains, reduce dwell times at terminals and improve overall network velocity. With CN's business model, fewer railcars and locomotives are needed to ship the same amount of freight in a tight, reliable and efficient operation. The railroad is run based on a disciplined operating methodology, executing with a sense of urgency, passion and accountability. Employees across the network embrace this culture.

Operational excellence requires measurement of all aspects of CN's operations. At CN, everything is scheduled, measured, executed, reviewed and repeated. The Company is constantly fixing noise or pinch points and repeating it all over again. Constant improvement is a part of how CN does business. The Company never accepts the status quo and believes in continuing to strive for operational excellence by raising the bar at every opportunity.

### SERVICE EXCELLENCE

At the same time, CN's broad-based service innovations benefit customers and support the Company's goal to grow the business faster than the overall economy, which can translate into growing car loadings, revenues and earnings. CN understands the importance of being the best operator in the business, and being the best service innovator as well. Service excellence means expanding CN's perspective, working more closely with customers and involving all relevant areas of the Company in the process.

CN has broadened its commitment to service excellence through a wide range of continuous-improvement innovations. For example, in bulk markets, the successful CN Scheduled Grain Plan Service has resulted in much improved car-spotting reliability and shows how the Company is driving fundamental innovation in the industry. The Company has also set its sights on becoming a true supply-chain enabler by helping to elevate service performance end to end. CN is pursuing better end-to-end service and greater operating efficiencies while helping customers find their place in global markets. In manufacturing markets, be it in forest products or metals, the Company is focused on better car order fulfillment to gain market share one carload at a time. In Intermodal, CN is taking advantage of supply-chain agreements to open up new gateway markets, building on mutual trust and on the continuous improvements in key performance metrics.

BALANCING OPERATIONAL AND SERVICE EXCELLENCE

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## BALANCING OPERATIONAL AND SERVICE EXCELLENCE

### KEY OPERATING METRICS

Car velocity measures the average miles per day travelled by loaded and empty active cars on line, including system, foreign and private cars – providing a gauge of network fluidity and efficiency.

Cars per yard switching hour measures the number of cars that enter a terminal divided by the total crew hours worked at the terminal, providing an assessment of yard efficiency.

Gross ton miles per train mile is used to monitor train efficiency/productivity and is calculated as the average trailing ton per system train.

Gross ton miles per total horsepower reflects the number of trailing gross ton miles handled on system trains per total horsepower. It is an important measure of the utilization of high-horsepower locomotives.

AAR Terminal dwell time is a measure of yard throughput, calculated as the average time a car resides at the specified terminal location expressed in hours. The measurement begins with a customer release, received interchange, or train arrival event and ends with a customer placement (actual or constructive), delivered or offered in interchange, or train departure event. Cars that move through a terminal on a run-through train are excluded, as are stored, bad-ordered, and maintenance-of-way cars.

AAR Average train speed (miles per hour) is a measure of network fluidity and productivity and reflects the line-haul movement between terminals. The average speed is calculated by dividing train-miles by total hours operated, excluding yard and local trains, passenger trains, maintenance-of-way trains, and terminal time.

### KEY SERVICE METRICS

Weekly merchandise car order fulfillment measures performance in meeting total merchandise customer demand, based on the number of cars placed and available the week promised.

Switch window compliance measures performance in switching equipment to the customer within the proper time window.

Grain spotting performance measures the performance in supplying grain customers on the day promised with empty grain cars they ordered.

## END-TO-END SUPPLY CHAIN

### CN'S END-TO-END SUPPLY-CHAIN APPROACH

CN has initiated many innovative services and products over the years, but none with greater impact than those that flow from the Company's bold agenda of supply-chain collaboration. CN is an engine of supply-chain capability that ultimately helps its customers succeed in their markets. Opening new markets and helping CN customers win are the keys to CN's focus on outpacing the economy each year.

CN continues to reinforce its role as a true backbone of the economy and a key player in fostering the prosperity of the North American markets it serves. CN has long been an indispensable transportation supplier for many key sectors in North America, from grain and forest products to metals, chemicals and the automotive sector, moving raw materials, as well as intermediate and finished products to market. With some of the best transit times in the North American railroad industry, and serving ports on both Canadian coasts that are closest to key Asian and European destinations, CN helps its customers win in the markets where they compete.

