CANADIAN NATIONAL RAILWAY CO
Form 6-K
March 21, 2006

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 March, 2006

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 _X_

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_

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_

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_

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

Canadian National Railway Company

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Items

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 21, 2006

By: /s/ Sean Finn

Name: Sean Finn
Title: Senior Vice-President Public Affairs, Chief Legal Officer and Corporate Secretary

Item 1

www.cn.ca

000001

Mr A Sample
Designation (if any)
Add1
Add2
add3
add4
add5
add6

Holder Account Number
C1234567890 XXX
ASX

Dear Shareholder:

On behalf of the Board of Directors and Management of Canadian National Railway Company, we cordially invite you to attend the annual meeting of shareholders that will be held this year in the Venetian Room at The Peabody Memphis hotel, 149 Union Avenue, Memphis, Tennessee, on Friday, April 21, 2006, at 9:00 a.m., Memphis time.

The agenda and related documentation are attached. In addition to these items, we will discuss highlights of our 2005 performance and our plans for the future. You will have the opportunity to meet your directors and the senior officers of CN.

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 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 proxy form. 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 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 pages 3 and 4 of the accompanying Information Circular with respect to how to vote your shares.

A live Internet broadcast of the meeting will be available on the Company s website at www.cn.ca. Should you decide to attend the meeting, please bring this letter with you to facilitate registration into the meeting.

We look forward to seeing you at the meeting.

Sincerely,

E. Hunter Harrison	David G.A. McLean
President and Chief Executive Officer	Chairman of the Board

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Item 2

Canadian National Railway Company

Notice of Annual Meeting of Shareholders

21 April 2006

Management Information Circular

Canadian National

Railway Company

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Our annual meeting of holders of common shares will be held at The Peabody Memphis hotel, Venetian Room, 149 Union Avenue, Memphis, Tennessee (U.S.A.), on Friday, April 21, 2006, at 9:00 a.m. (Memphis time) for:

receiving the consolidated financial statements for the year ended December 31, 2005 and the auditors report thereon;

electing the directors;

appointing the auditors; and

transacting such other business as may properly be brought before the Meeting or any adjournment or postponement thereof.

The directors have fixed March 15, 2006, as the record date for the determination of the holders of common shares entitled to receive notice of the Meeting.

BY ORDER OF THE BOARD OF DIRECTORS

Sean Finn
Senior Vice-President Public Affairs,
Chief Legal Officer and Corporate Secretary

March 7, 2006
Montréal, Quebec

INFORMATION CIRCULAR

This information circular (the “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 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” or “we”, “us”, “our” refer to, Canadian National Railway Company. The Meeting will be held at The Peabody Memphis hotel, Venetian Room, 149 Union Avenue, Memphis, Tennessee (U.S.A.), on Friday, April 21, 2006, at 09:00 a.m. (Memphis time) for the purposes set forth in the foregoing Notice of Meeting. The information contained herein is given as at February 28, 2006, except as indicated otherwise.

IMPORTANT — If you are not able to attend the Meeting, please exercise your right to vote by signing and returning the enclosed form of proxy (the voting instruction form in the case of Employee Shares (as such term is defined in this Information Circular)) to Computershare Trust Company of Canada in the enclosed envelope, or by voting over the Internet no later than 5:00 p.m. (Montréal time) on April 20, 2006, or, if the Meeting is adjourned or postponed, by no later than 5:00 p.m. (Montréal time) on the business day prior to the day fixed for the adjourned or postponed meeting. Proxies may also be deposited with the scrutineers of the Meeting, to the attention of the chair of the Meeting, immediately prior to the commencement of the Meeting, or any adjournment or postponement thereof. 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 3 of this Information Circular.

WHAT’S INSIDE

QUESTIONS AND ANSWERS - 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 15, 2006, (the record date), will be entitled to vote at the Meeting or at any adjournment or postponement thereof, either in person or by proxy.

Effective February 28, 2006, the shareholders of record at the close of business on February 22, 2006 received one additional common share of CN for each common share held following a two-for-one stock split.

As of the close of business on February 28, 2006, the Company had outstanding 536,150,916 common shares without nominal or par value (after giving effect to the above-mentioned stock split). Subject to the voting restrictions described below, each common share carries the right to one vote.

WHAT WILL I BE VOTING ON?
Shareholders will be voting to (i) elect directors of the Company and (ii) appoint KPMG LLP as auditors of the Company. **Our board of directors and our management are recommending that shareholders vote FOR both items (i) and (ii).**

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?
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 the services of Kingsdale Shareholder Services Inc. for the solicitation of proxies in Canada and the United States, at an aggregate cost estimated to be CAD$40,000 plus additional costs relating to telephone calls and 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 Kingsdale Shareholder Services Inc., the Companys proxy solicitation agent, toll-free at 1-866-833-6980.

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, 9th Floor, North Tower, Toronto, Ontario M5J 2Y1, by telephone at 1-800-564-6253, by fax at 1-866-249-7775 or by email at service@computershare.com.

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.

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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. 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 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 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 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. (Montréal time) on April 20, 2006, or if the Meeting is adjourned or postponed, by no later than 5:00 p.m. (Montréal 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?

If no instructions are indicated, your common shares represented by proxies in favour of management will be voted FOR the election of management's nominees as directors, FOR the appointment of KPMG LLP as auditors, 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 for 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 at any time up to and including 5:00 p.m. (Montréal 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. 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, 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 brokers client. If you are a non-registered shareholder, there are two ways, listed below, that you can vote your common shares:

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 request for voting instructions 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 request for voting instructions provided by your nominee to appoint yourself as proxy holder and follow the signature and return instructions of your nominee. 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 request for voting instructions sent to you as you will be voting at the Meeting.

How do I vote If I am an employee shareholder?

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 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 favour of managements proposals and at the discretion of the custodian or such other person indicated, in respect of amendments to managements proposals 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.

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 holders attorney duly authorized in writing, provided such written instrument indicating the holders 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. (Montréal time) on the last business day preceding the day of the Meeting or any adjournment or postponement thereof, (ii) filed with the chair of the Meeting on the day of the Meeting or any adjournment or postponement thereof, or (iii) 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

Financial Statements

Our consolidated financial statements for the year ended December 31, 2005, together with the auditors report thereon, are included in the 2005 Annual Report sent to shareholders with the Notice of Annual Meeting of Shareholders and this Information Circular.

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. Pursuant to a resolution of the board of directors, 15 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 persons 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 below will be presented for election at the Meeting as managements nominees. Unless authority is withheld, the persons designated in the accompanying form of proxy or voting instruction form intend to vote FOR the election of these nominees.** The persons nominated are, in the opinion of the board of directors and management, well qualified to act as directors of the Company for the ensuing year. 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.

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. **Unless contrary instructions are indicated on the form of proxy or the voting instruction form, 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.**

NOMINEES FOR ELECTION TO THE BOARD

The following table sets out information regarding the nominees for election as directors as of February 28, 2006, unless otherwise indicated. Please refer to page 104 of our 2005 Annual Report for a picture of our nominees.

	Common Shares Owned, Controlled or Directed(1) **(on a post-split basis)**(2)		**Options held**(3) **(on a post-split basis)**(2)	
Name, age, principal occupation and position on committees of the board(4)	**February 2006**	**February 2005**	**February 2006**	**February 2005**
Michael R. Armellino, **C.F.A.**, 66 Fort Lee, New Jersey	89,846	85,012	33,000	33,000
Mr. Armellino has served on the board of directors since May 7, 1996. Mr. Armellino, a chartered financial analyst, is a Retired Partner, The Goldman Sachs Group, LP. From 1991 to 1994, Mr. Armellino was chair and Chief Executive Officer of Goldman Sachs Asset Management. Prior to 1991, he had held various positions at Goldman, Sachs & Co., including senior transportation analyst and Partner in Charge of Research.	Mr. Armellino is: Independent Chair of the Strategic Planning Committee, and Member of: • Audit Committee, • Finance Committee, and • Investment Committee of CN's Pension Trust Funds.(5)			
A. Charles Baillie, LL.D., 66 Toronto, Ontario	92,220(6)	58,728(7)	N/A	N/A
Mr. Baillie has served on the board of directors since April 15, 2003. Mr. Baillie retired as chair of The Toronto-Dominion Bank in April 2003, and as Chief Executive Officer of the bank in December 2002. Mr. Baillie is also a director of Dana Corporation, George Weston Limited and Telus Corporation.	Mr. Baillie is: Independent Member of: • Audit Committee, • Corporate Governance and Nominating Committee, • Human Resources and Compensation Committee, and • Strategic Planning Committee.			
Hugh J. Bolton, **F.C.A.**, 67 Edmonton, Alberta	23,200(6)	18,524(7)	N/A	N/A
Mr. Bolton has served on the board of directors since April 15, 2003. Mr. Bolton is the chair of the board of directors of EPCOR Utilities Inc. (energy and energy-related services provider), and the Lead Director of Matrikon Inc. (supplier of industrial IT solutions). Mr. Bolton is also a director of Teck Cominco Limited, The Toronto-	Mr. Bolton is: Independent Member of: • Audit Committee, • Corporate Governance and Nominating Committee,			

Dominion Bank and WestJet Airlines Ltd. From 1991 to 1997, Mr. Bolton was chair and Chief Executive Partner of Coopers & Lybrand Canada (now PricewaterhouseCoopers).	Human Resources and Compensation Committee, and Strategic Planning Committee.			
Purdy Crawford, O.C., Q.C., LL.D., 74 Toronto, Ontario	112,396(6)	98,962(7)	72,000	72,000
Mr. Crawford has served on the board of directors since April 25, 1995. Mr. Crawford is Counsel, Osler, Hoskin & Harcourt LLP (law firm). Mr. Crawford also served as Chief Executive Officer of Imasco Limited from 1985 to 1995. He is a director of Foot Locker, Inc., Maple Leaf Foods Inc., Manitoba Telecom Services Inc. and Seamark Asset Management Ltd. He is also Chairman of the Board of Trustees of the Clearwater Seafoods Income Fund.	Mr. Crawford is: Independent Chair of the Human Resources and Compensation Committee, and Member of: Audit Committee, Corporate Governance and Nominating Committee, Strategic Planning Committee, and Investment Committee of CN's Pension Trust Funds.(5)			

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Name, age, principal occupation and position on committees of the board(4)	**Common Shares Owned, Controlled or Directed**(1) **(on a post-split basis)**(2) February 2006	February 2005	**Options held**(3) **(on a post-split basis)**(2) February 2006	February 2005
J.V. Raymond Cyr, O.C., LL.D., 72 Montréal, Québec	59,088(6)	54,414 (7)	72,000	72,000
Mr. Cyr has served on the board of directors since March 29, 1995. Mr. Cyr is chair of PolyValor Inc. (telecommunications company). Mr. Cyr also served as chair of Bell Canada from 1985 to 1989 and from 1992 to 1996 and as chair of BCE Inc. from 1989 to 1993. He is also a director of Transcontinental Inc., ART Advanced Research Technologies Inc. and Isacsoft Inc.	Mr. Cyr is: Independent Chair of the Environment, Safety and Security Committee and Member of: Finance Committee, Strategic Planning Committee, and Investment Committee of CNs Pension Trust Funds.(5)			
Ambassador Gordon D. Giffin, 56 Atlanta, Georgia	28,366(6)	23,298 (7)	27,000	27,000
Mr. Giffin has served on the board of directors since May 1, 2001. Mr. Giffin is Senior Partner, McKenna Long & Aldridge (law firm) and he was United States Ambassador to Canada from August 1997 to April 2001. Mr. Giffin is also a director of Canadian Imperial Bank of Commerce, Canadian Natural Resources Limited, TransAlta Corporation and Bowater Incorporated.	Mr. Giffin is: Independent Member of: Environment, Safety and Security Committee, Finance Committee, Human Resources and Compensation Committee, and Strategic Planning Committee.			
James K. Gray, O.C., A.O.E., LL.D., 72 Calgary, Alberta	52,624(6)	47,422(7)	72,000	72,000
Mr. Gray has served on the board of directors since July 4, 1996. Mr. Gray is Corporate Director and Former Chair and Chief Executive Officer, Canadian Hunter Exploration Ltd. (natural gas company). Mr. Gray is also a director of Brookfield Asset Management Inc., Phoenix Technology Income Fund and Twin Mining Corporation.	Mr. Gray is: Independent Member of: Corporate Governance and Nominating Committee, Environment, Safety and Security Committee, Human Resources and Compensation Committee, and Strategic Planning Committee.			

E. Hunter Harrison, 61 Burr Ridge, Illinois	264,204	259,098	3,215,000	3,025,000

Mr. Harrison has served on the board of directors since December 7, 1999. Mr. Harrison has been President and Chief Executive Officer of the Company since January 1, 2003. He has served as Executive Vice-President and Chief Operating Officer of the Company from March 1998 to December 2002. Prior to joining CN, Mr. Harrison had been a director and President and Chief Executive Officer of the Illinois Central Corporation and the Illinois Central Railroad Company from 1993 to 1998.

Mr. Harrison is:
Not independent
Member of:
- Strategic Planning Committee.

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	Common Shares Owned, Controlled or Directed(1) **(on a post-split basis)**(2)		**Options held**(3) **(on a post-split basis)**(2)	
Name, age, principal occupation and position on committees of the board(4)	**February 2006**	**February 2005**	**February 2006**	**February 2005**
Edith E. Holiday, 54 Washington, District of Columbia	22,200	17,700	27,000	27,000
Mrs. Holiday has served on the board of directors since June 1, 2001. Mrs. Holiday is a Corporate Director and Trustee and a former General Counsel, United States Treasury Department and Secretary of the Cabinet, The White House. Mrs. Holiday is also a director of H.J. Heinz Company, Amerada Hess Corporation, RTI International Metals, Inc. and White Mountains Insurance Group, Ltd. She is also a director or trustee in various investment companies of the Franklin Templeton Group of Mutual Funds.	Mrs. Holiday is: Independent Member of: • Corporate Governance and Nominating Committee, • Environment, Safety and Security Committee, • Human Resources and Compensation Committee, • Strategic Planning Committee, and • Investment Committee of CN's Pension Trust Funds.(5)			
V. Maureen Kempston Darkes, O.C., D. Comm. LL.D., 57 Miramar, Florida	30,690(6)	25,250(7)	72,000	72,000
Mrs. Kempston Darkes has served on the board of directors since March 29, 1995. Mrs. Kempston Darkes is Group Vice-President and President Latin America, Africa and Middle East, General Motors Corporation. From 1994 to 2001, she was President and General Manager of General Motors of Canada Limited and Vice-President of General Motors Corporation. Mrs. Kempston Darkes is also a director of Falconbridge Limited and The Thomson Corporation.	Mrs. Kempston Darkes is: Not independent Member of: • Environment, Safety and Security Committee, • Finance Committee, • Strategic Planning Committee, and • Investment Committee of CN's Pension Trust Funds.(5)			
Robert H. Lee, C.M., O.B.C., LL.D., 72 Vancouver, British Columbia	Nil	Nil	N/A	N/A
Mr. Lee stands for election to the board of directors. Mr. Lee is Chairman of the Prospero Group of Companies (real estate, investment, finance, agency and management). He is a director of Crown Life Insurance Company, Wall Financial Corporation, and he served for	Mr. Lee is: Independent			

many years as a Trustee of Belmont Trust, which is associated with Fairmont Shipping Hong Kong Ltd. He served as Chancellor of the University of British Columbia, Chairman of UBC Foundation and as a member of the Board of Governors for many years. In 1998, he founded and still serves as Chairman of the UBC Properties Trust.

Denis Losier, 53 Moncton, New Brunswick	61,794(6)	56,610(7)	60,000	72,000

Mr. Losier has served on the board of directors since October 25, 1994. Mr. Losier is President and Chief Executive Officer, 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. He is also a director of NAV CANADA.

Mr. Losier is:
Independent
Chair of the Finance Committee, and
Member of:
 Audit Committee,
 Strategic Planning Committee, and
 Investment Committee of CNs Pension Trust Funds.(5)

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Name, age, principal occupation and position on committees of the board(4)	Common Shares Owned, Controlled or Directed(1) (on a post-split basis)(2) February 2006	February 2005	Options held(3) (on a post-split basis)(2) February 2006	February 2005
The Hon. Edward C. Lumley, P.C., LL.D., 66 South Lancaster, Ontario	48,518(6)	41,748(7)	72,000	72,000
Mr. Lumley has served on the board of directors since July 4, 1996. Mr. Lumley is Vice-Chair, BMO Nesbitt Burns Inc. (investment bank). From 1986 to 1991, he served as chair of Noranda Manufacturing Group Inc. Mr. Lumley was a Member of Parliament from 1974 to 1984, during which time he held various cabinet portfolios in the Government of Canada. Mr. Lumley is also a director of BCE Inc., Dollar-Thrifty Automotive Group, Inc., Magna Entertainment Corp. and Magna International Inc.	Mr. Lumley is: Independent Chair of the Investment Committee of CN's Pension Trust Funds,(5) and Member of: • Environment, Safety and Security Committee, • Finance Committee, • Human Resources and Compensation Committee, and • Strategic Planning Committee.			
David G.A. McLean, O.B.C., LL.D., 67 Vancouver, British Columbia	134,606(6)	122,418 (7)	24,000	90,000
Mr. McLean has served on the board of directors since August 31, 1994. Mr. McLean is board chair of the Company and chair and Chief Executive Officer, The McLean Group (real estate investment company and film and television facility company).	Mr. McLean is: Independent Chair of the Corporate Governance and Nominating Committee, and Member of: • Environment, Safety and Security Committee, • Human Resources and Compensation Committee, • Strategic Planning Committee, and • Investment Committee of CN's Pension Trust Funds.(5)			
Robert Pace, 51 Halifax, Nova Scotia	62,242(6)	55,622(7)	72,000	72,000
Mr. Pace has served on the board of directors since October 25, 1994. Mr. Pace is President and Chief Executive Officer, The Pace Group (private holding company). Mr. Pace is also a director of High Liner Foods Incorporated and board chair of American Manor	Mr. Pace is: Independent Chair of the Audit Committee, and Member of: • Corporate Governance and Nominating Committee,			

Enterprises Inc.	Human Resources and Compensation Committee, Strategic Planning Committee, and Investment Committee of CNs Pension Trust Funds.(5)

(1) The information regarding common shares beneficially owned, controlled or directed has been furnished by the respective nominees individually and includes Restricted Share Units granted as compensation to directors, but does not include common shares under options.

(2) All figures for February 2006 are as at February 28, 2006, and all figures for February 2005 are as at February 28, 2005. All figures related to shares, Restricted Share Units and options have been restated to reflect the two-for-one stock split effective on February 28, 2006.

(3) The information regarding options comprises only the options granted under the Management Long-Term Incentive Plan. Mr. Baillie and Mr. Bolton were not members of the board when options were granted. No options were granted to directors in 2003, 2004 and 2005. On March 8, 2005, the Management Long-Term Incentive Plan was amended to provide that option grants under such plan could no longer be made to non-executive directors.

(4) The age of the directors is provided as at the date of the Meeting (i.e., on April 21, 2006).

(5) The Investment Committee of CNs Pension Trust Funds is a mixed committee composed of both members of the board of directors as well as officers of the Company.

(6) Includes Restricted Share Units in the following amounts: A. Charles Baillie: 22,220; Hugh J. Bolton: 20,200; Purdy Crawford: 12,696; J.V. Raymond Cyr: 22,188; Ambassador Gordon D. Giffin: 12,066; James K. Gray: 5,644; V. Maureen Kempston Darkes: 22,590; Denis Losier: 18,976; Edward C. Lumley: 16,718; David G.A. McLean: 28,696; and Robert Pace: 18,142. Pursuant to the terms of the Restricted Share Units, directors or their estates can only access their Restricted Share Units upon retirement, resignation or death.

