CANADIAN NATIONAL RAILWAY CO
Form 6-K
March 22, 2013

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, 2013

Commission File Number: 001-02413

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

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

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

Form 20-F Form 40-F 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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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 22, 2013

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

Item 1

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

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

THE FAIRMONT HOTEL MACDONALD
EMPIRE BALLROOM
10065 100TH STREET
EDMONTON, ALBERTA, CANADA

on Tuesday, April 23, 2013, at 9:30 a.m. (Mountain Daylight Time) for the purposes of:

1. receiving the consolidated financial statements for the year ended December 31, 2012, and the auditors' reports thereon;

2. electing the directors;

3. appointing the auditors;

4. considering and approving, in an advisory, non-binding capacity, a resolution (the full text of which is set out on page 6 of the accompanying management information circular) accepting the Company's approach to executive compensation as disclosed in the Statement of Executive Compensation section of the accompanying management information circular; and

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

The directors have fixed March 6, 2013 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

(Signed) Sean Finn
Sean Finn
EXECUTIVE VICE-PRESIDENT
CORPORATE SERVICES AND CHIEF LEGAL OFFICER
AND CORPORATE SECRETARY

March 12, 2013
Montréal, Quebec

Item 2

MANAGEMENT INFORMATION CIRCULAR AND NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

APRIL 23, 2013

March 12, 2013

Dear Shareholder:

On behalf of the Board of Directors and Management of Canadian National Railway Company (the “Company”), we cordially invite you to attend the annual meeting of shareholders that will be held this year at the Fairmont Hotel Macdonald, Empire Ballroom, 10065 100th Street, Edmonton, Alberta (Canada), on Tuesday, April 23, 2013, at 9:30 a.m. (Mountain Daylight Time).

This Information Circular describes the business to be conducted at the meeting and provides information on executive compensation and CN’s governance practices. In addition to these items, we will discuss at the meeting highlights of our 2012 performance and our plans for the future. You will have the opportunity to meet and interact with your directors and the senior officers of the Company.

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

If your shares are not registered in your name but are held in the name of a nominee, you may wish to consult the information on page 5 of the Information Circular with respect to how to vote your shares.

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

We look forward to seeing you at the meeting.

Sincerely,

(Signed) David G.A. McLean	(Signed) Claude Mongeau
David G.A. McLean CHAIRMAN OF THE BOARD	Claude Mongeau PRESIDENT AND CHIEF EXECUTIVE OFFICER

INFORMATION CIRCULAR

This management 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 its shareholders or at any adjournment or postponement thereof (the “Meeting”). In this document “you” and “your” refer to the shareholders of, and “CN”, the “Company” or “we”, “us”, “our” refer to, Canadian National Railway Company. The Meeting will be held on Tuesday, April 23, 2013, at 9:30 a.m. (Mountain Daylight Time) for the purposes set forth in the foregoing Notice of Meeting. The information contained herein is given as at February 28, 2013, except as indicated otherwise.

IMPORTANT— If you are not able to attend the Meeting, please exercise your right to vote by signing the enclosed form of proxy or voting instruction form and, in the case of registered shareholders and holders of Employee Shares (as such term is defined in this Information Circular) by returning it to Computershare Trust Company of Canada in the enclosed envelope, or by voting over the Internet no later than 5:00 p.m. (Eastern Daylight Time) on April 22, 2013, or, if the Meeting is adjourned or postponed, by no later than 5:00 p.m. (Eastern Daylight Time) on the business day prior to the day fixed for the adjourned or postponed meeting. If you are a non-registered shareholder, reference is made to the section entitled “How do I vote if I am a non-registered shareholder?” on page 5 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 6, 2013 (the "record date"), will be entitled to vote at the Meeting or at any adjournment or postponement thereof, either in person or by proxy.

As of the close of business on February 28, 2013, the Company had outstanding 426,387,589 common shares without par value. Subject to the voting restrictions described below, each common share carries the right to one vote.

To the knowledge of the Directors and senior officers of the Company, based on the most recent publicly available information, the only person who beneficially owns, or exercises control or direction over, directly or indirectly, shares carrying 10% or more of the voting rights attached to any class of shares of the Company is Mr. William H. Gates, III. Mr. Gates is the sole member of Cascade Investment, L.L.C. ("Cascade"). Cascade held 43,162,437 common shares of the Company as of February 28, 2013, representing 10.12% of the outstanding common shares of the Company. In addition, Mr. Gates is a co-trustee of the Bill & Melinda Gates Foundation Trust, which held 8,563,437 common shares of the Company as of February 28, 2013, representing 2.01% of the outstanding common shares of the Company. Hence, as of February 28, 2013, Mr. Gates is deemed to have control or direction over 51,725,874 common shares, representing 12.13% of the outstanding common shares of the Company.

WHAT WILL I BE VOTING ON?

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

HOW WILL THESE MATTERS BE DECIDED AT THE MEETING?

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

WHO IS SOLICITING MY PROXY?

Management of the Company is soliciting your proxy. The solicitation is being made primarily by mail, but our directors, officers or employees may also solicit proxies at a nominal cost to the Company. The Company has retained and will pay for the services of Georgeson Shareholder Communications Canada Inc., for the solicitation of proxies in Canada and the United States, at an aggregate cost estimated to be C$30,000 plus additional costs relating to out-of-pocket expenses.

WHO CAN I CALL WITH QUESTIONS?

If you have questions about the information contained in this Information Circular or require assistance in completing your form of proxy, please call Georgeson Shareholder Communications Canada Inc., the Company's proxy solicitation agent, toll-free at 1-866-656-4118 or by e-mail at askus@georgeson.com.

HOW CAN I CONTACT THE TRANSFER AGENT?

You can contact the transfer agent either by mail at Computershare Trust Company of Canada, 100 University Ave., 9th Floor, Toronto (Ontario) M5J 2Y1, by telephone at 1-800-564-6253, by fax at 1-888-453-0330 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.

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 currently named as proxies in such form of proxy are the Board Chair and the President and Chief Executive Officer of the Company. However, you have the right to appoint any other person or company (who need not be a shareholder) to attend and act on your behalf at the Meeting. That right may be exercised by writing the name of such person or company in the blank space provided in the form of proxy or by completing another proper form of proxy. Make sure that the person you appoint is aware that he or she is appointed and attends the Meeting.

•How can I send my form of proxy?

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

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

The deadline for receiving duly completed forms of proxy or a vote over the Internet is 5:00 p.m. (Eastern Daylight Time) on April 22, 2013, or if the Meeting is adjourned or postponed, by no later than 5:00 p.m. (Eastern Daylight Time) on the business day prior to the day fixed for the adjourned or postponed meeting.

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

Your common shares will be voted or withheld from voting in accordance with your instructions indicated on the proxy. If no instructions are indicated, your common shares represented by proxies in favour of the Board Chair or the President and Chief Executive Officer will be voted as follows:
FOR the election of Management's nominees as directors,
FOR the appointment of KPMG LLP as auditors,
FOR, in an advisory, non-binding capacity, the approach to executive compensation disclosed in the Statement of Executive Compensation section of this Information Circular,

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

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

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

2. VOTING IN PERSON

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

HOW DO I VOTE IF I AM A NON-REGISTERED SHAREHOLDER?

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

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

HOW DO I VOTE IF I OWN EMPLOYEE SHARES?

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

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

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

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

BUSINESS OF THE MEETING

FINANCIAL STATEMENTS

Our consolidated financial statements for the year ended December 31, 2012, together with the auditors' reports thereon, are included in the 2012 Annual Report of the Company, available on our website at www.cn.ca, on SEDAR at www.sedar.com, in the Company's annual report on Form 40-F available on EDGAR at www.sec.gov, and in print, free of charge, to any shareholder who requests copies by contacting our Corporate Secretary at (514) 399-7091 or Investor Relations at (514) 399-0052.

ELECTION OF DIRECTORS

Our articles of incorporation, as amended, provide that our Board of Directors shall consist of a minimum of seven and a maximum of 21 directors (hereinafter the "Board" or "Board of Directors"). Pursuant to a resolution of the Board of Directors, 13 persons are to be elected as directors for the current year, each to hold office until the next annual meeting of shareholders or until such person's successor is elected or appointed.

The term of office of each of the present directors expires at the close of the Meeting. The persons named in the section entitled "Nominees for Election to the Board—Description of Nominees" will be presented for election at the Meeting as Management's nominees. All of the nominees proposed for election as directors are currently directors of the Company. All persons nominated were recommended to the Board of Directors by the Corporate Governance and Nominating Committee. Unless authority is withheld, the persons designated in the accompanying form of proxy or voting instruction form intend to vote FOR the election of 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 and have confirmed their willingness to serve as directors. The Board of Directors and Management do not contemplate that any of these nominees will be unable to serve as a director, but should that occur for any reason before the Meeting, the persons designated in the accompanying form of proxy or voting instruction form reserve the right to vote for another nominee at their discretion unless the shareholder who has given such proxy or voting instruction form has directed that the common shares be withheld from voting on the election of any of the directors.

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

ADVISORY VOTE ON EXECUTIVE COMPENSATION

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

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

"RESOLVED that, on an advisory basis and not to diminish the role and responsibilities of the Board of Directors, the shareholders accept the approach to executive compensation disclosed in the section entitled "Statement of Executive Compensation" of the Information Circular of the Company dated March 12, 2013."

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

NOMINEES FOR ELECTION TO THE BOARD

DESCRIPTION OF NOMINEES

The following tables set out information as of February 28, 2013, unless otherwise indicated, regarding the nominees for election as directors. All nominees are current directors of the Company.

MICHAEL R. ARMELLINO, CFA
Age: 73 (1)
Long Beach Island, New Jersey, U.S.A.
Director since: May 7, 1996
Independent

Mr. Armellino, a chartered financial analyst, is a Retired Partner from 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 a Trustee and member of the Executive Committee of the Peddie School, a Trustee of the Hackensack University Medical Center Foundation and Founder and senior advisor of the Bergen Volunteer Medical Initiative, a privately funded organization providing free health care for those without healthcare in Bergen County, New Jersey. Mr. Armellino is also a director of Armanta Corp., a private computer software company.

Mr. Armellino holds a B.S. in Economics from the Wharton School (University of Pennsylvania) and an MBA in finance from the Stern School of Business (New York University), New York.

SECURITIES HELD	
COMMON SHARES OWNED OR CONTROLLED (2)	
Value at Risk	C$12,322,710 (3)
February 2013	117,826
February 2012	115,965

MEMBER OF	ATTENDANCE	OTHER PUBLIC BOARDS DURING PAST 5 YEARS
Board	100%	N/A
Corporate Governance & Nominating Committee (Chair) (8)	100%	
Environment, Safety & Security Committee	100%	
Finance Committee	100%	
Human Resources & Compensation Committee	100%	

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

A. CHARLES BAILLIE, O.C., LL.D.
Age: 73 (1)
Toronto, Ontario, Canada
Director since: April 15, 2003
Independent

Mr. Baillie retired as chair of The Toronto-Dominion Bank in April 2003, and as Chief Executive Officer in December 2002 after a career at the bank that spanned five decades. Mr. Baillie is chair of the board of directors of Alberta Investment Management Corporation (AIMCo) and is also a director of George Weston Limited and TELUS Corporation.

Mr. Baillie is a past chairman of the Canadian Council of Chief Executives and Chancellor Emeritus of Queen's University. He has been heavily involved in the arts for many years and is currently Honorary Chair of the Art Gallery of Ontario. He is president of Authors at Harbourfront and on the national board of directors of the Royal Conservatory of Music and Luminato and on the Advisory Council of Canada's History Society. He was appointed an Officer of the Order of Canada in 2006 and inducted into the Canadian Business Hall of Fame in 2008. Mr. Baillie holds an Honorary Doctorate from Queen's University, and is a Fellow of the Institute of Canadian Bankers and of the Royal Conservatory of Music.

Mr. Baillie holds an Honours B.A. in Political Science and Economics from the University of Toronto and an MBA from Harvard Business School.

SECURITIES HELD	
COMMON SHARES OWNED OR CONTROLLED (2)	
Value at Risk	C$16,610,484 (3)
February 2013	158,709 (6)
February 2012	155,443 (7)

MEMBER OF	ATTENDANCE	OTHER PUBLIC BOARDS DURING PAST 5 YEARS	
Board	100%	George Weston Limited	(2003-present)
Finance Committee (Chair)	100%	TELUS Corporation	(2003-present)
Corporate Governance & Nominating Committee	100%	Dana Corporation	(1998-2008)
Human Resources and Compensation Committee	100%		
Investment Committee of CN's Pension Trust Funds (5)	100%		

Strategic Planning Committee	100%

HUGH J. BOLTON, FCA
Age: 74 (1)
Edmonton, Alberta, Canada
Director since: April 15, 2003
Independent

Mr. Bolton is the chairman of the board of directors of EPCOR Utilities Inc. (energy and energy-related services provider, not publicly traded). From 2001 to 2010 he also served as chair of Matrikon Inc.

From 1992 to 1997, Mr. Bolton was chairman and Chief Executive Partner of Coopers & Lybrand Canada (now PricewaterhouseCoopers), capping a forty-year career with the firm. Mr. Bolton is also a director of Capital Power Corporation, Teck Resources Limited, TD Bank Financial Group and WestJet Airlines Ltd.

He was inducted as a fellow of the Institute of Corporate Directors in 2006 and is a recipient of the Lifetime Achievement Award from the Institute of Chartered Accountants of Alberta. He has previously served as a member of the Board of Governors of Junior Achievement of Canada and the Canadian Tax Foundation.

Mr. Bolton is a Chartered Accountant and holds a B.A. in economics from the University of Alberta.

SECURITIES HELD

COMMON SHARES OWNED OR CONTROLLED (2)

Value at Risk	C$5,205,474 (3)
February 2013	49,737 (6)
February 2012	47,833 (7)

MEMBER OF	ATTENDANCE	OTHER PUBLIC BOARDS DURING PAST 5 YEARS	
Board	100%	Capital Power Corporation	(2009-present)
Strategic Planning Committee (Chair) (9)	100%	WestJet Airlines Ltd.	(2005-present)
Audit Committee	100%	TD Bank Financial Group	(2003-present)
Environment Safety & Security Committee	100%	Teck Resources Limited	(2001-present)
Human Resources and Compensation Committee	100%	Matrikon Inc.	(2001-2010)
Investment Committee of CN's Pension Trust Funds (5)	100%		

DONALD J. CARTY, O.C., LL.D.
Age: 66 (1)

Mr. Carty retired as Chairman and CEO of AMR Corporation and American Airlines in 2003 after 30 years in the airline business where he previously served as

Dallas, Texas, U.S.A.
Director since: January 1, 2011
Independent

President and Executive Vice President of Finance & Planning of AMR Airline Group and American Airlines. He was President and CEO of CP Air from 1985 to 1987. Mr. Carty also served as Vice Chairman and Chief Financial Officer of Dell, Inc. from 2007 to 2008.

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

Mr. Carty is lead director of Barrick Gold Corporation and also serves on the boards of Dell, Inc., Gluskin Sheff & Associates Inc. and Talisman Energy Inc. He is Chairman of Virgin America Airlines Inc. and Porter Airlines, Inc.

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

SECURITIES HELD

COMMON SHARES OWNED OR CONTROLLED (2)

Value at Risk	C$1,812,126 (3)
February 2013	17,327 (6)
February 2012	5,073 (7)

MEMBER OF	ATTENDANCE	OTHER PUBLIC BOARDS DURING PAST 5 YEARS	
Board	100%	Talisman Energy Inc.	(2009-present)
Audit Committee	100%	Barrick Gold Corporation	(2006-present)
Corporate Governance and Nominating Committee	100%	Gluskin Sheff & Associates	(2006-present)
Finance Committee	100%	Dell, Inc.	(1992-present)
Strategic Planning Committee	100%	Hawaiian Holdings, Inc.	(2004-2011)

AMBASSADOR
GORDON D. GIFFIN
Age: 63 (1)
Atlanta, Georgia, U.S.A.
Director since: May 1, 2001
Independent

Mr. Giffin is Senior Partner of the law firm of McKenna Long & Aldridge, where he maintains offices in Washington, D.C. and Atlanta. His practice focuses on international transactions and trade matters and public policy. He has been engaged in the practice of law or government service for more than thirty years. Mr. Giffin was United States Ambassador to Canada from 1997 to 2001.

Mr. Giffin is a member of the Board of Trustees of the Jimmy Carter Presidential Center and the board of directors of the Canada-US Fulbright Program.

Mr. Giffin serves on the Board of Counsellors of McLarty Global. He is chairman of the board of Friends of the National Arts Centre.

Mr. Giffin is also chair of the board of TransAlta Corporation and a director of the Canadian Imperial Bank of Commerce, Canadian Natural Resources Limited and Just Energy Group Inc.

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

SECURITIES HELD	
COMMON SHARES OWNED OR CONTROLLED (2)	
Value at Risk	C$4,169,135 (3)
February 2013	39,864 (6)
February 2012	47,634 (7)

MEMBER OF	ATTENDANCE	OTHER PUBLIC BOARDS DURING PAST 5 YEARS	
Board	100%	Just Energy Group Inc.	(2006-present)
Donations and Sponsorships Committee (5)	100%	Canadian Natural Resources Limited	(2002-present)
Environment, Safety and Security Committee	100%	TransAlta Corporation	(2002-present)
Finance Committee	100%	Canadian Imperial Bank of Commerce	(2001-present)
Investment Committee of CN's Pension Trust Funds (5)	100%	AbitibiBowater Inc.	(2003-2009)
Strategic Planning Committee	100%		

EDITH E. HOLIDAY
Age: 61 (1)
Palm Beach County, Florida, U.S.A.
Director since: June 1, 2001
Independent

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

Mrs. Holiday is a director of H.J. Heinz Company, Hess Corporation, RTI International Metals, Inc. and White Mountains Insurance Group, Ltd. She is also a director or trustee of various investment companies of the Franklin Templeton Group of Funds.

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

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

SECURITIES HELD	
COMMON SHARES OWNED OR CONTROLLED (2)	
Value at Risk	C$4,954,665 (3)
February 2013	47,375 (6)
February 2012	45,350 (7)

MEMBER OF	ATTENDANCE	OTHER PUBLIC BOARDS DURING PAST 5 YEARS	
Board	100%	White Mountains Insurance Group, Ltd.	(2004-present)
Corporate Governance and Nominating Committee	100%	RTI International Metals, Inc.	(1999-present)
Finance Committee	100%	Franklin Templeton Group of Funds	
Human Resources and Compensation Committee	100%	(various companies)	(1996-present)
Investment Committee of CN's Pension Trust Funds (5)	100%	H.J. Heinz Company	(1994-present)
Strategic Planning Committee	100%	Hess Corporation	(1993-present)

V. MAUREEN KEMPSTON DARKES, O.C., D. COMM., LL.D.
Age: 64 (1)
Lauderdale-by-the-Sea, Florida, U.S.A.
Director since: March 29, 1995
Independent

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

She is an Officer of the Order of Canada, a member of the Order of Ontario and was ranked by Fortune magazine in 2009 as the 12th Most Powerful Woman in International Business and amongst the top 100 most powerful women in Canada in 2012. In 2006, she was the recipient of the Governor General of Canada's Persons Award and was inducted as a fellow of the Institute of Corporate Directors in 2011. She is also a director of the Bridgepoint Health Foundation.

Mrs. Kempston Darkes is also a director of Brookfield Asset Management Inc., Irving Oil Co. Ltd., Enbridge Inc. and Balfour Beatty Plc.

Mrs. Kempston Darkes holds a B.A. in history and political science from Victoria University in the University of Toronto and an LL.B. Law Degree from the University of Toronto Faculty of Law.

SECURITIES HELD	
COMMON SHARES OWNED OR CONTROLLED (2)	
Value at Risk	C$8,998,144 (3)
February 2013	85,975 (6)
February 2012	83,671 (7)

MEMBER OF	ATTENDANCE	OTHER PUBLIC BOARDS DURING PAST 5 YEARS	
Board	100%	Balfour Beatty Plc.	(2012-present)
Environment, Safety and Security Committee (Chair)	100%	Enbridge Inc.	(2010-present)
Audit Committee	100%	Brookfield Asset Management Inc.	(2008-present)
Human Resources and Compensation Committee	100%	Thomson Corporation	(1996-2008)
Investment Committee of CN's Pension Trust Funds (5)	100%		
Strategic Planning Committee	100%		

THE HON. DENIS LOSIER, P.C., LL.D., C.M.
Age: 60 (1)
Moncton, New Brunswick, Canada
Director since: October 25, 1994
Independent

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, including Minister of Fisheries and Aquaculture and Minister of Economic Development and Tourism.

Mr. Losier was co-chair of the University of Moncton's Excellence Campaign. In 2008, he was named a member of the Security Intelligence Review Committee of Canada, and, as such, became a member of the Privy Council. He is a member of the New Brunswick Business Council and a director of Canadian Blood Services, Enbridge Gas New Brunswick and Plazacorp Retail Properties Ltd. He also chairs the board of directors of Invest N.B. Mr. Losier was appointed a Member of the Order of Canada in 2011.

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

SECURITIES HELD	
COMMON SHARES OWNED OR CONTROLLED (2)	
Value at Risk	C$14,534,448 (3)
February 2013	138,873 (6)
February 2012	134,649 (7)

MEMBER OF	ATTENDANCE	OTHER PUBLIC BOARDS DURING PAST 5 YEARS	
Board	100%	Plazacorp Retail Properties Ltd.	(2007-present)
Audit Committee (Chair)	100%	NAV CANADA	(2004-2013)
Donations and Sponsorships Committee (5)	100%		
Environment, Safety and Security Committee	100%		
Human Resources and Compensation Committee	100%		
Strategic Planning Committee	100%		

THE HON. EDWARD C. LUMLEY,
P.C., LL.D.
Age: 73 (1)
South Lancaster, Ontario, Canada
Director since: July 4, 1996
Independent

Mr. Lumley has been Vice-Chairman of BMO Capital Markets (investment bank) and its predecessor companies since 1991. From 1986 to 1991, he served as chair of Noranda Manufacturing Group Inc.

Following a successful entrepreneurial career, Mr. Lumley was elected a Member of Parliament for Stormont-Dundas from 1974 to 1984, during which time he held various cabinet portfolios in the Government of Canada such as Industry, International Trade, Regional Economic Development, Communication and Science & Technology. During this period, he was responsible to Parliament for numerous Crown Corporations, Boards and Commissions. Mr. Lumley is Chancellor of the University of Windsor and a director of Bell Canada Enterprises and also a member of the Advisory Board of Mercedes Benz Canada.

Mr. Lumley graduated with a Bachelor of Commerce from the University of Windsor.