The next step in expanding the Company's role is to look at what it can offer customers as a great railroad and also from end to end, with a view to improving efficiency for the entire process. This is a new paradigm, driving end-to-end service for the benefit of those who use CN's supply chain. The key word is collaboration. The Company is galvanizing all supply-chain players to move away from a silo mentality to daily engagement, information sharing, problem solving, and execution. This approach is driving solid results. Supply-Chain Collaboration Agreements with ports, terminal operators and customers are used to measure success based on team achievements, rather than solely on the individual results of each supply-chain component.

### BECOMING A TRUE SUPPLY-CHAIN ENABLER



## END-TO-END SUPPLY CHAIN

### GRAIN: FROM INNOVATION IN THE SUPPLY CHAIN TO CEREAL AT THE BREAKFAST TABLE

CN has been moving record volumes of grain since initiating its new scheduled grain model in 2010. Not long ago, CN was measuring its spotting of cars on a weekly basis; now CN measures itself to the day, and in 2012 CN achieved an 82 per cent spotting performance, while placing seven per cent more cars than in 2011. This demonstrates that working together with the other players, looking at the supply chain from end to end, the Company can achieve solid results. CN's supply-chain collaboration and innovation are allowing the Company, in partnership with the grain elevators at the ports and the countryside grain shippers, to increase the throughput capability of the system to new performance levels that a few years ago would have been considered impossible. The end-to-end visibility and the daily engagement that occur on the ground, every day between CN, terminal operators and the grain companies, is translating into greater success for all, getting more of the farmers' products to market.

The 2013-14 Canadian grain crop is expected to be one of the largest in history. Such a large crop will clearly challenge the entire supply chain. Meeting this challenge successfully will require all supply-chain partners to come together to maximize end-to-end throughput on a consistent basis. Prompt car loading in the Canadian Prairies, steady railway movements from the countryside to ports, and efficient car unloading at port terminals will be critical to ensure solid hopper car fleet velocity. This will ensure that cars can be brought back to the countryside to meet new orders in a timely way. Success – on-time performance according to specifications – depends on the solid collaboration of all supply-chain participants.

From moving the fertilizers that help grow the crops to delivering the grain destined for overseas markets or for North American processors, CN helps this sector to thrive, supporting the performance of Canadian farmers and grain companies.

### INTERMODAL: PUSHING THE FRONTIER

Intermodal growth is being fuelled by trade with China and other Asian nations, where CN's service from the West Coast is resulting in record-high shipment volumes. Agreements with all major ports and terminal operators in Canada and significant improvements in end-to-end service have also generated major growth. West Coast volumes on CN have increased 65 per cent over three years to 2012, well beyond the growth of the economy. CN's transit time quality, its focus on reduced container dwell times, its system of collaboration, and its daily engagement with its partners have allowed the Company to attract more business. CN's approach and the high level of cooperation established with shipping lines and terminal operators add up to progress on the ground every day, for the benefit of all supply-chain partners. CN is also providing new and expanded products and services to its international and domestic customers, helping them to be more competitive in the marketplace.

## GROWING THE TOP LINE

CN has a diverse book of business. No single business segment accounted for more than 20 per cent of revenues in 2012. With this diversified base and a great network offering access to three coasts, plus a resource-rich and manufacturing-intensive franchise providing access to up to 75 per cent of North American consumers, CN has the ability to grow.

For years, the pursuit of efficiency has been the Company's hallmark. Through its Precision Railroading business model, the Company has been focused on improving every process involved in delivering customers' goods. This business model has made CN a leader in asset utilization and in fast and reliable hub-to-hub service. While that focus continues today, CN is now distinguishing itself by balancing operational and service excellence. This involves improving performance at all customer touch points and striving to become a true supply-chain enabler.

CN's efforts at the first and last mile of contact with customers employ an outside-in perspective, interacting actively to solve problems, and carefully monitoring key performance metrics. The push towards supply-chain enabling builds on collaboration frameworks in several markets, as well as growing knowledge of how to use end-to-end visibility to drive end-to-end service and efficiency.