(7) Includes Restricted Share Units in the following amounts: A. Charles Baillie: 16,728; Hugh J. Bolton: 15,524; Purdy Crawford: 5,862; J.V. Raymond Cyr: 22,014; Ambassador Gordon D. Giffin: 10,598; James K. Gray: 5,586; V. Maureen Kempston Darkes: 21,650; Denis Losier: 14,314; Edward C. Lumley: 9,948; David G.A. McLean: 16,508; and Robert Pace: 16,022.

Additional Disclosure Relating to Directors

As of February 28, 2006, no members of our board of directors served together on the boards of other public companies.

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. Baillie, a director of the Company, is a director of Dana Corporation which filed voluntary petitions for reorganization under Chapter 11 of the *U.S. Bankruptcy Code* on March 3, 2006. Dana's European, South American, Asian-Pacific, Canadian and Mexican subsidiaries are not included in the Chapter 11 filing;

(ii) Mr. Crawford, a director of the Company, was the Chairman of Allstream Inc. when it voluntarily filed for protection under the *Companies' Creditors Arrangement Act* ("CCAA") in September 2002. Allstream Inc., through a series of negotiations with bondholders and other creditors, successfully emerged from the CCAA proceedings and was restructured in April 2003, though Mr. Crawford is no longer a director of Allstream Inc.;

(iii) Mr. Cyr, a director of the Company, was a director of Air Canada when it voluntarily filed for protection under the CCAA in April 2003 and was a director of Cable Satisfaction International Inc. when it voluntarily filed for protection under the CCAA in July 2003. Air Canada successfully emerged from the CCAA proceedings and was restructured pursuant to a plan of arrangement in September 2004 and Cable Satisfaction International Inc.'s second amended and restated plan of arrangement and reorganization was approved by its creditors and sanctioned by the Quebec Superior Court in March 2004. Mr. Cyr is no longer a director of Air Canada and Cable Satisfaction International Inc.; and

(iv) Mr. Lumley, a director of the Company, was a director of Air Canada when it voluntarily filed for protection under the CCAA in April 2003. Air Canada successfully emerged from the CCAA proceedings and was restructured pursuant to a plan of arrangement in September 2004, though Mr. Lumley is no longer a director of Air Canada.

Board of Directors Compensation

The directors of the Company play an invaluable role in enhancing shareholder value. As indicated under "Share Ownership" at page 13, the directors have a substantial investment in the Company. In addition, approximately 75% of the total annual remuneration for 2005 of the non-executive directors was in the form of common shares or Restricted Share Units ("RSUs"). No options were granted to the directors of the Company in 2005. Grants can no longer be made to non-executive board directors under the Management Long-Term Incentive Plan. While they remain as participants to the Plan for previous grants, the last time non-executive directors received options was in 2002. The directors may elect to receive all or part of their director retainers, committee member retainers, board chair and committee chair retainers in cash, common shares of the Company purchased on the open market or RSUs and their common share grant in RSUs. Each RSU entitles the beneficiary thereof to one common share of the Company purchased on the open market plus additional RSUs reflecting dividend equivalents.

The directors' compensation program is designed to attract and retain the most qualified people to serve on CN's board and 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, four of the non-executive director nominees are from the United States and the compensation of the non-executive directors of the Company tends to be comparable to that of large U.S.-based companies.

In consideration for serving on the board of directors in 2005, each director was compensated as indicated in the table below:

Type of fee	Amount and number of shares
Board Chair Retainer(1)	US$90,000(2)
	and 12,000 Shares(2)(3)
Director Retainer(4)	US$10,000(2)
	and 4,500 Shares(2)(3)
Committee Chair Retainer(5)	US$15,000(2)
Committee Member Retainer	US$3,500(2)
Board Meeting Attendance Fee	US$1,000
Committee Meeting Attendance Fee	US$1,000
Travel Attendance Fee	US$1,000

(1) The board chair received no additional Director Retainer.

(2) The directors may choose to receive all or part of their cash retainer in common shares or RSUs and their common share grant (which is part of the retainer) can also be received in RSUs. The common shares are purchased on the open market.

(3) The number of shares are shown to reflect the two-for-one stock split effective on February 28, 2006.

(4) Mr. Harrison did not receive any compensation to serve as director because he is an officer of the Company.

(5) The committee chairs (other than the board chair) also received, as members of a committee, a retainer of US$3,500.

The table below reflects in detail the compensation earned by directors in the 12-month period ended December 31, 2005.

Director(1)	**Director and Board Chair Cash Retainer(US$)**	**Committee Chairman Cash Retainer (US$)**	**Committee Member Cash Retainer (US$)**	**Value of Common Shares or RSUs Granted(3)(4) (US$)**	**Board and Committee Attendance and Travel Fees(5) (US$)**	**Total Annual Fees and Equity Grant (US$)**	**Percentage of Total Fees received in Common Shares and/or RSUs(6)**
Michael R. Armellino	10,000	15,000	15,167	131,704	38,000	209,871	70%
A. Charles Baillie	10,000	—	14,000	141,496	38,000	203,496	76%
Hugh J. Bolton	10,000	—	14,000	141,496	37,000	202,496	70%
Purdy Crawford	10,000	15,000	16,333	141,496	41,000	223,829	82%
J.V. Raymond Cyr	10,000	15,000	15,167	141,496	31,000	212,663	67%
Ambassador Gordon D. Giffin	10,000	—	12,833	137,480	36,000	196,313	70%
James K. Gray	10,000	—	14,000	139,336	39,000	202,336	81%
Edith E. Holiday	10,000	—	14,292	136,303	35,000	195,595	70%
V. Maureen Kempston Darkes	10,000	—	12,542	141,496	25,000	189,038	87%
Gilbert H. Lamphere(2)	5,833	3,750	8,167	131,314	14,000	163,064	81%
Denis Losier	10,000	6,250	14,875	141,496	37,000	209,621	68%
The Hon. Edward C. Lumley	10,000	15,000	16,042	141,496	39,000	221,538	82%
David G.A. McLean	90,000	—	—	371,864	44,000	505,864	74%
Robert Pace	10,000	15,000	16,042	141,496	42,000	224,538	77%
Total	215,833	85,000	183,460	2,179,969	496,000	3,160,262	75%

(1) Certain directors attended meetings of committees of which they were not members and received a committee attendance fee for such attendance. These directors have received not more than US$2,000, on an individual basis, in such attendance fees.
These fees are not presented in this table.

(2) Mr. Lamphere resigned from the Board of Directors effective August 15, 2005.

(3) In addition to the director cash retainer, each non-executive director received 4,500 common shares or RSUs (after giving effect to the two-for-one stock split effective February 28, 2006) as part of the Board Retainer. The value of such grant was calculated as at the dates of purchase or grant and using the exchange rate in effect at such time.

(4) In addition to the board chair cash retainer, the board chair received 12,000 common shares or RSUs (after giving effect to the two-for-one stock split effective February 28, 2006) as board chair retainer. The value of such grant was calculated as at the dates of purchase or grant and using the exchange rate in effect at such time.

(5) Includes travel fees which amounted to a total of US$91,000, in aggregate for all directors.

(6) In addition to the common shares or RSUs received by the directors and the board chair as described in notes (3) and (4), the directors and the board chair may choose to receive all or part of their cash retainers in common shares or RSUs. The following directors made such election: Michael R. Armellino, A. Charles Baillie, Purdy Crawford, James K. Gray, V. Maureen Kempston Darkes, Edward C. Lumley and Robert Pace.

The table below shows information regarding exercises of options by non-executive directors under the Management Long-Term Incentive Plan during the 12-month period ended February 28, 2006. As of the date hereof, all these options are exercisable. On March 8, 2005, the Management Long-Term Incentive Plan was amended to provide that option grants under the Plan could no longer be made to the non-executive directors.

Director	**Securities Acquired on Exercise (#)**	**Aggregate Value Realized (US$)**	**Unexercised Options at February 28, 2006 (#)[(1)]**	**Value of Unexercised In-the-Money Options at February 28, 2006 (US$)[(2)]**
Michael R. Armellino	0	0	33,000	1,001,623
A. Charles Baillie	—	—	—	—
Hugh J. Bolton	—	—	—	—
Purdy Crawford	0	0	72,000	2,324,238
J.V. Raymond Cyr	0	0	72,000	2,324,238
Ambassador Gordon D. Giffin	0	0	27,000	734,941
James K. Gray	0	0	72,000	2,324,238
Edith E. Holiday	0	0	27,000	723,060
V. Maureen Kempston Darkes	0	0	72,000	2,324,238
Denis Losier	12,000	235,064	60,000	1,923,957
The Hon. Edward C. Lumley	0	0	72,000	2,324,238
David G.A. McLean	66,000	1,276,819	24,000	585,747
Robert Pace	0	0	72,000	2,324,238

(1) All figures related to options have been restated to reflect the two-for-one stock split effective on February 28, 2006.

(2) The value of unexercised in-the-money options at February 28, 2006 is the difference between the average closing price on such date on the New York and Toronto stock exchanges (US$46.92) and the exercise price, if in Canadian dollars, converted using the rate of exchange on such date of 0.8798. This value has not been and may never be realized. The actual gains, if any, on exercise will depend on the value of the common shares on the date of exercise.

Share Ownership

Each director must own, within five years of joining the board of directors, not less than CAD$250,000 in value of our common shares (including RSUs and other rights or securities under similar plans, if any, but not including the value of unexercised options). Each RSU is equal in value to one common share. As of the date hereof, each director meets such minimum level of ownership. The average value of common shares (including RSUs) of the Company owned by non-executive directors is approximately US$2,951,447 (based on the February 28, 2006, average closing price of the common shares of the Company on the Toronto and New York stock exchanges).

Director	Year(1)	Number of common shares owned, controlled or directed	Number of RSUs	Total number of common shares owned, controlled or directed and RSUs	Total value of common shares and RSUs (US$)
Michael R. Armellino	2005	89,846	—	89,846	4,215,366
	2004	85,012	—	85,012	3,988,566
A. Charles Baillie	2005	70,000	22,220	92,220	4,326,748
	2004	42,000	16,728	58,728	2,755,382
Hugh J. Bolton	2005	3,000	20,200	23,200	1,088,490
	2004	3,000	15,524	18,524	869,103
Purdy Crawford	2005	99,700	12,696	112,396	5,273,360
	2004	93,100	5,862	98,962	4,643,067
J.V. Raymond Cyr	2005	36,900	22,188	59,088	2,772,272
	2004	32,400	22,014	54,414	2,552,979
Ambassador Gordon D. Giffin	2005	16,300	12,066	28,366	1,330,867
	2004	12,700	10,598	23,298	1,093,088
James K. Gray	2005	46,980	5,644	52,624	2,468,996
	2004	41,836	5,586	47,422	2,224,930
E. Hunter Harrison	2005	264,204	—	264,204	12,395,839
	2004	259,098	—	259,098	12,156,277
Edith E. Holiday	2005	22,200	—	22,200	1,041,572
	2004	17,700	—	17,700	830,443
V. Maureen Kempston Darkes	2005	8,100	22,590	30,690	1,439,904
	2004	3,600	21,650	25,250	1,184,671
Denis Losier	2005	42,818	18,976	61,794	2,899,231
	2004	42,296	14,314	56,610	2,656,010
The Hon. Edward C. Lumley	2005	31,800	16,718	48,518	2,276,352
	2004	31,800	9,948	41,748	1,958,719
David G.A. McLean	2005	105,910	28,696	134,606	6,315,401
	2004	105,910	16,508	122,418	5,743,569
Robert Pace	2005	44,100	18,142	62,242	2,920,250
	2004	39,600	16,022	55,622	2,609,655

(1) The number of common shares and RSUs held by each director for 2005 is as at February 28, 2006, and for 2004 is as at February 28, 2005, and is shown after giving effect to the two-for-one stock split effective on

February 28, 2006. The values for both 2005 and 2004 are based on the February 28, 2006 average closing price of the common shares on the Toronto and New York stock exchanges (US$46.92), converted using the rate of exchange on such date of 0.8798.

Board and Committee Attendance

The tables below show a record of attendance by directors 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, 2005.

Director	Number and % of meetings attended: Board	Number and % of meetings attended: Committees
Michael R. Armellino	11/11 (100%)	20/20 (100%)
A. Charles Baillie	11/11 (100%)	20/20 (100%)
Hugh J. Bolton	11/11 (100%)	19/20 (95%)
Purdy Crawford	11/11 (100%)	22/23 (96%)
J.V. Raymond Cyr	11/11 (100%)	18/20 (90%)
Ambassador Gordon D. Giffin	11/11 (100%)	17/17 (100%)
James K. Gray	11/11 (100%)	20/21 (95%)
E. Hunter Harrison	11/11 (100%)	6/6 (100%)
Edith E. Holiday	10/11 (91%)	19/20 (95%)
V. Maureen Kempston Darkes	10/11 (91%)	10/15 (67%)
Gilbert H. Lamphere(1)	5/7 (71%)	6/9 (67%)
Denis Losier	11/11 (100%)	19/19 (100%)
The Hon. Edward C. Lumley	11/11	20/20

Board and Board Committee Meetings(2)	Number of meetings held
Board	11
Audit Committee	6
Finance Committee(3)	2
Corporate Governance and Nominating Committee	6
Human Resources and Compensation Committee	5
Environment, Safety and Security Committee	5
Investment Committee of CNs Pension Trust Funds	5
Strategic Planning Committee	3

	(100%)	(100%)
David G.A. McLean	11/11 (100%)	26/27 (96%)
Robert Pace	11/11 (100%)	23/23 (100%)

(1) Mr. Lamphere resigned from the Board of Directors effective August 15, 2005.

(2) The following committee membership changes occurred on April 1, 2005: Michael R. Armellino left the Corporate Governance and Nominating Committee and the Environment, Safety and Security Committee to join the Finance Committee; Hugh J. Bolton left the Environment, Safety and Security Committee to join the Human Resources and Compensation Committee; Purdy Crawford joined the Audit Committee; J.V. Raymond Cyr left the Audit Committee and the Human Resources and Compensation Committee to join the Finance Committee; Ambassador Gordon D. Giffin left the Corporate Governance and Nominating Committee to join the Finance Committee and the Environment, Safety and Security Committee; James K. Gray left the Audit Committee to join the Human Resources and Compensation Committee; Edith E. Holiday left the Audit Committee to join the Corporate Governance and Nominating Committee, the Environment Safety and Security Committee and the Human Resources and Compensation Committee; V. Maureen Kempston Darkes joined the Finance Committee; Denis Losier left the Environment, Safety and Security Committee and the Human Resources and Compensation Committee to join the Finance Committee (he was appointed chair of the Finance Committee on July 27, 2005); Edward C. Lumley joined the Finance Committee; and Robert Pace joined the Human Resources and Compensation Committee.

(3) This Committee was created in April 2005 as a result of the division of the former Audit, Finance and Risk Committee into two separate Committees.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

General

We are committed to adhering to the highest standards of corporate governance and our corporate governance practices were designed in a manner consistent with this objective. The role, specific mandate and functioning rules of the board of directors and of each of its committees are set forth in our Corporate Governance Manual which was formally approved by the board of directors on January 21, 2003, and last updated on March 7, 2006. Our Corporate Governance Manual is available on our website at www.cn.ca/cngovernance. It is revised regularly with a view to continually improving our practices by assessing their effectiveness and comparing them with evolving practices, the 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 and includes a director orientation and continuing education program, which is described at item 4 of Schedule A to this Circular.

The Company's shares are listed on the Toronto and New York stock exchanges; accordingly, the Company is subject to a variety of corporate governance and disclosure requirements. Under the rules adopted by the Canadian securities regulatory authorities, we are required to disclose information relating to our system of corporate governance with reference to the disclosure requirements set forth in National Instrument 58-101 (the "Disclosure Instrument"). We compare, in Schedule A to this Circular, our corporate governance practices to those set forth in the Disclosure Instrument and refer, where appropriate, to the U.S. Sarbanes-Oxley Act of 2002, applicable rules of the U.S. Securities and Exchange Commission, as well as corporate governance standards of the New York Stock Exchange.

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 stated corporate objective, which is the enhancement of shareholder value. The mandate of the Board is set out in Schedule B to this Circular.

Code of Business Conduct

The board of directors has adopted a Code of Business Conduct. The Code is applicable to directors, officers and employees of CN. It addresses several issues, including conflict of interests, 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. Our board of directors is responsible for monitoring compliance with the Code and no waiver has ever been granted to a director or executive officer in connection therewith. Please refer to Schedule A to this circular for more information regarding the Code and the steps taken by the board of directors to encourage and promote a culture of ethical business conduct. The board of directors also adopted procedures allowing interested parties (i) to submit accounting and auditing complaints to us and (ii) to communicate directly with the Chairman, who presides all non-management director sessions. These procedures are also described on our website at www.cn.ca/cngovernance. The Code 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 Auditing Hot Line. The Code is available on our website at www.cn.ca/cngovernance and has been filed with the Canadian and U.S. securities regulatory authorities.

Independence of Directors

The Company's Board is led by a non-executive Chairman since its privatisation in 1995 and we believe that the separation of the positions of CEO and Chairman contributes to allowing the Board to function independently of management. The Corporate Governance Manual describes the responsibilities of the Chairman. To better align the interests of the board of directors with those of our shareholders, the substantial majority of the nominees for election to the board of directors are independent. Of the 15 nominees, only Mr. Harrison, the President and Chief Executive Officer of the Company, is an officer of the Company. Of the remaining 14 nominees, 13 are considered "independent" and one, Mrs. Kempston Darkes being a senior executive of a major customer of the Company, is considered "not independent" of the Company. In determining whether a director is an "independent" director, the board of directors applies the standards developed by the Canadian securities regulatory authorities and the New York Stock Exchange and the additional standards adopted by the board of directors. These standards are set out in Schedule D to this Information Circular and in CN's Corporate Governance Manual which is available on our website at www.cn.ca/cngovernance.

Election of Directors

The board of directors has adopted a policy, which is now 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 Chairman 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.

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 on our website at www.cn.ca/cngovernance. The board of directors also established the Investment Committee of CN’s Pension Trust Funds which is a mixed committee 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.

- The Audit Committee has the responsibility of overseeing the Company’s financial reporting, monitoring risk management, internal controls and internal and external auditors. As part of these responsibilities, the Audit Committee reviews the annual and quarterly financial statements, financial information contained in the Annual Information Form and other reports and documents requiring Board approval and the annual external auditors’ report and recommends the retention and, if appropriate, the removal of the Company’s external auditors. It also approves all audit and audit-related services and pre-approves all permitted non-audit services provided by the external auditors.

- The Finance Committee has the responsibility of overseeing the Company’s financial policies, reviewing financings and authorizing, approving and recommending certain financial activities. As part of these responsibilities, the Finance Committee provides oversight with respect to our capital structure, 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, authorizes the borrowing of money, the issuing of debt securities or the engaging in other forms of financing. This Committee was created in April 2005 as a result of the division of the former Audit, Finance and Risk Committee into two separate Committees.

- 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 these 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 Human Resources and Compensation Committee has the responsibility of monitoring executive management’s performance assessment and succession planning, including ensuring that appropriate mechanisms are in place regarding the succession planning for the position of President and Chief Executive Officer and reviewing the evaluation of executive management's performance and recommending to the board of

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directors executive management’s compensation. 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 Environment, Safety and Security Committee has the responsibility of overseeing the development and implementation of environmental, safety and security policies, procedures and guidelines, assessing corporate, 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 Strategic Planning Committee focuses on financial and strategic issues, including the review of the key assumptions 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 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 Investment Division, advising the 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.