SECURITIES HELD	
COMMON SHARES OWNED OR CONTROLLED (2)	
Value at Risk	C$10,774,852 (3)
February 2013	102,951 (6)
February 2012	100,356 (7)

MEMBER OF	ATTENDANCE	OTHER PUBLIC BOARDS DURING PAST 5 YEARS	
Board	100%	BCE Inc.	(2003-present)
Investment Committee of CN's Pension Trust Funds (Chair) (5)	100%	Dollar Thrifty Automotive Group, Inc.	(1997-2012)
Corporate Governance and Nominating Committee	100%	Magna International Inc.	(1989-2008)
Finance Committee	100%		
Human Resources and Compensation Committee	100%		
Strategic Planning Committee	100%		

DAVID G.A. McLEAN,
O.B.C., LL.D.
Age: 74 (1)
Vancouver, British Columbia, Canada

Mr. McLean is Board Chair of the Company and chair of The McLean Group (real estate investment, film and television facilities, communications and aircraft charters).

Director since: August 31, 1994
Independent

He is a trustee of Wetlands America Trust, Inc., the U.S. foundation of Ducks Unlimited. He is on the advisory board of the Institute of Canadian Studies at the University of California at Berkeley and past chair of the board of governors of the University of British Columbia, the Vancouver Board of Trade and the Canadian Chamber of Commerce. He has recently been appointed vice-chair of the UBC/Vancouver Hospital Foundation.

Mr. McLean was inducted as a fellow of the Institute of Corporate Directors of Canada in 2006 and was appointed to the Order of British Columbia in 1999. He has been awarded an honorary degree from the following four institutions: the University of British Columbia, the University of Alberta, Simon Fraser University and Royal Roads University.

Mr. McLean holds a Bachelor of Arts and a Bachelor of Law from the University of Alberta.

SECURITIES HELD	
COMMON SHARES OWNED OR CONTROLLED (2)	
Value at Risk	C$20,649,313 (3)
February 2013	197,299 (6)
February 2012	196,137 (7)

MEMBER OF	ATTENDANCE	OTHER PUBLIC BOARDS DURING PAST 5 YEARS
Board (Chair)	100%	N/A
Corporate Governance and Nominating Committee	100%	
Donations and Sponsorships Committee (5)	100%	
Finance Committee	100%	
Human Resources and Compensation Committee	100%	
Investment Committee of CN's Pension Trust Funds(5)	100%	
Strategic Planning Committee	100%	

CLAUDE MONGEAU
Age: 51 (1)
Montréal, Quebec, Canada
Director since: October 20, 2009
Not Independent

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

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

Mr. Mongeau is also a director of SNC-Lavalin Group Inc.

Mr. Mongeau holds an MBA from McGill University, Montréal.

SECURITIES HELD			
COMMON SHARES OWNED OR CONTROLLED (2)		OPTIONS HELD (4)	
Value at Risk	C$24,131,666 (3)		
February 2013	230,572	February 2013	779,000
February 2012	225,782	February 2012	1,008,000

MEMBER OF	ATTENDANCE	OTHER PUBLIC BOARDS DURING PAST 5 YEARS	
Board	100%	SNC-Lavalin Group Inc.	(2003-present)
Donations and Sponsorships Committee (Chair) (5)	100%	Nortel Networks	(2006-2009)
Strategic Planning Committee	100%		

JAMES E. O'CONNOR
Age: 63 (1)
Fort Lauderdale, Florida, U.S.A.
Director since: April 27, 2011

Mr. O'Connor is the retired chair of the board of directors of Republic Services, Inc., a leading provider of non-hazardous solid waste collection, recycling and disposal services in the United States. From 1998 to 2011, Mr. O'Connor was chair and Chief Executive Officer of Republic Services, Inc. Prior to 1998, he had held various

Independent

management positions at Waste Management, Inc.

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

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

SECURITIES HELD	
COMMON SHARES OWNED OR CONTROLLED (2)	
Value at Risk	C$806,238 (3)
February 2013	7,709
February 2012	5,849

MEMBER OF	ATTENDANCE	OTHER PUBLIC BOARDS DURING PAST 5 YEARS	
Board	92%	Clean Energy Fuels Corp.	(2011-present)
Audit Committee	100%	Republic Services, Inc.	(1998-2011)
Environment, Safety & Security Committee	100%		
Finance Committee	100%		
Strategic Planning Committee	100%		

ROBERT PACE., D. COMM.
Age: 58 (1)
Glen Margaret, Nova Scotia, Canada
Director since: October 25, 1994
Independent

Mr. Pace is President and Chief Executive Officer, The Pace Group (radio broadcasting, real estate and environmental services).

Mr. Pace began his career as a lawyer in Halifax and worked as Atlantic Canada Advisor to the Prime Minister of Canada.

Mr. Pace is a director of High Liner Foods Incorporated and Hydro One Inc. He is also chairman of the Walter Gordon Foundation and former director of the Asia Pacific Foundation and the Atlantic Salmon Federation.

Mr. Pace holds an MBA and an LL.B from Dalhousie University in Halifax, Nova Scotia.

SECURITIES HELD	
COMMON SHARES OWNED OR CONTROLLED (2)	
Value at Risk	C$14,869,256 (3)
February 2013	142,072 (6)
February 2012	139,405 (7)

MEMBER OF	ATTENDANCE	OTHER PUBLIC BOARDS DURING PAST 5 YEARS	
Board	100%	Hydro One Inc.	(2007-present)
Human Resources and Compensation Committee (Chair)	100%	High Liner Foods Incorporated	(1998-present)
Audit Committee	100%	Overland Realty Limited	(2006-2010)
Corporate Governance and Nominating Committee	100%		
Investment Committee of CN's Pension Trust Funds (5)	100%		
Strategic Planning Committee	100%		

(1) The age of the directors is provided as at April 23, 2013, the date of the Meeting.
(2) The information regarding common shares beneficially owned, controlled or directed has been furnished by the respective nominees individually and includes Directors Restricted Share Units ("DRSUs") elected as compensation by directors, as well as Deferred Share Units ("DSUs") under the Company's Voluntary Incentive Deferral Plan ("VIDP") in the case of Claude Mongeau, but does not include common shares under options. The VIDP provides eligible senior management employees the opportunity to elect to receive their annual incentive bonus payment and other eligible incentive payments in DSUs payable in cash upon retirement or termination of employment. The number of DSUs received by each participant is established using the average closing price for the 20 trading days prior to and including the date of the incentive payment. For each participant, the Company will grant a further 25% (Company match) of the amount elected in DSUs, which will vest over a period of four years. The election to receive eligible incentive payments in DSUs is no longer available to a participant when the value of the participant's vested DSUs is sufficient to meet the Company's stock ownership guidelines. The value of each

participant's DSUs is payable in cash at the time of cessation of employment. For further details on the VIDP, please see the Deferred Compensation Plans section of this Information Circular.

(3)The Value at Risk represents the total value of common shares and DRSUs (or DSUs for Mr. Mongeau) which total value is based on the February 28, 2013 closing price of the common shares on the Toronto Stock Exchange (C$104.66) or the New York Stock Exchange (US$101.40) for Michael R. Armellino, Donald J. Carty, Ambassador Gordon D. Giffin, Edith E. Holiday and James E. O'Connor using the closing exchange rate (US$1 = C$1.0314) on the same date.

(4)The information regarding options comprises the options granted to Mr. Mongeau under the Management Long-Term Incentive Plan. For further details on the plan, please see "Statement of Executive Compensation—Management Long-Term Incentive Plan".

(5)The Donations and Sponsorships Committee and the Investment Committee of CN's Pension Trust Funds are mixed committees composed of both members of the Board of Directors as well as officers of the Company.

(6)Includes DRSUs as at February 28, 2013, in the following amounts: A. Charles Baillie: 56,609; Hugh J. Bolton: 44,711; Donald J. Carty: 7,327; Ambassador Gordon D. Giffin: 20,950; Edith E. Holiday: 11,517; V. Maureen Kempston Darkes: 25,280; The Hon. Denis Losier: 47,528; The Hon. Edward C. Lumley: 42,891; David G.A. McLean: 87,780; and Robert Pace: 47,831. Pursuant to the terms of the DRSUs, directors or their estates can only access their DRSUs upon retirement, resignation or death.

(7)Includes DRSUs as at February 29, 2012 in the following amounts: A. Charles Baillie: 53,343; Hugh J. Bolton: 43,935; Donald J. Carty: 5,073; Ambassador Gordon D. Giffin: 20,586; Edith E. Holiday: 9,492; V. Maureen Kempston Darkes: 24,841; The Hon. Denis Losier: 44,878; The Hon. Edward C. Lumley: 42,146; David G.A. McLean: 86,257; and Robert Pace: 47,001. Pursuant to the terms of the DRSUs, directors or their estates can only access their DRSUs upon retirement, resignation or death.

(8)Michael R. Armellino became Chair of the Corporate Governance and Nominating Committee on April 24, 2012.

(9)Hugh J. Bolton became Chair of the Strategic Planning Committee on April 24, 2012.

BOARD OF DIRECTORS COMPENSATION

The directors of the Company play a central role in enhancing shareholder value. As indicated under "Nominees for Election to the Board—Board of Directors Compensation—Share Ownership" on page 16, the directors have a substantial investment in the Company. In addition, approximately 66% of the total annual remuneration of the non-executive directors for 2012 was in the form of common shares or Directors Restricted Share Units ("DRSUs"). Subject to the Minimum Shareholding Requirement as defined on page 16 of this Information Circular, directors may elect to receive all or part of their director, committee member, Board Chair and Committee Chair cash retainers either in cash, common shares of the Company purchased on the open market or DRSUs. They may also elect to receive their common share grant retainer in DRSUs. Each DRSU entitles the beneficiary thereof to receive upon resignation, retirement or death, one common share of the Company purchased on the open market, plus additional DRSUs reflecting dividend equivalents.

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

After a review of best practices and director compensation trends, including those of other Class I Railroads, it was decided that beginning in 2011, the annual share grant portion of the Director and Board Chair retainers would no longer be comprised of a fixed number of shares and would be replaced with a common share grant valued at US$175,000 for directors, and a common share grant valued at US$350,000 for the Board Chair. This approach provides greater consistency in total director compensation while keeping the alignment with shareholders' interest. The change resulted in a year-over-year reduction of 21% in average total compensation for CN directors and 36% for the Board Chair when comparing 2011 to 2010 compensation. Committee member and Committee Chair retainers remained unchanged at US$3,500 for Committee Members and US$15,000 for Committee Chairs, except for the Chairs of the Audit and the Human Resources and Compensation Committees who received a Committee Chair retainer of US$25,000 for acting as Chair and members of such Committees. Committee Chairs no longer received a separate committee member retainer for the Committees they chair. Moreover, the Board Chair received no additional Director retainer, nor Committee Chair or Committee Member retainers. All other aspects of director compensation remain unchanged from prior years: Directors receive a cash retainer amount of US$15,000 and US$120,000 for the Board Chair. Directors and the Board Chair also received Board Meeting, Committee Meeting and Travel Attendance fees of US$1,500.

The compensation structure and level for CN's directors was recommended by the Corporate Governance and Nominating Committee and approved by the Board in 2012, and is reviewed annually. In consideration for serving on the Board of Directors in 2012, CN's directors were compensated as indicated in the table below:

TYPE OF FEE	AMOUNT
Board Chair Cash Retainer(1)	US$120,000 (2)
Board Chair Share Grant Retainer	US$350,000 (2)
Director Cash Retainer(3)	US$15,000 (2)
Director Share Grant Retainer	US$175,000 (2)
Committee Chair Retainers	
Audit and Human Resources and Compensation Committees	US$25,000 (2)
Other Committees	US$15,000 (2)
Committee Member Retainer	US$3,500 (2)

Board Meeting Attendance Fee	US$1,500
Committee Meeting Attendance Fee	US$1,500
Travel Attendance Fee	US$1,500

(1)The Board Chair receives no additional Director Retainer nor Committee Chair or Committee Member Retainer.
(2)Directors (including Board Chair) may choose to receive all or part of their cash retainer in common shares or DRSUs and their common share grant retainer can also be received in DRSUs. The common shares are purchased on the open market.
(3)Mr. Mongeau does not receive any compensation for serving as director of the Company. Mr. Mongeau's compensation for serving as CEO of the Company is described in detail in the Statement of Executive Compensation Section.

The table below reflects in detail the compensation earned by non-executive directors in the 12-month period ended December 31, 2012.

NAME OF DIRECTOR	FEES EARNED DIRECTOR AND BOARD CHAIR RETAINER (C$)(1)	COMMITTEE CHAIR RETAINER (C$)(1)	COMMITTEE MEMBER RETAINER (C$)(1)	BOARD AND COMMITTEE ATTENDANCE AND TRAVEL FEES(1)(2) (C$)	SHARE-I AWARD (C$)
Michael R. Armellino	14,994	14,994	16,326	67,471	175,298
A. Charles Baillie	15,026	15,026	14,024	61,474	175,298
Hugh J. Bolton	14,994	9,996	15,160	61,474	175,298
Donald J. Carty	14,994	–	13,994	55,476	175,298
Ambassador Gordon D. Giffin	14,994	–	13,994	59,974	175,298
Edith E. Holiday	14,994	–	17,493	61,474	175,298
V. Maureen Kempston Darkes	14,994	14,994	13,994	61,474	175,298
The Hon. Denis Losier	14,994	24,990	10,496	61,474	175,298
The Hon. Edward C. Lumley	14,994	14,994	13,994	61,474	175,298
David G.A. McLean	119,950	–	–	67,471	350,595
James E. O’Connor	14,994	–	13,994	55,476	175,298
Robert Pace	15,026	25,043	14,024	61,474	175,298
TOTAL	284,948	120,037	157,493	736,186	2,278,873

(1) All directors earned compensation in U.S. currency. Compensation received in cash was converted to Canadian dollars using the average rate of exchange of the Bank of Canada for 2012 (US$1 = C$0.9996). Compensation elected to be received in common shares or DRSUs was converted to Canadian dollars using the closing rate of

exchange of the Bank of Canada (US$1 = C$1.0017), on the purchase day (January 26, 2012). In addition to the common shares or DRSUs received by the directors and the Board Chair as described in note (3) below, the directors and the Board Chair may choose to receive all or part of their cash retainers in common shares or DRSUs. The following directors made such election with respect to the amounts set forth beside their name: A. Charles Baillie (C$44,076). The amount of cash retainers elected to be received in common shares or DRSUs is included in these columns.

(2) Includes travel fees which amounted to a total of C$139,441, in aggregate, for all directors.

(3) Represents a common share grant valued at US$175,000 received by each non-executive director as part of the Director Retainer, and US$350,000 for the Board Chair as part of the Board Chair Retainer.

(4) Such values represent committee attendance fees received in cash for attendance to meetings of board committees of which they were not members. Such values were converted to Canadian dollars using the average rate of exchange of the Bank of Canada for 2012 (US$1 = C$0.9996).

(5) Includes the value for 2012 of insurance premiums for accidental death and dismemberment insurance as well as 2012 medical and dental coverage for David G.A. McLean in Canada and the U.S. The total cost to the Company for such benefits is equal to C$2,146.

(6) This percentage is calculated by dividing the aggregate of the cash retainer elected by non-executive directors to be received in common shares or DRSUs described in note (1) above and the value provided under the share-based awards column, by the value provided under the total column.

OUTSTANDING SHARE-BASED AWARDS

The table below reflects all awards outstanding as at December 31, 2012 with respect to non-executive directors.

	SHARE-BASED AWARDS(1)	
NAME OF DIRECTOR	NUMBER OF SHARES OR UNITS OF SHARES THAT HAVE NOT VESTED (#)	MARKET OR PAYOUT VALUE OF SHARE-BASED AWARDS THAT HAVE NOT VESTED(2) (C$)
Michael R. Armellino		—
A. Charles Baillie	54,286	4,903,654
Hugh J. Bolton	44,711	4,038,745
Donald J. Carty	5,163	467,488
Ambassador Gordon D. Giffin	20,950	1,896,936
Edith E. Holiday	9,660	874,673
V. Maureen Kempston Darkes	25,280	2,283,542
The Hon. Denis Losier	45,671	4,125,461
The Hon. Edward C. Lumley	42,891	3,874,344
David G.A. McLean	87,780	7,929,167
James E. O’Connor	–	–
Robert Pace	47,831	4,320,574

(1)Shows information regarding DRSUs held by non-executive directors as of December 31, 2012. The directors may choose to receive all or part of their cash retainers in common shares or DRSUs and their common share retainer can also be received in DRSUs. Pursuant to the terms of the DRSUs, directors or their estates can only access their DRSUs upon retirement or resignation from the Company’s Board, or death.

(2)The value of outstanding DRSUs is based on the closing price of the common shares on December 31, 2012, on the Toronto Stock Exchange (C$90.33) or the New York Stock Exchange (US$91.01) for Donald J. Carty, Ambassador Gordon D. Giffin and Edith E. Holiday, using the December 31, 2012 closing exchange rate (US$1 = C$0.9949).

SHARE OWNERSHIP

The Board has adopted a guideline stating that each non-executive director should own, within five years of joining the Board, common shares, DRSUs or similar share equivalents of CN, if any, with a value of at least the higher of: (i) C$500,000, or (ii) three times the aggregate of the annual Director Retainer in cash and the annual common share or DRSU grant (and for the Board Chair, the aggregate of the Board Chair annual retainer in cash and the annual common share or DRSU grant) (the “Minimum Shareholding Requirement”). Each non-executive director shall continue to hold such value throughout his or her tenure as a director and the common shares, DRSUs or similar share equivalent of CN held to comply with the Minimum Shareholding Requirement shall not be the object of specific monetization procedures or other hedging procedures to reduce the exposure related to his or her holding. The aforementioned target was increased from C$250,000 to C$500,000 on March 8, 2011.

Each non-executive director is required to receive at least 50% of his or her annual Director, committee, Board Chair and Committee Chair cash retainers in common shares or DRSUs of CN and may elect to receive up to 100% of such retainers in common shares or DRSUs of CN until his or her Minimum Shareholding Requirement is met. Once the Minimum Shareholding Requirement is met, directors may elect to receive up to 100% of such retainers in common shares or DRSUs of CN. As of the date hereof, the average value of common shares (including DRSUs) of the Company owned by non-executive directors is approximately C$9.6M (based on the February 28, 2013, closing price of the common shares of the Company on the Toronto Stock Exchange (C$104.66), or the New York Stock Exchange (US$101.40) for U.S. directors).

The following table provides information on the number and the value of common shares and DRSUs owned by the Company's current directors as at February 28, 2013, and the amount needed to meet the Minimum Shareholding Requirement.

DIRECTOR	YEAR(1)	NUMBER OF COMMON SHARES OWNED, CONTROLLED OR DIRECTED	NUMBER OF DRSUs HELD(2)	TOTAL NUMBER OF COMMON SHARES OWNED, CONTROLLED OR DIRECTED AND DRSUs	GUIDELINE MET(3) OR INVESTMENT REQUIRED TO MEET GUIDELINE (C$)	TOTA OF C SHA (VALUE AT
Michael R.	2013	117,826	–	117,826		
Armellino	2012	115,965	–	115,965		12,322,710
	Variation	1,861	–	1,861		
A. Charles	2013	102,100	56,609	158,709		
Baillie	2012	102,100	53,343	155,443		16,610,484
	Variation	–	3,266	3,266		
Hugh J.	2013	5,026	44,711	49,737		
Bolton	2012	3,898	43,935	47,833		5,205,474
	Variation	1,128	776	1,904		
Donald J.	2013	10,000	7,327	17,327		
Carty(4)	2012	–	5,073	5,073		1,812,126
	Variation	10,000	2,254	12,254		
Ambassador	2013	18,914	20,950	39,864		
Gordon D.	2012	27,048	20,586	47,634		4,169,135
Giffin	Variation	-8,134	364	-7,770		
Edith E.	2013	35,858	11,517	47,375		
Holiday	2012	35,858	9,492	45,350		4,954,665
	Variation	–	2,025	2,025		
V. Maureen	2013	60,695	25,280	85,975		
Kempston	2012	58,830	24,841	83,671		8,998,144
Darkes	Variation	1,865	439	2,304		
The Hon.	2013	91,345	47,528	138,873		
Denis Losier	2012	89,771	44,878	134,649		14,534,448
	Variation	1,574	2,650	4,224		
The Hon.	2013	60,060	42,891	102,951		
Edward C.	2012	58,210	42,146	100,356		10,774,852
Lumley	Variation	1,850	745	2,595		
David G.A.	2013	109,519	87,780	197,299		
McLean	2012	109,880	86,257	196,137		20,649,313
	Variation	-361	1,523	1,162		
Claude	2013	31,057	199,515	230,572		
Mongeau	2012	29,730	196,052	225,782	N/A	24,131,666
	Variation	1,327	3,463	4,790		
James E.	2013	7,709	–	7,709		
O'Connor(4)	2012	5,849	–	5,849		806,238
	Variation	1,860	–	1,860		

Robert Pace	2013	94,241	47,831	142,072	
	2012	92,404	47,001	139,405	14,869,256
	Variation	1,837	830	2,667	

(1) The number of common shares and DRSUs held by each director for 2013 is set out as at February 28, 2013, and for 2012 is set out as at February 29, 2012.
(2) Includes DRSUs elected as part of directors compensation and DSUs under the Company's VIDP held by Claude Mongeau.
(3) The total value is based on the February 28, 2013 closing price of the common shares on the Toronto Stock Exchange (C$104.66) or the New York Stock Exchange (US$101.40) for Michael R. Armellino, Donald J. Carty, Ambassador Gordon D. Giffin, Edith E. Holiday and James E. O'Connor, using the closing exchange rate (US$1 = C$1.0314) on the same date.
(4) Donald J. Carty, being a Board member since January 1, 2011, and James E. O'Connor being a Board member since April 27, 2011, each have five years from their appointment to the Board to meet the guideline.

BOARD AND COMMITTEE ATTENDANCE

The tables below show the record of attendance by director at meetings of the Board and its committees, as well as the number of Board and Board committee meetings held during the 12-month period ended December 31, 2012.

	NUMBER AND % OF MEETINGS ATTENDED							
DIRECTOR(1)	BOARD	AUDIT COMMITTEE	CORPORATE GOVER-NANCE AND NOMINATING COMMITTEE	DONATIONS AND SPONSOR-SHIPS COMMITTEE	ENVI-RONMENT, SAFETY AND SECURITY COMMITTEE	FINANCE COMMITTEE	HUMAN RESOURCES AND COM-PENSATION COMMITTEE	I
Michael R. Armellino(2)	12/12 (100%)	–	3/3 (Chair)	–	5/5	6/6	5/5	4/
A. Charles Baillie	12/12 (100%)	–	5/5	–	–	6/6 (Chair)	5/5	4/
Hugh J. Bolton(3)	12/12 (100%)	5/5	–	–	5/5	–	5/5	4/
Donald J. Carty	12/12 (100%)	5/5	5/5	–	–	6/6	–	–
Ambassador Gordon D. Giffin	12/12 (100%)	–	–	3/3	5/5	6/6	–	4/
Edith E. Holiday	12/12 (100%)	–	5/5	–	–	6/6	5/5	4/
V. Maureen Kempston Darkes	12/12 (100%)	5/5	–	–	5/5 (Chair)	–	5/5	4/
The Hon. Denis Losier	12/12 (100%)	5/5 (Chair)	–	3/3	5/5	–	5/5	–
The Hon. Edward C. Lumley	12/12 (100%)	–	5/5	–	–	6/6	5/5	4/ (C
David G.A. McLean	12/12 (100%) (Chair)	–	5/5	3/3	–	6/6	5/5	4/
Claude Mongeau(4)	12/12 (100%)	–	–	3/3 (Chair)	–	–	–	–
James E. O'Connor	11/12 (92%)	5/5	–	–	5/5	6/6	–	–
Robert Pace	12/12 (100%)	5/5	5/5	–	–	–	5/5 (Chair)	4/

(1) In addition to committee members, all non-executive board members attended on a non-voting basis the November 2012 meeting of the Corporate Governance and Nominating Committee and the January, June and December 2012 meetings of the Human Resources and Compensation Committee.