Through its successes in balancing operational and service excellence, CN is determined to grow more quickly than underlying economic conditions and to do so at low incremental cost. The Company is actively pursuing growth opportunities in a wide range of areas. CN is leveraging the economic recovery in key sectors, such as the U.S. housing market, growing traffic for lumber and panels and for other housing consumables. CN is aiming to capitalize on North America's energy renaissance. CN is working hard to increase its share in intermodal markets. CN is ready for continued growth.

GROWING THE TOP LINE

SOLID GROWTH PIPELINE

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## BUILDING A SOLID TEAM OF RAILROADERS

Over 23,000 passionate railroaders are at the heart of CN's success. Employees working on trains, in rail yards, on the track, in offices and intermodal terminals, all bring essential skills to the process and play an important role in keeping CN's operations running smoothly.

The Company's workforce is now going through a major renewal. As such, it is now more important than ever that CN engage its employees in its journey of Operational and Service Excellence.

This demographic shift requires the Company to enhance its focus on hiring the right people, onboarding them successfully, helping them build positive relationships with their colleagues, and helping all the employees grow and develop. It takes a strong vision and a variety of tools to make it happen.

## CN'S INTEGRATED TALENT MANAGEMENT STRATEGY

The Company's Integrated Talent Management Strategy consists of four components: attract, onboard, connect and develop. It is engineered so that CN can attract, develop, and retain the right people to work on the railroad.

### ATTRACT

- Assessing fit through testing and interviews
- Leveraging Recruitment Ambassadors and employee networks
- Timely hiring for future business requirements

Throughout North America, a large percentage of railroad employees are nearing retirement age. This challenge presents a great opportunity for CN and the new railroaders who join the Company. To support its hiring efforts, CN has a multi-channel recruitment offering, which includes a workforce planning model, online assessments to complement its candidate selection process, career events, social media, the CN Recruitment Ambassador Program to have CN-experienced railroaders reach out to the next generation of talented professionals about career opportunities at CN, and partnerships with other organizations such as academic institutions, professional groups, and diversity associations.

### ONBOARD

- Ensuring new hires go through the Onboarding program
- Assessing new employees' integration experience through regular feedback
- Expanding scope to maintain engagement

CN is working hard to ensure that newcomers are well integrated into the team. The Company's 18- to 24-month Onboarding program enables CN people to become familiar with the newest additions to the team. It lets these new employees meet their fellow railroaders, get to know CN's business



## BUILDING A SOLID TEAM OF RAILROADERS

to better appreciate how their contribution ties into the big picture, and understand the full value of their role and their total compensation package.

### CONNECT

- Recognizing those who truly embody What CN Stands For
  - Encouraging feedback and involvement
  - Fostering collaborative union relationships

The Company's culture of engagement encourages efforts to strengthen connections with and between its people. These efforts include: developing collaborative relationships with CN's union partners, grievance tracking, various communication– tools, recognition programs, Family Days and Diversity Days. They also include surveys to keep a pulse on issues that matter to employees, and programs that promote and financially support their community engagement.

### DEVELOP

- Educating employees about CN's business and about What CN Stands For
  - Ramping up technical and leadership training
  - Ensuring knowledge transfer

Developing the best railroaders in the industry is a priority for CN. This is important to the Company, and to CN employees as well. The Company has invested in two new training centres and improved curricula for technical training and leadership development. CN's Employee Performance Scorecard (EPS) continues to help all employees align their performance objectives with the Company's business plan.

### CN IS MEETING THE DEMOGRAPHIC CHALLENGE

Workforce renewal is a major priority for CN. Looking at employee retirements, CN has calculated an eight to 10 per cent annual attrition rate. This has already translated to a turnover of close to half the CN workforce since 2010.

The Company continues to address these changing demographics with extensive recruitment and new training initiatives at all levels.

#### NEW FACILITIES TO ANCHOR ENHANCED COMPANY-WIDE TRAINING EFFORT

Last year, CN announced a revitalized Company-wide training program to meet the learning needs of its railroaders – both current and future. Two new training centres are at the heart of this effort. The modern facilities are being built in Winnipeg, Man., and Homewood, Ill., near Chicago, and are expected to be operational in 2014.