Board and Committee Meetings

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 such process, the Corporate Secretary, in collaboration with the committee chairs and the appropriate executive officers, establishes 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 held during the course of 2005 by the board of directors and each of its committees is set out in the section entitled “Nominees for Election to the Board — Board and Committee Attendance” in this Information Circular.

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.

Board Performance Assessment

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

- The following questionnaires are prepared by the Office of the Corporate Secretary and approved by the Corporate Governance and Nominating Committee and the board chair, taking into account current issues, the findings of previous years and input from the board of directors:
  - board and committee performance evaluation questionnaires, including a self-assessment by individual directors;
  - a 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 board chair evaluation questionnaires, which are forwarded directly to each of the chairs of the Audit Committee and the Human Resources and Compensation

Committee.

- Following receipt of the completed questionnaires, the board chair contacts every director to discuss the answers received from and in respect of such director and any comments to the questionnaires which the director may have. One of the Audit 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 and the Audit 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.

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

At the end of 2004, the Corporate Governance and Nominating Committee and the board carried out an individual director peer assessment with the assistance of an independent advisor. This year, no such assessment was deemed necessary given the fact that one was carried out in 2004. However, the Corporate Governance and Nominating Committee will reconsider on an annual basis the appropriateness of conducting another peer assessment. In 2004, the process involved peer assessment questionnaires which were completed by each director and forwarded directly and confidentially to the advisor. Responses were then consolidated in an individual director report and distributed by the advisor directly to each director, as well as to the board chair, and a report was made by the board chair to the board of directors.

Board Succession Planning

In consultation with the board chair, the Corporate Governance and Nominating Committee annually reviews the credentials of nominees for election or reelection as members of the board of directors. It considers their qualifications under applicable law, the validity of the credentials underlying the appointment of each nominee, 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. In proposing the list of board nominees, the board of directors is guided by the process described in our Corporate Governance Manual, which is posted on our website at www.cn.ca/cngovernance. 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 and geographical representation and identifies any gaps to be addressed in the director nomination process.

Audit Committee Disclosure

Multilateral Instrument 52-110 “*Audit Committees* (“MI 52-110”) of the Canadian securities regulatory authorities requires issuers to include the charter of its 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. However, since an issuer’s information circular is more widely disseminated than is its annual information form, we have decided to present such required disclosure with respect to our Audit Committee in this Information Circular and to incorporate this information by reference into our annual information form. We have disclosed how we comply with the requirements regarding composition and responsibilities in Schedule A and have attached the charter of our Audit Committee as Schedule C to this Information Circular. Our charter is also accessible on our website at www.cn.ca/cngovernance.

Composition of the Audit Committee

The Audit Committee is composed of six “independent” directors, namely, Robert Pace, chair of the Committee, Michael R. Armellino, A. Charles Baillie, Hugh J. Bolton, Purdy Crawford and Denis Losier.

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 expertise. Each member of the committee has been determined by the board to be financially literate, as such terms are defined under Canadian and United States securities laws and regulations and the New York Stock Exchange Corporate Governance Standards. The board has made such determination based on the education and experience of each committee member. The following is a description of the education and experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as a member of the committee:

Mr. Pace is the President and Chief Executive Officer, The Pace Group. Mr. Pace is also a member of the board of directors of Maritime Broadcasting Systems Limited, High Liner Foods Incorporated and is board chair of American Manor Enterprises Inc. Mr. Pace holds an MBA and an LL.B Law Degree from Dalhousie University in Halifax, Nova Scotia, and has more than 20 years of business experience.

Mr. Armellino is a Retired Partner, The Goldman Sachs Group, LP. From 1991 to 1994, Mr. Armellino was chair and Chief Executive Officer of Goldman Sachs Asset Management. Prior to 1991, he had held various positions at Goldman, Sachs & Co., including those of senior transportation analyst and Partner in Charge of Research. He is a Chartered Financial Analyst. Mr. Armellino holds an MBA in finance from the Stern School of Business (New York University), New York and has more than 25 years of experience as a securities analyst.

Mr. Baillie retired as chair of The Toronto-Dominion Bank in April 2003, and as Chief Executive Officer of the bank in December 2002. Mr. Baillie is a director of Dana Corporation and director and member of the audit committee of Telus Corporation. He is also a director and chair of the audit committee of George Weston Limited. Mr. Baillie earned an MBA from Harvard Business School.

Mr. Bolton is the chair of the board of directors of EPCOR Utilities Inc. and the Lead Director of Matrikon Inc. Mr. Bolton is a director and chair of the audit committee of Teck Cominco Limited and of The Toronto-Dominion Bank. He is also a director and member of the audit committee of WestJet Airlines Ltd. From 1991 to 1997, Mr. Bolton was chair and Chief Executive Partner of Coopers & Lybrand Canada (now PricewaterhouseCoopers). Mr. Bolton was a partner of Coopers & Lybrand for 34 years and a public accountant and auditor with that firm for 40 years. He is a fellow of the Alberta Institute of Chartered Accountants. He holds an undergraduate degree of economics from the University of Alberta. Mr. Bolton is a member of 4 audit committees including CN. The Board has determined that such service in no way impaired Mr. Bolton's ability to effectively serve on the Audit Committee of the Company.

Mr. Crawford is counsel, Osler, Hoskin & Harcourt LLP. Mr. Crawford also served as Chief Executive Officer of Imasco Limited from 1985 to 1995. Mr. Crawford is a member of the board of several public companies, both in Canada and the United States. Mr. Crawford is the chair of the audit committee of Foot Locker, Inc., and a member of the audit committee of Seamark Asset Management Ltd. He is the Chairman of the Board of Trustees of the Clearwater Seafoods Income Fund. Mr. Crawford holds an LL.B from Dalhousie Law School and an LL.M from Harvard Law School.

Mr. Losier is President and Chief Executive Officer, Assumption Life. Mr. Losier held various cabinet level positions with the government of the Province of New Brunswick, from 1989 to 1994. He is a director of Corporate Communications Limited, Enbridge Gas New Brunswick Limited Partnership and NAV CANADA. Mr. Losier holds a Masters of Economics from the University of Western Ontario.

Report of the Audit Committee

The Audit Committee monitors the quality and integrity of the accounting and financial reporting process, and systems of internal control, through discussions with management, the external auditors and the internal auditors. The Audit Committee is responsible for reviewing annual and quarterly financial statements as well as MD&A disclosures and earnings press releases prior to their disclosure. The Audit Committee is also responsible for reviewing the compliance of management certification of financial reports with applicable legislation.

The Audit Committee has reviewed and discussed the audited consolidated financial statements of the Company for the year ended December 31, 2005, with management; discussed with the independent external auditors the matters requiring discussion under professional auditing guidelines and standards in Canada and the United States, including a discussion on the quality and not just the acceptability of CN's accounting principles; and received the written disclosures from the independent external auditors recommended by the Canadian Institute of Chartered Accountants and the Independence Standards Board in the United States; and discussed with the external auditors as to any relationship or services that may impact their objectivity or independence. Based on these reviews and discussions, the Audit Committee recommended to the board of directors that the audited consolidated financial statements of the Company for the year ended December 31, 2005, be included in the annual report to shareholders and recommends to the shareholders that KPMG LLP be reappointed as independent external auditors by the shareholders.

The Audit Committee met 6 times in 2005. During these meetings, the Audit Committee regularly met with the chief internal auditor, without management present and reviewed the internal audit plan. The committee's charter is set out in Schedule C to this Information Circular.

Submitted by the Audit Committee of the board of directors:

Robert Pace, chair
Michael R. Armellino
A. Charles Baillie
Hugh J. Bolton
Purdy Crawford
Denis Losier

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Auditors Fees

KPMG LLP has served as the Company's auditors since 1992. For the years ended December 31, 2005 and 2004, the fees for audit, audit-related, tax and other services provided to the Company by KPMG LLP were the following:

Fees	2005 (CAD$)	2004 (CAD$)
Audit	2,750,000	2,883,805
Audit-Related	190,000	271,517
Tax	578,641	700,733
Other	275,000	275,000
Total Fees	3,793,641	4,131,055

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 with the independent auditor. The Audit Committee pre-approved all the services performed by our independent auditors for audit-related and non-audit related services for the year ended December 31, 2005 that were required to be pre-approved.

A discussion of the nature of the services under each category is described below.

Audit fees

Consists of fees incurred for professional services rendered by the auditors in relation to the audit of the Company's consolidated annual financial statements, those of its subsidiaries and the Company's pension plan financial statements.

Audit-related fees

Audit-related fees were incurred for attestation services in connection with reports required by statute or regulation and due diligence and other services, including comfort letters, in connection with the issuance of securities.

Tax fees

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

Other fees

In 2005 and in 2004, the entire amounts were incurred for consultations with respect to the Sarbanes-Oxley Act, Section 404 "Report on Internal Controls."

The mandate of the Audit Committee, attached as Schedule C to this Information Circular, 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. On January 20, 2003, the Audit Committee and the board of directors 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, or 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.

STATEMENT OF EXECUTIVE COMPENSATION

All figures in this Statement of Executive Compensation related to shares, share units and options are shown on a post-split basis and have been restated as necessary to reflect the two-for-one stock split of February 28, 2006 and the three-for-two stock split of February 27, 2004.

Report on Executive Compensation by the Human Resources and Compensation Committee

The Human Resources and Compensation Committee met five times in 2005. This Committees charter is available as part of CNs Corporate Governance Manual on our website at www.cn.ca/cngovernance.

Composition of the Human Resources and Compensation Committee

The Human Resources and Compensation Committee is comprised of nine independent directors, namely Purdy Crawford, Chair of the Committee, A. Charles Baillie, Hugh J. Bolton, Gordon D. Giffin, James K. Gray, Edith E. Holiday, Edward C. Lumley, David G.A. McLean and Robert Pace.

During 2005, the membership of the Human Resources and Compensation Committee changed as described in footnote 2 under Board and Committee Attendance on page 14.

The Compensation Policy of the Company

The pivotal and continuing theme of the Companys compensation policy has been to tie remuneration to the financial performance of the Company and the enhancement of shareholder value. This underlies the need to attract, retain and motivate outstanding executive talent in an increasingly visible and competitive environment.

The Company is committed to a compensation policy that drives business performance, is competitive and encourages broad share ownership. The compensation strategy is weighted towards pay-for-performance components.

In determining compensation for senior executives, the Company considers the compensation practices of U.S.-based companies that are comparable in size and with whom the Company competes for executive talent, including Class 1 Railroads for the most senior executives. This competitive information is provided by external consultants retained separately by the Company and the Human Resources and Compensation Committee. With the Companys outstanding leadership position within the railroad industry, the Human Resources and Compensation Committee and the board of directors seek to position total compensation for the Companys executives, when aggressively set goals are achieved, at the first quartile (75th percentile) of that paid by competitors, for positions with equivalent responsibilities and scope.

In an analysis, requested by the Human Resources and Compensation Committee, it was revealed that the actual compensation (including base pay, bonus and other incentive payouts, as well as stock option gains) paid to or earned by executives, over the five-year period ending on December 31, 2005, represented approximately 3% of the approximate US$16 billion aggregate market capitalization increase over the same period. A significant amount forming part of such compensation is still being held by our executives in shares, share units and stock options of the Company.

Compensation is comprised of four main components: base salary, annual incentive, mid-term incentive and long-term incentive. The Human Resources and Compensation Committee annually reviews each component and desired market positioning and makes recommendations based on individual performance, taking into account leadership abilities, retention risk and succession plans.

Base Salary

Base salaries are established according to the criteria set forth above and are benchmarked against median (50th percentile) comparator group practice. Payment of base salary is made in U.S. currency where deemed appropriate.

Annual Incentive

Through the Company's Annual Incentive Bonus Plan ("AIBP"), a substantial portion of an executive's annual compensation is linked to the achievement of key financial, business and personal objectives set by the board of directors at the beginning of the year.

Payouts for planned results to be achieved ("Target Payouts") under the AIBP are set as a percentage of salary (ranging between 50% and 70% for executives, excluding the CEO), which position the Company's Total Cash Compensation (salary and bonus) between the median and 75th percentile of the comparator group. The minimum payout under the AIBP is zero. The maximum payout under the AIBP is equal to twice the Target Payout.

For the year 2005, the AIBP had the following components:

1. Financial performance: 70% of the bonus was linked to the achievement of goals that contribute to the organization’s long-term financial growth and profitability. Financial performance is measured against targets set by the board of directors for the year. In 2005, the board of directors assessed the Company’s performance against established targets for revenues, operating income, earnings per share, free cash flow and return on invested capital with no specific weight being attached to each measure. For the year 2005, based on the targets and results hereunder, the board assessed the Company’s financial performance at “far exceed” allowing for a maximum payout under this component.

Corporate Financial Performance - 2005

in millions except per share data

	Corporate Objectives (CAD$)	2005 Results (CAD$)
Revenues	6,785	7,240
Operating Income	2,278	2,624
Earnings per Share	2.33	2.77
Free Cash Flow	835	1,301
Return on Invested Capital	11.0%	13.0%

2. Individual performance: 30% of the bonus was based on the achievement of personal business-oriented goals linked to financial, operating, safety, customer service, as well as leadership.

In 2005, the average payout for the 18 executive officers was 191% of Target Payout.

Incentive Deferral Plans

The Company introduced in 2002 the Voluntary Incentive Deferral Plan. This plan allows executives and senior management employees to defer up to 100% of their annual bonus and other amounts paid under an eligible incentive plan into deferred share units payable in cash upon retirement or termination of employment. A deferred share unit is equivalent to a common share of the Company and earns dividends, which are re-invested into additional deferred share units, when cash dividends are paid on the Company’s common shares. The amount deferred is converted using an average of the closing share price at the moment of the deferral. The election to receive eligible incentive payments in deferred share units is no longer available to a participant when the value of the participant’s vested deferred share units account is sufficient to meet the Company’s stock ownership guidelines.

The Company also credits a company match equal to 25% of the number of deferred share units. These company-matched deferred share units vest over a period of four years (25% per year).

The payout of the deferred share units is established based on an average share price upon retirement or termination date and includes the vested company matched deferred share units as well as accrued notional dividends over the deferral period.

Certain executives hold deferred share units, payable upon retirement or termination date, which vested in January 2001 in accordance with past awards made under the Senior Executive Bonus Share Plan. No additional award may be made under this plan. A limited number of U.S. Senior Management employees also participate in the Senior Management Deferred Compensation Plan, which permits the deferral of up to 50% of salary and up to 100% of bonus. Amounts deferred are payable upon termination or retirement. When payable upon termination, they are credited with notional interest rate (based on long-term interest rates on U.S. Treasury Notes). Upon eligible retirement, the credited rate is upgraded by 20%. This plan is closed to new participants.

Mid-Term Incentive Plan

The board of directors approved in 2001 the Mid-Term Incentive Share Unit Plan. The one-time performance-based share unit awards vested based on the highest 20-trading day moving average share price in the first half of 2004 and was paid out effective June 30, 2004. Under the Plan, half the grant vested based on the Canadian stock price performance and the other half vested based on the U.S. stock price performance. On June 30, 2004, upon the partial attainment of blended goals, the final vesting ratio was established at 60.9% of the share units awarded based on a 20-day closing average stock price of CAD$28.155 on the TSX and US$20.79 on the NYSE, both attained in the first half of 2004. Following the payout all outstanding units under the plan were forfeited. The plan is now terminated.

Vision 2008 Share Units Plan

To further strengthen the link between compensation and superior performance, the board of directors approved in 2005 the Vision 2008 Share Units Plan with a four-year term to December 31, 2008, entitling designated executives and senior management employees to receive a cash payout in January 2009. Under the award agreements, half of this one-time performance-based share unit award will vest based on the Canadian stock price performance and the other half vests based on the U.S. stock price performance. Payout between 0% and 100% is based on the highest 20-day average share price for the period between July 1 and December 31, 2008. The award payout is also conditional on the Company meeting a minimum 20-day average share price on December 31, 2008 and a minimum average return on investment for the 4-year period. The award granted in 2005 represented approximately 9% of base salary for executive officers, on a discounted value basis.

Long-Term Incentive

The Company relies on long-term incentive vehicles (such as stock options and restricted share units) to align management interest with shareholder value growth as well as to provide retention of key talent. Grant ranges are established independently each year to provide approximately 75th percentile of long-term incentive value provided by the comparator group, with significant recognition of individual contribution and potential in the individual awards. Grants are generally awarded at the beginning of each year or upon promotion.

In 2005, the board of directors considered a number of factors to reassess the Company's long-term incentive strategy. Factors under consideration included the balance between long-term value creation and shareholder wealth protection, executive ownership position against stock option holdings, executive retention risk, as well as the tax impact and the dilution impact of different long-term incentive vehicles. Following this review, the board of directors elected to grant a combination of stock options and restricted share units of approximately equal value, to designated executive and senior management employees in 2005. The award granted in 2005 represented approximately 161% of base salary for executive officers, on a discounted value basis.

The restricted share units granted by the Company are generally scheduled for payout after three years and vest upon the attainment of targets relating to return on invested capital over the plan period and to the Company's share price during the last three months of the period. The restricted share units granted in 2004 carried a provision that, if specified targets related to the 20-day average share price were attained during any period ending on or after December 31, 2005, payout would be accelerated at such time. These targets having been met, payout was made effective December 31, 2005. The restricted share units granted in 2005 did not carry any acceleration provision.

Stock options granted by the Company in the past include conventional options, which vest over a period of time, performance options which vest upon the attainment of financial targets, and performance-accelerated options for which vesting may be accelerated if certain financial targets are met. In 2005, grants were of conventional options, which vest over 4 years, 25% at each anniversary, and have a term of ten years. Grants were made in the currency of the recipient's salary.

Stock Ownership

Stock ownership by executives has been further encouraged through the introduction of share ownership guidelines that require a minimum level of ownership of common shares of CN set as a percentage of salary to be achieved over a five-year period. In 2002, the application of the guidelines was broadened to include a total of approximately 175 executives and senior management employees with requirements to own common shares of CN in value at least equal to four times his salary for the President and Chief Executive Officer, three times their salary for executive and senior vice-presidents, one and one half or two times their salary for the vice-presidents and one times their salary for other senior management employees of the Company. As of February 28, 2006, all 18 executive officers had met their guidelines. In accordance with CN's Insider Trading policy, no directors, officers or employees can engage in hedging activities on CN stock.

Chief Executive Officer Compensation

The President and Chief Executive Officer's annual compensation is recommended by the Human Resources and Compensation Committee and approved by independent members of the board of directors. Pursuant to his Agreement, Mr. Harrison's base salary was established at US$1,375,000 for 2005 and Annual Incentive Bonus Plan target payout of 140% of base salary with a maximum payout of 280% of base salary, in line with the Company's compensation philosophy.

The individual performance of the President and Chief Executive Officer is measured against the goals, objectives and standards approved annually by the Human Resources and Compensation Committee. The goals include both financial and non-financial dimensions, covering performance in the following areas: financial performance; safety; marketing; customer service; operations; human resources management; strategic planning; and corporate governance.

Based on a review of the foregoing, the Human Resources and Compensation Committee rates the performance of the President and Chief Executive Officer as part of his performance review and recommends to the board of directors his compensation based on his and the Company's performance. For 2005, in light of the Company's strong financial and other achievements, the Committee has assessed Mr. Harrison's individual performance as having far exceeded expectations and hence the independent members of the Board approved a bonus at the maximum level under the Annual Incentive Bonus Plan.

In 2005, Mr. Harrison received a grant of 160,000 restricted share units and 250,000 stock options, as part of the annual long-term incentive awards to executives, the value of which was established within the Company's long-term incentive compensation policy. Mr. Harrison also received 184,000 units under the Vision 2008 Share Units Plan.