(2) Michael R. Armellino was nominated as a member and Chair of the Corporate Governance and Nominating Committee on April 24, 2012.

(3) Hugh J. Bolton was nominated Chair of the Strategic Planning Committee on April 24, 2012.

(4) In addition to committee members, Claude Mongeau attended four Audit Committee meetings, five Corporate Governance and Nominating Committee meetings, two Environment, Safety and Security Committee meetings, six Finance Committee meetings and five Human Resources and Compensation Committee meetings on a non-voting basis.

BOARD AND BOARD COMMITTEE MEETINGS	NUMBER OF MEETINGS HELD IN 2012
Board	12
Audit Committee	5
Corporate Governance and Nominating Committee	5
Donations and Sponsorships Committee	3
Environment, Safety and Security Committee	5
Finance Committee	6
Human Resources and Compensation Committee	5
Investment Committee of CN's Pension Trust Funds	4
Strategic Planning Committee	3

ADDITIONAL DISCLOSURE RELATING TO DIRECTORS

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

(i) Mr. Baillie, a director of the Company, was 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. Dana Corporation successfully emerged from Chapter 11 reorganization in February 2008. Mr. Baillie is no longer a director of Dana Corporation;

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

(iii) Mr. Mongeau, a director and the President and Chief Executive Officer of the Company, became a director of Nortel Networks Corporation ("NNC") and Nortel Networks Limited ("NNL") on June 29, 2006. On January 14, 2009, NNC, NNL and certain other Canadian subsidiaries initiated creditor protection proceedings under the CCAA in Canada. Certain U.S. subsidiaries filed voluntary petitions in the United States under Chapter 11 of the U.S. Bankruptcy Code, and certain Europe, Middle East and Africa subsidiaries made consequential filings in Europe and the Middle East. Mr. Mongeau resigned as a director of NNC and NNL effective August 10, 2009;

(iv) Mrs. Kempston Darkes, a director of the Company, was an officer of General Motors Corporation ("GM") when GM filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code on June 1, 2009. None of the operations for which she was directly responsible in Latin America, Africa and the Middle East were included in the bankruptcy filing. GM emerged from bankruptcy protection on July 10, 2009 in a reorganization in which a new entity acquired GM's most valuable assets. Mrs. Kempston Darkes retired as a GM officer on December 1, 2009; and

(v) Mr. Giffin, a director of the Company, was a director of AbitibiBowater Inc. until January 22, 2009. AbitibiBowater Inc. and certain of its U.S. and Canadian subsidiaries filed voluntary petitions in the United States under Chapter 11 of the U.S. Bankruptcy Code on April 16, 2009. AbitibiBowater Inc. and certain of its Canadian subsidiaries filed for creditor protection under the CCAA in Canada on April 17, 2009. Mr. Giffin is no longer a director of AbitibiBowater Inc.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

GENERAL

We are committed to adhering to the highest standards of corporate governance and our corporate governance practices were designed in a manner consistent with this objective. The role, specific mandate and functioning rules of the Board of Directors and of each of its committees are set forth in our Corporate Governance Manual which was formally approved by the Board of Directors on January 21, 2003, and last amended on March 13, 2012. Our Corporate Governance Manual is available on our website at www.cn.ca, under Delivering Responsibly/Governance. It is revised regularly with a view to continually improving our practices by assessing their effectiveness and comparing them with evolving 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.

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

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

The Board of Directors is of the opinion that the Company's corporate governance practices are well designed to assist the Company in achieving its principal corporate objective, which is the enhancement of shareholder value. The mandate of the Board is set out in Schedule "A" to this Information Circular(1). The Board of Directors has approved the disclosure of the Company's governance practices described below, on the recommendation of the Corporate Governance and Nominating Committee

CODE OF BUSINESS CONDUCT(2)

In 2008, the Board of Directors reviewed and updated its Code of Business Conduct to ensure that it is consistent with current industry trends and standards; clearly communicates CN's organizational mission, values, and principles; and most importantly, serves as a ready reference guide for any employees to support everyday decision making. The Code is applicable to directors, officers and employees of CN. It addresses many important matters, including conflict of interest, protection and proper use of corporate assets and opportunities, confidentiality of corporate information, fair dealing, compliance with laws and reporting of any illegal or unethical behaviour. No waiver has ever been granted to a director or executive officer in connection therewith. With a view to continually improving our practices and reflecting evolving legal requirements, the Code was again reviewed and updated, and distributed to all CN employees in 2012. The updated version of the Code is available on our website at www.cn.ca, under Delivering

Responsibly/Governance and in print to any shareholder who requests copies by contacting our Corporate Secretary. The Code has also been filed with the Canadian and U.S. securities regulatory authorities.

THE ROLE, MANDATE AND RULES OF THE BOARD OF DIRECTORS AND OF ITS COMMITTEES ARE SET FORTH IN OUR CORPORATE GOVERNANCE MANUAL, WHICH IS AVAILABLE ON OUR WEBSITE.

(1) Form 58-101F1 of the Disclosure Instrument ("Form 58-101F1"), section 2; Governance Policy, section 3.4.
(2) Form 58-101F1, sections 5; Governance Policy, sections 3.8 and 3.9.

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

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.

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

THE BOARD OF DIRECTORS HAS ADOPTED PROCEDURES ALLOWING INTERESTED PARTIES TO COMMUNICATE DIRECTLY WITH THE CHAIRMAN.

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

INDEPENDENCE OF DIRECTORS(1)

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

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

INDEPENDENCE STATUS

NAME	INDEPENDENT	NOT INDEPENDENT	REASON FOR NON-INDEPENDENCE STATUS
Michael R. Armellino			

A. Charles Baillie	
Hugh J. Bolton	
Donald J. Carty	
Ambassador Gordon D. Giffin	
Edith E. Holiday	
V. Maureen Kempston Darkes	
The Hon. Denis Losier	
The Hon. Edward C. Lumley	
David G.A. McLean	
Claude Mongeau	President and Chief Executive Officer of the Company
James E. O'Connor	
Robert Pace	

(1) Form 58-101F1, sections 1(a), (b) and (c); Governance Policy, section 3.1.

INDEPENDENT CHAIRMAN OF THE BOARD(1)

The Company's Board has been led by a non-executive Chairman since it became public in 1995 and we believe that the separation of the positions of President and Chief Executive Officer and Chairman contributes to allowing the Board to function independently of Management. Hence, our Corporate Governance Manual provides that the Board Chair must be an independent director who is designated by the Board. Mr. David G.A. McLean, who has been a director of the Company since 1994, is the independent Board Chair. The Corporate Governance Manual describes the responsibilities of the Chairman. 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.

12 OF THE 13 NOMINEES FOR ELECTION TO THE
BOARD OF DIRECTORS ARE INDEPENDENT.

POSITION DESCRIPTIONS(2)

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

ELECTION OF DIRECTORS

The Board of Directors has adopted a policy which is part of our Corporate Governance Manual, to the effect that a nominee for election as a director of the Company who receives a greater number of votes "withheld" than votes "for", with respect to the election of directors by shareholders, will be expected to offer to tender his or her resignation to the 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.

THE BOARD OF DIRECTORS HAS ADOPTED A
MAJORITY VOTING POLICY.

COMMITTEES OF THE BOARD(3)

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

SCHEDULE "B" TO THIS INFORMATION CIRCULAR PROVIDES REPORTS ON THE ACTIVITIES OF EACH BOARD COMMITTEE.

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

AUDIT COMMITTEE

The Audit Committee has the responsibility of overseeing the Company's financial reporting, monitoring risk management, internal controls and internal and external auditors. The mandate of the Audit Committee is further described in the section entitled "Statement of Corporate Governance Practices—Audit Committee Disclosure" at page 29 of this Information Circular and in the charter of such committee which is included in our Corporate Governance Manual.

FINANCE COMMITTEE

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,

(1) Form 58-101F1, section 1(f); Governance Policy, section 3.2

(2) Form 58-101F1, sections 3(a) and (b); Governance Policy, section 3.5.

(3) Form 58-101F1, section 8.

may authorize the borrowing of money, the issuing of debt securities or the engaging in other forms of financing, or makes recommendations to the Board thereon. The responsibilities, powers and operation of the Finance Committee are further described in the charter of such committee which is included in our Corporate Governance Manual.

CORPORATE GOVERNANCE AND NOMINATING COMMITTEE

The Corporate Governance and Nominating Committee has the responsibility of monitoring the composition of the Board of Directors and its committees and overseeing corporate governance matters. As part of its responsibilities, the Corporate Governance and Nominating Committee develops, reviews and monitors criteria for selecting directors, including required or desired competencies and skills to improve the Board of Directors and, in consultation with the Board Chair, identifies candidates qualified to become Board members.(1)

This Committee reviews the corporate governance guidelines applicable to the Company, recommends any change that should be made thereto and monitors the disclosure of its practices. The responsibilities, powers and operation of the Corporate Governance and Nominating Committee are further described in the charter of such committee which is included in our Corporate Governance Manual.(2)

The charter of the Corporate Governance and Nominating Committee provides that such committee must be composed solely of independent directors. As at February 28, 2013, all members of the Corporate Governance and Nominating Committee are independent.(3)

HUMAN RESOURCES AND COMPENSATION COMMITTEE

The Human Resources and Compensation Committee has the responsibility of monitoring executive management's performance assessment and succession planning. This Committee also has the mandate to review human resources practices by ensuring, amongst other things, that appropriate human resources systems are in place so that the Company can attract, motivate and retain the quality of personnel required to meet its business objectives. The mandate of the Human Resources and Compensation Committee is further described in the section entitled "Statement of Executive Compensation — Human Resources and Compensation Committee" at page 35 of this Information Circular and in the charter of such committee which is included in our Corporate Governance Manual. The Human Resources and Compensation Committee must be composed solely of independent directors. As at February 28, 2013, all members of the Human Resources and Compensation Committee are independent.(4)

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

Reference is also made to the subsection entitled "Statement of Executive Compensation — Human Resources and Compensation Committee—Executive Compensation Consultants" at page 37 of this Information Circular for disclosure in respect of executive compensation consultants.(5)

ENVIRONMENT, SAFETY AND SECURITY COMMITTEE

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

Governance Manual.

STRATEGIC PLANNING COMMITTEE

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

(1) Governance Policy, section 3.13.
(2) Form 58-101F1, section 6(c); Governance Policy, section 3.11.
(3) Form 58-101F1, section 6(b); Governance Policy, section 3.10. 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.
(4) Form 58-101F1, sections 7(a), (b) and (c) and Governance Policy, sections 3.15, 3.16 and 3.17 (regarding officers). The NYSE Standards state that the CEO's compensation should be determined by the corporation's compensation committee or by all independent directors of the corporation. Our Corporate Governance Manual provides that the CEO's compensation is determined by the Company's independent directors only. 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.
(5) Form 58-101F1, section 7(d).

INVESTMENT COMMITTEE OF CN'S PENSION TRUST FUNDS

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

DONATIONS AND SPONSORSHIPS COMMITTEE

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

BOARD AND COMMITTEE MEETINGS

PROCESS

The Board Chair, in collaboration with the Corporate Secretary, has the responsibility of establishing a schedule for the meetings of the Board of Directors and its committees. During such process, the Corporate Secretary, in collaboration with the Board and Committee Chairs and the appropriate executive officers, establishes Board and committee working plans for the year. We believe that proceeding in this manner helps in the preparation of in-depth presentations conducive to meaningful information sessions and discussions while allowing Management to plan ahead. If during the course of the year events or circumstances require Board or committee action or consideration, additional meetings are called. The total number of meetings and the attendance record for each director for all board and committee meetings held during the course of 2012 are set out in the section entitled "Nominees for Election to the Board — Board and Committee Attendance" of this Information Circular.(1)

BOARD AND COMMITTEE WORKING PLANS ARE
ESTABLISHED FOR THE YEAR.

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

IN CAMERA MEETINGS

The independent Board members meet before or after every in-person meeting of the Board of Directors in in camera sessions, without the presence of Management and under the chairmanship of the Board Chair. During the financial year ended December 31, 2012, there were twelve in camera sessions that were attended exclusively by non-executive directors.(2)

IN CAMERA SESSIONS ARE HELD BY INDEPENDENT BOARD MEMBERS AT EVERY IN-PERSON MEETING OF THE BOARD OF DIRECTORS.

DIRECTOR SELECTION(3)

REVIEW OF CREDENTIALS

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

ANY DIRECTOR WHO HAS ATTENDED LESS THAN 75% OF BOARD OR COMMITTEE MEETINGS FOR MORE THAN TWO YEARS WITHOUT A VALID REASON WILL NOT BE RENOMINATED.

(1) Form 58-101F1, section 1(g).
(2) Form 58-101F1, section 1(e); Governance Policy, section 3.3.
(3) Form 58-101F1, section 6(a); Governance Policy, sections 3.12, 3.13 and 3.14

COMPETENCY MATRIX

The Corporate Governance and Nominating Committee, together with the Board Chair, is responsible for determining the needs of the Board in the long term and identifying new candidates to stand as nominees for election or appointment as directors. In 2011 and 2012, the Committee and the Board Chair focused on board renewal and succession in light of upcoming director retirements, with a view to expanding and completing the Board's overall expertise in certain areas. In proposing the list of Board nominees, the Board of Directors is guided by the process described in our Corporate Governance Manual. As part of the process, the Board Chair, in consultation with the Corporate Governance and Nominating Committee, develops a competency matrix based on knowledge areas, types of expertise and geographical representation and identifies any gaps to be addressed in the director nomination process. The Board ensures that the skill set developed by directors, through their business expertise and experience, meets the needs of the Board. The Board also takes into consideration the representativity, both in terms of experience and geographical location, of each candidate to the Board, as well as his or her independence, qualifications, financial acumen, business judgment and board dynamics. This competency matrix is reviewed regularly by the Board Chair with Board members, and is updated as may be required.

The following table identifies some of the current skills and other factors considered as part of the competency matrix developed by the Board Chair and the Corporate Governance and Nominating Committee, along with identification of each nominee for election to the Board of Directors possessing each skill:

	SALES/ MARKETING	FINANCE	ACCOUNTING	LEGAL	STRATEGY	HUMAN RESOURCES	ENGINEERING/ ENVIRONMENT	KNOWLEDG TRANSPORT INDUSTRY/ SAFETY
Michael R. Armellino								
A. Charles Baillie								
Hugh J. Bolton								
Donald J. Carty								
Ambassador Gordon D. Giffin								
Edith E. Holiday								
V. Maureen Kempston Darkes								
The Hon. Denis Losier								
The Hon. Edward C. Lumley								

David G.A. McLean
Claude Mongeau
James E. O'Connor
Robert Pace

The Board has developed an evergreen list which is updated on a regular basis. Prior to nominating a new director for election or appointment, the Board Chair and the Chief Executive Officer meet with the candidate to discuss his or her interest and willingness to serve on CN's Board, potential conflicts of interest, and his or her ability to devote sufficient time and energy to the Board of Directors.

COMMON DIRECTORSHIPS

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

NO BOARD MEMBERS SIT TOGETHER ON THE BOARD OF ANOTHER PUBLIC COMPANY.

As of February 28, 2013, no members of our Board of Directors served together on the boards of other public companies.

NUMBER OF DIRECTORSHIPS

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

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

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

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

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

The biographies on pages 7 to 13 of this Information Circular identify the other reporting issuers of which each nominee is a director.(1)

EVERGREEN LIST

In order to assist the Corporate Governance and Nominating Committee and the Board Chair in recommending candidates to become directors of CN, the Corporate Governance and Nominating Committee has constituted, together with the Board Chair, a list of potential Board candidates, which it updates from time to time.

AN EVERGREEN LIST OF POTENTIAL BOARD
CANDIDATES IS MAINTAINED AND UPDATED
FROM TIME TO TIME.

RETIREMENT FROM THE BOARD

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

BOARD TENURE

The following chart shows the tenure of the Company's Board as of February 28, 2013:

Please refer to the biographies on pages 7 to 13 for details regarding length of Board tenure of each nominee for election as directors.

DIRECTOR EMERITUS

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

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

(1) Form 58-101F1, section 1(d).

BOARD PERFORMANCE ASSESSMENT(1)

PROCESS

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

THE BOARD HAS IMPLEMENTED A
COMPREHENSIVE ASSESSMENT PROCESS.

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

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

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 evaluation questionnaire relating to the Board Chair, which is 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 and conducts open and confidential one-on-one meetings to discuss the answers received from and in respect of such director and any comments to the questionnaires which the director may have and to review the self-evaluation of each director. 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.

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

INDEPENDENT ADVISOR

In addition to the above-mentioned process, the Board may, from time to time, hire an independent advisor to 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.

PEER ASSESSMENT

The Board Chair leads on an annual basis a peer review process through one-on-one meetings with each individual director. The Corporate Governance and Nominating Committee also considers on an annual basis the appropriateness of conducting a peer assessment through an independent advisor. At the end of 2007, the Corporate Governance and Nominating Committee and the Board carried out an individual director peer assessment with the assistance of an independent advisor, as was done in 2004. In 2012, no such assessment was deemed necessary in light of the annual peer review process led by the Board Chair and because changes to the composition of the Board were recent. In 2007, 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.

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

(1) Form 58-101F1, section 9; Governance Policy, section 3.18.

BOARD COMPENSATION

The Corporate Governance and Nominating Committee annually reviews with the Board Chair and makes recommendations to the Board on the adequacy and form of compensation for non-executive directors, taking reasonable steps to ensure such compensation realistically reflects the responsibilities and risk involved, without compromising a director's independence. 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 2012.(1)

DIRECTOR ORIENTATION AND CONTINUING EDUCATION(2)

ORIENTATION

Our orientation program includes 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. New directors are provided with a Directors' handbook containing corporate and other information required to familiarize themselves with the Company, its organization and operations.

CONTINUING EDUCATION

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

In 2012, Board members were provided with educational reading materials and presentations on a variety of matters and topics, including corporate governance, executive compensation, executive succession planning, key accounting considerations, financial strategy, risk assessment and disclosure, and Canadian and U.S. securities law developments.

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

Moreover, the directors have from time to time been provided with first-hand opportunities to visit certain sites in which CN is making significant investments, such as the intermodal terminals in Prince George and at the Port of Prince Rupert. They have also visited certain of CN's main yards, as well as our Information Technology command center and in 2011 they visited Kirk Yard and the EJ&E properties in the United States. During such events, the Board had the opportunity to interact with CN officers to gain a full appreciation of such strategic projects and to learn more about CN's overall operations. Directors also attend community dinners and other company events throughout the year.

EDUCATIONAL READING MATERIALS AND
PRESENTATIONS WERE PROVIDED TO BOARD
MEMBERS ON A VARIETY OF MATTERS AND

TOPICS.

(1) Form 58-101F1, section 7(a) and Governance Policy, section 3.17(b) (regarding directors).
(1) Form 58-101F1, sections 4(a) and (b); Governance Policy, sections 3.6 and 3.7.

The table below lists the external conferences, seminars and courses, as well as dedicated internal sessions on key CN subject matters, that the directors of the Company attended in 2012 and early 2013.

DATE OF PRESENTATION	TOPIC PRESENTED	PRESENTED/HOSTED BY	ATTENDED BY
January 24	Industrial Products Marketing Initiatives	CN Marketing	All directors
March 13	Training Excellence	CN Marketing and Operations	All directors
	Balancing Operational and Service Excellence	CN Operations	All directors
April 23	Canadian Grain Business	CN Marketing	All directors
	CustomerFIRST Initiatives Update	CN Marketing	All directors
June 11	Financial Policies to Create Shareholder Value	J.P. Morgan	Finance Committee Members
June 12	Fertilizer Products Market	CN Marketing	All directors
	Delivering Responsibly – Sustainability Update	CN Sustainability Group	All directors
July 24	KPMG Training Session	External Auditors KPMG	Audit Committee Members
September 9	Perspectives on Asia	President and CEO of a CN customer	All directors
September 11	CN's Smart Stakeholder Engagement Strategy	CN Corporate Services	All directors
October 23	Presentation on Kirk Yard	CN Operations	All directors
November 27	Pension Risk Management	CN Treasury and Investment Division	All directors
	CN Winter Preparedness	CN Operations	All directors

AUDIT COMMITTEE DISCLOSURE

National Instrument 52-110 — Audit Committees ("NI 52-110") of the CSA requires issuers to include the charter of their audit committee and disclose information with respect to the composition, education and experience of the members of their audit committees, as well as all fees paid to external auditors in their annual information form. We comply with the requirements regarding composition and responsibilities, as summarized hereinafter, and we refer you to Schedule "A" of our Annual Information Form available on SEDAR at www.sedar.com and on our website at www.cn.ca, under Delivering Responsibly/ Governance/Board Committees with regards to the charter of our Audit Committee.(1)

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee is composed of six independent directors, namely, The Hon. Denis Losier, Chair of the Committee, Hugh J. Bolton, Donald J. Carty, V. Maureen Kempston Darkes, James E. O'Connor, and Robert Pace.

The Chair of the Human Resources and Compensation Committee, Mr. Pace, is necessarily a member of the Audit Committee, as provided for in the Corporate Governance Manual. 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.(2)

(1) NI 52-110, section 2.3, subsection 1.

(2) NI 52-110, section 3.1, subsections 1, 2 and 3. The NYSE Standards and the applicable rules of the SEC 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 consulting, advisory or other compensatory 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.