The Winnipeg and Homewood facilities will be able to welcome 250 to 300 and 100 to 125 trainees each week, respectively. Both newly-hired and seasoned railroaders, from conductors and locomotive engineers to first line supervisors and many other employees, will be able to receive state-of-the-art training at the two sites.

Both facilities can offer hands-on training in indoor learning laboratories, using, for instance, locomotive simulators and dispatcher stations; and in outdoor facilities with dedicated rolling stock. As always, training will incorporate CN's strong emphasis on safety consciousness.

## BUILDING A SOLID TEAM OF RAILROADERS

### LABOUR RELATIONS

#### CANADA

As at June 30, 2013, CN employed a total of 16,536 employees in Canada, of which 12,292 were unionized. From time to time, the Company negotiates to renew collective agreements with various unionized groups of employees. In such cases, the collective agreements remain in effect until the bargaining process has been exhausted according to the Canada Labour Code.

#### UNITED STATES

As at June 30, 2013, CN employed a total of 7,389 employees in the U.S., of which 5,851 were unionized. As of July 22, 2013, the Company had agreements in place with bargaining units representing the entire unionized workforce at Grand Trunk Western Railroad Company, companies owned by Illinois Central Railroad Company, companies owned by Wisconsin Central Ltd., Bessemer & Lake Erie Railroad Company and The Pittsburgh and Conneaut Dock Company. Agreements in place have various moratorium provisions, ranging from 2010 to 2016, which preserve the status quo in respect of the given collective agreement during the terms of such moratoriums.

### QUICK FACTS

- In 2012, CN hired 2,398 new employees, out of a pool of close to 69,000 applicants.
- CN's continued emphasis on training in 2012 resulted in a total of more than 861,000 hours of instruction, an average of more than 35 hours per employee.
- CN has been named one of Canada's Top 100 Employers for 2014 (Mediacorp Canada Inc.), in addition to being among Canada's 10 Most Admired Corporate Cultures of 2012 (Waterstone Human Capital).



**BUILDING A SOLID TEAM OF RAILROADERS**

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## DELIVERING RESPONSIBLY

CN's goal is to be the safest railroad in North America by establishing and fostering an uncompromising safety culture. This is essential for sustained leadership in safety. Nothing is more important to CN than running a safe operation. CN's long-term success is also tied to its contributions to a sustainable future. As an important link in the global supply chain, CN works to support long-term profitable growth that benefits all stakeholders and to be internationally regarded as one of the best-performing, sustainable transportation companies.

### PUTTING SAFETY FIRST

CN invests significantly in training, coaching, recognition and employee-involvement initiatives in order to strengthen its safety culture. As the Company welcomes thousands of new employees, continued strengthening of CN's safety culture will be of utmost importance.

Safety consciousness permeates every aspect of CN's operations, from locomotive cabs to trackside, to shops, to administrative offices and the boardroom.

CN's safety objectives are always ambitious, and that is by necessity. That's the nature of the Company's continuous-improvement mindset in the quest to run North America's safest railroad.

The Company's long-term safety improvement is driven by continued significant investments in infrastructure, rigorous safety processes and relentless focus on employee training and safety awareness.

CN's Safety Management System (SMS) incorporates safety into daily operations by focusing on initiatives in three key areas: People, Process, and Technology and Capital.

## DELIVERING RESPONSIBLY

### PEOPLE

CN continues to strengthen its safety culture through significant investments in training, coaching, recognition and employee-involvement initiatives.

**Safety Culture:** CN is the only railroad in North America to measure safety culture. The Company measures its safety culture performance through employee-perception surveys and through risk assessments. Transport Canada and working groups of the Railway Safety Act Review have recognized the Company's initiatives as leading-edge.

Activities include: management-led safety summits; intensive field training; the CN Campus technical-training and leadership-development program; a new conductor training program; and a refined on-the-job training program. In addition, two new training centres are being built in Winnipeg, Man., and Homewood, Ill., near Chicago, and are expected to be operational in 2014.

Employee involvement is a fundamental part of CN's SMS. As an added safety measure, employees are encouraged to communicate continuously with each other as they perform their tasks.