The Human Resources and Compensation Committee establishes the compensation of the President and Chief Executive Officer and other executives in line with the Company's compensation policy, on the basis of the expected value provided by each award at the time of the grant. The expected value of each long-term incentive award is determined using various models and assumptions, upon the advice of external consultants retained by the Company and by the Human Resources and Compensation Committee. These models generally use assumptions related to the discounted value of the award's future payout, the probability and amount of payout and other assumptions as required. This approach is typically used by companies to establish and assess the competitiveness of executive compensation because it better reflects the expected value of the compensation awarded to an executive in a particular year.

The following table provides a summary of the total compensation value for Mr. Harrison, as established by the Human Resources and Compensation Committee, for 2005 and for the two preceding years.

E. Hunter Harrison			
	2005 (US$)	**2004 (US$)**	**2003 (US$)**
Base salary	1,375,000	1,250,000	1,100,000
Bonus	3,850,000	3,500,000	1,430,000
Other annual compensation(1)	536,456	1,162,823	50,001
Value of restricted share units under the annual grant(2)	2,313,000	3,626,000	—
Value of stock options under the annual grant(3)	1,763,000	—	4,294,000
Value of Vision 2008 one-time grant allocated to 2005(4)	201,000	—	—

Value of 2001 Mid-Term one-time grant allocated to 2003(5)	—	—	155,000
Value of 81,000 restricted share units pursuant to the 2004 CEO Employment Agreement allocated to each of 2004 and 2005(6)	1,409,000	1,409,000	—
Value of defined contribution pension plans accrued(1)	875,168	550,823	263,250
Value of defined benefit pension plans accrued(7)	1,057,000	1,022,000	921,000
Value of benefits accrued on amounts deferred	—	—	—
Total compensation	**13,379,624**	**12,520,646**	**8,213,251**

(1) Detailed information on these amounts is presented in the “Summary Compensation Table”.

(2) Represents the expected value, at time of grant, of the restricted share units granted. The estimated expected value published in our 2005 circular was recalculated using a new methodology subsequently recommended by the external consultants. See “Long-Term Incentive Plan — Awards in the Last Financial Year” for details of the 2005 grant.

(3) Represents the expected value, at time of grant, of the stock options granted. See “Stock Options Granted to Named Executive Officers During the Last Financial Year” for details of the 2005 grant.

(4) To reflect the Plan period, the amount represents one fourth of the expected value, at time of grant, of the Vision 2008 share units granted in 2005. See “Long-Term Incentive Plan — Awards in the Last Financial Year” for details.

(5) To reflect the Plan period, the amount represents one third of the expected value, at time of grant, of the Mid-term units granted in 2001.

(6) To reflect the Plan period, the amount represents one fifth of the 405,000 restricted share units granted to the CEO in 2004. The estimated expected value of US$7,265,000, at time of grant, published in our 2005 circular was recalculated to US$7,045,000 using a new methodology subsequently recommended by the external consultants. See footnote (8) of “Summary Compensation Table”.

(7) The estimated value is the service cost of the benefits accrued during the calendar year.

In 2006, Mr. Harrison’s base salary was increased to US$1,500,000 and his target and maximum payout under the Annual Incentive Bonus Plan were maintained at 140% and 280% respectively. On January 27, 2006, Mr. Harrison received awards of 162,000 units under the Restricted Share Units Plan and 190,000 options under the Management Long-Term Incentive Plan. Awards made in 2006 carry similar conditions to the 2005 awards, (see “Long-Term Incentive Plan — Awards in the Last Financial Year”) except for restricted share units which carry a minimum and maximum payout of, respectively, 50% and 150% (80% and 120% for 2005).

Total Compensation for other Named Executive Officers

The following tables provide a summary of the total compensation value for 2005 and for the two preceding years for the remaining Named Executive Officers as defined under the Officers Remuneration section.

Claude Mongeau	**2005 (US$)**	**2004 (US$)**	**2003 (US$)**
Base salary	489,000	475,000	446,000
Bonus	658,900	652,500	346,200
Other annual compensation(1)			
Value of restricted share units under the annual grant(2)	578,000	1,057,000	
Value of stock options under the annual grant(3)	564,000		1,288,000
Value of Vision 2008 one-time grant allocated to 2005(4)	50,000		
Value of 2001 Mid-Term one-time grant allocated to 2003(5)			58,000
Value of defined contribution pension plans accrued			
Value of defined benefit pension plans accrued(6)	146,000	120,000	105,000
Value of benefits accrued on amounts deferred(7)	903,788	214,442	3,355
Total compensation	**3,389,688**	**2,518,942**	**2,246,555**

James M. Foote	**2005 (US$)**	
Base salary	489,000	4
Bonus	658,900	6
Other annual compensation(1)	16,432	
Value of restricted share units under the annual grant(2)	578,000	1,
Value of stock options under the annual grant(3)	564,000	
Value of Vision 2008 one-time grant allocated to 2005(4)	50,000	
Value of 2001 Mid-Term one-time grant allocated to 2003(5)		
Value of defined contribution pension plans accrued(1)	6,300	
Value of defined benefit pension plans accrued(6)	146,000	1
Value of benefits accrued on amounts deferred(7)	1,466,177	2
Total compensation	**3,974,809**	**2,**

Ed L. Harris	**2005 (US$)**	**2004 (US$)**	**2003 (US$)**
Base salary	389,000	324,000	299,000

Sean Finn	**2005 (US$)**	**2 (U**
Base salary	343,000	30

Bonus	507,700	381,700	203,600
Other annual compensation(1)	8,461	7,425	38,260
Value of restricted share units under the annual grant(2)	540,000	423,000	—
Value of stock options under the annual grant(3)	527,000	—	513,000
Value of Vision 2008 one-time grant allocated to 2005(4)	46,000	—	—
Value of 2001 Mid-Term one-time grant allocated to 2003(5)	—	—	39,000
Value of defined contribution pension plans accrued(1)	12,732	10,890	11,131
Value of defined benefit pension plans accrued(6)	13,000	12,000	11,000
Value of benefits accrued on amounts deferred(7)	557,580	121,419	—
Total compensation	**2,601,473**	**1,280,434**	**1,114,991**

Bonus	409,100	38
Other annual compensation(1)	—	
Value of restricted share units under the annual grant(2)	231,000	36
Value of stock options under the annual grant(3)	226,000	
Value of Vision 2008 one-time grant allocated to 2005(4)	20,000	
Value of 2001 Mid-Term one-time grant allocated to 2003(5)	—	
Value of defined contribution pension plans accrued(1)	—	
Value of defined benefit pension plans accrued(6)	99,000	71
Value of benefits accrued on amounts deferred(7)	—	
Total compensation	**1,328,100**	**1,11**

(1) Detailed information on these amounts is presented in the "Summary Compensation Table".

(2) Represents the expected value, at time of grant, of the restricted share units granted. See "Long-Term Incentive Plan — Awards in the Last Financial Year" for details of the 2005 grants.

(3) Represents the expected value, at time of grant, of the stock options granted. See "Stock Options Granted to Named Executive Officers During the Last Financial Year" for details of the 2005 grants.

(4) To reflect the Plan period, the amount represents one fourth of the expected value, at the time of grant, of the Vision 2008 share units granted in 2005. See "Long- Term Incentive Plan — Awards in the Last Financial Year" for details of the 2005 grants.

(5) To reflect the Plan period, the amount represents one third of the expected value, at the time of grant, of the Mid-term units granted in 2001.

(6) The estimated value is the service cost of the benefits accrued during the calendar year. These amounts exclude the employee's contributions, if any.

(7) Includes dividend equivalent amounts earned under the Voluntary Incentive Deferral Plan and Senior Executive Bonus Share Plan, and above-market interest rate credited on amounts deferred under the Senior Management Deferred Compensation Plan. Also includes the Company match on deferrals made under the Voluntary Incentive Deferral Plan.

Executive Compensation Consultants

The Company retains various executive consulting firms to assist in determining compensation for directors and officers. In 2005, the Company retained the services of Towers Perrin and Hay Group to provide market information, surveys and trends, as well as expert external opinions on various executive compensation proposals. The Human Resources and Compensation Committee also independently retains, from time to time, the services of Mercer Human Resources Consulting and Watson Wyatt to provide advice on compensation proposals that are presented for Committee approval. Towers Perrin, Mercer Human Resources Consulting and Watson Wyatt also provide pension and benefits consulting services to the Company.

Submitted on March 7, 2006, by the Human
Resources and Compensation Committee of the board
of directors:

Purdy Crawford (Chair)
A. Charles Baillie
Hugh J. Bolton
Gordon D. Giffin
James K. Gray
Edith E. Holiday
Edward C. Lumley
David G.A. McLean
Robert Pace

Officers Remuneration

Compensation of Named Executive Officers of the Company

The following table sets forth the annual compensation for the President and Chief Executive Officer, the Executive Vice President and Chief Financial Officer and for each of the other three most highly compensated executive officers of the Company (together, the Named Executive Officers) for the year ended December 31, 2005, and for each of the two preceding years.

Summary Compensation Table(1)

		Annual Compensation			Long-Term Compensation		
					Awards		Payouts
Name and Principal Position[(2)]	**Year**	**Salary (US$)**	**Bonus[(4)] (US$)**	**Other Annual Compensation[(5)] (US$)**	**Securities Under Options/SARs Granted (#)**	**Shares or Units subject to Resale Restrictions[(7)] (US$)**	**Long-Term Incentive Plan Payouts[(4)] (US$)**
E. Hunter Harrison	2005	1,375,000	3,850,000	536,456(6)	250,000	Nil	17,275,680(9)
President and Chief	2004	1,250,000	3,500,000	1,162,823(6)	Nil	8,100,000 (8)	1,592,779(10)
Executive Officer	2003	1,100,000	1,430,000	50,001	1,080,000	Nil	Nil
Claude Mongeau	2005	489,000	658,900	Nil	80,000	Nil	5,038,740(9)
Executive Vice-	2004	475,000	652,500	Nil	Nil	Nil	597,292(10)
President and Chief	2003	446,000	346,200	Nil	324,000	Nil	Nil
Financial Officer							
James M. Foote	2005	489,000	658,900	16,432	80,000	Nil	5,038,740(9)
Executive Vice-	2004	475,000	652,500	15,430	Nil	Nil	557,473(10)
President, Sales and	2003	446,000	346,200	14,107	324,000	Nil	Nil
Marketing							
Ed L. Harris	2005	389,000	507,700	8,461	72,000	Nil	2,015,496(9)
Executive Vice-	2004	324,000(3)	381,700	7,425	Nil	Nil	398,195(10)
President,	2003	299,000(3)	203,600(3)	38,260	129,000	Nil	Nil
Operations							
Sean Finn	2005	343,000	409,100	Nil	32,000	Nil	1,727,568(9)
Senior Vice-President	2004	305,000	380,100	Nil	Nil	Nil	298,646(10)
Public Affairs, Chief	2003	262,500	185,500	Nil	129,000	Nil	Nil
Legal Officer and							
Corporate Secretary							

(1) Payments made in Canadian currency were converted using average rates of exchange of 1.2116, 1.3015 and 1.4015 respectively, for the years 2005, 2004 and 2003.

(2) Mr. Harris was appointed Executive Vice-President, Operations effective March 7, 2005.

(3) Amounts shown include salary or bonus deferrals whereby Mr. Harris elected to defer a portion of his salary (US$14,803 in 2004 and US$59,239 in 2003) and a portion of his bonus (US$61,080 in 2003) into the Company□s Senior Management Deferred Compensation Plan. This plan is closed to new participants (see □Incentive Deferral Plans□).

(4) Amounts shown in the Bonus (see □Annual Incentive□) or Long-Term Incentive Plan Payouts columns include deferrals made under the Voluntary Incentive Deferral Plan whereby all or a portion of the bonus and/or of the long term incentive payout is received in the form of deferred share units payable in cash upon retirement or termination of employment (see □Incentive Deferral Plans□). The following table displays the amounts deferred and the corresponding number of deferred share units under the Plan.

Amounts Deferred

	Unit price (US$)	Claude Mongeau	James M. Foote	Ed L. Harris
2005 Bonus	40.985	Nil	Nil	US$253,850 (6,194 units)
2004 Bonus	28.615	US$456,750 (15,962 units)	US$652,500 (22,803 units)	US$190,850 (6,670 units)
2003 Bonus	20.79	US$207,720 (9,991 units)	US$346,200 (16,652 units)	US$61,080 (2,938 units)
2005 Long-Term Incentive	39.99	US$3,023,244 (75,600 units)	US$5,038,740 (126,000 units)	US$1,967,124 (49,190 units)
2004 Long-Term Incentive	21.795	US$597,292 (27,405 units)	US$557,473 (25,578 units)	US$392,421 (18,005 units)
2003 Long-Term Incentive		Nil	Nil	Nil

(5) Includes the value of perquisites, other personal benefits and other compensation (as applicable), such as imputed interest on loans, tax gross-up or tax protection so that net income after taxes is not less than it would have been in the U.S. Aggregate perquisites and other personal benefits that are less than CAD$50,000 and 10% of the total of the annual salary and bonus for any of the Named Executive Officers, are not included in this column.

(6) For 2005, amounts include personal use of the Companys aircraft valued at US$388,675, club membership fees for an amount of US$40,790 and tax gross-up for an amount of US$97,179. It is the Companys policy to require the CEO to use company aircraft for personal as well as for business use. For 2004, amounts include US$33,946 for club membership fees and the forgiveness of a US$653,250 interest-free loan and tax gross-up in the amount of US$451,342. A loan in the amount of US$653,250 was forgiven on June 30, 2004 pursuant to Mr. Harrisons employment agreement (see Employment Contracts/Arrangements), including tax gross-up. This loan relates to the payment by the Company of tax liability following the forgiveness of a US$1,500,000 loan on March 30, 2001, pursuant to Mr. Harrisons employment agreement.

(7) Awards of performance-based restricted share units under the annual long-term incentive grants and under the Vision 2008 Share Units Plan are reported in the Long-Term Incentive Plan Awards in the Last Financial Year table on page 29.

(8) Mr. Harrison was awarded 405,000 restricted share units on April 22, 2004 pursuant to the terms of his employment agreement. The award value of US$8,100,000 was established based on a share price of US$20.00 on the day of the grant. This award vests and is paid out as to 20% per year starting on December 31, 2004, and is not eligible to receive dividends or dividend equivalents. On December 31, 2005, Mr. Harrison held 243,000 restricted share units (following the payout of 81,000 units vesting on that date) for a value of US$9,718,785, based on a December 31, 2005 share price of US$39.995 (these amounts are exclusive of performance-based restricted share units reported in the Long-Term Incentive Plan Awards in the Last Financial Year table).

(9) Performance-based restricted share units were awarded in 2004 under the Restricted Share Units Plan. This award payout was accelerated when specified targets related to the Company's 20-day average share price were attained during the period ending on December 31, 2005. Payout was increased to its maximum allowable amount under the plan (120% of the grant). Amounts shown include deferrals made under the Voluntary Incentive Deferral Plan (see details of deferrals under note 4).

(10) Share units were awarded in 2001 under the Mid-Term Incentive Share Unit Plan (see "Mid-Term Incentive Plan"), of which 60.9% vested on June 30, 2004. The share units were paid out to participants in the form of cash, shares and/or deferred share units. The value of the share units shown in the table is based on the closing price of the common shares on June 30, 2004 (US$21.795 per share). Amounts shown include deferrals made under the Voluntary Incentive Deferral Plan (see details of deferrals under note 4).

(11) Includes Illinois Central Corporation contributions to a 401(k) plan, amounts accrued under an executive account balance and under an excess benefit plan as well as Illinois Central Corporation contributions to a defined contribution plan.

(12) Includes dividend equivalent amounts earned under the Voluntary Incentive Deferral Plan and Senior Executive Bonus Share Plan, and above-market interest rate credited on amounts deferred under the Senior Management Deferred Compensation Plan. Also includes the company match on deferrals made under the Voluntary Incentive Deferral Plan as shown in the table below.

Company Match on Amounts Deferred

	Claude Mongeau US$	**James M. Foote US$**	**Ed L. Harris US$**
2005	869,999	1,422,810	539,494
2004	201,253	225,918	113,375
2003	Nil	22,500	Nil

Long-Term Incentive Plan Awards in the Last Financial Year

The following table shows information regarding grants of restricted share units made to Named Executive Officers under the Restricted Share Units Plan and the Vision 2008 Share Units Plan during the financial year ended December 31, 2005. The Restricted Share Units Plan was approved by the board of directors at its meeting held on January 27, 2004. The awards under the Restricted Share Units Plan entitle designated executives and senior management employees to receive payout on January 31, 2008 of the value of such units based on the 20-day average share price on December 31, 2007. Payout is subject to the attainment of targets related to return on invested capital, between January 1, 2005 and December 31, 2007, and to the Companys share price during the three-month period ending December 31, 2007. The awards under the Vision 2008 Share Units Plan, entitle designated executives and senior management employees to receive a cash payout in January 2009. Payout between 0% and 100% is based on the highest 20-day average share price for the period between July 1, 2008 and December 31, 2008. The award payout is also conditional to the Company meeting a minimum 20-day average share price on December 31, 2008 and a minimum average return on investment for the 4-year term of the plan. The award payout will be equal to the number of units vested on December 31, 2008 multiplied by the Companys 20-day average share price ending on such date.

			Estimated Future Payouts under Non-Securities-Price-Based Plans		
Name	**Securities, Units or Other Rights (#)**	**Performance or Other Period Until Maturation or Payout**	**Threshold (#)**	**Target (#)**	**Maximum (#)**
E. Hunter Harrison	160,000(1)(2)	December 31, 2007	128,000	160,000	192,000
	184,000(1)(3)	December 31, 2008	0	N/A	184,000
Claude Mongeau	40,000(1)(2)	December 31, 2007	32,000	40,000	48,000
	46,000(1)(3)	December 31, 2008	0	N/A	46,000
James M. Foote	40,000(1)(2)	December 31, 2007	32,000	40,000	48,000
	46,000(1)(3)	December 31, 2008	0	N/A	46,000
Ed L. Harris	18,000(1)(2)	December 31, 2007	14,400	18,000	21,600
	21,000(1)(3)	December 31, 2008	0	N/A	21,000
	18,000(2)(4)	December 31, 2007	14,400	18,000	21,600
	21,000(3)(4)	December 31, 2008	0	N/A	21,000
Sean Finn	16,000(1)(2)	December 31, 2007	12,800	16,000	19,200

	18,000(1)(3)	December 31, 2008	0	N/A	18,000

(1) These awards were made on January 28, 2005 at a closing stock price of US$29.185.

(2) These awards were made under the Restricted Share Units Plan. Under this Plan, the number of restricted share units paid out will be 80%, 100% and 120% of the grant if return on invested capital reaches, respectively, threshold, target and maximum performance.

(3) These awards were made under the Vision 2008 Share Units Plan. Under this Plan, there is no payout if the threshold is simply met. Payout between 0% and 100% of the award will be made if the threshold is exceeded and the average return on invested capital threshold is met.

(4) These awards were made on March 7, 2005 at a closing price of US$31.36.

Stock Options Granted to Named Executive Officers During the Last Financial Year

The following table shows information regarding grants of stock options made to Named Executive Officers during the financial year ended December 31, 2005. See "Management Long-Term Incentive Plan" for a description of such plan.