MANDATE OF THE AUDIT COMMITTEE

The Audit Committee's responsibilities can be divided into four categories:

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

They include the following:

OVERSEEING FINANCIAL REPORTING

The mandate of the Audit Committee provides that the committee is responsible for reviewing, with Management and the external auditors, the annual and quarterly financial statements of the Company and accompanying information, including the Company's MD&A disclosure and earnings press releases, prior to their release, filing and distribution. The mandate also provides that the committee should review the procedures in place for the review of the Company's disclosure of financial information extracted or derived from the Company's financial statements and periodically assess the adequacy of those procedures.(1)

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

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

MONITORING RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

Additionally, the mandate of the Audit Committee provides that the committee must establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters or employee concerns regarding accounting or auditing matters, while insuring confidentiality and anonymity. CN has adopted such procedures. Please refer to the Corporate Governance section of our website at www.cn.ca, under Delivering Responsibly/Governance for more details on these procedures.(2)

MONITORING INTERNAL AUDITORS

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

MONITORING EXTERNAL AUDITORS

The mandate of the Audit Committee states that the committee is responsible for recommending the retention and, if appropriate, the removal of external auditors, evaluating and remunerating them, and monitoring their qualifications, performance and independence.(3)

The Audit Committee is also in charge of 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.(4)

The Audit Committee is responsible for overseeing the external auditors and discussing with them the quality and not just the acceptability of the Company's accounting principles, including any material written communications between the Company and the external auditors (including a disagreement, if any, with Management and the resolution thereof).(5)

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

The mandate of the Audit Committee also provides that the committee is responsible for reviewing hiring policies for employees or former employees of the Company's firm of external auditors.(6)

(1) NI 52-110, section 2.3, subsections 5 and 6.
(2) NI 52-110, section 2.3, subsection 7.
(3) NI 52-110, section 2.3, subsection 2.
(4) NI 52-110, section 2.3, subsection 4.
(5) NI 52-110, section 2.3, subsection 3.
(6) NI 52-110, section 2.3, subsection 8.

Furthermore, the mandate of the Audit Committee states that the Audit Committee may retain independent advisors to help it carry out its responsibilities, including fixing such advisors' fees and retention terms, subject to advising the Board Chair. The committee makes arrangements for the appropriate funding for payment of the external auditors and any advisors retained by it. Pursuant to its charter, the Audit Committee also has direct communication channels with the internal and external auditors to discuss and review specific issues as appropriate. The internal and external auditors must meet separately with the Audit Committee, without Management, twice a year, and more frequently as required.(1)

The Audit Committee met five times in 2012 and held in camera sessions at each meeting. The report of the Audit Committee, set forth in Schedule "B" to this Information Circular, outlines the major subject areas reviewed by the committee during the year, in compliance with its mandate.

AUDIT COMMITTEE REPORT REGARDING INTERNAL CONTROL OVER FINANCIAL REPORTING

The Audit Committee received periodically Management's report assessing the adequacy and effectiveness of our disclosure controls and procedures and systems of internal control in respect of the 2012 fiscal year. The Company's external auditors, KPMG LLP, are responsible for performing an independent audit of our consolidated financial statements in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board ("PCAOB") in the U.S., and an independent audit of the effectiveness of internal control over financial reporting, in accordance with the standards of the PCAOB. These audits serve as a basis for KPMG LLP's opinions addressing whether the consolidated financial statements fairly present our financial position, results of operations, and cash flows in conformity with U.S. Generally Accepted Accounting Principles.

The Audit Committee has discussed with KPMG LLP the matters required to be discussed by the American Institute of Certified Public Accountants Statement on Auditing Standards No. 61 (Communication With Audit Committees) and Canadian Institute of Chartered Accountants Handbook Section 5751 (Communications With Those Having Oversight Responsibility for the Financial Reporting Process) including matters relating to the conduct of the audit of our financial statements and the assessment of the effectiveness of our internal control over financial reporting under section 404 of the Sarbanes-Oxley Act.

KPMG LLP provided the Committee with written disclosures and the letter required by Rule 3526 of the PCAOB, which supersedes Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and the two related interpretations. The Audit Committee has discussed with KPMG LLP the firm's independence from the Company. A formal written statement describing all relationships between KPMG LLP and the Company including a written confirmation that KPMG LLP are independent within the meaning of the rules of the Code of Ethics of the "Ordre des comptables professionnels agréés du Québec" and are independent public accountants with respect to the Company within the meaning of U.S. federal securities laws and the rules and regulations thereunder, including the independence rules adopted by the SEC pursuant to the Sarbanes-Oxley Act, and Rule 3526 of the PCAOB was also remitted to the Audit Committee.

Based on this review and these discussions, the Audit Committee recommended to the Board that the Company's audited consolidated financial statements be filed with Canadian securities regulators and included in the Company's Annual Report on Form 40-F for the year ended December 31, 2012 filed with the SEC.

EDUCATION AND RELEVANT EXPERIENCE OF THE AUDIT COMMITTEE MEMBERS

The Board of Directors believes that the composition of the Audit Committee reflects a high level of financial literacy and experience. As required in the charter of the Audit Committee, all members of the Audit Committee are financially literate, as such terms are defined under Canadian securities laws and regulations (2) and the NYSE

Standards, and several members of the committee meet all criteria to be designated as "audit committee financial expert" under the rules of the SEC. The Board has made such determination based on the education and experience of each committee member.

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

ALL MEMBERS OF THE AUDIT COMMITTEE ARE FINANCIALLY LITERATE AND SEVERAL MEMBERS ARE AUDIT COMMITTEE FINANCIAL EXPERTS.

(1) NI 52-110, section 4.1.
(2) NI 52-110, section 3.1, subsection 4.

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 following is a description of the education and experience of each member of the Audit Committee as of the date of this Information Circular that is relevant to the performance of his/her responsibilities as a member of the committee:

Mr. Bolton is the chairman of the board of directors of EPCOR Utilities Inc. and former chair of Matrikon Inc. Mr. Bolton is a director and member of the audit committees of TD Bank Financial Group, Teck Resources Limited and WestJet Airlines Ltd. and a director of Capital Power Corporation. From 1992 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 Chartered Accountant and a fellow of the Alberta Institute of Chartered Accountants. Mr. Bolton holds an undergraduate degree in economics from the University of Alberta. Mr. Bolton is a member of four audit committees of public companies including CN. The Board has determined that such service in no way impairs Mr. Bolton's ability to effectively serve on the Audit Committee of the Company.

Mr. Carty retired as Chairman and CEO of AMR Corporation and American Airlines in June of 2003 after 30 years in the airline business where he previously served as President and Executive Vice President of Finance & Planning of AMR Airline Group and American Airlines. He was President and CEO of CP Air from 1985 to 1987. Mr. Carty also served as Vice Chairman and Chief Financial Officer of Dell, Inc. from January 2007 to June 2008. Mr. Carty is lead director of Barrick Gold Corporation and also serves on the boards of Dell, Inc., Gluskin Sheff & Associates Inc. and Talisman Energy Inc. He is Chairman of Virgin America Airlines Inc. and Porter Airlines, Inc. Mr. Carty holds a Master of Business Administration from the Harvard Business School.

Mrs. Kempston Darkes is the retired Group Vice-President and President Latin America, Africa and Middle East, General Motors Corporation. In 2009 she ended a 35-year career at GM during which she attained the highest operating post ever held by a woman at GM. From 1994 to 2001, she was President and General Manager of General Motors of Canada Limited and Vice-President of General Motors Corporation. Mrs. Kempston Darkes is also a director and member of the audit committee of Irving Oil Co. Ltd, and a director and chair of the risk management committee of Brookfield Asset Management Inc. and a director of Enbridge Inc. and Balfour Beatty Plc. Mrs. Kempston Darkes holds a Bachelor of Arts in history and political science from Victoria University at the University of Toronto and a Bachelor of Law degree from the University of Toronto Faculty of Law.

Mr. Losier, Chairman of the Audit Committee, is President and Chief Executive Officer of Assumption Life. Mr. Losier held various cabinet level positions with the government of the Province of New Brunswick, from 1989 to 1994, including Minister of Fisheries and Aquaculture and Minister of Economic Development and Tourism. He is the chair of Invest N.B. and a director and member of the audit committee of Plazacorp Retail Properties Ltd., and he is also a director of Enbridge Gas New Brunswick. Mr. Losier holds a Masters of Economics from the University of Western Ontario.

Mr. O'Connor is the retired chairman of the board of directors of Republic Services, Inc., a leading provider of non-hazardous solid waste collection, recycling and disposal services in the United States. From 1998 to 2011, Mr. O'Connor was chair and Chief Executive Officer of Republic Services, Inc. Prior to 1998, he had held various management positions at Waste Management, Inc. He was named to the list of America's Best CEOs each year between 2005 and 2010. In 2011, Mr. O'Connor was named to the Institutional Investors' All American Executive Team. He is a director of Clean Energy Fuels Corp. Mr. O'Connor holds a Bachelor of Science in Commerce (concentration in accounting) from DePaul University.

Mr. Pace is the President and Chief Executive Officer of The Pace Group. Mr. Pace is also a member of the board of directors of Maritime Broadcasting Systems Inc., High Liner Foods Incorporated and Hydro One Inc. Mr. Pace holds an MBA and an LL.B Law Degree from Dalhousie University in Halifax, Nova Scotia, and has more than 25 years of business experience.

AUDITORS FEES

KPMG LLP has served as the Company's auditors since 1992. For the years ended December 31, 2012 and 2011, the fees for audit, audit-related, tax and all other services provided to the Company by KPMG LLP were the following:

FEES IN THOUSANDS	2012 (C$)	2011 (C$)
Audit	2,574	2,447
Audit-Related	1,033	1,236
Tax	904	810
All Other	–	–
TOTAL FEES	4,511	4,493

Pursuant to the terms of its charter, the Audit Committee approves all audit and audit-related services, audit engagement fees and terms and all non-audit engagements provided by the 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 years ended December 31, 2012 and 2011.

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

AUDIT FEES

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

AUDIT-RELATED FEES

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

TAX FEES

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

ALL OTHER FEES

Nil

NON-AUDIT SERVICES

The mandate of the Audit Committee provides that the Audit Committee determines which non-audit services the external auditors are prohibited from providing, approves audit services and pre-approves permitted non-audit services to be provided by the external auditors. CN's Audit Committee and the Board of Directors have adopted resolutions prohibiting the Company from engaging KPMG LLP to provide certain non-audit services to the Company and its subsidiaries, including bookkeeping or other services related to the accounting records or financial statements, financial information systems design and implementation, appraisal or valuation services, fairness opinions, 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.(1)

THE EXTERNAL AUDITORS ARE PROHIBITED FROM PROVIDING CERTAIN NON-AUDIT SERVICES.

(1) NI 52-110, section 2.3, subsection 4.

STATEMENT OF EXECUTIVE COMPENSATION

DEAR SHAREHOLDER,

As members of the Human Resources and Compensation Committee (the "Committee"), we are dedicated to ensuring that there is a clear link between CN's financial results, shareholder value creation and the Company's compensation program. We are therefore pleased to present you with the Company's 2012 Statement of Executive Compensation, which we believe reflects the achievement of this objective at CN. An executive summary of the compensation process and key decisions made in 2012 can be found in the Compensation Discussion and Analysis on page 38.

COMPETITIVE COMPENSATION THAT REWARDS PERFORMANCE

The Company's executive compensation policy aims to position total direct compensation between the median and the 60th percentile of the executives' respective comparator groups. In December 2012, Towers Watson, Management's external executive compensation consultant, reported that the objectives of the compensation policy continued to be met, with an overall aggregate positioning of all executives' total direct compensation between the median and the 60th percentile. The compensation policy also focuses on aligning executive compensation packages with shareholder value creation, such that, in aggregate, approximately 80% of Named Executive Officers' target total direct compensation was directly linked to the Company's performance. Furthermore, payouts under CN's Annual Incentive Bonus Plan and Restricted Share Units Plan are contingent on the achievement of aggressive targets linked to the Company's corporate performance objectives.

CN's 2012 performance continued to outpace that of the overall economy, generating the highest volumes and earnings in Company history. Over the past three years, CN's share price has increased by 58% in Canada and 67% in the United States, in comparison to a 6% increase on the S&P/TSX and a 28% increase on the S&P 500. In addition, the Company's market capitalization in Canada has increased by more than C$10 billion during this same period, making it one of the country's top 10 largest companies by market capitalization. The Company's superior performance therefore resulted in incentive payouts to executives and management that exceeded targets, demonstrating the strong alignment of compensation with business results.

EFFECTIVE RISK MITIGATION

In 2012, CN requested that Towers Watson review the actions taken by CN since the 2011 Risk Assessment and comment on any potential risks. Towers Watson considered the actions taken by CN and consistent with their 2011 assessment, confirmed that "overall, there does not appear to be significant risks arising from CN's compensation programs that are reasonably likely to have a material adverse effect on the Company". The Committee strongly supports the conclusions from Towers Watson's risk assessment report and in its own assessment determined that proper risk mitigation features are in place within the Company's compensation program.

For the third year, we are encouraging you to cast your advisory "Say on Pay" vote and we hope that the following information will assist you in making your decision. The Chair of the Committee, Mr. Pace, will be available to answer compensation-related questions at the annual meeting of shareholders in Edmonton on April 23, 2013.

We look forward to meeting you.

(Signed) Robert Pace
Robert Pace
COMMITTEE CHAIR

(Signed) Michael R. Armellino Michael R. Armellino	(Signed) V. Maureen Kempston Darkes V. Maureen Kempston Darkes
(Signed) A. Charles Baillie A. Charles Baillie	(Signed) Denis Losier Denis Losier
(Signed) Hugh J. Bolton Hugh J. Bolton	(Signed) Edward C. Lumley Edward C. Lumley
(Signed) Edith E. Holiday Edith E. Holiday	(Signed) David G.A. McLean David G.A. McLean

HUMAN RESOURCES AND COMPENSATION COMMITTEE

COMPOSITION OF THE HUMAN RESOURCES AND COMPENSATION COMMITTEE

The Human Resources and Compensation Committee (the "Committee") is comprised of nine independent directors. Committee members at year-end in 2012 were Robert Pace, Chair of the Committee, Michael R. Armellino, A. Charles Baillie, Hugh J. Bolton, Edith E. Holiday, V. Maureen Kempston Darkes, Denis Losier, Edward C. Lumley and David G.A. McLean. Denis Losier (Audit Chair), Hugh J. Bolton, V. Maureen Kempston Darkes and Robert Pace are also members of the Audit Committee. This overlap effectively provides a link between the two committees' risk oversight responsibilities.

The following is a description of the education, skills and experience of each member of the Committee as at the date of this Information Circular that are relevant to the performance of his/her responsibilities as a member of the Committee, including skills and experience enabling the Committee to make decisions on the suitability of the Company's compensation policies and practices:

•Mr. Armellino is a Retired Partner from The Goldman Sachs Group, LP. From 1991 to 1994, Mr. Armellino was chair and Chief Executive Officer of Goldman Sachs Asset Management. As such, he managed approximately 400 people and was responsible for the implementation of incentive programs. Prior to 1991, he held various positions at Goldman, Sachs & Co., including Partner in Charge of Research. Mr. Armellino has strong leadership and succession planning experience.

•Mr. Baillie is the retired chair and Chief Executive Officer of The Toronto-Dominion Bank. As Chief Executive Officer, the head of the human resources department reported directly to his office. Mr. Baillie is chair of the human resources and compensation committee of TELUS Corporation and chair of the board of directors of Alberta Investment Management Corporation (AIMCo). He served on the human resources committees of various other public companies.

•Mr. Bolton is the chairman of the board of directors of EPCOR Utilities Inc. and sits ex officio on its human resources and compensation committee. Mr. Bolton has extensive experience serving as a board member for different companies such as Matrikon Inc., Teck Resources Limited, WestJet Airlines Ltd., Capital Power Corporation and TD Bank Financial Group. From 1992 to 1997, Mr. Bolton was chairman and Chief Executive Partner of Coopers & Lybrand Canada (now PricewaterhouseCoopers). During that period, Mr. Bolton was responsible for the compensation and supervision of all Coopers & Lybrand senior partners.

•Mrs. Holiday has extensive experience serving as a board member for different companies such as H.J. Heinz Company, Hess Corporation, RTI International Metals, Inc. and White Mountains Insurance Group, Ltd. As General Counsel at the United States Treasury Department and as Secretary of the Cabinet at The White House, Mrs. Holiday was in charge of the supervision of approximately 2,250 lawyers.

•Mrs. Kempston Darkes was Group Vice-President of General Motors Corporation. She was responsible for supervising human resources and compensation activities. As President Latin America, Africa and Middle East of General Motors Corporation and as President of General Motors of Canada Limited, Mrs. Kempston Darkes supervised the senior head of human resources, who reported directly to her office. Mrs. Kempston Darkes has served on various compensation and human resources committees, including at Brookfield Asset Management Inc., Irving Oil Co. Ltd. and Enbridge Inc.

•Mr. Losier is President and Chief Executive Officer, Assumption Life. As Chief Executive Officer, the Vice-President of Human Resources reports directly to Mr. Losier. Mr. Losier has worked with consultants to assess Assumption

Life's human resources practices and benefits and to measure the competitiveness of its executive compensation policies and practices. In addition, Mr. Losier gained human resources experience by actively participating and developing a leadership and development plan in preparation of his succession as Chief Executive Officer of Assumption Life. Mr. Losier has also been involved in succession planning for other publicly traded companies.

•Mr. Lumley was a Member of Parliament from 1974 to 1984, during which time he held various cabinet portfolios in the Government of Canada. As Minister of the Crown for six cabinet portfolios, he was responsible for many Crown corporations employing thousands of employees. Mr. Lumley has served on the human resources committee of 9 public companies and chaired six of them over the years. As chairman of Noranda Manufacturing Group of Companies he was responsible for eight individual operating companies.

•Mr. McLean is chair and former Chief Executive Officer of The McLean Group. As Chief Executive Officer, the human resources executive reported directly to him. Mr. McLean has acquired extensive experience dealing with human resources issues from his office as chair of The McLean Group and as member of the human resources and compensation committee for 17 years. For many years, Mr. McLean was also chair and director of Concord Pacific Group Inc., a real estate company, where he acquired experience with respect to human resources and executive compensation policies and practices.

• Mr. Pace is the President and Chief Executive Officer of The Pace Group and human resources officers within the Group report directly to him. Mr. Pace has more than 25 years of business experience. Mr. Pace is also a member of the human resources committee of High Liner Foods Incorporated and Hydro One Inc. In November 2011, Mr. Pace attended a Harvard Business School course on compensation entitled Compensation Committees: New Challenges, New Solutions, in order to update his existing knowledge related to executive compensation trends and changes to disclosure rules.

The following table summarizes the Committee members' human resources and compensation-related experience:

AREA OF EXPERIENCE	NUMBER OF COMMITTEE MEMBERS WITH VERY STRONG OR STRONG EXPERIENCE	
Membership on HR committees	8/9	(89%)
Organizational exposure to the HR function	9/9	(100%)
Leadership and succession planning, talent development	9/9	(100%)
Approval of employment contracts	7/9	(78%)
Development/oversight of incentive programs	8/9	(89%)
Oversight of stress-testing of incentive programs vs. business/operating performance	8/9	(89%)
Pension plan administration/oversight	7/9	(78%)
Interpretation and application of regulatory requirements related to compensation policies and practices	9/9	(100%)
Engagement with investors and investor representatives on compensation issues	5/9	(56%)
Oversight of financial analysis related to compensation policies and practices	9/9	(100%)
Exposure to market analysis related to compensation policies and practices	8/9	(89%)
Drafting or review of contracts and other legal materials related to compensation policies and practices	6/9	(67%)
Oversight of labour matters	7/9	(78%)

MANDATE OF THE HUMAN RESOURCES AND COMPENSATION COMMITTEE

The Committee’s responsibilities include:

- ensuring that appropriate mechanisms are in place regarding succession planning for the executive management positions, including that of the President and Chief Executive Officer;
- reviewing executive management’s performance assessment;
- reviewing leadership and talent management for the Company’s key positions;
- overseeing the identification and management of risks associated with CN’s compensation policies and practices and reviewing disclosure on: (i) the role of the Committee in that respect; (ii) any practices that CN uses to identify and mitigate such risks and (iii) any identified risk arising from CN’s compensation policies and practices that is reasonably likely to have a material adverse effect on CN;
- overseeing the selection of any benchmark group used in determining compensation or any element of compensation and reviewing disclosure on such group;
- recommending to the Board of Directors executive management’s compensation; and
- reviewing human resources practices by ensuring, among other things, that appropriate human resources systems are in place to allow the Company to attract, motivate and retain the quality of personnel required to meet its business objectives.

The Committee’s full charter is available as part of CN’s Corporate Governance Manual at www.cn.ca, under Delivering Responsibly/Governance.

The Committee met five times in 2012 and held in camera sessions during each meeting. The report of the Committee, set forth in Schedule “B” to this Information Circular, outlines the major subject areas reviewed by the Committee during the year.

TALENT MANAGEMENT AND EMPLOYEE ENGAGEMENT

Throughout 2012, the Committee oversaw a range of talent management initiatives aimed at attracting high-quality individuals and further engaging the existing members of the workforce in line with the Company's growth, while also considering attrition needs.

To that end, CN refined its workforce planning model to minimize business risks relating to its future workforce requirements and implemented online screening tests for candidates applying to key operational roles requiring a significant number of new hires. In addition, CN expanded its candidate pool through more than 535 strategic partnerships with schools, professional associations, diversity and military groups, including alliances with Veteran Affairs Canada and the Joining Forces White House recruitment initiative in the United States. The Company also increased the reach and visibility of the CN brand through new and varied communication approaches, such as holding an online career fair, sponsoring Aboriginal Peoples Television Network's Aboriginal Day Live national broadcast, and sharing content via Facebook and the mobile CN App. The resulting effectiveness of these initiatives facilitated the hiring of approximately 2,400 individuals in 2012.

In support of its retention goals, the Company focused on welcoming and engaging its new hires through the use of its successful Onboarding Program, as well as by encouraging more employee recognition, involvement, and feedback, be it through the publication of Faces of CN employee stories, the Ambassador Program, where employees can participate in the Company's recruiting efforts, or monthly online surveys. CN also increased the reach of corporate messages to ensure common understanding of the Company's culture and business objectives. In addition, Mr. Mongeau actively supported the "Training Excellence Program", which consisted of a complete revitalization of CN's curricula for key technical and safety training, taking into account the learning styles of the new generation of railroaders.

In 2012, the Committee oversaw the ongoing progress made in the areas of talent management and succession planning. In-depth talent sessions with functional leadership teams took place throughout the year and included the review of high-potential employees and the identification of internal successors for critical management and executive positions. Leadership assessments were conducted for select high potential employees and were followed-up with customized development plans. As in past years, the Committee made succession planning a top priority by ensuring the topic was formally on the Committee's 2012 meeting agendas; Executive Vice-Presidents from three different functions presented the results of their succession planning and talent management reviews to the members of the Committee, demonstrating the quality of available successors within CN.

The Committee is satisfied that, under Mr. Mongeau's continued leadership, appropriate and effective human resources programs, processes and practices are in place to attract, connect with, develop and engage a talented workforce that will help sustain the Company's success.

EXECUTIVE COMPENSATION CONSULTANTS

Management retains consulting firms to assist in determining compensation for its Officers. In 2012, Management retained the services of Towers Watson to provide market information, survey results and trends, as well as external opinions on various executive compensation matters. In 2012, Management was invoiced approximately C$150,000 by Towers Watson for these services. The Committee also independently retains, from time to time, the services of executive compensation consultants to provide advice on compensation recommendations that are presented for Committee approval. Since October 2007, the Committee has retained the services of Hugessen Consulting Inc. ("Hugessen") for that purpose. The Committee mandated Hugessen to review and provide advice directly to the Committee on executive compensation recommendations and related questions. In aggregate, the fees invoiced by Hugessen in 2012 totalled approximately C$65,000. The Committee evaluated Hugessen's performance for 2012. The

Committee is satisfied with the advice received from Hugessen and that such advice is objective and independent. In 2007, the Board of Directors adopted a policy to the effect that the Chair of the Committee shall pre-approve all non-compensation services provided to the Company by the consultant retained by the Committee to perform compensation-related services. Pursuant to an understanding between the Committee and Hugessen, the latter has agreed not to perform any work for Management. During 2012, the only services performed by Hugessen were compensation-related services provided directly to the Committee.