**Health and Safety Committees:** CN supports its 106 joint union-management committees through training, teaching risk assessments, and providing assistance in developing annual action plans to address the top causes of accidents and injuries. The Company also has an Intranet page for these committees, which includes meeting minutes, safety action plans, risk assessments and key issues.

### PROCESS

CN's process initiatives aim to make safety a systematic part of all railroad activities and to focus on the top causes of accidents and injuries.

**Safety Management Plan:** This Plan helps supervisors understand Safety Management System components that they must implement or communicate locally. The Company has also expanded its "Expectations for Safety Leaders," a system-wide standard for general managers, superintendents and functional leaders. CN's Safety Management Plan is an industry best practice – Transport Canada has included it in its "Safety Management System Guide."

## DELIVERING RESPONSIBLY

**Involving Employee Representatives:** CN values input from employees and labour representatives. The Company is following through on many key recommendations, including a recognition program for its Health and Safety committees.

**Dangerous Goods and Emergency Response:** CN's Dangerous Goods group continuously enhances the Company's emergency preparedness and system protection – with a strong focus on safety, regulatory compliance and effective emergency response. The group supports TRANSCAER® (Transportation Community Awareness and Emergency Response), an outreach effort to train community emergency response teams situated near rail lines where dangerous goods are transported. More than 50 trained Dangerous Goods Responders provide emergency response support across CN's system. In 2012, the Dangerous Goods group participated in 262 TRANSCAER® events across the system, bringing critical training to 4,425 community firefighters, police, and other first-responder participants who might encounter situations involving dangerous goods. CN also earned the TRANSCAER® National Achievement Award in 2012.

**Responsible Care®** (Chemistry Industry Association of Canada, and American Chemistry Council): CN has been a proud Responsible Care® partner since 1998, committing itself to continuous improvement in environment, health, safety and security. CN recently completed a successful Responsible Care® audit of its management systems.

**eRailSafe:** This program collects, screens, verifies and tracks important contractor information, and facilitates safety-awareness training and tests. It enhances CN's Contractor Safety Process.

### SAFETY CULTURE: FURTHER STRENGTHENING CN'S SAFETY PRACTICES

The safety of CN's operations and of the communities through which its trains pass is of utmost importance to the Company. The Montreal, Maine and Atlantic Railway rail accident at Lac-Mégantic, Que., was the most devastating in decades and a sober reminder to the industry that safety and the prevention of accidents must be absolute priorities. Building on CN's robust train-securement policies, the Company has adjusted its safety practices to ensure it is in compliance with the revised Canadian and U.S. regulatory standards regarding the transportation of dangerous goods. These new safety rules enhance the effectiveness of train-securement procedures and safety across the rail industry. CN's policy is to meet or

exceed all regulatory requirements. The long-term improvement in CN's safety record is also driven by investments in infrastructure, rigorous track and train inspection, as well as a continuing focus on employee training and safety awareness. CN shares information with emergency responders in communities throughout CN's service territory about the commodities that are handled through their jurisdictions and works closely with communities through TRANSCAER®. This helps communities to understand the movement of hazardous materials and facilitates responses to any incidents that may occur.

## DELIVERING RESPONSIBLY

**Safety Audits:** CN conducts safety audits at three levels – integrated systems audits, regional/functional audits, and local audits. CN has been using these integrated system audits to measure safety culture – a first for the industry. The Company’s follow-up process is designed to ensure that recommended actions are completed and effective. In 2012, supervisors performed close to 400,000 efficiency tests and operational activity observations. These encourage compliance with safety practices, policies and operating rules. They are used for the provision of positive reinforcement to employees, as well as coaching to facilitate improvement.

**Risk Assessments:** Risk assessments enable CN employees to understand potential safety hazards so they can prevent or minimize the risk of injury or accident. These are conducted throughout the year with the involvement of Health and Safety committees. Local risk assessments are also conducted in the field through CN’s Field Level Risk Assessment Process. CN continuously updates its Safety and Regulatory Affairs Internet pages to provide field users with important safety information.