Name	**# of Securities Granted Under Options(1)**	**% of Total Options Granted to Employees in Financial Year**	**Exercise Price (US$/Security)**	**Market Value of Securities Underlying Options on Date of Grant (US$/Security)**	**Expiry Date**
E. Hunter Harrison	250,000	18.4	29.185	29.185	January 28, 2015
Claude Mongeau	80,000	5.9	29.185	29.185	January 28, 2015
James M. Foote	80,000	5.9	29.185	29.185	January 28, 2015
Ed L. Harris	36,000	2.7	29.185	29.185	January 28, 2015
	36,000	2.7	31.36	31.36	March 7, 2015
Sean Finn	32,000	2.4	29.185	29.185	January 28, 2015

(1) The options granted in 2005 vest over a period of four years following grant, with a quarter of the options per year vesting at each anniversary of the award (see Management Long-Term Incentive Plan).

Aggregate Option Exercises During the Last Financial Year and Financial Year-End Option Value

The following table shows information regarding exercises of stock options granted to Named Executive Officers under the Management Stock Option Plan and the Management Long-Term Incentive Plan (and for Mr. Harrison, a grant in 1998 under his employment agreement) during the financial year ended December 31, 2005. See Management Stock Option Plan and Management Long-Term Incentive Plan below for a description of such plans.

Name	**Securities Acquired on Exercise (#)**	**Aggregate Value Realized (US$)**	**Unexercised Options at FY-End (#)**		**Value of Unexercised In-The-Money Options at FY-End(1) (US$)**	
			Exercisable	**Unexercisable**	**Exercisable**	**Unexercisable**
E. Hunter Harrison	1,200,000	22,488,732	2,246,250	778,750	50,955,254	12,984,638
Claude Mongeau	155,000	3,077,606	613,500	255,500	12,964,335	4,233,315

James M. Foote	Nil	Nil	598,500	255,500	12,594,576	4,233,315
Ed L. Harris	Nil	Nil	254,750	141,250	5,434,014	1,966,827
Sean Finn	71,250	1,333,423	183,500	97,500	3,760,451	1,611,205

(1) Value of unexercised in-the-money options at financial year-end is the difference between the average closing price of the common shares on December 31, 2005, on the New York and Toronto stock exchanges (US$40.02), and the exercise price, converted using the average rate of 1.2116 for 2005. This value has not been, and may never be, realized. The actual gains, if any, on exercise will depend on the value of the common shares on the date of exercise.

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Management Stock Option Plan

At the time of the initial public offering in November 1995, eligible managers of the Company were granted options under the Management Stock Option Plan (the “IPO Plan”) to acquire common shares at CAD$4.50 per share. Performance objectives for two-thirds of the options granted under the IPO Plan were related to annual reductions of the operating ratio. Options were non-transferable except, in certain circumstances, upon the death of the holder of such options. Options had a maximum term of 10 years from the date of the grant and were subject to cancellation upon the termination of a participant’s employment for cause or, if the participant voluntarily terminated employment. In the event of the death of a participant, all options held by such participant were cancelled 180 days after the participant’s death. If the participant’s employment was terminated by the Company other than for cause, all options held by such participant were cancelled 30 days after termination of the participant’s employment. A participant could exercise options for up to three years after retirement. All options under the IPO Plan were vested, effective January 26, 2000. All options granted under the IPO Plan were exercised as of December 31, 2005 with 4,302,102 shares (0.8% of outstanding capital) having been issued following the exercise of options under the IPO Plan to that date. The IPO Plan is now terminated.

Management Long-Term Incentive Plan

The Company has adopted the Management Long-Term Incentive Plan (the “Plan”) approved by the Shareholders on May 7, 1996 and amended on April 28, 1998 and on April 21, 2005.

The eligible participants under the Plan are employees of the Company or its affiliates and non-executive board directors, as determined by our board of directors. Pursuant to an amendment approved by the board of directors on March 8, 2005, grants can no longer be made to non-executive board directors under the Plan. While they remain as participants to the Plan for previous grants, the last time non-executive directors received options was in 2002. The maximum number of common shares that may be issued under the Plan is 60,000,000 (including the increase of the reserve by 15,000,000 shares, approved by the shareholders on April 21, 2005). The maximum number of common shares that may be issued and/or be the subject of a grant to any one participant in a particular year is 20% of the awards in that year. The maximum aggregate number of common shares, with regard to which awards may be made to any participant under the Plan and under any other plan which the Company has or may eventually have, shall not exceed 5% of the common shares issued and outstanding. Also pursuant to the March 8, 2005 amendment, the maximum number of common shares with regard to which awards may be made during a calendar year is limited to 1% of the outstanding common shares at the beginning of that year. Options are non-transferable except, in certain circumstances, upon the death of the holder of such options.

Stock options have a maximum exercise period of 10 years. The exercise price must be at least equal to the closing price of the common shares on the Toronto Stock Exchange or the New York Stock Exchange on the grant date. Vesting criteria, including the date or dates upon which all or a portion of the options become exercisable, and Company performance targets which may have to be met for options to become exercisable, are established with respect to each grant.

Stock options may be cancelled upon the termination of a participant’s employment for cause or if the participant voluntarily terminates employment. In the event that a participant’s employment is terminated by the Company other than for cause, all stock options held by such participant may be cancelled 30 days or three months after termination of the participant’s employment (depending on the date of grant) and three years after retirement, subject to the discretion of the Human Resources and Compensation Committee. In the event of certain material transactions (as defined in the Plan), any unvested non-performance-related options will vest immediately. In the event of a participant’s death, all options may be exercised by the estate for a period of twelve months.

The board has the authority to make changes to the Plan that it deems proper without shareholder approval, subject to regulatory approval, as applicable.

As at February 28, 2006, options for a total of 18,468,838 common shares had been granted and were outstanding, and options for a total of 15,195,870 common shares remained issuable under the Plan, representing respectively 3.4% and 2.8% of issued and outstanding common shares. A total of 26,335,292 shares (4.9% of outstanding capital) have been issued following the exercise of options under the Plan to that date.

Employment Contracts/Arrangements

Effective January 1, 2003, Mr. Harrison was appointed President and Chief Executive Officer of the Company. On April 22, 2004, the Company entered into an employment agreement (the “Agreement”) with Mr. Harrison which replaces his previous employment agreement and provides the terms of his employment to December 31, 2008. As a result of making this long-term commitment, Mr. Harrison received a special one-time award of 405,000 restricted share units effective April 22, 2004. This special award vests and is paid out as to 20% per year starting on December 31, 2004. Pursuant to the Agreement, Mr. Harrison’s base salary is reviewed annually by the board of directors and subject to a minimum 5% increase. Mr. Harrison is also eligible to receive an annual incentive bonus under the Company’s Annual Incentive Bonus Plan, with a target payout of 140% of base salary and a maximum payout of 280% of base salary. Under the Agreement, Mr. Harrison is also entitled to an annual pension benefit of US$1,000,000 effective January 1, 2006, this amount being increased by increments of US$100,000 for each year he remains employed by the Company, (see “Pension Plans”). The Agreement includes non-competition and non-solicitation restrictions upon Mr. Harrison following the termination of his employment for any reason, in respect of which he is entitled to receive US$350,000 per year for a two-year period, provided that he complies with the restrictions.

Mr. Harrison is also eligible to participate in the Company’s plans as offered to other executives, termination of employment conditions, loan forgiveness and post-retirement coverage. If Mr. Harrison’s employment is terminated at any time during the term of the Agreement by the Company without “Cause” or by Mr. Harrison for “Good Reason” (as those terms are defined in the Agreement), in addition to receiving his accrued base salary and a pro rata portion of his annual target bonus, Mr. Harrison will receive an amount equal to three times the sum of his annual base salary and annual target bonus. Mr. Harrison will also be entitled to continuation of his employee benefits for three years. The Agreement also includes special provisions relating to tax equalization payments in respect of Mr. Harrison’s salary to compensate for higher tax liabilities in Canada, if any, compared to those applicable in the United States. The Agreement also reiterates the original terms of repayment of a US$653,250 interest-free loan granted to Mr. Harrison by the Company in 2001, with applicable tax gross-up. Under the Agreement, such loan was forgiven in whole on June 30, 2004. In addition to the retirement benefits disclosed under “Pension Plans” below, Mr. Harrison is entitled to exercise his stock options within 5 years following retirement. He is also entitled to post-retirement medical benefits and a life insurance benefit equal to US$1 million.

Pension Plans

Canadian Pension Plans:

Executive officers participate in the Company’s principal pension plan and Senior Management pension plan (introduced January 1, 2004), which are defined benefit plans providing pensions based on pensionable years of service and highest average earnings. The pension amounts are payable in Canadian currency and were converted using the average rate of exchange of 1.2116 for 2005.

Highest average earnings are the average annual pensionable earnings during the last 60 months of compensated service or the best five consecutive calendar years, whichever is larger. Pensionable earnings consist of salary and overtime in the principal pension plan and also include the bonuses paid by the Company under the Annual Incentive Bonus Plan (up to the target bonuses relating to the year for which such bonuses were earned) in the Senior Management pension plan. However, benefits payable under the Company’s principal pension plan and Senior Management pension plan are subject to a maximum annual pension benefit of CAD$2,000 (US$1,650.71) per year of pensionable service. Senior executives who have at least two years of service and who execute an agreement, including a non-competition clause, are eligible for additional retirement income, charged to operating funds. This plan is called the Special Retirement Stipend (“SRS”).

If the senior executive became eligible for this plan on or after July 1, 2002, his or her benefits will not vest unless such senior executive remains in active service until the age of 55. Accrued additional retirement income benefits are guaranteed through a letter of credit. The annual amount of an individual’s additional retirement income is a set percentage of that individual’s portion of actual average earnings that is greater than the maximum average earnings recognized by the Company’s principal pension plan or the Senior Management pension plan, multiplied by the number of years of service (maximum 35 years) of that individual.

The recognized maximum average earnings under the Company’s principal pension plan or the Senior Management pension plan was approximately US$87,460 for 2005. In January 1996, the definition of “salary” under the SRS program was extended to include the bonuses paid by the Company under the Annual Incentive Bonus Plan after 1995, up to the target bonuses relating to the year for which such bonuses were earned. If the aggregate of any given individual’s age and years of service is at least 85, and such individual is age 55 or over, both the pension benefits and additional retirement income become payable to such senior executive who retires prior to age 65.

Messrs. Finn and Mongeau had respectively 12 years and 11 years and 8 months of credited service under the Company’s principal pension plan, Senior Management pension plan and SRS as at December 31, 2005.

The following table reflects an estimate of total annual benefits under the Company’s principal pension plan, Senior Management pension plan and any special agreement generating additional retirement income payable upon retirement (age 65) to senior executives in specified earnings and service classifications:

Estimated annual benefit payable upon retirement					
Highest Average Earnings (US$)	**Pensionable Service (years) (US$)**				
	10	**20**	**25**	**30**	**35**
200,000	39,015	78,030	97,538	117,045	136,553
450,000	89,015	178,030	222,538	267,045	311,553
700,000	139,015	278,030	347,538	417,045	486,553
950,000	189,015	378,030	472,538	567,045	661,553
1,200,000	239,015	478,030	597,538	717,045	836,553

U.S. Pension Plans:
Mr. Harrison does not participate in the Company’s principal pension plan, Senior Management pension plan and SRS. The Company had originally guaranteed Mr. Harrison that upon his termination of employment with the Company, his total supplemental retirement benefits would not be less than the benefits that would have been provided under the Illinois Central Railroad Company (“ICR”) Supplemental Executive Retirement Plan in effect prior to March 30, 1998, had he continued his service with ICR and continued participation in such plan. Mr. Harrison’s total supplemental retirement benefits are as follows:

Executive Account Balance Plan. ICR’s Executive Account Balance Plan provides for a sum equivalent to 10% of Mr. Harrison’s combined salary and performance awards in excess of a wage offset factor to be accrued annually (but not funded), and is payable upon the retirement from the ICR or termination of employment. The wage offset factor is adjusted annually by the percentage increase in the U.S. social security wage base. For 2005, the wage offset factor was US$150,000. Accrued amounts earn interest in accordance with the plan. This plan was frozen as of December 31, 2000 and replaced by a new plan with the same provisions for Mr. Harrison as of January 1, 2001.

Non-Qualified Supplemental Defined Contribution Plan. ICR’s Supplemental Defined Contribution Plan provides for a sum equivalent to 2% of Mr. Harrison’s earnings (capped at the annual 401(a)(17) limit). Amounts are accrued on an unfunded basis and interest credits are given using the actual 401(k) investment return. Prior to 2001, this benefit was part of the ICR 401(k). This plan was frozen as of December 31, 2000 and replaced by a non-qualified plan with the same provisions for Mr. Harrison as of January 1, 2001.

Qualified Defined Contribution Plan (401k). Mr. Harrison is eligible to participate in the Canadian National Railway Company Management Savings Plan for U.S. Operations (the “Savings Plan”), which is a qualified salary reduction 401(k) plan. Mr. Harrison may make “pre-tax” contributions to the Savings Plan subject to limitations imposed by the U.S. Internal Revenue Code. Those contributions are partially matched by the ICR. The matching contribution is limited to 50% of the first 6% of Mr. Harrison’s pre-tax salary (i.e., the matching contribution is limited to 3% of his salary). All contributions are fully vested upon contribution and are invested in various investment funds as selected by Mr. Harrison.

Excess Benefit Plan. Under ICR's Excess Benefit Plan, amounts are accrued for Mr. Harrison on an unfunded basis to offset the limitations imposed by the U.S. Internal Revenue Code with respect to certain benefit plans as a result of the level of Mr. Harrison's compensation. Currently, the Excess Benefit Plan provides for the accrual of a sum equivalent to the employer matching contribution under the Savings Plan which is restricted by the limits of Section 402(g) of the U.S. Internal Revenue Code. The amounts accrued will be distributed at the same time and on the same terms as the amounts paid under the Savings Plan. As mentioned above, prior to 2001, the ICR 401(k) provided, in addition to the 50% match on the first 6% of pay, a 2% Company paid contribution on earnings (capped at the annual 401(a)(17) limit).

To make up for the limits in the pre-2001 ICR 401(k), the Excess Benefit Plan also provided a supplemental 2% in excess of the annual 401(a)(17) limit. This plan was frozen as of December 31, 2000 and replaced by a new plan with the same provisions for Mr. Harrison as of January 1, 2001.

Defined Benefit Plan. A tax-qualified defined benefit retirement plan was introduced for ICR's non-unionized employees on January 1, 2001. For non-unionized employees of ICR who were not members of the 1989 Pension Plan for Employees of CN U.S. subsidiaries, the following table reflects an estimate of total annual benefits payable under such plan to persons, such as Mr. Harrison, in specified earnings and service classifications:

Highest Average Earnings (US$)	**Qualified Pension Plan Table Estimated Annual Benefit for Years of Credited Service after December 31, 2000 (US$)**						
	5	**10**	**15**	**20**	**25**	**30**	**35**
300,000	5,937	11,875	17,812	23,750	29,687	35,624	41,562
600,000	5,937	11,875	17,812	23,750	29,687	35,624	41,562
900,000	5,937	11,875	17,812	23,750	29,687	35,624	41,562
1,200,000	5,937	11,875	17,812	23,750	29,687	35,624	41,562
1,500,000	5,937	11,875	17,812	23,750	29,687	35,624	41,562

Highest average earnings are the average annual pensionable earnings during the best 60 full consecutive months in the last 120 full consecutive months of employment. Pensionable earnings consist of salary and overtime. However, pensionable earnings are capped at the average of the Internal Revenue Code limit (US$210,000 in 2005), over the last five years.

Supplemental Executive Retirement Plan. ICR established the Illinois Central Corporation Supplemental Executive Retirement Plan effective as of January 1, 1994 (the "SERP"). Mr. Harrison is covered by the SERP. Mr. Harrison's SERP annual benefits shall be US$1,000,000 annually. This amount will be increased in an increment of US$100,000 for each additional year he remains employed by the Company after December 31, 2005.

Mr. Foote joined the Company on August 23, 1995. Mr. Foote is covered by a special pension arrangement, which credits him with two years of service for each year of service for his first 10 years of service with the Company.

During Mr. Foote's service from August 23, 1995 to December 31, 2000, he participated in the Company's principal pension plan until March 31, 2000, when he transferred to the United States. Mr. Foote's pension benefits under his special pension arrangement, which are totally vested to him, are equal to the pension benefits he would have been entitled to if he had been participating in the Company's principal pension plan and SRS program for twice the number of years of service since August 23, 1995, being twice five years and 4.35 months, less the pension payable under the Company's principal pension plan. The pension benefits under the special pension arrangement are payable from the Company's operating funds.

For Mr. Foote's service since December 31, 2000, he has been participating in the Defined Benefit Plan mentioned above. He has also been participating in the new Supplemental Retirement Plan ("SRP") of ICR under which he continues to be credited, as mentioned above, with two years of service for each year of service with ICR until August 22, 2005, inclusively. The following table reflects an estimate of total annual benefits payable under such plan before the offset described below to persons, such as Mr. Foote, who joined the SRP after December 31, 2000, in specified earnings and service classification:

Final Average Compensation (US$)	**Supplemental Retirement Plan (SRP) Table Estimated Annual Benefit for Years of Credited Service after December 31, 2000 (US$)**						
	5	**10**	**15**	**20**	**25**	**30**	**35**
200,000	20,000	40,000	60,000	80,000	100,000	120,000	140,000
450,000	45,000	90,000	135,000	180,000	225,000	270,000	315,000
700,000	70,000	140,000	210,000	280,000	350,000	420,000	490,000
950,000	95,000	190,000	285,000	380,000	475,000	570,000	665,000
1,200,000	120,000	240,000	360,000	480,000	600,000	720,000	840,000

Mr. Fotemp's SRP pension obtained from the above table is offset by (i) the qualified Defined Benefit Plan pension for his service after December 31, 2000; (ii) the U.S. Railroad Retirement Board Tier 2 pension for his service after December 31, 2000; (iii) the amount of single life annuity that can be purchased with the 3% employer contributions available under the Savings Plan.

Mr. Foote had nine years and eight months of credited service under the SRP as of December 31, 2005.

Mr. Harris has been participating in the Executive Account Balance Plan, Excess Benefit Plan and Defined Contributions Plan mentioned above. These plans were frozen as of December 31, 2000. Mr. Harris is eligible to participate in the Savings Plan and the Defined Benefit Plan mentioned above.

Mr. Harris does not participate in the Company's principal pension plan, Senior Management pension plan and SRS. Mr. Harris's overall retirement benefit will always be the greater of what he would receive under the new SRP of ICR mentioned above on all his service up to 35 years minus the offset described below and the old Illinois Central Railroad Company ("ICR") Supplemental Executive Retirement Plan ("SERP") for which Mr. Harris continued to accrue retirement benefits until December 31, 2003, at the rate of 3.5% of his final average earnings per year of service between January 1, 1994 and December 31, 2003, plus retirement benefits at the rate of 2% per year of service after 2003 minus the offset described below. The following table reflects an estimate of total annual benefits payable under such plan before the offset described below to persons, such as Mr. Harris, who joined the old SERP on or after January 1, 1994, in specified earnings and service classification:

Final Average Compensation (US$)	**Supplemental Executive Retirement Plan (SERP) Table Estimated Annual Benefit for Years of Credited Service after December 31, 1993 (US$)**						
	5	**10**	**15**	**20**	**25**	**30**	**35**
200,000	35,000	70,000	90,000	110,000	130,000	150,000	170,000
450,000	78,750	157,500	202,500	247,500	292,500	337,500	382,500
700,000	122,500	245,000	315,000	385,000	455,000	525,000	595,000
950,000	166,250	332,500	427,500	522,500	617,500	712,500	807,500
1,200,000	210,000	420,000	540,000	660,000	780,000	900,000	1,020,000

Mr. Harris's SERP pension obtained from the above table is offset by (i) the qualified Defined Benefit Plan (prorated for service only after January 1, 2004); (ii) the U.S. Railroad Retirement Board Tier 2 pension (prorated for service only after January 1, 2004); (iii) the amount of single life annuity that can be purchased with the 3% employer contributions after January 1, 2001 available under the Savings Plan, along with future interest credits tied to treasuries; (iv) CN matching contributions to the 401(k) Plan and the 2% supplemental match as of December 31, 2000, along with future interest credits tied to treasuries; (v) the Excess Benefit Plan account balance as of December 31, 2000, with future interest credits tied to his actual 401(k) rate of return; (vi) the Executive Account Balance Plan as of December 31, 2000, with future interest credits tied to *The Wall Street Journal* prime rate; (vii) the actuarial equivalent (in the form of a single life annuity) of the annual annuity of $47,734 whose value was withdrawn from the SERP prior to retirement by virtue of the change in control provision of such SERP.