COMPENSATION ADVISORY FEE TO HUGESSEN

TYPE OF FEE	SERVICES RENDERED IN 2011 (C$)	SERVICES RENDERED IN 2012 (C$)	PERCENTAGE OF TOTAL FEES FOR SERVICES RENDERED IN 2012 (%)
Executive Compensation-Related Fees	95,000	65,000	100
All Other Fees	0	0	0

COMPENSATION DISCUSSION AND ANALYSIS

EXECUTIVE SUMMARY

NAMED EXECUTIVE OFFICERS

In 2012, the team of Named Executive Officers ("NEOs") continued to grow in their respective roles: Claude Mongeau as President and Chief Executive Officer ("CEO") of the Company, Luc Jobin as Executive Vice-President and Chief Financial Officer, Keith E. Creel as Executive Vice-President and Chief Operating Officer, Jean-Jacques Ruest as Executive Vice-President and Chief Marketing Officer and Sean Finn as Executive Vice-President Corporate Services and Chief Legal Officer.

Effective February 19, 2013, Jim Vena, previously Senior Vice-President, Operations (Southern Region) was appointed Executive Vice-President and Chief Operating Officer of CN following Keith E. Creel's resignation from the role effective February 4, 2013.

COMPENSATION FRAMEWORK AND POLICY

The Company follows a comprehensive executive compensation program for NEOs which includes: i) base salary; ii) annual incentive bonus; iii) long-term incentives; iv) pension benefits; and v) executive perquisites. The first three elements define total direct compensation.

Decisions on how much to pay the NEOs and all other executives in terms of total direct compensation are based on the Company's executive compensation policy. Prior to 2010, the policy aimed to position total direct compensation at the 75th percentile of the executives' respective comparator groups. Concurrent with the appointment of Claude Mongeau as President and CEO in January 2010, the policy was revised to target total direct compensation between the median and 60th percentile of the executives' respective comparator groups. For the NEOs, the comparator group consists of select Class I Railroads (Union Pacific Corporation, CSX Corporation, Norfolk Southern Corporation and Canadian Pacific Railway Limited), and for all other executives, the comparator group is a broad sample of U.S. organizations that participate in Towers Watson's proprietary database, the "U.S. Industrial". Data for the latter comparator group are size-adjusted to reflect the scope of each CN executive role based on their respective revenue responsibility. Where size-adjusted results are insufficient, data are provided from organizations in the U.S. Industrial sample with revenues between US$6 billion and US$10 billion. More information on the comparator groups can be found on page 41.

In December 2012, as part of the annual compensation review process, Management requested that its external executive compensation advisor provide an assessment of how total direct compensation offered to all executives during the year compared against that of the respective comparator groups. Towers Watson reported that the objectives of the compensation policy were met, with an overall aggregate positioning of all executives' total direct compensation between the median and the 60th percentile.

DECISION PROCESS

The compensation of the NEOs, other than that of the CEO, is recommended by the CEO and reviewed and approved by the Committee. The compensation of the CEO is recommended by the Committee and approved by the independent members of the Board of Directors. The CEO serves at the will of the Board. Neither the CEO nor the other NEOs have an employment contract.

For a discussion on the compensation of the CEO, please see section entitled "President and Chief Executive Officer Compensation" on page 51.

2012 BASE SALARY INCREASES

As part of the NEOs' annual compensation review, base salaries were set with reference to the median of the Class I Railroads comparator group. Salary increases reflect market competitiveness, economic outlook, leadership abilities, retention considerations and succession plans. The salary increases provided reflect the NEOs' growth in their continuing roles and current relative positioning against market, while also being in line with the proposed increases for the Company's overall management population.

For more information on base salaries, please refer to page 43.

2012 ANNUAL BONUS RESULTS

As in prior years, Mr. Mongeau's target bonus in 2012 was 120% of base salary, and the other NEOs' target bonus was set at 70% of base salary. Corporate performance accounted for 70% of the annual incentive bonus and was measured against aggressive targets for revenues, operating income, diluted earnings per share, free cash flow and return on invested capital. The Board is of the view that its chosen corporate performance objectives are appropriate for a capital-intensive business like CN's. The remaining 30% of the annual incentive bonus was based on individual performance that considered the strategic and operational priorities related to each NEO's function.

Overall corporate performance for 2012 was the best in the Company's history, with financial results exceeding targets for all five corporate performance objectives. Consequently, the Board of Directors assessed the performance of the Company at "far exceeds", resulting in a corporate bonus factor of 150% (or 200% for NEOs and approximately 195 other executives and senior management employees), as set out in the plan rules. The tables showing the 2012 corporate performance objectives, as approved by the Board of Directors in January 2012, and the 2012 results as reported by the Company, can be found on pages 44 and 45 respectively.

In December 2012, the Committee reviewed the individual performance of the NEOs. Their performance rating, along with the corporate bonus factor, served as the basis for calculating the annual incentive bonus payouts set out in the Summary Compensation Table under the column Non-equity incentive plan compensation—Annual incentive plans on page 56.

Effective May 1, 2012, executives, including the NEOs, and senior management employees (a total of approximately 200 employees), are required to provide the Company with a 6-month notice period prior to retirement, in order to maintain their eligibility for accrued and future bonuses under the Annual Incentive Bonus Plan ("AIBP").

2012 LONG-TERM INCENTIVES

To align with short- and long-term business performance and shareholder value creation, long-term incentives consist of a combination of conventional stock options and performance-based restricted share units.

In determining the appropriate long-term incentive fair value granted to NEOs, the Committee considered external market data, as well as other factors such as individual performance, leadership and talent retention. Long-term incentive fair values for NEOs were determined with reference to the 60th percentile of the Class I Railroads comparator group.

The payout of the performance-based restricted share units granted in 2012 to NEOs is subject to a three-year average return on invested capital target for the period ending on December 31, 2014. The Company sets return on invested capital targets that are aggressive compared to recent railroad industry performance. Additionally, for any payout to be made, a minimum share price condition must be met. The table summarizing the performance objectives and payout condition of the 2012 restricted share unit award can be found on page 47.

The stock options granted in 2012 are conventional and vest over four years at a rate of 25% at each anniversary date. Stock options have a 10-year term.

Since 2011, a "one-year minimum active service" condition has been included in the stock option and restricted share unit award agreements, in order to encourage retention of key talent approaching retirement. In other words, should an executive, including NEOs, or other management employee retire in the year of the award agreement, restricted share units and stock options awarded pursuant to that agreement would be forfeited.

2010 RESTRICTED SHARE UNIT AWARD PAYOUT

The Committee reviewed the vesting of the 2010 restricted share units against the performance targets. The Company achieved a three-year average return on invested capital to December 31, 2012 of 14.63%, exceeding the 11.5% target set in 2010. This outcome resulted in a performance vesting factor of 150% of the restricted share units awarded in 2010, in accordance with the plan rules. As the minimum average closing share price condition was also met, payout under the plan occurred in February 2013, provided other conditions of the award agreements were complied with.

The table illustrating the 2010 restricted share unit performance objectives and results can be found on page 47.

RISK MITIGATION IN OUR COMPENSATION PROGRAM

The Company has a formalized compensation philosophy to guide compensation program design and decisions. Many of the characteristics inherent in the Company's executive compensation program encourage the right behaviours, thus mitigating risks and aligning long-term results with shareholder interests. The following are examples of such characteristics:

- Appropriate balance between fixed and variable pay, as well as short- and long-term incentives;
- Multiple performance metrics are to be met or exceeded in the AIBP;
- Incentive payout opportunities are capped and do not have a guaranteed minimum payout;
- Executive compensation clawback policy is in place;
- Stock ownership guidelines apply to executives and senior management employees (approximately 200 individuals).

A complete list and description of these risk-mitigating features is available on pages 49 and 50.

In 2012, CN requested that Towers Watson review the actions taken by CN since the 2011 Risk Assessment and comment on any potential risks. Towers Watson considered the actions taken by CN and consistent with their 2011 assessment, confirmed that "overall, there does not appear to be significant risks arising from CN's compensation programs that are reasonably likely to have a material adverse effect on the Company". The Committee strongly supports the conclusions from Towers Watson's risk assessment report and in its own assessment determined that proper risk mitigation features are in place within the Company's compensation program.

NON-COMPETE, NON-SOLICITATION AND NON-DISCLOSURE

The railroad industry operates in a highly competitive market and CN has undergone a transformational journey to be an industry leader. In recent years, the Company has continued to improve its efforts to protect itself and its confidential information. The Company's long-term incentive award agreements, as well as its non-registered pension plans, therefore contain non-compete, non-solicitation, non-disclosure of confidential information and other restrictive clauses (the "Conditions"). Payout under the long-term incentive plans or the non-registered pension plans is subject to current or former employees complying with these Conditions. Further details related to CN's non-compete and non-solicitation provisions are available on page 49.

As a result of Mr. Creel's decision to resign from CN and join Canadian Pacific Railway Limited on February 4, 2013, compensation amounts subject to non-compete, non-solicitation and other terms of applicable plans and award agreements were forfeited and as at February 4, 2013, had an approximate value of C$20 million. More precisely, Mr. Creel forfeited his 2010, 2011 and 2012 restricted share units, his 2009, 2010, 2011 and 2012 unexercised stock options, as well as a portion of his non-registered pension plans and arrangements. Please note that compensation values shown in the prescribed tables of this Information Circular are as at December 31, 2012 and do not take into account subsequent forfeitures by Mr. Creel resulting from his resignation.

COMPENSATION FRAMEWORK

The Company's executive compensation program and policies are designed to ensure that there is a clear link between the Company's long-term strategy, its business plan and executive rewards, thus encouraging the right behaviours. A significant proportion of executive incentive remuneration is therefore tied to key corporate objectives that play a pivotal role in driving the organization's short- and long-term profitability and return to shareholders. The executive compensation program is also designed to be competitive, in order to attract, retain and motivate outstanding executive talent.

The executive compensation program is comprised of five elements: i) base salary; ii) annual incentive bonus; iii) long-term incentives; iv) pension benefits; and v) executive perquisites. The combination of base salary, annual incentive bonus and long-term incentives defines the total direct compensation offering, which is weighted towards variable, "pay-for-performance" elements.

The following charts provide information on the CEO's 2012 compensation mix (at target), as well as that of the other NEOs (on average), and clearly illustrate that a significant component of their compensation is "at risk":

CEO's 2012 Compensation Mix	All Other NEOs' 2012 Compensation Mix (on average)

COMPENSATION POLICY

THE COMPANY'S EXECUTIVE COMPENSATION POLICY

Prior to 2010, the executive compensation policy aimed to position total direct compensation at the 75th percentile of the executives' respective comparator groups. Concurrent with the appointment of Claude Mongeau as President and CEO in January 2010, the policy was revised to target total direct compensation between the median and 60th percentile of the executives' respective comparator groups. This reduction in market positioning from the 75th percentile was determined to be competitive after a thorough review of the structure, levels and practices of remuneration in the railroad industry. In order to achieve the objectives of this revised policy, base salaries and target annual bonuses are set with reference to the median level of the respective comparator group, whereas the grant date fair value of long-term incentives is set with reference to the 60th percentile. The Committee believes that the compensation policy and its principles provide for competitive and reasonable compensation levels.

BENCHMARKING USING COMPARATOR GROUPS

The median and 60th percentile competitive pay levels are determined using comparator groups, which have been carefully reviewed and endorsed by the Committee as being appropriate for the level and nature of the positions. In determining compensation for the NEOs, the Company considers a comparator group of North American companies that are comparable in size and with whom the Company competes for executive talent. In 2012, the comparator group for the NEOs was the following Class I Railroads: Union Pacific Corporation, CSX Corporation, Norfolk Southern Corporation and Canadian Pacific Railway Limited. The Committee also considers data from a secondary reference point for purposes of verifying the alignment with general compensation trends, but not for direct benchmarking purposes, given the direct comparability of the above-mentioned Class I Railroads. The comparator group used to benchmark pay levels for all executives, other than the NEOs, serves as this secondary reference point, as described below.

For all executives other than the NEOs, the comparator group used for benchmarking purposes is a broad sample of U.S. organizations that participate in Towers Watson's proprietary database (the "U.S. Industrial"). Data are size-adjusted to reflect the scope of each CN executive role based on their respective revenue responsibility. Where size-adjusted results are insufficient, data are provided from organizations in the U.S. Industrial sample with revenues between US$6 billion and US$10 billion.

Throughout the annual executive compensation review process, the Committee also receives and considers advice from its independent compensation consultant, Hugessen.

COMPENSATION DECISIONS AND PROCESS

The Committee normally reviews the base salaries of executives in January each year, by taking into consideration median comparator group practices, economic outlook, leadership abilities, retention considerations and succession plans.

The Committee reviews and recommends for approval by the Board of Directors the performance targets related to both the AIBP and the Restricted Share Units Plan ("RSU Plan"). These targets are derived from CN's annual business plan, which is prepared by Management and reviewed with the full Board during the Strategic Planning Committee meetings. The business planning process is an extensive one, during which Management examines with the directors the economic, business, regulatory and competitive conditions which affect or can be expected to affect CN's business in the following three-year period. Throughout the year, members of the Committee are provided with updates related to the Company's performance against targets. The Committee and the Board also have open access to senior management throughout the year, should they wish to discuss specific business issues or seek clarification. The Board and the Committee are therefore confident that they have detailed visibility of the Company's financial performance and that they are appropriately equipped to recommend executive compensation decisions.

The annual grant of restricted share units and stock options to NEOs and other eligible employees is reviewed and approved at the meetings of the Committee and the Board of Directors which take place each year in January. In determining the appropriate long-term incentive fair value granted to each NEO, the Committee considered external market data, as discussed in the "Benchmarking Using Comparator Groups" section, as well as other factors such as individual performance, leadership and talent retention. Long-term incentive fair values for NEOs were determined with reference to the 60th percentile of the Class I Railroads comparator group. The fair value of the restricted share units granted to NEOs is approximately equivalent to that of stock options granted, except in the case of the CEO, due to the 20% limitation on the number of stock options that can be awarded to any one individual, in a particular year, pursuant to the terms of the Management Long-Term Incentive Plan — please refer to page 62 for a description of the plan.

The compensation of the NEOs, other than that of the CEO, is recommended by the CEO and reviewed and approved by the Committee. The compensation of the CEO is recommended by the Committee and approved by the independent members of the Board of Directors.

COMPONENTS OF THE EXECUTIVE COMPENSATION PROGRAM

The following table summarizes the components of the Company’s executive compensation program, which is driven by the executive compensation policy and weighted towards variable, “pay-for-performance” elements. Each component is then further detailed in this section.

COMPONENT	DESIGN SUMMARY	FORM	OPPORTUNITY	RISK-MITIGATING ELEMENTS	OBJECTIVES AND RATIONALE
Base Salary	• Fixed rate of pay • Individual salary recommendations based on competitive assessment and economic outlook, leadership, retention and succession considerations • Performance period: annual	• Cash	• Set with reference to the median of the respective comparator group	• Provides for a balanced mix of pay components (fixed vs. variable) • Use of external advisor and peer group analysis	• Provide competitive level of fixed compensation • Recognize sustained individual performance • Reflect increase in role responsibility and/or growth in role
Annual Incentive Bonus	• Annual awards based on achievement of five pre-determined corporate performance objectives (70%) and individual performance (30%) • Approximately 4,700 management employees are eligible • Performance period: 1 year	• Cash-based performance pay	• Target is 120% of base salary for the CEO and 70% for the other NEOs. Maximum payout is limited to 2.0 times the target • For other eligible management employees, target is based on grade level with a maximum payout limited to 1.5 or 2.0 times the target	• Use of multiple performance metrics • Plan targets reviewed and approved annually based on in-depth review of annual business plan • Payouts are capped • No guaranteed minimum payout • Payouts subject to a clawback policy	• Reward the achievement of a balanced set of annual corporate performance objectives • Reward the achievement of personal objectives aligned with each employee’s area of responsibility and role in realizing operating results • Drive superior corporate and individual performance
	Restricted Share Units				

Long-Term Incentives	• Performance vesting subject to the attainment of 3-year average return on invested capital targets • Payout conditional to the attainment of a minimum share price during the last three months of the plan period • Employees must remain in active and continuous service until the last day of the year in which the grant was made to be eligible for payout • Performance period: 3 years	• Performance-based share units payable in cash	• Long-term incentive grant date fair value determined with reference to the 60th percentile of the respective comparator group for NEOs and executives • RSU performance vesting factor capped at 150%	• Significant weighting towards long-term incentive compensation • Overlapping multi-year performance periods • Mix of financial and market measures • RSU payouts are capped and there is no minimum guaranteed payout • Payouts subject to a clawback policy	• Align management interests with shareholder value growth • Reward the achievement of sustained financial performance • Contribute to retention of key talent • Recognize individual contribution and potential
	Stock options • Conventional stock options that vest over 4 years at a rate of 25% per year • Grant is approximately of equal value to the Restricted Share Units (except for the CEO who receives a different proportion due to the 20% limitation under the Management Long-Term Incentive Plan) • Employees must remain in active and continuous service until the last day of the year in which the grant was made to be eligible for payout • Performance period: 4-year vesting, 10-year option term	• Stock options			

COMPONENT	DESIGN SUMMARY	FORM	OPPORTUNITY	RISK-MITIGATING ELEMENTS	OBJECTIVES AND RATIONALE
Pension Benefits	Canadian Pension Plans • Defined Benefit Plan: Benefits payable calculated as a percentage of the five-year highest average earnings multiplied by pensionable service • Defined Contribution Plan: Benefits based on the participant's required contributions and on Company-matched contributions • Non-registered plans: Supplement registered plans and provide benefits in excess of the Canadian Income Tax Act limits U.S. Pension Plans • Defined Benefit Plan: Benefits payable calculated as a percentage of the five-year highest average earnings (out of the last 10 years) multiplied by credited service • Savings Plan: 401(k) benefits based on the participant's voluntary contributions and 50% matching by the Company, limited to 3% of base pay • Defined Contribution Feature: Additional benefits included in the Savings Plan based on Company contributions equal to 3.5% of base pay • Non-registered plans: Supplement registered plans and provide benefits in excess of IRS and Railroad Retirement Board limits	• Cash payments following retirement	• Non-registered plans restricted to executives and senior management employees • Most retirement benefits for executives and senior management employees are calculated using base salary and annual bonus (up to target levels)	• Annual retirement benefits to CEO from non-registered plan capped at US$1M	• Provide an effective and attractive executive compensation program

	• Pensionable service period for most plans: Maximum of 35 years		
Executive Perquisites	• Healthcare and life insurance benefits, annual executive physical exam, club membership, company-leased vehicle, parking, financial counselling and tax services	• Non-cash • Competitive perquisites	• No tax gross-ups on such perquisites • Use of corporate aircraft restricted to business-related purposes

BASE SALARY

The Committee normally reviews the base salaries of executives in January each year, by taking into consideration median comparator group practices, economic outlook, leadership abilities, retention considerations and succession plans. The current comparator group for the NEOs comprises Class I Railroads of comparable size and scope, namely Union Pacific Corporation, CSX Corporation, Norfolk Southern Corporation and Canadian Pacific Railway Limited. The base salaries of NEOs are paid in U.S. dollars in order to provide for a more meaningful and objective comparison with U.S. denominated salaries of incumbents in equivalent positions within the comparator group.

In 2012, the salary increases provided to all NEOs were in line with expected market increases and support the NEOs' growth in their continuing roles and current relative positioning against market. The salary increases provided were also in line with the proposed increases for the Company's overall management population. Mr. Mongeau's base salary was therefore increased from US$975,000 to US$1,000,000 (+2.6%), Mr. Jobin's from US$550,000 to US$575,000 (+4.5%), Mr. Creel's from US$565,000 to US$585,000 (+3.5%), Mr. Ruest's from US$515,000 to US$540,000 (+4.9%) and Mr. Finn's from US$500,000 to US$513,000 (+2.6%). While NEO base salaries are paid in U.S. dollars, the Summary Compensation Table on page 56 reports the amounts in Canadian dollars, as required by the disclosure rules issued by the Canadian Securities Administrators.

ANNUAL INCENTIVE BONUS PLAN

In addition to the NEOs, approximately 4,700 management employees are eligible to participate in an annual performance-based bonus plan. Under the Company's AIBP, minimum, target and maximum payouts, expressed as a percentage (%) of base salary, are as follows for the CEO, the other NEOs, the Senior Vice-Presidents and Vice-Presidents:

POSITION	MINIMUM	TARGET (1)	MAXIMUM (1)
CEO	0%	120%	240%
Other NEOs	0%	70%	140%
Senior Vice-Presidents	0%	65%	130%
Vice-Presidents	0%	50/60%	100/120%

(1) Represents percentage of base salary as at December 31, 2012.

The bonus payout received under the AIBP depends on the achievement of both corporate (70%) and individual (30%) objectives. This design reflects the Company's view that any short-term incentive should be tied both to the overall performance of the Company and to those areas of its business that each employee can influence directly.

For 2012, the AIBP was comprised of the following components:

1. Corporate financial performance: 70% of the bonus was linked to the achievement of a balanced set of objectives that contribute to the Company's long-term financial growth and profitability. The Committee ensures that performance goals and conditions are directly aligned with the achievement of the Company's corporate objectives as set out in the Company's business plan, which is recommended by the Strategic Planning Committee and reviewed and approved by the Board of Directors. CN's business planning process is an extensive one, during which Management examines with the Board of Directors, the economic, business, regulatory and competitive conditions which affect or can be expected to affect the Company's business in the following three-year period. Such items are then taken into account in establishing the Company's targets under the AIBP. In addition, in setting the AIBP targets for the upcoming year, the Company generally excludes items from the prior year that did not necessarily arise as part of the normal business of the Company, which can impact the comparability of the Company's year-over-year financial performance and the Company's current year targets in relation to the prior year's results. In 2012, the Board of Directors assessed the Company's performance against targets for revenues, operating income, diluted earnings per share, free cash flow and 1-year return on invested capital ("ROIC"). These measures were selected because they are quantifiable measures that play a key role in driving the organization's profitability and return to shareholders. Additionally, the Board is of the view that its chosen corporate objectives are appropriate for a capital-intensive business like CN's. The 2012 targets were approved by the Board of Directors in January 2012 based on the Company's business and financial outlook at that time.

Under the terms of the AIBP, a maximum corporate performance factor of 150% (or 200% for NEOs and approximately 195 other executives and senior management employees) can be applied to an eligible employee's annual bonus payout when financial results exceed all five corporate performance objectives.