## TECHNOLOGY AND CAPITAL

For 2013, CN has allotted \$2 billion for capital programs. Of this, over \$1.1 billion will be spent on track infrastructure to ensure continued safe operation of the railway and to improve network fluidity and productivity. This includes rail, tie, and other track material replacement, and bridge improvement. CN uses a wide range of technology to monitor track as well as rolling stock condition – a proactive approach to risk mitigation. The Company’s industry-leading wayside technology is driving opportunities to improve service, safety and reliability.

**Engineering:** CN employs a wide variety of technological innovations to monitor its track. These include:

- Ultrasonic rail flaw detection.
- CN’s TEST car which is used for track irregularity detection and long-term rail replacement programs.
- The Company’s Precision Engineering initiative which consolidates many separate engineering processes into a single information system.

## DELIVERING RESPONSIBLY

Mechanical: CN's locomotive fleet renewal allows the Company to improve on safety, reliability as well as fuel-consumption and exhaust-emission reductions. The Company will continue to test liquefied natural gas (LNG)-powered locomotives as a potential means to advance CN's sustainability agenda and reduce emissions. Other tools in use include:

- Wayside Inspection System: hot bearing detectors and hot wheel detectors, dragging equipment detectors.
- Wheel Impact Load Detectors (WILDs): detect wheels which have surface flat spots that can lead to broken wheels and broken rails. CN has the largest and most dense WILDs network in North America.
- Machine Vision Detectors: provides detailed wheel profile measurements and pictures from trains moving up to 60 mph.
- Electronic Track Occupancy Permits: allow engineering employees to request and receive electronic track authorities from CN's Rail Traffic Controllers, using laptops and special software. eTOP improves safety by eliminating the potential for data transcription errors.

Transportation: Many innovations enable CN to optimize performance. These include:

- Distributed Power (DP) for better fuel efficiency and train handling. With DP, a locomotive can be placed anywhere along the length of a train and be remotely controlled from the lead locomotive. DP power provides the ability to run long trains in cold-weather conditions.
- Trip Optimizer technology, an intelligent cruise-control system that interacts with topography to automatically determine optimal throttle settings.
- Locomotive simulators, a valuable tool for engineer training.
- Wi-Tronix technology provides snapshots that enable CN to monitor locomotive fleet performance anywhere in the network, provide timely response to critical issues, and rapidly analyze causes of incidents.
- Train marshalling rules – CN uses data analysis and a risk-based approach for implementing train marshalling rules across its network.
- Positive train control – a system for monitoring and controlling train movements designed to prevent train-to-train collisions.

## DELIVERING RESPONSIBLY

### DELIVERING RESPONSIBLY

CN's long-term success is tied to how it contributes to a sustainable future. The Company is committed to the safety of its employees, the communities in which it operates and the environment, delivering reliable, efficient service to support its customers' success in global markets. CN is also dedicated to providing its employees with a great place to work.

CN has been deepening its commitment— to a sustainable operation for many years. The Company believes that the rail mode's environmental and economic advantages position it as an integral part of efforts to meet challenges such as pollution prevention, greenhouse gas (GHG) emission reduction, and natural resource conservation.

CN's environment policy covers various aspects of the life cycle of its activities and is the platform for its environmental strategy and Sustainability Action Plan. The Company combines its expert resources, environmental management procedures, training and audits for employees and contractors, and emergency preparedness response activities to help ensure that it conducts its operations and activities while protecting the natural environment.

Environmental stewardship is an important component— of CN's activities. The Company focuses on emissions and energy reduction, waste management, and bio-diversity and land management. CN specialists in many disciplines (biology, environmental engineering, site assessment) carry out the Company's environ—mental strategy. These activities include: monitoring CN's environmental performance in Canada and the U.S. (ensuring compliance), identifying environmental issues inside the Company, and managing them in accordance with CN's Environmental Policy.

Rail is the most energy-efficient method of moving freight over land, four to six times more fuel-efficient than shipping by truck. The best way in which CN can positively impact the environment is by continuously improving the efficiency of its operations, and reducing its carbon footprint.

CN's cross-functional sustainability committee meets quarterly to align sustainability priorities with business strategy, and interacts with the Board's Environment, Safety and Security Committee.



## DELIVERING RESPONSIBLY

### EMISSIONS AND ENERGY REDUCTION – REDUCING CN’S CARBON FOOTPRINT

#### Rail

Given that 85 per cent of CN’s GHG emissions are generated by its rail operations, emission reduction in this area is an ongoing priority.