Mr. Harris had 35 years of credited service under the new SRP including 10 years of credited service under the old SERP as at December 31, 2005. This means that his SRP annual benefit will be at least equal to 70% of his final average compensation minus the above-mentioned offsets.

Supplemental Pension Disclosure

The following Service cost and Benefit Obligation have been calculated using the same actuarial assumptions as those used in Note 13 of CN's 2005 Annual Consolidated Financial Statements. The amounts calculated in this table are estimates only and are based on assumptions, which may or may not materialize.

Amounts shown in this table include pension benefits from the Company's registered Pension Plans and non-registered supplemental pension arrangements.

Name	2005 Service Cost(1) (US$)	Benefit obligation at December 31, 2005(2) (US$)	Accrued annual pension at December 31, 2005 (US$)	Projected annual pension at first unreduced date(5) (US$)	Age at first unreduced date
E. Hunter Harrison(3)	1,057,000	11,299,000	1,006,000	1,108,000	62
Claude Mongeau	146,000	2,200,000	160,000	408,000	59
James M. Foote	146,000	3,773,000	295,000	447,000	60
Ed L. Harris(3)(4)	13,000	4,491,000	376,000	376,000	57
Sean Finn	99,000	1,514,000	95,000	261,000	60

(1) The service cost is the estimated value of the benefits accrued during the calendar year (January 1, 2005 to December 31, 2005). These amounts exclude the employee's contributions, if any.

(2) The benefit obligation is the value of the benefits accrued for all service to December 31, 2005.

(3) Does not include former ICR non registered cash plans (Executive Account Balance Plan and Excess Benefit Plan, which total US$3,436,000 for Mr. Harrison and US$102,000 for Mr. Harris at December 31, 2005).

(4) Mr. Harris has reached the maximum years of service allowed under the SERP.

(5) The projected pension is based on current compensation levels. The service is accrued to the first date at which the executive is entitled to an unreduced pension benefit or the end of 2006 if the date is already reached.

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Performance Graph

The following Performance Graph illustrates the yearly cumulative total shareholder return on a $100 investment in Canadian dollars in CN□s common shares as traded on the TSX (assuming reinvestment of dividends) compared with the cumulative total return of the S&P/TSX Composite and S&P 500 Indices from the period beginning December 31, 2000, to the period ending December 31, 2005.

	Dec-00	Dec-01	Dec-02	Dec-03	Dec-04	Dec-05
CN	$100.00	$171.99	$146.79	$184.24	$245.89	$313.45
S&P/TSX	$100.00	$ 87.43	$76.55	$97.01	$111.06	$137.85
S&P 500	$100.00	$87.07	$67.02	$84.54	$92.12	$95.05

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OTHER INFORMATION

Securities Authorized for Issuance Under Equity Compensation Plans

The table below indicates, as at December 31, 2005, certain information with respect to the Company's Management Long-Term Incentive Plan. All figures related to securities are shown on a post-split basis to reflect the two-for-one stock split effective on February 28, 2006.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights (CAD$)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by securityholders	19,642,244	21.70	16,231,982
Equity compensation plans not approved by securityholders	Nil	–	Nil
Total	19,642,244	21.70	16,231,982

Indebtedness of Directors and Executive Officers

As of February 28, 2006, there was no outstanding indebtedness of officers and employees of the Company and its subsidiaries, whether entered into in connection with the purchase of common shares of the Company or otherwise.

Shares Owned or Controlled by Senior Management

As of February 28, 2006, the directors and the members of the executive committee of the Company, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, or held options to exercise an aggregate of approximately 11.4 million common shares (after giving effect to the two-for-one split effective on February 28, 2006), representing approximately 2.1% of the Company's outstanding common shares.

Interest of Informed Persons and Others in Material Transactions

The management of the Company is not aware of any material interest, direct or indirect, of any informed person of the Company, any proposed director or any associate or affiliate of any informed person or proposed director in any transaction since the commencement of the Company's most recently completed financial year, or in any proposed transaction, that has materially affected or would materially affect the Company or any of its affiliates or subsidiaries and that has not been previously disclosed.

Directors' and Officers' Insurance

The Company has purchased, at its expense, group liability insurance in the annual aggregate amount of CAD$200,000,000, with a deductible to the Company which varies from CAD$1,000,000 to CAD$2,500,000, for the protection of directors and officers of the Company and its subsidiaries against liability incurred by them in such capacity. The premium paid in the financial year ending December 31, 2005 was approximately CAD$2,727,600 for the 12 months ending September 30, 2006. The Company also carries excess directors and officers liability insurance for non-indemnifiable claims in the amount of CAD$25,000,000 in excess of the above. The premium paid for such excess liability insurance in the financial year ending December 31, 2005 was approximately CAD$444,000 for the 15-month period ending September 30, 2006.

Shareholder Proposals

Shareholder proposals to be considered at the 2007 annual meeting of shareholders must be received at the head office of the Company no later than December 7, 2006, to be included in the Information Circular for such annual meeting.

Availability of Documents

The Company is a reporting issuer in Canada and the United States and is required to file various documents, including an annual information form and financial statements. Financial Information is provided in the Company's comparative financial statements and management's discussion and analysis for its most recently completed financial year. Additional information relating to the Company is available on SEDAR at www.sedar.com or may be obtained on request from the Corporate Secretary of the Company.

Approval

The board of directors of the Company has approved the contents of this Information Circular and its sending to the shareholders.

Sean Finn
Senior Vice-President Public Affairs,
Chief Legal Officer and Corporate Secretary
March 7, 2006

SCHEDULE A

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

CNs board of directors has for many years recognized the importance of good governance and has been committed to developing and continuously improving on best practices in corporate governance. 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 and applicable rules of the U.S. Securities and Exchange Commission giving effect to the provisions of the U.S. Sarbanes-Oxley Act of 2002. We are exempted from complying with many of the NYSE corporate governance rules, and are permitted instead to comply with Canadian governance requirements. Except as summarized on our website at www.cn.ca/cngovernance, our governance practices, however, comply with the NYSE corporate governance rules in all significant respects.

The Canadian securities regulatory authorities (the **Authorities**) adopted, effective on June 30, 2005, National Instrument 58-101 Disclosure of Corporate Governance Practices (the **Disclosure Instrument**) and National Policy 58-201 Corporate Governance Guidelines (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 governance practices. The disclosure made hereunder refers to the items of the Disclosure Instrument as well as to the Governance Policy, where appropriate. The Company believes that its corporate governance practices meet and exceed the requirements of the Disclosure Instrument and the Governance Policy as reflected in the disclosure made hereunder.

In January 2004, the Authorities adopted Multilateral Instrument 52-110 Audit Committees. Certain amendments to such instrument were subsequently adopted and are effective since June 30, 2005 (such instrument, as amended, the **Audit Committee Rules**). The Audit Committee Rules include requirements regarding audit committee composition and responsibilities, as well as reporting obligations with respect to audit related matters. The Company complies with these rules and appropriate disclosure is made, where applicable, in the following table.

The Company also refers, where applicable, to the NYSE Corporate Governance Standards (the **NYSE Standards**), as approved by the U.S. Securities and Exchange Commission on November 3, 2004.

Please also refer to the Corporate Governance Manual and the Code of Business Conduct of the Company available on our website at www.cn.ca/cngovernance and also available in print to any shareholder who requests copies by contacting our Corporate Secretary.

The Company is dedicated to improving its corporate governance practices on an ongoing basis in order to respond to the evolution of best practices. The board of directors has approved this disclosure on the recommendation of the Corporate Governance and Nominating Committee.

Guidelines	Corporate Governance Practices at the Company
1. Board of Directors	
(a) Disclose the identity of directors who are independent.	Of the current 14 board members, only the President and Chief Executive Officer of the Company is an officer of the Company. Based on the foregoing and on the information provided by directors as to their individual circumstances, the board has determined that, of the remaining 13 board members, 12 are independent, and one is not independent, Mrs. Kempston Darkes being a senior executive of a major customer of the Company. In addition, Mr. Lee, standing for election to the board, is independent.
(b) Disclose the identity of directors who are not independent, and describe the basis for that determination.	See above.
(c) Disclose whether or not a majority of directors are independent.	As set out above, 12 of our 14 current board members are independent and 13 of our 15 nominees are independent.
(d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.	This Information Circular contains information under Nominees for election to the Board as to other public issuer directorships of each nominee.
(e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuers most recently completed financial year.	The non-management board members meet before or after every meeting of the board of directors without the presence of management and under the chairmanship of the board chair. An executive session including only independent directors is also held at least once a year. During the financial year ended December 31, 2005, there was one session that was attended only by independent directors.
(f) Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities.	Our Corporate Governance Manual provides that the board chair must be an independent director who is designated by the board. Mr. David G.A. McLean, who has been a director of the Company since 1994, is the independent board chair. 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. The responsibilities of the board chair are further described in our Corporate Governance Manual.
(g) Disclose the attendance record of each director for all board meetings held since the beginning of the issuers most recently completed financial year.	Please see page 14 of this Information Circular.

Guidelines	Corporate Governance Practices at the Company
2. Board Mandate Disclose the text of the board s written mandate.	Our board mandate is included as Schedule B to this Information Circular. The mandate provides that the role of the board is to supervise the management of the Company's business and affairs, with the objective of increasing shareholder value.
3. Position Descriptions	
(a) Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee.	Our Corporate Governance Manual includes position descriptions for the board chair and the board committee chairs.
(b) Disclose whether or not the board and CEO have developed a written position description for the CEO.	Our Corporate Governance Manual includes a position description for the President and CEO of the Company.
4. Orientation and Continuing Education	
(a) Briefly describe what measures the board takes to orient new directors regarding (i) the role of the board, its committees and its directors, and (ii) the nature and operation of the issuer's business. (b) Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.	As provided in its charter, the Corporate Governance and Nominating Committee has the responsibility, in consultation with the board chair, to develop, monitor and review, as applicable, the Company's orientation and continuing education programs for directors. The Company has adopted board orientation and continuing education programs, described in our Corporate Governance Manual, pursuant to which orientation is provided to new board members. New directors are provided with a Directors' handbook containing corporate and other information required to familiarize the director with the Company, its organization and operations. Our orientation programs include presentations by the Company's officers on the Company'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. In addition, the board chair takes all reasonable steps to insure that board members 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.

Guidelines	Corporate Governance Practices at the Company
5. Ethical Business Conduct	
(a) Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code: (i) disclose how a person or company may obtain a copy of the code; (ii) describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code; and (iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.	The board adopted, on October 21, 2003, a code of business conduct, which is available on our website at www.cn.ca and is available in print to any shareholder who requests copies by contacting our Corporate Secretary. The board, through its Corporate Governance and Nominating Committee, reviews, monitors and oversees the disclosure of the Company's code of business conduct. Each year, management reports to such committee on the implementation of the code within the organization and on any material contravention by employees of the Company to the provisions of the code. No material change report has ever been filed or required to be filed pertaining to any conduct of a director or executive officer constituting a departure from the code.
(b) Describe any steps the board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.	The code of business conduct states that "every employee must avoid situations where personal interests could conflict with, or even appear to conflict with, the interests of CN". In practice, the board requests every director to 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 make sure 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 would request such director not to participate or vote in any such discussion or decision.
(c) Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.	The Company believes that ethical business conduct is an important part of its success. Hence, the mandate of the board attached as Schedule B 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, the employees are required

	to avoid outside interests that may impair or appear to impair the effective performance of their responsibilities to the Company and be fair and impartial in all dealings with customers, suppliers and partners. A key component of the Company's code of business conduct is the Ombudsman which reports directly to the Corporate Governance and Nominating Committee. The Ombudsman offers a confidential, neutral and informal avenue which facilitates fair and equitable resolutions to concerns arising within the Company. It serves as an information and communication resource, upward feedback channel advisor and change agent. The Company has also created a confidential Hot Line Number to report any violations and concerns.

Guidelines	Corporate Governance Practices at the Company
6. Nomination of Directors	
(a) Describe the process by which the board identifies new candidates for board nomination.	As stated in the charter of the Corporate Governance and Nominating Committee, included in our Corporate Governance Manual, the Corporate Governance and Nominating Committee has the responsibility of (a) developing, reviewing and monitoring, in consultation with the board chair, criteria for selecting directors by regularly assessing the competencies, skills, personal qualities, availability, geographical representation, business background and diversified experience of the board and the Company's circumstances and needs and, (b) in consultation with the board chair, identifying candidates qualified to become board members, and selecting or recommending that the board select the director nominees for the next annual or special meeting of shareholders. The process followed to identify and propose board nominees is more fully described in our Corporate Governance Manual. In proposing the list of board nominees, the board chair, in consultation with the Corporate Governance and Nominating Committee develops a competency matrix based on knowledge areas, types of expertise, competencies, skills and geographical representation and identifies any gaps to be addressed in the director nomination process. The Corporate Governance and Nominating Committee also has the responsibility of reviewing, with the board chair, the performance of the board, board committees, board and committee chairs and board members.
(b) Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.	The charter of the Corporate Governance and Nominating Committee provides that such committee must be composed solely of "independent" directors.[1] As at March 7, 2006, all members of the Corporate Governance and Nominating Committee are "independent".
(c) If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.	The responsibilities of the Corporate Governance and Nominating Committee include the monitoring of the composition and performance of the board and its committees and the oversight of corporate governance matters. 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.

1 The NYSE Standards state that a board should appoint a nominating committee composed entirely of independent directors and that such committee should have a written charter. The board has adopted a written mandate for the Corporate Governance and Nominating Committee pursuant to which such committee must be composed solely of independent directors.

Guidelines	Corporate Governance Practices at the Company
7. Compensation	
(a) Describe the process by which the board determines the compensation for the issuer's directors and officers.	The Corporate Governance and Nominating Committee annually reviews with the board chair and makes recommendations to the board on the adequacy and form of the compensation for non-executive directors to ensure such compensation realistically reflects the responsibilities and risk involved, without compromising a director's independence. Directors who are executives of the Company receive no additional compensation for their services as directors. See the section entitled "Nominees for Election to the Board — Board of Directors Compensation" of this Information Circular for additional information on compensation received by directors in 2005. The Human Resources and Compensation Committee reviews and approves the corporate goals and objectives relevant to the President and CEO, evaluates the President and CEO's performance based on those goals and objectives and such other factors as the Human Resources and Compensation Committee deems appropriate and in the best interest of the Company, and recommends the President and CEO's compensation based on this evaluation, for approval by independent board members.[2] It also reviews the evaluation of executive management's performance and recommends to the board executive management's compensation. See the section entitled "Statement of Executive Compensation" of this Information Circular for additional information.
(b) Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation.	As provided in its charter included in our Corporate Governance Manual, the Human Resources and Compensation Committee must be composed solely of independent directors.[3] As at March 7, 2006, all members of the Human Resources and Compensation Committee are "independent".
(c) If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.	The Human Resources and Compensation Committee is responsible for monitoring executive management's performance assessment, succession planning and compensation. It also reviews human resources practices. The responsibilities, powers and an operation of the Human Resources and Compensation Committee are further described in the charter of such committee

	which is included in our Corporate Governance Manual.

2 The NYSE Standards state that the CEOs compensation should be determined by the corporations compensation committee or by all independent directors of the corporation. Our Corporate Governance Manual provides that the CEOs compensation is determined by the Companys independent directors only.

3 The NYSE Standards state that a board should appoint a compensation committee composed entirely of independent directors and that such committee should have a written charter. The board has adopted a written mandate for the Human Resources and Compensation Committee pursuant to which such committee must be composed solely of independent directors.

Guidelines	Corporate Governance Practices at the Company
(d) If a compensation consultant or advisor has, at any time since the beginning of the issuers most recently completed financial year, been retained to assist in determining compensation for any of the issuers directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.	See page 26 of this Information Circular for disclosure in respect of Executive Compensation consultants.
8. Other Board Committees If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.	In addition to the Audit Committee, the Corporate Governance and Nominating Committee and the Human Resources and Compensation Committee, the board has also established a Finance Committee, an Environment, Safety and Security Committee and a Strategic Planning Committee. The Investment Committee of CNs Pension Trust Funds is a mixed committee composed of directors and officers of the Company. Please refer to page 16 and 17 of the Information Circular for a brief summary of the mandate of each committee. For more information on the mandates of each of these committees, reference is made to their charter which is included as part of our Corporate Governance Manual.
9. Assessments Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.	The board has implemented and reviews, from time to time, a process to annually assess the performance of the board, board committees, board and committee chairs and individual directors. This formal process, more fully described in our Corporate Governance Manual and on pages 17 and 18 of this Information Circular, is under the supervision of the Corporate Governance and Nominating Committee and the board chair, as stated in the charter of the Corporate Governance and Nominating Committee.
The CSA Audit Committee Rules state that the audit committee must be composed of a minimum of three (3) members, who must be independent directors (as defined in those rules).	The charter of the Audit Committee, attached as Schedule C to this Information Circular, states that all the members of the committee must be independent directors.[4] All members of the Audit Committee are independent directors. 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.

4 The NYSE Standards and the applicable rules of the U.S. Securities and Exchange Commission require that in order to be considered independent, a member of the Audit Committee should not, other than in his or her capacity as a director or member of a board committee and in other limited circumstances, accept directly or indirectly any fee from the Company or any subsidiary of the Company nor be an affiliated person of the Company or any subsidiary of the Company. All members of the Audit Committee are independent pursuant to such definition.