The following table shows the 2012 corporate performance objectives, including each objective's weight, as approved by the Board of Directors in January 2012 and the 2012 results as reported by the Company.

PERFORMANCE OBJECTIVES AND RESULTS – 2012 ANNUAL INCENTIVE BONUS PLAN

IN MILLIONS (EXCEPT PER SHARE DATA)	WEIGHT	CORPORATE OBJECTIVES(1) BASE (C$)	STRETCH (C$)	2012 RESULTS(2) (C$)	PERFORMANCE ASSESSMENT
Revenues(3)	25%	9,550	9,725	9,920	Far exceeds
Operating Income	25%	3,375	3,500	3,685	Far exceeds
Diluted Earnings Per Share	15%	4.95	5.20	6.12	Far exceeds
Free Cash Flow(4)	20%	775	875	1,006	Far exceeds
ROIC(5)	15%	14.7%	15.3%	17.2%	Far exceeds

(1)Objectives set assuming an exchange rate of US$1 = C$1.00.

(2)Results reflect an actual exchange rate of US$1 = C$1.00.

(3)Revenues target assumes fuel surcharges that are based on oil and diesel prices included in the Company's Board-approved business plan.

(4)Free cash flow does not have any standardized meaning prescribed by Generally Accepted Accounting Principles (GAAP) and may, therefore, not be comparable to similar measures presented by other companies. The Company believes that free cash flow is a useful measure of performance as it demonstrates the Company's ability to generate cash after the payment of capital expenditures and dividends. The Company defines free cash flow as the sum of net cash provided by operating activities, adjusted for changes in cash and cash equivalents resulting from foreign exchange fluctuations; and net cash used in investing activities, adjusted for changes in restricted cash and cash equivalents, if any; the impact of major acquisitions, if any; and the payment of dividends.

(5)ROIC measures the Company's efficiency in the use of its capital funds and is viewed as a key measure of long-term value generation to its shareholders. ROIC is generally calculated as net income before interest expense, divided by the total of the average net indebtedness and the average shareholders' equity, and may, in certain instances, be adjusted for certain items as determined by the Committee.

In January 2012, the above performance targets were set assuming an exchange rate of US$1 = C$1.00. During the year, the actual exchange rate was also US$1 = C$1.00. However, the Company's revenue targets were adjusted to take into consideration the difference between actual and forecasted oil and diesel prices with respect to the Company's fuel surcharges. The following table therefore compares the 2012 adjusted performance targets with the actual 2012 results as reported by the Company.

PERFORMANCE OBJECTIVES AND RESULTS – 2012 ANNUAL INCENTIVE BONUS PLAN – ADJUSTED TARGETS

IN MILLIONS (EXCEPT PER SHARE DATA)	WEIGHT	CORPORATE OBJECTIVES BASE (C$)	STRETCH (C$)	2012 RESULTS(2) (C$)	PERFORMANCE ASSESSMENT
Revenues(1)(3)	25%	9,597	9,772	9,920	Far exceeds
Operating Income(1)	25%	3,377	3,502	3,685	Far exceeds
Diluted Earnings Per Share(1)	15%	4.96	5.21	6.12	Far exceeds
Free Cash Flow(1)(4)	20%	775	875	1,006	Far exceeds
ROIC(5)	15%	14.7%	15.3%	17.2%	Far exceeds

(1)Objectives reflect the actual exchange rate of US$1 = C$1.00, which is the same as the assumed rate used when the objectives were set in January 2012.

(2)Results reflect an actual exchange rate of US$1 = C$1.00.

(3)Revenues target has been adjusted to reflect actual fuel surcharges invoiced to clients based on actual oil and diesel prices in 2012.

(4)Free cash flow does not have any standardized meaning prescribed by Generally Accepted Accounting Principles (GAAP) and may, therefore, not be comparable to similar measures presented by other companies. The Company believes that free cash flow is a useful measure of performance as it demonstrates the Company's ability to generate cash after the payment of capital expenditures and dividends. The Company defines free cash flow as the sum of net cash provided by operating activities, adjusted for changes in cash and cash equivalents resulting from foreign exchange fluctuations; and net cash used in investing activities, adjusted for changes in restricted cash and cash equivalents, if any; the impact of major acquisitions, if any; and the payment of dividends.

(5)ROIC measures the Company's efficiency in the use of its capital funds and is viewed as a key measure of long-term value generation to its shareholders. ROIC is generally calculated as net income before interest expense, divided by the total of the average net indebtedness and the average shareholders' equity, and may, in certain instances, be adjusted for certain items as determined by the Committee.

As a result of the Company's focus on operational and service excellence, systematic deployment of supply chain collaboration and solid execution, CN's 2012 growth continued to outpace that of the overall economy, generating the highest volumes and earnings in Company history.

The Company continued to produce solid free cash flow, supported in part by the monetization of underutilized assets. The Company reinvested in the business, with 2012 capital spending of C$1.825 billion. In 2012, in anticipation of its future funding requirements, the Company made voluntary pension contributions of C$700 million in excess of the required contributions mainly to strengthen the financial position of its main pension plan, the CN Pension Plan. These voluntary pension contributions can be treated as a prepayment against CN's future required special solvency payments.

At the same time, the Company maintained its commitment to returning value to shareholders. In 2012, the Company increased its dividend by 15% versus the prior year and repurchased almost 17 million shares.

For 2012, after considering the financial results against established corporate objectives, the Board of Directors assessed the corporate performance at "far exceeds", allowing for the maximum corporate performance factor of 150% (or 200% for NEOs and approximately 195 other executives and senior management employees).

2. Individual performance: 30% of the bonus was based on personal business-oriented goals that considered the strategic and operational priorities related to each executive's respective function, with a strong overall focus on: balancing operational and service excellence, delivering superior growth, opening new markets with breakthrough opportunities, deepening employee engagement and stakeholder engagement. The individual performance factor can range from 0% to 200% for NEOs and for approximately 195 other executives and senior management employees. For all other eligible management employees, the performance factor can range from 0% to 150%. The individual performance factor for the CEO is based on an individual assessment reviewed and approved by the Committee.

In 2012, the individual objectives of the NEOs included both quantitative measures and qualitative strategic and operational considerations related to their function. At year-end, the CEO reviewed the performance of the other NEOs, taking into consideration their achievements against their pre-determined individual objectives and determined their individual performance rating, subject to Committee review and approval. The Committee then reviewed and reflected on each NEO's, other than the CEO's, individual achievements against goals, as well as their overall leadership in meeting their function's objectives. For 2012, taking into account the recommendations of the CEO, the Committee determined that the NEOs had met their personal objectives and approved each of their individual performance ratings, which translates to the performance factor to be applied to the calculation of their bonus payout.

In 2012, the average individual performance factor for the NEOs, including the CEO, was 130%.

Any annual incentive bonus payout under the individual component is conditional upon a payout being declared under the corporate component. In addition, should corporate performance be assessed at "partially meets" (i.e. a corporate performance factor below 100%), the individual performance factor will be prorated to the same level.

The following formula illustrates how an eligible management employee's annual base salary (as at December 31, 2012), target payout (expressed as a percentage of base salary), corporate and individual performance factors interact in the determination of the actual annual bonus payout:

In 2012, the average payout for the NEOs, including the CEO, was 179% of target payout. The actual payouts are reported in the Summary Compensation Table on page 56, under the column Non-equity incentive plan compensation—Annual incentive plans.

Effective May 1, 2012, executives, including the NEOs, and senior management employees (a total of 200 employees), are required to provide the Company with a 6-month notice period prior to retirement. This measure was instituted to allow for improved succession planning and to maximize the effectiveness of transitions. Employees who fail to provide such notice forfeit any accrued and future bonus under the AIBP, save for specific and exceptional circumstances.

LONG-TERM INCENTIVES

The Board of Directors considers a number of factors to assess the Company's long-term incentive strategy. Factors considered include the balance between long-term value creation and shareholder wealth protection, executive stock ownership position versus stock option holdings, executive retention risk, as well as the dilution impact of the different long-term incentive vehicles. Since 2005, the Board of Directors has elected to grant a combination of stock options and restricted share units ("RSU"s) to NEOs, as well as to designated executives and senior management employees. The stock options and RSUs granted are of approximately equal value for all eligible employees, except for the CEO. The CEO's long-term incentive ("LTI") award has a smaller relative weight in stock option value, due to the 20% limitation on the number of stock options that can be awarded to any one individual in a particular year, pursuant to the terms of the Management Long-Term Incentive Plan — please refer to page 62 for a description of the plan.

The annual grant of RSUs and stock options to NEOs and other eligible employees is reviewed and approved at the meetings of the Committee and the Board of Directors which take place each year in January. In order to determine each NEO's LTI award, the Committee takes into consideration individual performance, retention risk and succession plans, as well as the Company's compensation philosophy and the value of LTIs granted over the last three years by the Class I Railroads included in the comparator group (please see section "Benchmarking Using Comparator Groups" on page 41). The Committee does not take into account previous executive grants when setting the individual awards, as the LTI plans are inherently performance-based.

The effective grant date is the first day open for trading under the Company's Insider Trading Policy, following the publication of the Company's financial results for the previous year. Based on this approach, the effective grant date is generally the second trading day following the public release of the Company's financial results. The exercise price of the stock options granted is equal to the closing price of the Company's common shares on the TSX or the NYSE on the grant date.

Since 2011, a "one-year minimum active service" condition has been included in the stock options and RSU award agreements, in order to encourage retention of key talent approaching retirement. In other words, should an executive, including NEOs, or other management employee retire in the year of the award agreement, RSUs and stock options awarded pursuant to that agreement will be forfeited.

RESTRICTED SHARE UNITS: 2012 AWARD

The RSU Plan was approved by the Board of Directors in 2004. The objective of the RSU Plan is to enhance the Company’s ability to attract and retain talented employees and to provide alignment of interests between such employees and the shareholders of the Company. The RSUs awarded are generally scheduled for payout after three years and the performance vesting factor is determined in relation to the achievement of a target related to the Company’s average ROIC over the plan period. In 2012, the average ROIC objective applied to the three-year period ending on December 31, 2014. The ROIC for each of the applicable plan years is generally calculated as net income before interest expense, divided by the total of the Company’s average net indebtedness and the average shareholders’ equity, and may, in certain instances, be adjusted for certain items as determined by the Committee. ROIC measures the Company’s efficiency in the use of its capital funds and is viewed as a key measure of long-term value generation to its shareholders. ROIC is also used as one of the five corporate performance measures under the AIBP, given its importance as a financial measure for a capital-intensive business like CN’s and the differing time periods for the AIBP (annual) and the RSU Plan (3 years).

The RSU payout is also conditional upon meeting a minimum average closing share price during the last three months of 2014.

The RSUs granted in 2012 to NEOs and other designated employees are subject to the attainment of the performance criteria presented in the table below:

PERFORMANCE OBJECTIVES – RESTRICTED SHARE UNITS – 2012 AWARD

	OBJECTIVE	PERFORMANCE VESTING FACTOR (1)
Performance Objective: Average ROIC for the three-year period ending on December 31, 2014	Below 13.0%	0%
	13.0%	50%
	14.0%	100%
	15.0%	125%
	16.0% and above	150%
Payout Condition: Minimum average closing share price for the last three months of 2014	C$78.02 on the TSX or US$76.16 on the NYSE	

(1) Interpolation applies between objectives.

If the performance criteria are met, the payout, made in the currency of the recipient's salary, will be calculated as follows:

The grant date fair value of the RSUs awarded to each NEO in 2012 is included in the Summary Compensation Table on page 56, under the Share-based awards column.

RESTRICTED SHARE UNITS: 2010 AWARD PAYOUT

The RSUs awarded in 2010 to NEOs and other designated employees vested based on the achievement of an average ROIC for the three-year period ending on December 31, 2012. Over the past three years, CN's share price has increased by 58% in Canada and 67% in the U.S., in comparison to a 6% increase of the S&P/TSX and a 28% increase of the S&P 500. In addition, the Company's market capitalization in Canada has increased by more than C$10 billion during this same period. The Company's superior performance therefore led to the achievement of a three-year average ROIC of 14.63%, exceeding the 11.5% target, and resulting in a performance vesting factor of 150%. As the minimum average closing share price condition was also met, payout occurred in February 2013 in accordance with the RSU Plan and the 2010 award agreement.

PERFORMANCE OBJECTIVES AND RESULTS – RESTRICTED SHARE UNITS – 2010 AWARD

	OBJECTIVE	PERFORMANCE VESTING FACTOR (1)	RESULTS

Performance Objective: Average ROIC for the three-year period ending on December 31, 2012	Below 10.5% 10.5% 11.5% 12.5% 13.5% and above	0% 50% 100% 125% 150%	14.63%
Payout Condition: Minimum average closing share price for the last three months of 2012	C$57.13 on the TSX or US$54.11 on the NYSE		C$87.93 US$88.83

(1)Interpolation applies between objectives.

The value vested during the year for each NEO is included in the table Incentive plan awards—Value vested or earned during the year, under the Share-based awards—Value vested during the year column on page 62.

STOCK OPTIONS

Stock options were granted in 2012 to NEOs and other designated employees pursuant to the Management Long-Term Incentive Plan (the "Plan"). Please refer to page 62 for details of the Plan. The stock options granted in 2012 are conventional, vest over four years at a rate of 25% at each anniversary date and have a 10-year term. Grants were made in the currency of the recipient's salary.

Stock options are granted with the objective of rewarding NEOs and other designated employees for creating sustainable, long-term shareholder value. If the share price increases between the grant date and the vesting date, stock options will have a realizable value and be "in-the-money". Gains are realized once the stock options are exercised. The gain will be equivalent to the difference between the share price on the date of exercise and the grant date share price, multiplied by the number of options exercised.

The grant date fair value of the stock options awarded to NEOs in 2012 is included in the Summary Compensation Table on page 56, under the Option-based awards column.

EXECUTIVE PERQUISITES

NEOs are eligible to receive perquisites and personal benefits in accordance with the Company's policies and in line with general market practices. These typically include the use of a company-leased vehicle, parking, financial counselling and tax services, club membership, certain healthcare benefits and life insurance and an annual executive physical exam. Other executives and senior management employees are also eligible to receive select perquisites; the type and value of the perquisites are generally determined by the grade of the employee's position. Following the review of CN's personal-use vehicle policy in 2012 and in line with the Company's commitment to operate

responsibly, an eco-friendly component was introduced to limit the selection of vehicles based on their fuel consumption rating. Additionally, since 2010, all executives must comply with the aircraft utilisation policy which restricts the usage of the corporate aircraft to business-related purposes only, save for exceptional circumstances and provided all incremental costs are fully reimbursed. Since January 2010, tax gross-ups on the value of certain executive perquisites have also been eliminated.

EMPLOYEE SHARE INVESTMENT PLAN

The Employee Share Investment Plan ("ESIP"), available to all Company employees, provides the opportunity to participate in CN's ownership through the purchase of voting shares on the open market via payroll deductions. Employees may contribute between 1% and 10% of their gross base salary to the ESIP every pay period. The Company provides a 35% match on the first 6% of employee contributions. Both employee and employer contributions vest immediately. In 2012, all NEOs participated in the ESIP.

The value of the Company match received by NEOs in 2012 under the ESIP is indicated in the "Details of the All Other Compensation Amounts" table on page 58.

OTHER KEY COMPENSATION POLICIES OF THE COMPANY

STOCK OWNERSHIP

The Committee strongly supports stock ownership by executives. In 1999, the Company introduced stock ownership guidelines that require a minimum level of stock ownership, set as a multiple of base salary, to be achieved within a five-year period to align the interests of executives with those of shareholders. In 2002, the application of the guidelines was broadened and as at December 31, 2012, includes a total of approximately 200 executives and senior management employees. Once executives and senior management employees have met their initial stock ownership requirements, they will maintain their status thereafter, even if the stock price declines. In addition, compliance with the guidelines is reported annually to the Committee. Stock ownership guidelines can be met through the holding of common shares and vested deferred share units under the Company's Voluntary Incentive Deferral Plan ("VIDP"). Stock ownership requirements are as follows:

	GUIDELINES
President and CEO	5 times salary
Executive and Senior Vice-Presidents	3 times salary
Vice-Presidents	1.5 to 2 times salary
Senior Management	1 times salary

The CEO is also required to maintain his stock ownership guideline level until one year after retirement. As at December 31, 2012, all NEOs exceeded their share ownership requirements.

STOCK OWNERSHIP STATUS AS AT DECEMBER 31, 2012

NAMED EXECUTIVE OFFICER	NUMBER OF SHARES HELD(1)	VALUE OF HOLDINGS(2) (C$)	VALUE REQUIRED TO MEET GUIDELINES(3) (C$)	HOLDINGS AS A MULTIPLE OF SALARY(3)
Claude Mongeau	230,347	20,807,245	4,998,000	20.8x
Luc Jobin	25,717	2,323,017	1,724,310	4.04x
Keith E. Creel	106,594	9,628,636	1,754,298	16.5x
Jean-Jacques Ruest	89,579	8,091,671	1,619,352	15.0x
Sean Finn	38,863	3,510,495	1,538,384	6.8x

(1) Common shares and/or vested deferred share units as at December 31, 2012.

(2) Value is based on the closing share price of the common shares on December 31, 2012 on the TSX (C$90.33), or the fair market value at the time of purchase if greater.

(3) US$ salaries were converted to Canadian dollars using the average rate during the year (US$1 = C$0.9996).

ANTI-HEDGING POLICY

Under the Company's Insider Trading Policy, no directors, officers or employees can engage in hedging activity or in any form of transactions in publicly traded options on CN securities. This relates to all forms of derivatives, including "puts" and "calls".

CHANGE OF CONTROL PROVISIONS

The Management Long-Term Incentive Plan and the RSU Plan were amended effective March 4, 2008 to include "double trigger provisions". Pursuant to such provisions, the vesting of non-performance options or RSUs awarded after that date and held by a participant would not accelerate upon a Change of Control, unless the participant is terminated without cause or resigns for good reason. A Change of Control means any of the following events:

a) in the event the ownership restrictions in the CN Commercialization Act are repealed, a formal bid for a majority of the Company's outstanding common shares;

b) approval by the Company's shareholders of an amalgamation, merger or consolidation of the Company with or into another corporation, unless the definitive agreement of such transaction provides that at least 51% of the directors of the surviving or resulting corporation immediately after the transaction are the individuals who, at the time of such transaction, constitute the Board and that, in fact, these individuals continue to constitute at least 51% of the board of directors of the surviving or resulting corporation during a period of two consecutive years; or

c) approval by the Company's shareholders of a plan of liquidation or dissolution of the Company.

The amended provisions state that acceleration of vesting would not occur if a proper substitute to the original options or units is granted to the participant. If such substitute is granted and a participant is terminated without cause or submits a resignation for good reason within 24 calendar months after a Change of Control, all outstanding substitute options or units which are not then exercisable shall vest and become exercisable or payable in full upon such termination or resignation. Substitute options that are vested and exercisable shall remain exercisable for a period of 24 calendar months from the date of such termination or resignation and units shall be paid within 30 days. These amended provisions only affect grants made after March 4, 2008, and discretion is left to the Board of Directors to take into account special circumstances.

NON-COMPETE/NON-SOLICITATION PROVISIONS

On January 22, 2009, the Board of Directors approved the inclusion of non-compete and non-solicitation provisions to the RSU and stock option award agreements to be executed in the future with the CEO, executive vice-presidents and senior vice-presidents. Hence, the RSUs and stock options granted to such individuals after January 22, 2009, including the 2009 awards, are subject to cancellation if the recipients fail to comply with certain commitments. Those commitments prohibit:

a) the use of confidential CN information for any purpose other than performing his or her duties with CN;

b) engaging in any business that competes with CN;

c) soliciting, accepting the business of a customer, client, supplier or distributor of CN or hiring or engaging employees of CN;

d) taking advantage or profit from any business opportunity of which they became aware in the course of employment with CN; and

e) taking any action as a result of which relations between CN and its consultants, customers, clients, suppliers, distributors, employees or others may be impaired or which might otherwise be detrimental to the business interests or reputation of CN.

Non-compete and non-solicitation provisions are now included in the RSU and stock option award agreements for all executives and senior management employees. Similarly, in 2010, the Board of Directors approved the inclusion of non-compete and non-solicitation provisions to certain supplemental retirement plans and arrangements. Such provisions were also harmonized in 2010 and 2011 across the non-registered pension plans that apply to all executives and senior management employees.

EXECUTIVE COMPENSATION CLAWBACK

In March 2008, the Board of Directors adopted an executive compensation clawback policy concerning future awards made under the Company’s annual and long-term incentive plans. Under this policy, which applies to all executives, the Board may, in its sole discretion, to the full extent permitted by governing laws and to the extent it determines that it is in the Company’s best interest to do so, require reimbursement of all or a portion of annual and long-term incentive compensation received by an executive. The Board of Directors may seek reimbursement of full or partial compensation from an executive or former executive officer in situations where:

a) the amount of incentive compensation received by the executive or former executive officer was calculated based upon, or contingent on, the achievement of certain financial results that were subsequently the subject of or affected by a restatement of all or a portion of the Company’s financial statements;

b) the executive officer engaged in gross negligence, intentional misconduct or fraud that caused or partially caused the need for the restatement; and

c) the incentive compensation payment received would have been lower had the financial results been properly reported.

RISK MITIGATION IN OUR COMPENSATION PROGRAM

One of the Company's fundamental goals is to create sustained shareholder value. In order to support this objective, the Committee focuses on developing and recommending an executive compensation philosophy and program that align with the Company's business strategy, emphasize pay-for-performance, and encourage the right behaviours. Hence, many characteristics of the Company's executive compensation program serve to mitigate risk and emphasize the importance of longer-term value creation:

- The compensation program appropriately balances fixed and variable pay, as well as short- and long-term incentives (in aggregate, approximately 80% of NEOs' target total direct compensation was directly linked to the Company's performance).

- The corporate component of the AIBP includes five performance metrics that are appropriately balanced between "top-line" measures and "bottom-line" measures, thus diversifying the risk associated with the use of any single performance metric (please refer to section "Annual Incentive Bonus Plan" on page 44 for more information).

- An annual review of the performance measures under the Company's AIBP and RSU Plan takes place to ensure their continued relevance.

• The AIBP and the RSU Plan are designed to include the possibility of a zero payout, as well as a pre-defined maximum.

• There are multi-year, overlapping performance periods for the RSUs and stock options, which encourages consistent, long-term behaviour.

• The LTI awards, which constitute a significant portion of NEO compensation, vest over a 3- or 4-year period, motivating executives to create longer-term value.

• The performance measures used within the RSU Plan reflect an appropriate balance between financial and share price metrics.

• In order to further align their interests with those of shareholders, executives and senior management employees (approximately 200 individuals) are required to meet specific stock ownership guidelines. In addition, the CEO must maintain his stock ownership level for one year after retirement (please refer to section “Stock Ownership” on page 48 for more information).

• The Company’s executive compensation clawback policy allows the Board, in certain situations, to request the full or partial reimbursement of annual and long-term incentive awards received by executives (please refer to section “Executive Compensation Clawback” on page 49 for more information).