Over the years, and still today, CN’s asset-lean Precision Railroading initiatives, fuel-efficient locomotive acquisitions and locomotive technology upgrades, innovative yard efficiencies and focused fuel-conservation practices contribute to the reduction of its carbon footprint.

#### FLEETS AND VESSELS

To reduce its carbon footprint in this segment, CN is extending the operational excellence in its rail fleet to the other vehicles the Company operates in its day-to-day business.

Emissions from the operation of CN’s vehicle and vessel fleets, such as Intermodal trucks and Company vehicles, represent approximately eight per cent of its total carbon emissions. Current initiatives to reduce this number include improving CN’s truck fleet efficiency, upgrading CN’s On Company Service Fleet, and enhancing practices in CN’s shipping vessel fleet which includes the replacement of at least one engine on its vessel fleet to enhance fuel efficiency and reduce emissions.

#### THE CARBON DISCLOSURE PROJECT’S CANADA 200 CLIMATE DISCLOSURE LEADERSHIP INDEX

CN continues to be recognized as a leader for the quality of climate change data it has submitted to the global marketplace through the Carbon Disclosure Project (CDP), the world’s only global environmental disclosure system. For the fourth consecutive year, CN has earned a position in CDP’s Canada 200 Climate Disclosure Leadership Index. This annual index highlights the largest 200 companies listed on the Toronto Stock Exchange (Canada 200) that have displayed a strong approach to the disclosure of information regarding climate change.

## BUILDING OPERATIONS

Over the past few years, CN has stepped up its efforts on upgrading the efficiency of its existing real estate, incorporating sustainable design into these new buildings and yards, and creating sustainable IT systems. The latest is CN's new Calgary Logistics Park.

Every day the Company continues to identify opportunities to reduce its energy consumption, and implement and share energy-reduction programs for its buildings and yards.

## BEYOND THE RAILS - OTHER STRATEGIC INITIATIVES

CN constantly pursues the development of service and productivity initiatives. The Company believes that innovative supply-chain solutions will help drive a lower carbon economy and increase awareness among shippers of the strong environmental benefits of shipping by rail. From carbon credits, network velocity and train efficiency to first-mile/last-mile reliability and safety initiatives CN continues to look at ways it can help its customers capitalize on the positive impacts of shipping by rail.

## DELIVERING RESPONSIBLY

### WASTE MANAGEMENT

CN is committed to sustainable resource management and recognizes that preventing and minimizing the amount of waste being generated throughout its operations will play an important role in its resource conservation efforts. The Company therefore takes the necessary measures to prevent pollution, to conserve, to recycle, and to rationally use the natural resources required for its operations.

CN supports initiatives that prevent the generation of waste at the source and has already initiated programs to reduce both its surplus material and hazardous waste. The Company is committed to redirecting waste away from landfills and hazardous-waste-disposal sites by extending the life of waste materials. To this end, CN has undertaken various waste initiatives, including the reuse of railroad ties, waste water and engine coolants. Across the Company, CN has various recycling programs in place, designed to reduce waste being directed to landfills.

### BIO-DIVERSITY AND LAND MANAGEMENT

As the CN network extends to three North American coasts, it passes through a wide range of habitats, including national parks, forests, prairies and wetlands. CN's ongoing environmental training programs are designed to educate, train and motivate employees and contractors to conduct their activities in an environmentally responsible manner. In order to prevent and correct any negative impact on ecosystems and biodiversity, CN undertakes environmental assessments, bio-diversity and ecosystem protection, and cleanup and remediation activities.

### DOW JONES SUSTAINABILITY WORLD INDEX (DJSI)

CN's sustainability practices have earned it a place as the leader in the Transportation and Transportation Infrastructure Industry sector of the DJSI. This is also the second consecutive year that CN has been listed on the DJSI World Index and the fifth straight year that CN has been listed on the DJSI North American Index.

The DJSI follows a best-in-class approach, surveying sustainability leaders from each industry on a global and regional level. The annual review of the DJSI family is based on a thorough analysis of economic, environmental and social performance, assessing issues such as corporate governance, risk management, branding, climate change mitigation, supply-chain standards and labour practices.