Guidelines	**Corporate Governance Practices at the Company**
The CSA Audit Committee Rules state that each audit committee member must be financially literate.	As required in the charter of the Audit Committee, all members of the Audit Committee are "financially literate" and several members of the committee meet all the criteria to be designated as "audit committee financial expert" under the rules of the U.S. Securities and Exchange Commission. In determining whether or not a director is "financially literate", the board considers if the director has "the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements". In determining if a director is an "audit committee financial expert", the board considers if the director is a person who has: (a) an understanding of generally accepted accounting principles and financial statements; (b) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves; (c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more persons engaged in such activities; (d) an understanding of internal controls and procedures for financial reporting; and (e) an understanding of audit committee functions.
The CSA Audit Committee Rules state that the audit committee must have a written charter that sets out its mandate and responsibilities.	See Schedule C to this Information Circular.
The CSA Audit Committee Rules state that the audit committee must recommend to the Board of Directors: (a) the external auditor to be nominated for the purposes of preparing or issuing an auditors' report or performing other audit, review or attest services for the issuer; and (b) the compensation of the external auditor.	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 CSA Audit Committee Rules state that the audit committee must be directly responsible for overseeing	The mandate of the Audit Committee provides that the committee is responsible for overseeing the external

the work of the external auditor engaged for the purpose of preparing or issuing an auditors report or performing other audit, review or attest services for the issuer, including the resolution of disagreements between management and the external auditor regarding financial reporting.	auditors and discussing with them the quality and not just the acceptability of the Companys accounting principles, including any material written communications between the Company and the external auditors (including a disagreement, if any, with management and the resolution thereof)

Guidelines	Corporate Governance Practices at the Company
The CSA Audit Committee Rules state that the audit committee must pre-approve all non-audit services to be provided to the issuer or its subsidiary entities by the issuer's external auditor.	The mandate of the Audit Committee states that the committee approves and oversees the disclosure of all audit, review and attest services provided by the external auditors, determines which non-audit services the external auditors are prohibited from providing, and pre-approves and oversees the disclosure of permitted non-audit services provided by the external auditors to the Company or its subsidiaries.
The CSA Audit Committee Rules state that the audit committee must review the issuer's financial statements, MD&A and annual and interim earnings press releases before the issuer publicly discloses this information. These rules also mention that the audit committee must be satisfied that adequate procedures are in place for the review of the issuer's public disclosure of financial information extracted or derived from the issuer's financial statements, other than the public disclosure referred to in the preceding sentence, and must periodically assess the adequacy of those procedures.	The mandate of the Audit Committee provides that the committee is responsible for reviewing 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 CSA Audit Committee Rules state that the audit committee must establish procedures for: (a) the receipt, retention and treatment of complaints received by the issuer regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters.	The mandate of the Audit Committee mentions 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/cn.governance for more details on these procedures.
The CSA Audit Committee Rules state that the audit committee must review and approve the issuer's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the issuer.	The mandate of the Audit Committee provides that the committee is responsible for reviewing hiring policies for employees or former employees of the Company's firm of external auditors.
The CSA Audit Committee Rules state that the audit committee must have the authority: (a) to engage independent counsel and other advisors as it determines necessary to carry out its duties; (b) to set and pay the compensation for any advisors employed by the audit committee; and (c) to communicate	The mandate of the Audit Committee included as Schedule C to this Information Circular 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

directly with the internal and external auditors.	arrangements for the appropriate funding for payment of the external auditors and any advisors retained by it. Pursuant 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.

SCHEDULE B

MANDATE OF THE BOARD

The Board has clearly delineated its role and the role of management. The role of the Board is to supervise the management of CN’s business and affairs, with the objective of increasing shareholder value. Management’s role is to conduct the day-to-day operations in a way that will meet this objective.

The Board approves all matters expressly required herein, under the Canada Business Corporations Act (the “CBCA”) and other applicable legislation and CN’s Articles and By-laws. The Board may assign to Board committees the prior review of any issues it is responsible for, or as required by applicable laws. Board committee recommendations are generally subject to Board approval. The Board has delegated the approval of certain matters to management pursuant to its Standing Resolutions on Delegation of Authority, as amended from time to time.

Meetings of the Board are held at least nine times a year and as necessary.

As part of its stewardship responsibility, the Board advises management on significant business issues and has the following responsibilities:

A. Approving CN’s strategy

- adopting a strategic planning process, approving and reviewing, on at least an annual basis, a business plan and a strategic framework which take into account, among other things, the opportunities and risks of the business, and monitoring the implementation of the business plan by management.

B. Assessing and overseeing the succession planning of executive management

- choosing the President and Chief Executive Officer (the “President and CEO”), appointing executive management and monitoring President and CEO and executive management performance taking into consideration Board expectations and fixed objectives, approving the President and CEO’s corporate goals and objectives and approving annually President and CEO and executive management compensation;
- ensuring that an appropriate portion of President and CEO and executive management compensation is tied to both the short and longer-term performance of CN;
- taking all reasonable steps to ensure that processes are in place for the recruitment, training, development and retention of executives who exhibit the highest standards of integrity as well as competence.

C. Monitoring Corporate Governance issues

- monitoring the size and composition of the Board to favour effective decision-making;
- taking all reasonable measures to satisfy itself as to the integrity of management and that management creates a culture of integrity throughout CN;
- monitoring and reviewing, as appropriate, CN’s approach to governance issues and monitoring and reviewing, as appropriate, CN’s Corporate Governance Manual and policies and measures for receiving shareholder feedback;
- taking all reasonable steps to ensure the highest quality of ethical standards, including reviewing, on a regular basis, the Code of Business Conduct applicable to CN’s directors, its President and CEO, senior financial officers, other executives and employees, monitoring compliance with such code, approving any waiver from compliance with the code for directors and executive officers and ensuring appropriate disclosure of any such waiver;

- ensuring the regular performance assessment of the Board, Board committees, Board and committee chairs and individual directors and determining their remuneration;

- approving the list of Board nominees for election by shareholders and filling Board vacancies;
- adopting and reviewing orientation and continuing education programs for directors;
- overseeing the disclosure of a method for interested parties to communicate directly with the Board Chair or with the non-management directors as a group.

D. Monitoring financial matters and internal controls

- monitoring the quality and integrity of CNs accounting and financial reporting systems, disclosure controls and procedures, internal controls and management information systems, including by overseeing:

(i) the integrity and quality of CNs financial statements and other financial information and the appropriateness of their disclosure;

(ii) the review of the Audit Committee on external auditors independence and qualifications;

(iii) the performance of CNs internal audit function and of CNs external auditors; and

(iv) CNs compliance with applicable legal and regulatory requirements (including those related to environment, safety and security);

- ensuring that an appropriate risk assessment process is in place to identify, assess and manage the principal risks of CNs business;
- adopting communications and disclosure policies and monitoring CNs investor relations programs.

E. Monitoring Pension Fund matters

- monitoring and reviewing, as appropriate, CNs pension fund policies and practices, including the investment policies of the Canadian National Railway Pension Trust Funds or any other pension trust fund established in connection with a new pension plan or any other pension plan offered or administered by CN (the CNs Pension Trust Funds);
- approving the annual budget of the Investment Division of CNs Pension Trust Funds.

F. Monitoring environmental, safety and security matters

- monitoring and reviewing, as appropriate, CNs environmental, safety and security policies and practices.

The non-executive Board members meet before or after every Board meeting without the presence of management and under the chairmanship of the Board Chair. If such group includes directors who are not Independent, an executive session including only Independent directors is held regularly.

Board members are expected to demonstrate a high level of professionalism in discharging their responsibilities. They are expected to attend the meetings of the Board and of the Board committees on which they sit and to rigorously prepare for and actively participate in such meetings. They should review all meeting materials in advance. They are also expected to be available to provide advice and counsel to the President and CEO or other corporate officers of CN upon request.

The Board annually reviews the adequacy of its mandate.

SCHEDULE C

CHARTER OF THE AUDIT COMMITTEE

1. Membership and Quorum

- a minimum of five directors appointed by the Board;
- only Independent (as determined by the Board) directors may be appointed. A member of the Audit Committee may not, other than in his or her capacity as a director or member of a board committee and subject to the exceptions provided in Canadian and U.S. laws and regulations, accept directly or indirectly any fee from CN or any subsidiary of CN nor be an affiliated person of CN or any subsidiary of CN;
- each member must be financially literate (as determined by the board);
- at least one member must be an audit committee financial expert (as determined by the board);
- quorum of majority of members.

2. Frequency and Timing of Meetings

- normally one day prior to CN board meetings;
- at least five times a year and as necessary;
- committee members meet before or after every meeting without the presence of management.

3. Mandate

The responsibilities of the Audit Committee include the following:

A. Overseeing financial reporting

- monitoring the quality and integrity of CNs accounting and financial reporting process through discussions with management, the external auditors and the internal auditors;
- reviewing with management and the external auditors, the annual audited financial statements to be included in the annual report of CN, including CNs MD&A disclosure and earnings press releases prior to their release, filing and distribution;
- reviewing with management and the external auditors, quarterly consolidated financial statements of CN and accompanying information, including CNs MD&A disclosure and earnings press releases prior to their release, filing and distribution, and reviewing the level and type of financial information provided, from time to time, to financial markets;
- reviewing the financial information contained in the annual information form and other reports or documents, financial or otherwise, requiring board approval;

- reviewing the procedures in place for the review of CNs disclosure of financial information extracted or derived from CNs financial statements and periodically assessing the adequacy of those procedures;
- reviewing with the external auditors and management, the quality, appropriateness and disclosure of CNs accounting principles and policies, underlying assumptions and reporting practices, and any proposed changes thereto;
- reviewing any analysis or other written communications prepared by management, the internal auditors or external auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effect of alternative generally accepted accounting principles methods;
- reviewing the external auditors report on the consolidated financial statements of CN and on the financial statements of CNs Pension Trust Funds;
- reviewing the external auditors quarterly review engagement report;
- reviewing the compliance of management certification of financial reports with applicable legislation;
- reviewing any litigation, claim or other contingency and any regulatory or accounting initiatives that could have a material effect upon the financial position or operating results of CN and the appropriateness of the disclosure thereof in the documents reviewed by the Committee;
- reviewing the results of the external audit, any significant problems encountered in performing the audit, and managements response and/or action plan related to any Management Letter issued by the external auditors and any significant recommendations contained therein.

B. Monitoring risk management and internal controls

- receiving periodically managements report assessing the adequacy and effectiveness of CNs disclosure controls and procedures and systems of internal control;
- reviewing CNs risk assessment and risk management policies, including CNs insurance coverage (annually and as otherwise may be appropriate);
- assisting the board with the oversight of CNs compliance with applicable legal and regulatory requirements;
- reviewing CNs delegation of financial authority;
- making recommendations with respect to the declaration of dividends;
- while ensuring confidentiality and anonymity, establishing procedures for the receipt, retention and treatment of complaints received by CN regarding accounting, internal accounting controls or auditing matters or employee concerns regarding accounting or auditing matters;
- requesting the performance of any specific audit, as required.

C. Monitoring internal auditors

- ensuring that the chief internal auditor reports directly to the Audit Committee;
- regularly monitoring the internal audit function□s performance, its responsibilities, staffing, budget and the compensation of its members;
- reviewing annually the internal audit plan;
- ensuring that the internal auditors are accountable to the Audit Committee and to the board.

D. Monitoring external auditors

- recommending to the board and CN□s shareholders the retention and, if appropriate, the removal of external auditors, evaluating and remunerating them, and monitoring their qualifications, performance and independence;
- approving and overseeing the disclosure of all audit, review and attest 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 to CN or any of its subsidiaries, in accordance with applicable laws and regulations;
- reviewing recommendations to shareholders on the continued engagement or replacement of external auditors, for CN and CN□s Pension Trust Funds;
- ensuring that the external auditors are accountable to the Audit Committee and to the board;
- discussing with the external auditors the quality and not just the acceptability of CN□s accounting principles, including (i) all critical accounting policies and practices used, (ii) any alternative treatments of financial information that have been discussed with management, the ramification of their use and the treatment preferred by the external auditors, as well as (iii) any other material written communications between CN and the external auditors (including a disagreement, if any, with management and any audit problems or difficulties and management□s response);
- reviewing at least annually, a report by the external auditors describing their internal quality-control procedures; any material issues raised by their most recent internal quality-control review of their firm, or peer review, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more audits carried out by them, to the extent available, and any steps taken to deal with any such issues;
- reviewing at least annually, the formal written statement from the external auditors stating all relationships the external auditors have with CN and confirming their independence, and holding discussions with the external auditors as to any relationship or services that may impact their objectivity or independence;
- reviewing hiring policies for employees or former employees of CN□s firm of external auditors;
- ensuring the rotation of lead, concurring and other audit partners, to the extent required by Canadian Corporate Governance Standards and U.S. Corporate Governance Standards.

E. <u>Evaluating the performance of the Audit Committee</u>

- ensuring that processes are in place to annually evaluate the performance of the Audit Committee.

In addition to the above responsibilities, the Audit Committee may discharge the responsibilities of the Finance Committee if no meeting of the Finance Committee is scheduled to be held in the immediate future.

Because of the Audit Committee's demanding role and responsibilities, the board chair, together with the Corporate Governance and Nominating Committee chair, reviews any invitation to Audit Committee members to join the audit committee of another entity. Where a member of the Audit Committee simultaneously serves on the audit committee of more than three public companies, including CN, the board determines whether such simultaneous service impairs the ability of such member to effectively serve on the Audit Committee and either requires a correction to the situation or discloses in CN's Information Circular that there is no such impairment.

As appropriate, 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. The board also provides appropriate funding for all administrative expenses necessary or appropriate to allow the Audit Committee to carry out its duties.

The Audit Committee has direct communication channels with the internal and external auditors to discuss and review specific issues, as appropriate. In addition, each must meet separately with the Audit Committee, without management, twice a year, and more frequently as required; the Audit Committee must also meet separately with management twice a year, and more frequently as required.

The Audit Committee shall report to the board regularly on its deliberations and annually on the adequacy of its mandate.

Nothing contained in the above mandate is intended to assign to the Audit Committee the board's responsibility to ensure CN's compliance with applicable laws or regulations or to expand applicable standards of liability under statutory or regulatory requirements for the directors or the members of the Audit Committee. Even though the Audit Committee has a specific mandate and its members may have financial experience and expertise, it is not the duty of the Audit Committee to plan or conduct audits, or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Such matters are the responsibility of management, the internal auditors and the external auditors.

Members of the Audit Committee are entitled to rely, absent knowledge to the contrary, on (i) the integrity of the persons and organizations from whom they receive information, (ii) the accuracy and completeness of the information provided, and (iii) representations made by management as to the non-audit services provided to the Company by the external auditors.

The Audit Committee's oversight responsibilities are not established to provide an independent basis to determine that (i) management has maintained appropriate accounting and financial reporting principles or appropriate internal controls and procedures, or (ii) the Company's financial statements have been prepared and, if applicable, audited in accordance with generally accepted accounting principles or generally accepted auditing standards.

SCHEDULE D

DIRECTOR INDEPENDENCE CRITERIA

CNs Articles of Continuance, as amended, provide that its board shall consist of a minimum of seven and a maximum of 21 directors.

The Corporate Governance and Nominating Committee regularly reviews with the board chair the size and composition of CNs Board and that of its committees to favour effective decision-making. The Corporate Governance and Nominating Committee also considers the geographical representation, business background, personal qualities and diversified experience of the board as a whole in the context of CNs evolving business environment. Finally, the Corporate Governance and Nominating Committee regularly monitors board membership to ensure that the board functions effectively, taking into consideration CNs circumstances and requirements.

Independent directors comprise a substantial majority of CNs board.

In determining whether or not a director is Independent, as that term is defined in the Canadian Corporate Governance Standards and the US Corporate Governance Standards, the board considers all material relationships that a director may have with CN. In addition, a director is not independent if:

(a) the director is, or has been within the last three years, an employee of CN, or an immediate family member of the director is, or has been within the last three years, an executive officer of CN;

(b) the director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than $CAD 75,000 in direct compensation from CN, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);

(c) (A) the director or an immediate family member of the director is a current partner of a firm that is CNs internal or external auditor; (B) the director is a current employee of such firm; (C) the director has an immediate family member who is a current employee of such firm and who participates in the firms audit, assurance or tax compliance (but not tax planning) practice; or (D) the director or an immediate family member was within the last three years (but is no longer) a partner or employee of such firm and personally worked on CNs audit within that time;

(d) the director or an immediate family member of the director is, or has been within the last three years, employed as an executive officer of another entity where any of CNs present executive officers at the same time serves or has served on that entitys compensation committee;

(e) the director is a current employee, or an immediate family member of the director is a current executive officer, of a company that has made payments to, or received payments from, CN for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of $US 1million, or 2% of such other companys consolidated gross revenues.

(f) the director is a current employee or an immediate family member of the director is a partner or executive officer of a firm that receives payments from CN for professional services in an amount which, in any of the last three fiscal years, exceeds 3% of the total annual billing of the firm.

(g) the director or an immediate family member of the director is an executive officer, director or trustee of a not-for-profit organization that has received charitable contributions from CN in an amount which, in any of the last three fiscal years, exceeds 1% of that organizations total annual charitable receipts (CNs contributions matching employee contributions being excluded from such calculation).

In its determination as to the independence of directors, the board may also consider mutual and reciprocal directorships of Board members.

In order to be considered Independent, a member of the Audit Committee must also qualify as such under the applicable Canadian Corporate Governance Standards and U.S. Corporate Governance Standards, and as such may not, other than in his or her capacity as a director or member of a board committee and subject to the exceptions provided in Canadian and U.S. laws and regulations, accept directly or indirectly any fee from CN or any subsidiary of CN nor be an affiliated person of CN or any subsidiary of CN. The board discloses annually which directors qualify as Independent.

Item 3

9th Floor, 100 University Avenue
Toronto, Ontario M5J 2Y1
www.computershare.com

MR SAM SAMPLE
123 SAMPLES STREET
SAMPLETOWN SS X9X 9X9

Security Class 123

Holder Account Number

C1234567890 X X X

Form of Proxy - Annual Meeting to be held on Friday, April 21, 2006

Notes to Proxy

1. **Every shareholder has the right to appoint some other person of their choice, who need not be a shareholder, to attend and act on their behalf at the meeting. If you wish to appoint a person other than the persons whose names are printed herein, please insert the name of your chosen proxyholder in the space provided (see reverse).**
2. If the securities are registered in the name of more than one owner (for example, joint ownership, trustees, executors, etc.), then all those registered should sign this proxy. If you are voting on behalf of a corporation or another individual you may be required to provide documentation evidencing your power to sign this proxy with signing capacity stated.
3. This form of proxy should be signed in the exact manner as the name appears on the proxy.
4. This form of proxy should be read in conjunction with the accompanying Notice of Annual Meeting of Shareholders and Information Circular.
5. If this form of proxy is not dated, it will be deemed to bear the date on which it is mailed by Management to the holder.
6. **The shares represented by this proxy will be voted as directed by the holder, however, if such a direction is not made in respect of any matter, this proxy will be voted "FOR" items 1 and 2 and in favour of management□s proposals generally.**

VOTE USING THE INTERNET 24 HOURS A DAY 7 DAYS A WEEK!

Voting by mail is the only method for holdings held in the name of a corporation or holdings being voted on behalf of another individual.
Instead of mailing this proxy, you may choose to vote using the Internet to vote this proxy.

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To Receive Documents Electronically - You can enrol to receive future securityholder communications electronically after you vote using the Internet. If you don't vote online, you can still enrol for this service. Follow the instructions below.

- Go to the following web site: www.computershare.com/proxy
- Proxy Instructions must be received by 5:00 pm, (Montréal time), April 20, 2006.

- You can enroll to receive future securityholder communications electronically, by visiting www.computershare.com - click "Enroll for e-delivery" under the Shareholder Services menu.

To vote by the Internet, you will need to provide your HOLDER ACCOUNT NUMBER and ACCESS NUMBER listed below.

HOLDER ACCOUNT NUMBER C1234567890 ACCESS NUMBER 12345

If you vote by Internet, DO NOT mail back this PROXY.

Proxies submitted must be received by 5:00 pm, (Montréal time), on **APRIL 20, 2006**

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+ MR SAM SAMPLE C1234567890 +

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This Form of Proxy is solicited by and on behalf of Management.

Appointment of Proxyholder

I/We being holder(s) of Common Shares of Canadian National Railway Company hereby appoint: David G.A. McLean, or failing him, E. Hunter Harrison

OR

Print the name of the person you are appointing if this person is someone other than the Chairman of the Board or the President and Chief Executive Officer of the Company.

as my/our proxyholder with full power of substitution and to vote in accordance with the following direction (or, in the case of amendments and new points brought before the Meeting, as the proxyholder sees fit) at the Annual Meeting of Shareholders of Canadian National Railway Company to be held in the Venetian Room of The Peabody Memphis hotel, 149 Union Avenue, Memphis, Tennessee (U.S.A.), on Friday, April 21, 2006, at 9:00 am. (Memphis time), and at any adjournment thereof.