• Annual retirement benefits to the CEO from the non-registered pension plan are capped.

• Commencing at various dates, for executives and senior management employees, the payout of LTI awards and the payment of retirement benefits under the Company’s non-registered pension plans, are conditional on compliance with the conditions of their benefit plans, award or employment agreements, including but not limited to non-compete, non-solicitation, non-disclosure of confidential information and other restrictive covenants (please refer to section “Non-Compete/Non-Solicitation Provisions” on page 49 for more information).

• The NEOs are not governed by employment contracts and the long-term incentive plans include “double-trigger provisions”, such that the vesting of LTI awards would generally not accelerate upon a Change in Control.

• Under the Company’s Insider Trading Policy, directors, executives and employees are prohibited from engaging in hedging activities against CN securities.

• Management retains the services of an external executive compensation consultant to assist in the determination of compensation for its Officers. The Committee retains the services of an independent executive compensation consultant to provide advice on compensation recommendations that are presented for Committee approval.

In 2011, Towers Watson was mandated to review the Company’s compensation program, policies and practices and assess any potential risk implications. Towers Watson concluded that “there does not appear to be significant risks arising from CN’s compensation programs that are reasonably likely to have a material adverse effect on the company”. The Committee played an active role in reviewing the Risk Assessment report and in discussing the improvement actions suggested by Towers Watson. As a result, the Committee requested that Management perform more extensive stress-testing on future LTI awards, to validate that programs are aligned with CN’s pay-for-performance principles. The stress-testing exercise was performed on the NEOs’ 2012 LTI grants proposed by human resources management and the results were presented to the Committee for their consideration prior to the Committee and the Board approving such grants. In 2012, CN requested that Towers Watson review the actions taken by CN since the 2011 Risk Assessment and comment on any potential risks. Towers Watson considered the actions taken by CN and consistent with their 2011 assessment, confirmed that “overall, there does not appear to be significant risks arising from CN’s compensation programs that are reasonably likely to have a material adverse effect on the Company”. The Committee strongly supports the conclusions from Towers Watson’s risk assessment report and in its own assessment determined that proper risk mitigation features are in place within the Company’s compensation program.

Throughout the year, the Committee plays an important oversight role related to the identification and management of risks associated with CN’s compensation policies and practices. For example, in camera sessions, restricted to members of the Committee, are held at the start of each of the Committee meetings to allow for discussion regarding any compensation- or risk-related issue. The Committee also believes in the benefits of a certain level of overlapping membership between the Audit and the Human Resources and Compensation Committees, particularly with regard to risk monitoring. As such, Denis Losier, Chair of the Audit Committee, is a member of the Human Resources and Compensation Committee and Robert Pace, Chair of the Human Resources and Compensation Committee, is a member of the Audit Committee. This overlap effectively provides a link between the two committees’ risk oversight responsibilities.

PRESIDENT AND CHIEF EXECUTIVE OFFICER COMPENSATION

CLAUDE MONGEAU, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Mr. Mongeau became President and Chief Executive Officer ("CEO") of CN on January 1, 2010. He joined CN in May 1994 and has held the positions of Assistant Vice-President Corporate Development, and Vice-President, Strategic and Financial Planning. He was appointed Executive Vice-President and Chief Financial Officer in October 2000.

As President and CEO, Mr. Mongeau is responsible for providing leadership and vision for CN, as well as achieving strategic and operational goals that will build long-term shareholder value. More details on his role are available in the Company's Corporate Governance Manual, available at www.cn.ca, under Delivering Responsibly/Governance.

COMPENSATION

The CEO's annual compensation takes into account factors such as competitive positioning against market, economic outlook, and leadership abilities. The CEO's comparator group consists of the following Class I Railroads: Union Pacific Corporation, CSX Corporation, Norfolk Southern Corporation and Canadian Pacific Railway Limited. Mr. Mongeau's annual compensation is recommended by the Committee and approved by the independent members of the Board of Directors. The CEO serves at the will of the Board and does not have an employment contract.

BASE SALARY

In 2012, Mr. Mongeau's base salary was increased from US$975,000 to US$1,000,000 (C$999,600), to recognize the CEO's growth in his continuing role and to maintain his competitive position against market.

ANNUAL INCENTIVE BONUS PLAN

As in prior years, Mr. Mongeau's target bonus for 2012 was 120% of his base salary. As is the case for other management participants in the AIBP, 70% of the bonus payout is based on corporate performance and 30% is based on individual performance.

After considering the 2012 financial results against the established corporate objectives, the Board of Directors assessed the corporate performance as "far exceeds", allowing for the maximum corporate performance factor of 200% for the CEO.

The individual objectives of the CEO are measured against the goals, objectives and standards approved annually by the Committee and the Board. The individual goals set at the beginning of 2012 included elements covering performance in the following areas: operational and service excellence (20%); delivering superior growth (20%); opening new markets with breakthrough opportunities (20%); employee engagement (20%); and stakeholder engagement (20%). Following a review of the CEO's performance against objectives, the Committee determined that the CEO had exceeded his overall individual performance objectives and recommended to the Board the approval of the CEO's annual incentive bonus payout of US$2,220,000 (C$2,208,678).

OPERATIONAL AND SERVICE EXCELLENCE

In 2012, Mr. Mongeau continued to advance the Company's business strategy of delivering operational and service excellence, by successfully balancing asset utilization requirements and the service qualities that matter most to the Company's customers. With the Company's focus on supply chain collaboration and solid execution, CN delivered an industry-leading operating ratio of 62.9%, a 60 basis point improvement versus the prior year. CN continued to lead the industry with respect to key operating efficiency metrics including terminal dwell and recorded an approximate 1.5% improvement to its industry-leading fuel efficiency.

In addition, Mr. Mongeau continued to lead the efforts to broaden and deepen the Company's safety culture, including investments in better work processes, inspection protocols, as well as new equipment and technologies. The Company posted a 15% year-over-year reduction in Federal Railroad Administration ("FRA") reportable employee injuries and a 7% year-over-year reduction in FRA reportable accidents.

DELIVERING SUPERIOR GROWTH

In 2012, the Company significantly over-performed base economic conditions. CN posted a year-over-year volume increase of 4% versus an average of zero for the Company's Class I Railroad peers. The Company's growth reflects significant share gains across several existing markets, as well as the development of new markets. CN's commitment to customer engagement, service quality and end-to-end reliability through our supply chain focus, in addition to the continued success of the CustomerFIRST program, contributed to these share gains. The CustomerFIRST program promotes proactive information sharing between the Company and customers, in a collaborative effort to continuously improve key service metrics and Mr. Mongeau personally ensured all initiatives under the program moved forward in 2012.

OPENING NEW MARKETS WITH BREAKTHROUGH OPPORTUNITIES

Under Mr. Mongeau's leadership, the Company has secured an important pipeline of innovative projects that emphasize supply chain collaboration and that support the Company's long-term growth objectives. Many of these new market development projects and initiatives came to fruition in 2012; crude oil shipments have increased significantly over the past few years, reaching more than 30,000 carloads in 2012 and, following a key investment to rehabilitate track in Wisconsin, frac sand shipments are now tracking at an annual rate of over 40,000 carloads. CN's sustained focus on supply chain collaboration with our port and terminal partners supported continued growth in international intermodal traffic, particularly traffic destined for the U.S. market via Vancouver and Prince Rupert.

EMPLOYEE ENGAGEMENT

Deepening employee engagement continued to be a key priority for Mr. Mongeau in 2012. An important first step in maximizing employee engagement relates to the promotion of the Company's values and the dissemination of what CN stands for, which is why Mr. Mongeau spearheaded CN's Ambassador Program. This program calls on interested employees to participate in the Company's recruitment efforts, by promoting career opportunities to their own networks, attending recruitment events, or sharing ideas. Over 500 employees have already enrolled to be Ambassadors since the program's launch in August 2012.

In support of its retention goals, the Company focused on welcoming and engaging its 2,400 new hires through the use of its successful Onboarding Program, as well as by encouraging more employee involvement and feedback and by increasing the reach of corporate messages to ensure common understanding of the Company's culture. Mr. Mongeau also actively supported the creation of CN's "Training Excellence Program", which consisted of a complete revitalization of CN's curricula for key technical and safety training, taking into account the learning styles of the new generation of railroaders.

In 2012, the Company ratified collective agreements with the United Steelworkers (USW) and the Teamsters Canada Rail Conference (TCRC), covering approximately 4,600 track maintenance employees, locomotive engineers and rail traffic controllers in Canada. A tentative agreement with the International Brotherhood of Electrical Workers (IBEW) to renew the collective agreement covering 700 signals and communications employees in Canada was reached prior to the December 31, 2012 expiry date and was subsequently ratified in early 2013. In the United States, over 30 collective bargaining agreements were renewed throughout 2012. Another key U.S. labour relations achievement relates to the consolidation of bargaining units across most of the properties around Chicago, allowing CN to attain a higher level of operating efficiency and to offer better customer service in the area.

STAKEHOLDER ENGAGEMENT

In 2012, Mr. Mongeau actively participated in and oversaw initiatives aimed at further building the Company's relationship with First Nations, by assisting them in their business development opportunities and by supporting their employment potential through workshops, training and targeted education-oriented donations.

Under his leadership, the Company also developed a social media plan, bringing together Marketing, Human Resources and Public Affairs, in order to leverage newer media channels more effectively. Examples of initiatives within the plan include targeting specific venues and events on the Marketing side, broadening CN's appeal for recruiting by Human Resources and capitalizing on the inherent scope and speed of dissemination of information for Public Affairs and Government Affairs to reach reporters, policy makers and the public in general.

Although Mr. Mongeau was unable to reverse the call for regulation resulting from the Rail Service Review, his continuous interaction with policy makers and engagement with media and stakeholders will undoubtedly allow CN's voice to continue to be heard in Ottawa to minimize the potentially disruptive impact of the legislation on the industry.

LONG-TERM INCENTIVES

RSUs and stock options are granted to the CEO pursuant to the RSU Plan and the Management Long-Term Incentive Plan. Grants to the CEO are made on the same basis and conditions as those to the other NEOs of the Company, subject to the 20% limitation under the Management Long-Term Incentive Plan. In 2012, Mr. Mongeau received 70,380 RSUs and 110,000 options. The fair value of these awards is included in the Summary Compensation Table on page 56, under the Share-based awards and Option-based awards columns.

In accordance with the disclosure rules issued by the Canadian Securities Administrators, amounts paid to Mr. Mongeau are reported in the prescribed tables in Canadian dollars.

OTHER NAMED EXECUTIVE OFFICERS' COMPENSATION

LUC JOBIN, EXECUTIVE VICE-PRESIDENT AND CHIEF FINANCIAL OFFICER

Mr. Jobin is accountable for the Company's financial management and governance, strategic planning and information technology.

Appointed CN's Executive Vice-President and Chief Financial Officer ("CFO") in June 2009, Mr. Jobin has extensive experience as a business leader and senior executive within the consumer goods, manufacturing and investment industries.

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

In 2012, Mr. Jobin's base salary was increased from US$550,000 to US$575,000 (C$574,770), to recognize the CFO's growth in his continuing role and to maintain his competitive position against market. Under the AIBP, his 2012 target bonus was equivalent to 70% of base salary. In addition, the Committee approved a 2012 grant of 20,240 RSUs and 40,480 stock options, in accordance with the terms of the RSU Plan and the Management Long-Term Incentive Plan respectively.

Mr. Jobin's performance in 2012 was assessed by the CEO against individual performance objectives, including achieving key financial targets, supporting the strategic agenda, driving superior performance, pursuing breakthrough growth opportunities and intensifying employee engagement. Mr. Jobin was assessed as having met his overall individual performance objectives. Based on the Company's financial performance, as well as on his individual assessment, Mr. Jobin received a 2012 annual bonus in the amount of US$714,438 (C$710,794).

KEITH CREEL, FORMER EXECUTIVE VICE-PRESIDENT AND CHIEF OPERATING OFFICER

Mr. Creel was accountable for the Company's North American rail operations.

Mr. Creel was appointed CN's Executive Vice-President and Chief Operating Officer ("COO") in January 2010 and subsequently resigned from his role effective February 4, 2013.

In 2012, Mr. Creel's base salary was increased from US$565,000 to US$585,000 (C$584,766), to recognize the COO's growth in his continuing role and to maintain his competitive position against market. Under the AIBP, his 2012 target bonus was equivalent to 70% of base salary. In addition, the Committee approved a 2012 grant of 20,840 RSUs and 41,680 stock options, in accordance with the terms of the RSU Plan and the Management Long-Term Incentive Plan respectively. Such grants were forfeited upon his resignation.

In 2012, Mr. Creel's performance was assessed by the CEO against individual performance objectives, including cost management, asset utilization, service, safety and people. Mr. Creel was assessed as having met his overall individual performance objectives. Based on the Company's financial performance, as well as on his individual assessment, Mr. Creel received a 2012 annual bonus in the amount of US$726,863 (C$723,156).

JEAN-JACQUES RUEST, EXECUTIVE VICE-PRESIDENT AND CHIEF MARKETING OFFICER

Mr. Ruest was appointed CN's Executive Vice-President and Chief Marketing Officer ("CMO") on January 1, 2010 and is responsible for providing the strategic direction and leadership for CN's sales, marketing and supply chain solution groups.

He is a seasoned executive and has extensive marketing experience within the railway industry. Prior to joining CN, he accumulated more than 15 years of experience working for a major international chemical company.

Mr. Ruest holds a Masters in Business Administration in marketing from HEC Montréal and a Bachelor of Science degree in applied chemistry from Université de Sherbrooke. He also completed the executive program from the University of Michigan's business school.

In 2012, Mr. Ruest's base salary was increased from US$515,000 to US$540,000 (C$539,784), to recognize the CMO's growth in his continuing role and to maintain his competitive position against market. Under the AIBP, his 2012 target bonus was equivalent to 70% of base salary. In addition, the Committee approved a 2012 grant of 19,050 RSUs and 38,100 stock options, in accordance with the terms of the RSU Plan and the Management Long-Term Incentive Plan respectively.

Mr. Ruest's performance in 2012 was assessed by the CEO against individual performance objectives, including delivering profitable growth and price sustainability, opening new markets with breakthrough opportunities, accelerating the implementation of innovation, strengthening intermodal operations and rethinking the deployment of employees within sales and marketing to increase supply chain alignment. Mr. Ruest was assessed as having met his overall individual performance objectives. Based on the Company's financial performance, as well as on his individual assessment, Mr. Ruest received a 2012 annual bonus in the amount of US$670,950 (C$667,528).

SEAN FINN, EXECUTIVE VICE-PRESIDENT CORPORATE SERVICES AND CHIEF LEGAL OFFICER

Mr. Finn was appointed Senior Vice-President, Chief Legal Officer and Corporate Secretary in December 2000 and CN's Executive Vice-President Corporate Services and Chief Legal Officer ("CLO") in December 2008. He is responsible for a wide array of legal, government, regulatory, public affairs, risk mitigation and security matters. As Corporate Secretary, he is also responsible for CN's Corporate Governance practices.

Mr. Finn led CN's tax function and was appointed CN's Vice-President, Treasurer and Principal Tax Counsel in January 2000. Before joining the Company, he was the Managing Tax Partner for an important Montreal law firm.

Mr. Finn graduated from the Faculty of Law of the University of Montreal, after which he was admitted to the Quebec Bar, and is a member of the Canadian and American Bar Associations. Mr. Finn has completed the Directors Education Program offered by the Institute of Corporate Directors and the Rotman School of Management, as well as the Excellence in the Boardroom Program at the Rotman School of Management, Executive Programs, University of Toronto.

In 2012, Mr. Finn's base salary was increased from US$500,000 to US$513,000 (C$512,795), to recognize the CLO's growth in his continuing role and to maintain his competitive position against market. Under the AIBP, his 2012 target bonus was equivalent to 70% of base salary. In addition, the Committee approved a 2012 grant of 17,270 RSUs and 34,540 stock options, in accordance with the terms of the RSU Plan and the Management Long-Term Incentive Plan respectively.

Mr. Finn's performance in 2012 was assessed by the CEO against individual performance objectives related to implementing the smart stakeholder engagement strategy, leading key strategic initiatives associated with Corporate Services, establishing an infrastructure and process for enhancing succession and leadership development activities, ensuring successful corporate governance and being a trusted advisor to the CEO, the executive team and the Board. Mr. Finn was assessed as having met his overall individual performance objectives. Based on the Company's financial performance, as well as on his individual assessment, Mr. Finn received a 2012 annual bonus in the amount of US$637,403 (C$634,152).

PERFORMANCE GRAPH

The following Performance Graph illustrates the yearly cumulative total shareholder return on a $100 investment in CN's common shares compared with the cumulative total return of the S&P/TSX and the S&P 500 Indices from the period beginning December 31, 2007 to the period ending December 31, 2012. It assumes reinvestment of all dividends during the covered period.

	DEC-07	DEC-08	DEC-09	DEC-10	DEC-11	DEC-12
CNR	$100	$98	$128	$150	$184	$211
CNI	$100	$80	$120	$150	$179	$211
S&P/TSX	$100	$67	$90	$106	$97	$104
S&P 500	$100	$63	$80	$92	$94	$109

The following graph illustrates the annual change in cumulative total shareholder return on a C$100 investment in CN's common shares on the TSX compared with the total compensation earned by NEOs in each year of the five-year period ending on December 31, 2012, and demonstrates the close link between the two.

Over the last five years, the three main components of compensation—base salary, annual incentive, and LTIs—that were earned by all NEOs combined represented about 1.5% of the approximate C$16 billion aggregate market capitalization increase over the same period. The total compensation earned by NEOs is defined as the amount of base salary and bonus earned during the year, plus the yearly change in unrealized and realized gains from equity-based incentive plans. The Committee believes that the Company's executive compensation policy is effective and appropriately supports a strong relationship between the compensation earned by NEOs and the investment return of shareholders. Over the last five years, approximately 80% of the compensation earned by NEOs was derived from equity-based incentive plans, closely linking their compensation to shareholder return.

SUMMARY COMPENSATION TABLE

The following table sets forth the annual total compensation in Canadian dollars for the NEOs, for the years ended December 31, 2012, 2011 and 2010. Fluctuation in the exchange rate may affect year-over-year comparability. Please refer to page 70 for currency exchange information.

NAME AND PRINCIPAL POSITION(1)	YEAR	SALARY (C$)	SHARE-BASED AWARDS(2) (C$)	OPTION-BASED AWARDS(2) (C$)	NON-EQUITY INCENTIVE PLAN COMPENSATION – ANNUAL INCENTIVE PLANS(3) (C$)	PENSION VALUE(4) (C$)	ALL OT COMPE (C$)
Claude Mongeau President and Chief Executive Officer	2012	999,600	2,654,030	1,698,400	2,208,678	314,000	84,797
	2011	964,373	2,924,889	1,878,000	2,112,055	274,000	81,624
	2010	978,405	2,770,200	1,670,400	2,012,573	233,000	82,119
Luc Jobin Executive Vice-President and Chief Financial Officer	2012	574,770	902,008(6)	625,011	710,794	141,982(7)	16,591
	2011	544,005	1,012,563(8)	656,048	694,992(9)	142,360(7)	14,698
	2010	552,026	765,249(10)	635,535	662,384(9)	104,759(7)	14,066
Keith E. Creel Executive Vice-President and Chief Operating Officer(11)	2012	584,766	785,876	643,539	723,156	20,876(7)	12,285
	2011	558,842	872,583	676,706	713,947	68,351(7)	11,724
	2010	566,445	1,651,914(12)	674,685	679,685	54,990(7)	11,862
Jean-Jacques Ruest Executive Vice-President and Chief Marketing Officer	2012	539,784	718,376	588,264	667,528	174,000	18,059
	2011	509,387	793,074	615,045	650,766	183,000	16,442
	2010	504,651	637,146	570,285	605,537	159,000	15,295
Sean Finn Executive Vice-President Corporate Services and Chief Legal Officer	2012	512,795	651,252	533,298	634,152	137,000	16,126
	2011	494,550	740,202	574,042	605,115	111,000	14,179
	2010	504,651	637,146	570,285	579,951	84,000	13,832

(1) Mr. Mongeau was appointed President and CEO as of January 1, 2010. Mr. Jobin joined CN and assumed the role of Executive Vice-President and CFO as of June 1, 2009. Mr. Creel was appointed Executive Vice-President and COO effective January 1, 2010. Mr. Ruest was appointed Executive Vice-President and CMO as of January 1, 2010. Mr. Finn was appointed Executive Vice-President Corporate Services and CLO effective December 1, 2008.

(2) The Committee relies on a number of factors in determining NEO compensation as described in the Compensation Discussion & Analysis. The share and option-based grant date fair value of awards shown in the above table are calculated in accordance with Accounting Standards Codification (ASC) 718 — Compensation — Stock Compensation, under U.S. Generally Accepted Accounting Principles (U.S. GAAP), in order to align with the methodology used in the Company's financial statements. Please refer to page 57 for a detailed description of the methodology used. The share and option-based awards are sensitive to variations in accounting assumptions, in particular the risk-free interest rate and stock price volatility, which explains the decline in share and option-based grant date fair values between 2011 and 2012.

(3) Represents the incentive award earned under the AIBP for the applicable year. Refer to page 44 for the details of the AIBP.

(4) Includes the compensatory value of pension benefits as reported in the "Defined Benefit Plans" and "Defined Contribution Plans" tables in the "Pension Plan Benefits" section on page 68.

(5) Includes the value of perquisites, personal benefits and other compensation (as applicable), for example post-retirement benefits or the Employer contribution under the ESIP. Perquisitesand other personal benefits that in aggregate amount to less than C$50,000 or 10% of the total salary for any of the NEOs are not reported in this column. Details are provided in the table on page 58.

(6) Mr. Jobin's share-based award includes 1,834.7012 deferred share units which represent the 25% company-match awarded under the Voluntary Incentive Deferral Plan ("VIDP") and vest over 4 years, upon the deferral of his 2011 AIBP. The grant date fair value of the award was calculated by multiplying the number of units by C$75.63, the share price on the day of the award.

(7) The pension plan values stated for Mr. Jobin and Mr. Creel exclude the notional investment earnings (and losses) from the Defined Contribution Supplemental Executive Retirement Plan. Refer to pages 66 and 67 for details of the Defined Contribution Supplemental Executive Retirement Plans.

(8) Mr. Jobin's share-based award includes 2,454 deferred share units which represent the 25% company-match awarded under the VIDP and vest over 4 years, upon the deferral of his 2010 AIBP. The grant date fair value of the award was calculated by multiplying the number of units by C$67.89, the share price on the day of the award.

(9) Amounts shown include any portion of the annual bonus that was deferred by an NEO. Mr. Jobin elected to defer the totality of his 2011 AIBP payout into deferred share units under the VIDP, up to the maximum limit equivalent to his stock ownership guideline. Payouts from the VIDP occur only upon cessation of employment and are payable in cash. For 2011, his deferral was equivalent to 7,339 units using a share price of US$77.31 with a 25% company match of 1,834.7012 units that will vest over four years, at a rate of 25% per year. Mr. Jobin also elected to defer the totality of his 2010 AIBP payout under the VIDP. The 2010 deferral was converted into 9,817 deferred share units using a share price of US$67.84 and he received a company match of 2,454 units. Refer to "Deferred Compensation Plans" on page 64 for details.