## DELIVERING RESPONSIBLY

### REGULATION: WORKING TOGETHER WITH THE GOVERNMENT SECTOR IN CANADA AND THE U.S.

Railroads in Canada and the U.S. are subject to extensive safety, security, and economic regulation. CN works closely with various federal, state and provincial, and municipal government bodies.

#### CANADA

Safety regulation in Canada is the responsibility of Transport Canada, which administers the Railway Safety Act, as well as the rail portions of other safety-related statutes.

In Canada, the Transportation of Dangerous Goods Directorate is responsible for overseeing the Transportation of Dangerous Goods Act which provides rules and standards for the shipment of hazardous materials.

The Company's rail operations in Canada are subject to economic regulation by the Canadian Transportation Agency under the Canada Transportation Act.

Recent noteworthy regulatory developments include:

- On June 26, 2013, the Government enacted Bill C-52 which gives shippers a right to an agreement respecting the level of service to be provided by a railway company. Bill C-52 also sets out a process by which the level of service to be provided by the railway company can be established through an arbitration process in the event that the parties cannot reach agreement through their own commercial negotiations. The arbitration process is not available to a shipper in respect of a matter that is governed by a written agreement between the shipper and the railway company or in respect of traffic that is subject to a decision issued under the final arbitration process.
- On July 23, 2013, following a significant derailment involving a non-related short line railroad in Lac-Mégantic, Que., the Federal Minister of Transport issued an Emergency Directive under the Canada Railway Safety Act to enhance the effectiveness of train-securement procedures and safety across the Canadian rail industry and to help reduce the risk of unintended train movements that could lead to catastrophic accidents. Transport Canada also issued an order requiring all federally regulated railways to formulate or revise rules, as the case may be, respecting the securement of unattended locomotives and crew size requirements. CN has reviewed its safety policies for unattended trains and adjusted its safety practices to comply with Transport Canada's order.

U.S.

Rail safety regulation in the U.S. is the responsibility of the Federal Railroad Administration (FRA) which administers the Federal Railway Safety Act as well as the rail portions of other safety statutes.

Under the various rail safety regulations, rules and standards are prescribed for railway operations, track safety, freight cars, locomotives, work/ rest provisions, grade crossings and other matters.

The Company's U.S. rail operations are subject to economic regulation by the Surface Transportation Board.

## DELIVERING RESPONSIBLY

### SECURITY

On the security front, the Company is subject to regulation by the Canada Border Services Agency (CBSA).

In the U.S., safety matters related to security are overseen by the Transportation Security Administration, which is part of the U.S. Department of Homeland Security; and the Pipeline and Hazardous Materials Safety Administration, which, like the FRA, is part of the U.S. Department of Transportation. Border security falls under the jurisdiction of U.S. Customs and Border Protection, which is part of the DHS. CN has a longstanding leadership in the security area through its participation in the Customs-Trade Partnership Against Terrorism Program led by U.S. Customs and CBSA's Partners-in-Protection Program.

### CORPORATE GOVERNANCE

CN is committed to adherence to the highest standards of ethical business conduct in its governance practices. These practices are designed to assist the Company in the achievement of its principal corporate objective, which is the enhancement of shareholder value on a long-term basis. Respected corporate governance authorities and experts recognize CN as a leader in this field. The Company has received the IR Magazine Canada Awards program's Best Corporate Governance Award on two occasions. In 2011, CN was also awarded the Canadian Coalition for Good Governance – Gavel Award for Best Disclosure of Board Governance Practices and Director Qualifications and in 2012, the Gavel Award for Best Disclosure of Approach to Executive Compensation. CN believes that its rigorous, vigilant approach to corporate governance is an important contributor to the Company's ongoing success.

CN strives to be among North America's leaders in corporate governance. The Company has adopted numerous governance structures and process innovations including:

- a comprehensive Corporate Governance Manual; and
- 12 (out of 13) independent Board members and an independent Chairman;
- early voluntary compliance with requirements of the U.S. Sarbanes-Oxley Act of 2002, director-majority voting policy, thorough director and chair performance evaluation procedures, including the development of a competency matrix for selection purposes; and