1. Election of Directors

	For Withhold		**For Withhold**		**For Withhold**
01. Michael R. Armellino		06. Ambassador Gordon D. Giffin		11. Robert H. Lee	
02. A. Charles Baillie		07. James K. Gray		12. Denis Losier	
03. Hugh J. Bolton		08. E. Hunter Harrison		13. The Hon. Edward C. Lumley	
04. Purdy Crawford		09. Edith E. Holiday		14. David G.A. McLean	
05. J.V. Raymond Cyr		10. V. Maureen Kempston Darkes		15. Robert Pace	

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2. Appointment of Auditors **For Withhold**

Appointment of KPMG LLP as Auditors

Authorized Signature(s) - Sign Here - This section <u>must</u> be completed for your instructions to be executed.

- - - Fold

I/We authorize you to act in accordance with my/our instructions set out above. I/We hereby revoke any proxy previously given with respect to the Meeting. **If no voting instructions are indicated above, this Proxy will be voted as recommended by Management (i.e. FOR the election of management's nominees as directors and FOR the appointment of KPMG LLP as Auditors).**

Signature(s)

Date

Quarterly reports

To reduce costs and help protect the environment, we will not send CN's quarterly reports, unless you tell us that you want to receive them by checking the box below. You will be required to complete this request on an annual basis

Please send me CN's quarterly reports
If you do not check the box above or do not return this form, we will assume that you do not want to receive CN's quarterly reports.

Annual report

By law, we must send you our annual financial statements and related management's discussion and analysis (MD&A), unless you tell us that you do not want to receive them by checking the box below.

Please do not send me CN's annual financial statements and MD&A
If you do not check the box above or do not return this form, we will assume that you want to receive CN's annual financial statements and MD&A.

You can also receive these documents electronically - see reverse for instructions to enrol for electronic delivery.

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Item 4

Certain information included in this Annual Report may be forward-looking statements within the meaning of United States and Canadian securities laws. Implicit in these statements is the assumption that the positive economic trends in North America and Asia will continue. This assumption, although considered reasonable by the Company at the time of preparation, may not materialize. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors which may cause the outlook, actual results or performance of the Company or the rail industry to be materially different from any future results or performance implied by such statements. Such factors include the specific risks set forth in Management's Discussion and Analysis contained in this Annual Report as well as other risks detailed from time to time in reports filed by the Company with securities regulators in Canada and the United States.

It's been a great run. As the first true scheduled railroad with a string of other industry-leading initiatives innovative service improvements, interline routing protocols, unique labor agreements and more CN has proven in its first decade as a public company that unconventional thinking and relentless focus on execution can bring unprecedented performance. We now intend to prove something else: We really have only begun to leverage the innovative model we have created.

Contents

Except where otherwise indicated, all financial information reflected in this document is expressed in Canadian dollars and determined on the basis of United States generally accepted accounting principles (U.S. GAAP).

A GREAT RUN: CN 1995–2005

Operating ratio improvement of more than 25 points

25

89.0%

from 89.0%* to 63.8%

63.8%

** Adjusted to exclude items affecting the comparability of the results of operations. See page 101 of this report for a reconciliation of this non-GAAP measure.*

A GREAT RUN: CN 1995–2005

Diluted earnings per share growth rate of 21%*

21%

** Compound annual growth rate*

$0.85

from $0.85* to $5.54

$5.54

** Adjusted to exclude items affecting the comparability of the results of operations. See page 101 of this report for a reconciliation of this non-GAAP measure.*

A GREAT RUN: CN 1995–2005

Market capitalization up more than 12-fold

12x

$2B

from $2 billion to $25 billion

$25B

A GREAT RUN: CN 1995–2005

From negative free cash flow* to more than $1 billion

***** See page 101 of this report for a reconciliation of this non-GAAP measure.***

* See page 101 of this report for a reconciliation of this non-GAAP measure.

-$118M

from -$118 million to $1.3 billion

$1.3B

A GREAT RUN: CN 1995–2005

9
Nine* consecutive dividend increases

* In January 2006, the Company announced its tenth consecutive dividend increase.

$0.27

from $0.27 to $1.00

$1.00

A message from
E. Hunter Harrison

Dear fellow shareholders: What a great run. The accomplishments and results that CN has been able to achieve in its first 10 years as a public company are nothing short of spectacular. Some of the things we have done are beyond anything I have seen in my 40 years in this business. While our culture is never to be satisfied, theres a certain amount of pride among all of us at CN. Because it has been anything but easy.

I first came aboard CN back in 1998 with the CN-IC merger. At that time, CEO Paul Tellier and his team had already established a very powerful track record of doing exactly what they said theyd do and they were surprising a lot of people. CN was the most improved railroad in North America, and driving rapid change had become an integral part of its culture. My role was to accelerate the pace of change and help take the company to the next level.

My focus then was on the same five principles we emphasize today: deliver great service, control your costs, use your assets well, dont get anybody hurt, and develop your people. Im a detail guy, and I pay a great deal of attention to the first four, but my emphasis is on the fifth principle, our people, because thats what drives everything else.

And as we entered a new period of rapid, profound change, people sometimes became emotional. I remember a meeting I had with the CN account manager for one of our largest customers. He was upset with some rightsizing and bureaucracy reductions we had made in our marketing group. He said, Youve taken away my analyst here, youve taken away my sales person there, youve taken away this, youve taken away that. And you expect me to still manage this account? This was the only account he managed. I got a little excited myself, and I might have raised my voice a little I said, Excuse me. Let me ask you a question. Exactly what is it that *you* do?

Long story short, that account manager became a believer. And we got one small step closer to the culture of precision and execution we were trying to build. Six months later, he was proud of how significantly the service he was able to offer his customer had improved.

Thats what inspires me: creating believers, one person at a time. The men and women of CN, more and more each day realizing that we are all railroaders, working hard at getting better at precision railroading every day. The passion and dedication of our people are what make me so confident that our great run is far from over.

Another year of excellent performance CN delivered another solid year of financial performance in 2005. Volumes, in revenue ton miles, grew by 3 per cent year-over-year. Total revenues reached $7,240 million for the

Financial summary

$ in millions, except per share data, or unless otherwise indicated	**2005**	2004[1]	2003[2]
Financial results			
Revenues	**$ 7,240**	$ 6,548	$ 5,884
Operating income	**2,624**	2,168	1,777
Net income	**1,556**	1,258	1,014
Diluted earnings per share	**5.54**	4.34	3.49
Dividend per share	**1.00**	0.78	0.67
Net capital expenditures	**1,180**	1,072	1,043
Financial position			
Total assets	**22,188**	22,365	20,337
Long-term debt, including current portion	**5,085**	5,164	4,658
Shareholders equity	**9,249**	9,284	8,432
Financial ratios *(%)*			
Operating ratio	**63.8**	66.9	69.8
Debt-to-total capitalization	**35.5**	35.7	35.6

(1) 2004 includes GLT and BC Rail from May 10, 2004 and July 14, 2004, respectively.
(2) The Companys financial results include items affecting the comparability of the results of operations as discussed in the Companys Managements Discussion and Analysis (MD&A) on page 53.

(1) Includes GLT and BC Rail from May 10, 2004 and July 14, 2004, respectively.
(2) 2003 adjusted to exclude items affecting the comparability of the results of operations. See discussion and reconciliation of this non-GAAP adjusted performance measure in the Companys MD&A on page 53.

We're going to focus on improving the execution of our model, and continue our search for new areas to achieve breakthrough results.

year, an 11 per cent increase over the $6,548 million we reported for 2004. When you exclude the negative translation impact of the stronger Canadian dollar on our U.S. dollar-denominated revenues approximately $260 million for the year CN revenues grew 15 per cent. At $5.54, diluted earnings per share increased by 28 per cent in 2005, compared with $4.34 in 2004.

We established a new record operating ratio for the year at 63.8 per cent, taking another 3.1 points off our previous record of 66.9 per cent set in 2004. This performance was made possible by our continued focus on financial and operating discipline.

We also continued to deliver extraordinary free cash flow growth, generating $1,301 million in 2005, compared with $1,025 million in 2004.* Strong free cash flow provides us maximum flexibility in our efforts to deliver long-term growth and pursue investment opportunities. It also allows us to further reward our shareholders: In July of 2005, CN announced its intention to repurchase up to 16 million shares of stock in the ensuing 12 months. This followed the successful completion of a 14 million-share buyback program announced in October 2004. In addition, the Board approved CN's tenth consecutive dividend increase in January 2006.

A look at operating measures is equally encouraging. Across our network, we delivered solid on-time performance in 2005 with a tight window of compliance, closing in on 90 per cent for all carload business. On a comparable year-over-year basis (excluding GLT and BC Rail), average car velocity the number of miles traveled per day from origin to destination increased by close to 9 per cent, while locomotive fleet productivity in gross ton miles per horsepower increased by 5 per cent. Our product and service quality have never been better, and we intend to continue our efforts to improve.

A sobering reminder The year 2005 would be an unmitigated success for our company and our unique precision railroading approach if not for a number of accidents that humbled us and reminded us of the risks of this business, including a derailment and spill in western Canada, and accidents in Mississippi and Alberta that cost five CN employees their lives.

The derailment at Alberta's Wabamun Lake in early August caused environmental damage. We moved quickly after the incident to work with public authorities and local residents and to begin a comprehensive process to contain and remediate the environmental impact of the spill.

We also experienced a derailment in the Squamish area, which resulted in the release of caustic soda into the Cheakamus River. Although the chemical was

** See page 57 of this report for a reconciliation of this non-GAAP measure.*

diluted and effectively neutralized within 24 hours, harm was done to the fish population. We are continuing to work with the regulatory agencies and local stakeholders to remediate the current and long-term effects of the spill. Part of this work includes a $1.25 million fish re-stocking program with the Pacific Salmon Foundation.

But what hurt most were accidents involving four fatalities in Mississippi and one in Alberta in 2005. I knew most of the men who died. They were good people with families, experienced railroaders who loved their jobs. Due to the nature and severity of the Mississippi accident, we will likely never know exactly what caused it. The loss of life we sustained in 2005 will remain with me for a long, long time.

Over the years, CN has consistently been one of the safest railroads in North America. Safety has always been a top priority at CN and we continue to invest considerable resources in safety, technology and employee education throughout our company. In the wake of the unfortunate events of 2005, and although the cause of the derailments remains under investigation, we have implemented a number of specific initiatives to further enhance our efforts to reduce the incidence and mitigate the impact of derailments, including: increased rail testing, installation of additional Wheel Impact Load Detectors, more extensive locomotive engineer training and efficiency testing, auditing of track inspections and computerized track inspection logs. We've also taken steps to enhance CN's emergency response plan including a more comprehensive community communications plan.

However good a railroad's accident or injury frequency ratio may be, 2005 was a painful reminder that even one accident can be devastating because of the potential impact on human life. We're more determined than ever to excel in this critical aspect of railroading.

Getting to the next level One of the hallmarks of the CN culture is our focus on continuous improvement and innovation. Across our entire business, we are always looking for ways to move performance to the next level – we have done this throughout our 10 years as a public company. Our scheduled service model is a first in the history of railroading. And the list goes on…Our historic hourly labor agreements. Our innovative Intermodal Excellence (IMX) and Carload Excellence (CX) products. Our first-of-its-kind customer service department. Our leadership in establishing routing protocols with the four major U.S. Class I rail carriers.

We are continuing to lead in the use of technology to manage our network. A few years ago, we developed TOPC (Train Operations Planning and Control), a

We expanded our unique "Hunter Camps" program, conducting 12 sessions across the company in 2005.

proprietary system that enables management to see, in real time, every train throughout the network and its trip-plan status. We also designed DataCity, a computer scorecard updated at the end of every day — and you can be sure it appears on my screen every morning — that tracks key performance measurements such as on-time performance overall or by train, average cost per train, bad order per car ratio, key crew information and more.

The latest technology tool with breakthrough potential is SmartYard, which uses embedded, best-practice-based rules and logic to dramatically enhance CN yardmasters' and terminal operators' ability to manage the complexity of yard operations. The two modules, Workload Planner and SmartAnalyst, are in use on a pilot-project basis at our MacMillan Yard. We expect to integrate the two modules into a single platform and migrate this to other CN hump yards throughout 2006.

It's still about people Technology is important, and I believe ours leads the industry, but the systems I described are just tools. The real drivers of future success are the passion, skills and dedication of our people. But what separates companies is not what they say about the importance of people — it's what they do to develop them. At CN, we have been focused for years on developing a culture of difference-makers through a number of innovative programs. Our "Railroad MBA" executive training program is still going strong. And we have expanded our "Hunter Camps," in which I spend three days with small groups of employees to talk about how we work and why.

You see, what many people fail to recognize is the fact that our unique precision railroading model is still in its infancy. We are going to get better and better at this. We are still in a learning curve. There are a lot of things that we haven't yet thought of. We are going to continue to focus intensely on discovering those things.

Every year I say it, and every year everyone at CN works very hard to prove me right: It's been a great run, and I believe it is nowhere near over.

Sincerely,

E. Hunter Harrison
President and Chief Executive Officer

We see a great
future ahead.

CN’s precision railroading model, combined with the passion of its people, is a powerful engine for growth. We’re looking at every possible way to become better railroaders and working to improve the quality of our service. We’re going to seek growth in the same way we have up to this point: by providing shippers a transportation product that keeps getting better, faster, more efficient and more reliable.

Investing to support future growth

Improving our infrastructure for enhanced network velocity, reliability and cost efficiency.

“Longer sidings mean fewer train starts, reduced dispatching, maintenance and crew costs, and increased network velocity — and we’ll accomplish this by reusing existing assets. After completion in western Canada, we’ll expand the program to our network in the east.”

Peter Marshall,
CN Senior Vice-President,
Western Canada Region

An increasing flow of multi-commodity steamship traffic to and from Asia; a beetle-kill in British Columbia that is expected to generate a surge in forest product production; the oil sands project in Alberta; the migration of Quebec paper from truck to rail; the resurgence of coal and iron ore; the rebuilding of New Orleans and the Gulf Coast — we see numerous growth opportunities on the horizon for CN’s unique franchise.

Throughout 2005, and in 2006 and beyond, CN invested and will continue to invest in its physical plant to support profitable growth. We increased reliability and fuel efficiency with the continued acquisition of new locomotives. We began the process of developing a more versatile car fleet, reducing the number of specialized cars in favor of more generic ones that are able to serve a wider range of customers. In western Canada, we are moving and combining obsolete short sidings, reusing rail, ties, switches and other materials to create better-placed, longer sidings at the lowest possible cost.

With transatlantic and transpacific shipping traffic continuing to rise, international carriers such as Evergreen and their customers benefit from CNs continuously improving reliability and network capacity. Shown are *Thomas Chen*, President, Evergreen America Corporation (right) and *JC Chartrand*, CN Account Manager, reviewing a trip plan.

SmartYard:
the future of rail yard management

A powerful tool to reduce dwell time, support schedule integrity and improve yard productivity.

SmartYard takes input from multiple CN systems, combines the data, and models the optimal sequence for cars in yard inventory continuously adjusting to the variables and constantly changing conditions of a busy rail network.

Keith Creel,
CN Senior Vice-President, Eastern Canada Region

Anyone familiar with railroading knows that managing a rail yard is a highly complex and challenging task. Especially in larger classification yards, constantly shifting traffic conditions make it extremely difficult to coordinate the jobs of multiple departments transportation, engineering, mechanical, motive power while assembling and clearing trains within the demanding schedules of precision railroading.

To drive breakthrough improvements in rail yard efficiency, CN has developed SmartYard, a computer program that makes decision-making easier and more effective in a highly dynamic, live environment. SmartYard consists of two modules: Workload Planner, which creates, communicates and continuously updates the car processing plan for all users; and SmartAnalyst, which identifies and analyzes every possible combination and outcome for sequencing cars. SmartYard is being implemented on a pilot-project basis at CNs MacMillan Yard; the plan is to expand it to other CN yards starting in mid-2006. Once this is under way, the next element of SmartYard will be Dynamic Track Assignment, which is designed to optimize classification-track capacity in sync with Workload Planner and SmartAnalyst.

With our ongoing efforts to perfect and implement SmartYard across the CN system, we expect to improve transit times and reliability for our customers. *Fausto Santos*, Traffic Coordinator at CN's MacMillan Yard, is already experiencing how SmartYard simplifies management of a very complex function.

The best-route focus of the routing protocol agreements between CN and all four U.S. Class I carriers is proving to be a boon for customers like containerboard producer Norampac. *Jim Quart*, General Manager, Transportation of Norampac, Inc., reviews routing options with *Suzanne Dales*, CN Account Manager.

IMX, CX and the routing protocols: making innovation work.

The Routing Precision module of CNs proprietary DataCity technology enabled us to ensure compliance with the new routing protocols its one thing to get the agreement, quite another to get it fully implemented. We are now more than 98 per cent there.

François Hébert,
CN Vice-President,
Network Strategies

Intermodal Excellence (IMX), CNs application of the discipline of scheduled railroading to manage the complexity of intermodal trans- portation, continues to deliver highly competitive transit time and reliability for customers. The key to growing intermodal through IMX resides in further improving velocity, expanding U.S. gateways with other carriers, port expansions such as Prince Rupert and, in IMXtra, the addition of storage capacity at CN terminals to provide shippers with additional flexibility in managing container pick-up and drop-off.

Carload Excellence (CX) is the innovative use of IMX techniques to further improve carload performance. CNs DataCity technology provides key carload information on a daily basis, from average cost and on-time performance to bad-order cars. Another critical element of CX success resides in the routing protocol agreements completed in 2004 and 2005 between CN and the four major U.S. Class I carriers, in which the shortest routes and best gateways are selected for CN traffic interchange with U.S. carriers. Routing protocols also enable instant Web-based interline pricing, a feature that enhances rails competitiveness with truck transportation.

Prince Rupert, with its new container terminal planned for 2007, will provide much-needed port capacity to handle rapidly increasing international shipping traffic. Served exclusively by the CN network, the new terminal will be operated by Maher Terminals of Canada Corporation, one of the world's largest independent multi-user terminal operators.

A new gateway for growth for CN's intermodal, coal, grain and other backhaul businesses.

"In my travels to China, I found that Prince Rupert already is on the minds of people making decisions about the sourcing and routing of natural resources imports. Our north line to Rupert could be huge not only for CN intermodal but also for our bulk and merchandise businesses."

Jean-Jacques Ruest,
CN Vice-President, Marketing

British Columbia's Prince Rupert is 30 hours closer to Asia than any other North American port. It is the west coast's deepest port, able to easily accommodate the world's largest ocean vessels. It is less congested than other ports and is ice-free all year. The port is served exclusively by a high-quality, high-capacity but underutilized CN rail line that provides excellent access to Toronto, Chicago and other key North American gateways. And in 2005, CN, the Prince Rupert Port Authority and a major container terminal operator announced plans to open a new, state-of-the-art container terminal in 2007.

For CN, Prince Rupert is more than an intermodal opportunity. We already have a coal terminal and grain elevator there, both of which can handle significant additional volumes with very little capital investment. And we are planning a facility to put specialty grains into containers, as well as a multi-commodity facility to handle lumber, pulp and other products – all to maximize backhaul opportunities for CN and the steamship lines that call at Prince Rupert.

CN at a glance

CN derives revenue from a balanced mix of goods moving over a network of approximately 19,200 route miles of track spanning North America. CN is the only rail network on the continent to connect three coasts — the Pacific, the Atlantic and the Gulf of Mexico.

Statistical Summary

	2005	2004(1)	2003
Route miles *(includes Canada and the U.S.)*	**19,221**	19,304	17,544
Carloads *(thousands)*	**4,841**	4,578	4,100