(10) Mr. Jobin's share-based award includes 1,035 units which represent the 25% company-match awarded under the VIDP, which vest over 4 years, upon the deferral of his 2009 AIBP payout. The grant date fair value of the award was calculated by multiplying the number of units by C$53.32, the share price on the day of the award.

(11) Effective February 4, 2013, Mr. Creel resigned from his position as Executive Vice-President and COO of CN. Amounts shown in the Summary Compensation Table above are as at December 31, 2012; all unexercised options, RSUs, as well as a portion of his non-registered pension plans and arrangements have since been forfeited.

(12) Mr. Creel's 2010 share-based award includes a special award of 30,800 RSUs granted following his appointment to Executive Vice-President and COO. These units were forfeited following Mr. Creel's resignation.

EXTENSION TO NOTE (2) OF THE SUMMARY COMPENSATION TABLE ON THE CALCULATION OF GRANT DATE FAIR VALUE OF AWARDS

The fair value of the LTI awards reflects their expected value on the date of the grant and is calculated in accordance with Accounting Standards Codification (ASC) 718—Compensation—Stock Compensation, under U.S. Generally Accepted Accounting Principles (U.S. GAAP), in order to align with the methodology used in the Company's financial statements. Share-based awards represent the award of company-matched deferred share units (DSUs) under the VIDP and of performance-based RSUs under the RSU Plan. Option-based awards represent the award of stock options pursuant to the Management Long-Term Incentive Plan. The grant date fair value for DSUs is determined by the closing share price of the Company's stock on such date. The grant date fair value for RSUs and stock options is determined using the lattice-based valuation model and the Black-Scholes option-pricing model, respectively, and considers the following assumptions:

SHARE-BASED AWARDS (RSUs)	2010 (JANUARY)	2011 (JANUARY)	2012 (JANUARY)
Closing share price on grant date (C$)	54.65	68.89	76.57
Risk-free interest rate over term of the award(a)	1.62%	1.88%	1.05%
Expected stock price volatility over term of the award(b)	29%	28%	22%
Expected annual dividends per share (C$)	1.08	1.30	1.50
Expected term(c)	3 years	3 years	3 years
Resulting fair value per unit (C$)	29.16	40.36	37.71

OPTION-BASED AWARDS	2010 (JANUARY)	2011 (JANUARY)	2012 (JANUARY)
Closing share price on grant date (C$)	54.65	68.89	76.57
Risk-free interest rate over term of the award(a)	2.44%	2.53%	1.33%
	28%	26%	26%

Expected stock price volatility over term of the award(b)			
Expected annual dividends per share (C$)	1.08	1.30	1.50
Expected term(c)	5.4 years	5.3 years	5.4 years
Resulting fair value per stock option (C$)	13.05	15.65	15.44

The share and option-based awards are sensitive to variations in accounting assumptions, in particular the risk-free interest rate and stock price volatility, which explains the decline in share and option-based grant date fair values between 2011 and 2012.

(a)Based on the implied yield available on zero-coupon government issues with an equivalent term commensurate with the expected term of the award.
(b)Based on the historical volatility of the Company's stock over a period commensurate with the expected term of the award, and for option-based awards, also considers the implied volatility from traded options on the Company's stock.
(c)Represents the period of time that awards are expected to be outstanding. For option-based awards, the Company uses historical data to estimate option exercise and employee termination, and groups of employees that have similar historical exercise behaviour are considered separately.

DETAILS OF "ALLOTHER COMPENSATION"AMOUNTS FOR 2012, 2011, AND 2010(1)

NAME	YEAR	PERQUISITES AND OTHER PERSONAL BENEFITS(2) (C$)	OTHER COMPENSATION (C$)	ALL OTHER COMPENSATION (TOTAL OF THE TWO PREVIOUS COLUMNS) (C$)
Claude Mongeau	2012	Company-leased vehicle: 19,325 Financial counselling: 15,744 Healthcare benefits and life insurance: 9,715 Other perquisites: 14,358	ESIP Employer contribution: 21,027(3) Post-retirement benefits: 4,628(4)	84,797
	2011	Company-leased vehicle: 18,104 Financial counselling: 15,300 Healthcare benefits and life insurance: 9,660 Other perquisites: 15,214	ESIP Employer contribution: 20,206(3) Post-retirement benefits: 3,140(4)	81,624
	2010	Company-leased vehicle: 19,036 Financial counselling: 15,000 Healthcare benefits and life insurance: 11,118 Other perquisites: 14,250	ESIP Employer contribution: 20,037(3) Post-retirement benefits: 2,678(4)	82,119
Luc Jobin	2012	Nil	ESIP Employer contribution: 12,091(3) Post-retirement benefits: 4,500(4)	16,591
	2011	Nil	ESIP Employer contribution: 11,398(3) Post-retirement benefits: 3,300(4)	14,698
	2010	Nil	ESIP Employer contribution: 11,566(3) Post-retirement benefits: 2,500(4)	14,066
Keith E. Creel	2012	Nil	ESIP Employer contribution: 12,285(3)	12,285
	2011	Nil	ESIP Employer contribution: 11,724(3)	11,724
	2010	Nil	ESIP Employer contribution: 11,862(3)	11,862
Jean-Jacques Ruest	2012	Nil		18,059

			ESIP Employer contribution: 11,355(3) Post-retirement benefits: 6,704(4)	
	2011	Nil	ESIP Employer contribution: 10,673(3) Post-retirement benefits: 5,769(4)	16,442
	2010	Nil	ESIP Employer contribution: 10,505(3) Post-retirement benefits: 4,790(4)	15,295
Sean Finn	2012	Nil	ESIP Employer contribution: 10,787(3) Post-retirement benefits: 5,339(4)	16,126
	2011	Nil	ESIP Employer contribution: 10,362(3) Post-retirement benefits: 3,817(4)	14,179
	2010	Nil	ESIP Employer contribution: 10,574(3) Post-retirement benefits: 3,258(4)	13,832

(1) This table outlines the perquisites and other compensation received by NEOs in 2010, 2011 and 2012. The amounts are calculated based on the incremental cost to the Company. Effective January 1, 2010, the Company eliminated tax gross-ups on perquisites and revised its policy to restrict the usage of the corporate aircraft to business-related purposes, save for certain exceptional circumstances.

(2) Perquisites and other personal benefits include the use of a company-leased vehicle, parking, club membership, executive physical exam, financial counselling and tax services, and certain healthcare benefits and life insurance coverage. The incremental cost to the Company is determined by the actual cost of the company-leased vehicle (including gas and maintenance fees), parking, club membership, executive physical exam, financial counselling and tax services and by the cost of certain healthcare benefits and life insurance coverage in excess of that offered to salaried employees. See section "Executive Perquisites" on page 47 for more details. Perquisites and other personal benefits that amount to less than C$50,000 (in aggregate) or 10% of total salary for any of the NEOs are reported as "Nil" in this column.

(3) Represents the value of the Company-match under the ESIP.

(4) Represents the service cost for post-retirement life and medical insurance, if applicable.

INCENTIVE PLAN AWARDS

SHARE-BASED AND OPTION-BASED AWARDS IN 2012

The following table shows information regarding grants of RSUs made to NEOs under the RSU Plan, grants of stock options made under the Management Long-Term Incentive Plan and awards of company-matched DSUs under the VIDP in 2012.

NAME	GRANT DATE	AWARD TYPE	SECURITIES, UNITS OR OTHER RIGHTS (#)	END OF PLAN PERIOD OR EXPIRY DATE	SHARE PRICE ON DATE OF GRANT (C$)	AWARD'S GRANT DATE FAIR VALUE(1) (C$)
Claude Mongeau	January 26, 2012	RSUs(2)	70,380	December 31, 2014	76.57	2,654,030
		Options(3)	110,000	January 26, 2022	76.57	1,698,400
Luc Jobin	January 26, 2012	RSUs(2)	20,240	December 31, 2014	76.57	763,250
		Options(3)	40,480	January 26, 2022	76.57	625,011
	January 31, 2012	DSUs(4)	1,835	Cessation of Employment	75.63	138,758
Keith E. Creel (5)	January 26, 2012	RSUs(2) Options(3)	20,840 41,680	December 31, 2014 January 26, 2022	76.57 76.57	785,876 643,539
Jean-Jacques Ruest	January 26, 2012	RSUs(2) Options(3)	19,050 38,100	December 31, 2014 January 26, 2022	76.57 76.57	718,376 588,264
Sean Finn	January 26, 2012	RSUs(2) Options(3)	17,270 34,540	December 31, 2014 January 26, 2022	76.57 76.57	651,252 533,298

(1)The grant date fair values reported for RSUs and options are calculated using the same assumptions as described in the extension to footnote 2 of the Summary Compensation Table on page 57. The grant date fair value reported for Mr. Jobin's DSUs is calculated by multiplying the unrounded number of units (1,834.7012) by the share price on the date of grant.

(2)The RSUs granted in 2012 were made under the RSU Plan. Under this plan, the payout is subject to the attainment of average ROIC targets for the plan period that determine the applicable performance vesting factor (as an example, threshold, target, and maximum performance levels are 50%, 100% and 150% respectively). The payout is also conditional to meeting a minimum share price condition of C$78.02 or US$76.16, as described under "Restricted Share Units: 2012 Award" on page 46.

(3)The options granted in 2012 were made under the Management Long-Term Incentive Plan and vest over a period of four years, with 25% of the options vesting at each anniversary date of the award. Unexercised options shall expire on the tenth anniversary of the date of the award. See section "Management Long-Term Incentive Plan" on page 62 for a description of the plan.

(4)The DSUs represent the 25% company-match granted upon the deferral of the AIBP or RSU payout. The company-matched DSUs vest over four years, at a rate of 25% per year. See section "Deferred Compensation Plans" on page 64 for a description of the plan.

(5) As a result of Mr. Creel's resignation from his role as Executive Vice-President and COO of CN effective February 4, 2013, he forfeited his 2012 RSUs and stock options. The values shown in the above table will therefore not be realized.

OUTSTANDING SHARE-BASED AWARDS AND OPTION-BASED AWARDS

The following table shows all awards made to NEOs and outstanding on December 31, 2012.

	OPTION-BASED AWARDS (1)				SHARE-BASED AWARDS		
NAME	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS (#)	OPTION EXERCISE PRICE(2) (C$)	OPTION EXPIRATION DATE	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS(3) (C$)	NUMBER OF SHARES OR UNITS OF SHARES THAT HAVE NOT VESTED(4) (#)	MARKET OR PAYOUT VALUE OF SHARE-BASED AWARDS THAT HAVE NOT VESTED(5) (C$)	MARKE PAYOU OF VES SHARE AWARI PAID C DISTRI (C$)
Claude Mongeau	110,000	75.98	2022/01/26	26,124,781	142,850	12,903,641	
	120,000	69.06	2021/01/27				
	128,000	50.98	2020/01/28				
	80,000	34.00	2019/01/26				
	60,000	47.83	2018/01/24				
	46,000	44.44	2017/01/25				
	60,000	44.70	2016/01/27				
	80,000	29.04	2015/01/28				
Luc Jobin	40,480	75.98	2022/01/26	5,041,455	45,393	4,100,353	
	41,920	69.06	2021/01/27				
	48,700	50.98	2020/01/28				
	35,000	44.14	2019/06/01				
Keith E. Creel	41,680	75.98	2022/01/26	4,712,929	42,460	3,835,412	
	43,240	69.06	2021/01/27				
	51,700	50.98	2020/01/28				
	20,000	34.00	2019/01/26				
Jean-Jacques Ruest	38,100	75.98	2022/01/26	6,949,499	38,700	3,495,771	
	39,300	69.06	2021/01/27				
	43,700	50.98	2020/01/28				
	20,000	41.91	2019/01/26				
	15,000	48.46	2018/01/24				
	16,800	52.70	2017/01/25				
	6,400	46.95	2016/06/12				
	11,600	51.63	2016/01/27				
	16,000	36.23	2015/01/28				
Sean Finn	34,540	75.98	2022/01/26	4,897,883	35,610	3,216,651	
	36,680	69.06	2021/01/27				
	43,700	50.98	2020/01/28				
	33,200	34.00	2019/01/26				

(1)Includes all stock options granted under the Management Long-Term Incentive Plan and outstanding on December 31, 2012.

(2)All option exercise prices shown are in Canadian dollars. Where applicable, option exercise prices in U.S. dollars resulting from option grants to NEOs made in U.S. dollars, were converted to Canadian dollars using the December 31, 2012 exchange rate of US$1 = C$0.9949. The following table presents the option exercise prices that were converted to Canadian dollars:

OPTION EXPIRATION DATE	OPTION EXERCISE PRICE (US$)	OPTION EXERCISE PRICE (C$)
2022/01/26	76.37	75.98
2021/01/27	69.41	69.06
2020/01/28	51.24	50.98
2019/06/01	44.37	44.14
2019/01/26	34.17	34.00
2018/01/24	48.08	47.83
2017/01/25	44.67	44.44
2016/01/27	44.93	44.70
2015/01/28	29.19	29.04

(3)The value of unexercised in-the-money options at financial year-end for options granted to NEOs in Canadian dollars is the difference between the closing share price of the common shares on December 31, 2012, on the TSX (C$90.33) and the exercise price. The value of unexercised in-the-money options at financial year-end for options granted to NEOs in U.S. dollars is the difference between the closing share price of the common shares on December 31, 2012 on the NYSE (US$91.01) converted to Canadian dollars based on the December 31, 2012 exchange rate of US$1 = C$0.9949 (i.e. US$91.01 * 0.9949 = C$90.55) and the exercise price converted to Canadian dollars using this same exchange rate. Please refer to Note 2 of this table for additional details. This value has not been, and may never be, realized. The actual gains, if any, will depend on the value of the common shares on the date of exercise. As a result of Mr. Creel's resignation from his role as Executive Vice-President and COO of CN effective February 4, 2013, he forfeited all of his unexercised stock options.

(4)Includes all RSUs outstanding on December 31, 2012 that have not vested on such date under the RSU Plan. Payouts for these units are conditional to meeting performance criteria and a minimum share price condition that may or may not be achieved. For Mr. Jobin, the value also includes the company-matched DSUs outstanding on December 31, 2012 (4,193 units) that have not vested on such date under the VIDP. Under the plan, company-match DSUs vest over four years, at a rate of 25% per year.

(5)The value of outstanding share units awarded under the RSU Plan is based on the closing price of the common shares on the TSX on December 31, 2012 (C$90.33) assuming that the target average ROIC objective (i.e. 100%) and the minimum share price condition are met. In accordance with the plan, a performance vesting factor between 0% and 150% will apply to the awarded share units. For Mr. Jobin, the value of the company-matched DSUs awarded under the VIDP is based on the closing price of the common shares on the TSX on December 31, 2012 (C$90.33) and is equivalent to C$378,754. As a result of Mr. Creel's resignation from his role as Executive Vice-President and COO of CN effective February 4, 2013, he forfeited his 2011 and 2012 RSUs.

(6)Includes the value as at December 31, 2012 of the 2010 RSU awards granted under the RSU Plan based on the closing price of the Company's common shares on the TSX of C$90.33.The average ROIC for the period ending on

December 31, 2012 was 14.63%, exceeding the target for the plan period. The performance vesting factor was therefore 150% and the minimum share price condition was also met. As a result of Mr. Creel's resignation from his role as Executive Vice-President and COO of CN effective February 4, 2013, he forfeited his 2010 RSUs. Payout for the 2010 RSU award occurred in February 2013 for the other four NEOs and was based on the average 20-day share price for the period ending January 31, 2013 (C$93.61/US$94.12). Also includes the value as at December 31, 2012 of the DSUs that have vested under the terms of the VIDP and the Senior Executive Bonus Share Plan based on the closing share price of the Company's common shares on the TSX of C$90.33. Units held under these deferred compensation plans are only payable upon cessation of employment (please refer to page 64 for more details on the Company's Deferred Compensation Plans). The following table provides the breakdown, for each of the NEOs, of the market value of vested share-based awards that were not paid out or distributed on December 31, 2012:

NEOs	2010 RSUs (C$)	ACCUMULATED DSUs (C$)	TOTAL (C$)
Claude Mongeau	12,872,025	18,022,196	30,894,221
Luc Jobin	3,299,303	2,104,701	5,404,004
Keith E. Creel	7,675,792	8,108,609	15,784,401
Jean-Jacques Ruest	2,960,566	6,933,238	9,893,804
Sean Finn	2,960,566	–	2,960,566

INCENTIVE PLAN AWARDS – VALUE VESTED OR EARNED DURING THE YEAR

The following table shows the value from incentive plans vested or earned by NEOs under the Company's incentive plans, including the annual incentive bonus, RSUs, DSUs and stock options earned during the financial year ended December 31, 2012.

NAME	OPTION-BASED AWARDS – VALUE VESTED DURING THE YEAR(1) (C$)	SHARE-BASED AWARDS – VALUE VESTED DURING THE YEAR(2) (C$)	NON-EQUITY INCENTIVE PLAN COMPENSATION – VALUE EARNED DURING THE YEAR(3) (C$)
Claude Mongeau	2,258,049	12,872,025	2,208,678
Luc Jobin	696,808	3,365,282	710,794
Keith E. Creel	1,650,447	7,675,792	723,156
Jean-Jacques Ruest	616,103	2,960,566	667,528
Sean Finn	1,361,121	2,960,566	634,152

(1) Represents the value of the potential gains from options granted under the Management Long-Term Incentive Plan in 2008, 2009, 2010 and 2011 that have vested during the 2012 financial year. These grants all vest over four years, with 25% of options vesting on each anniversary date (see section "Management Long-Term Incentive Plan" starting on page 62 for a description of the Plan). The potential gains are calculated as the difference between the closing price of the common shares on each of the option grant anniversary dates in 2012 and the exercise price, converted to Canadian dollars when applicable using the exchange rate on such vesting date (see "Currency Exchange Information" on page 70). This value has not been, and may never be, realized. The actual gains, if any, will depend on the value of the common shares on the date of exercise. As a result of Mr. Creel's resignation from his role as Executive Vice-President and COO of CN effective February 4, 2013, he forfeited all of his stock options that were unexercised as at the date of his resignation.

(2) Includes RSUs granted in 2010 that vested on December 31, 2012 under the RSU Plan and, for Mr. Jobin, the 25% of the Company-matched DSUs that vested on January 31, 2012 under the VIDP. The RSU values included in the table have been calculated by multiplying the number of units granted by the performance vesting factor of 150% and by the closing price of the common shares on December 31, 2012 on the TSX (C$90.33). As a result of Mr. Creel's resignation from his role as Executive Vice-President and COO of CN effective February 4, 2013, he forfeited his 2010 RSUs. As provided under the plan, the actual payout to the other four NEOs and all other eligible employees was made in February 2013, based on the 20-day average closing share price ending on January 31, 2013 (C$93.61/US$94.12).

(3) Represents the amount of bonus earned under the AIBP for the financial year ending on December 31, 2012.

MANAGEMENT LONG-TERM INCENTIVE PLAN

The Management Long-Term Incentive Plan (the "Plan") was approved by the Company's shareholders on May 7, 1996 and amended on April 28, 1998, April 21, 2005, April 24, 2007 and on March 4, 2008.

Eligible participants under the Plan are employees of the Company or its affiliates as determined by the Board of Directors. Pursuant to an amendment approved by the Board of Directors on March 8, 2005, grants cannot be made to non-executive Board directors under the Plan. While they remained as participants in the Plan for previous grants, the last time non-executive Board directors received options was in 2002, which options have all expired on January 25, 2012. The maximum number of common shares that may be issued under the Plan is 60,000,000. The following table provides information on the status of the reserve and the number of shares issued and issuable under the Plan, as at February 28, 2013.

OPTIONS OUTSTANDING AND AVAILABLE FOR GRANT AS AT FEBRUARY 28, 2013

	# COMMON SHARES	% OF OUTSTANDING COMMON SHARES
Options already granted and outstanding	4,215,847	0.99
Options issuable under the Plan	10,074,409	2.36
Shares issued following the exercise of options	45,709,744	10.72

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

	2012	2011
Number of stock options granted	591,560	646,340
Number of employees who were granted stock options	197	195
Number of stock options outstanding at year-end	4,245,950	6,872,390
	C$52.09	C$40.80

Weighted average exercise price of stock options outstanding		
Number of stock options granted as a % of outstanding shares	0.14%	0.15%
Number of stock options exercised	3,209,290	2,609,918

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. As demonstrated in the previous table, the number of stock options granted is well below the 1% limitation. Options are non-transferable except, in certain circumstances, upon the death of the holder of such options.

STOCK OPTION FEATURES

Grant Currency	Same currency as the recipient's salary
Exercise Price	At least equal to the closing share price of the common shares on the TSX or the NYSE (depending on the grant currency) on the grant date.
Option Term	Ten years
Vesting Criteria	• Options may become exercisable on the anniversary date ("conventional options") and/or upon meeting performance targets ("performance options") as established for each grant. • Since 2005, grants have been of conventional options, which vest over four years, with 25% of options

	vesting on each anniversary.
Termination Conditions	• Stock options shall be cancelled upon the termination of a participant's employment for cause or if the participant voluntarily terminates employment. • In the event that a participant's employment is terminated by the Company other than for cause, all stock options held by such participant shall be cancelled three months after termination of the participant's employment. • In the case of retirement, options are cancelled three years after the retirement date. • In the event of a participant's death, all available options may be exercised by the estate within a period of twelve months. • In the event non-compete, non-solicitation, confidentiality or other conditions of the

grant are breached, the options shall be forfeited and cancelled.
- These conditions are subject to the discretion of the Committee.

At the 2007 annual meeting, shareholders approved an ordinary resolution confirming the addition of new amendment provisions to the Plan. Such amendment provisions state that the Board of Directors or the Committee, as provided in the Plan or pursuant to a specific delegation and in accordance with applicable legislation and regulations, may amend any of the provisions of the Plan or suspend or terminate the Plan or amend the terms of any then outstanding award of options under the Plan ("Options") provided, however, that the Company shall obtain shareholder approval for:

i. any amendment to the maximum number of common shares issuable under the Plan, except for adjustments in the event that such shares are subdivided, consolidated, converted or reclassified by the Company or that any other action of a similar nature affecting such shares is taken by the Company (a "Share Adjustment");

ii. any amendment which would allow non-employee directors to be eligible for new awards under the Plan;

iii. any amendment which would permit any Option granted under the Plan to be transferable or assignable other than by will or pursuant to succession laws (estate settlements);

iv. the addition of a cashless exercise feature, payable in cash or common shares, which does not provide for a full deduction of the number of underlying shares from the Plan reserve;

v. the addition in the Plan of deferred or restricted share unit provisions or any other provisions which result in participants receiving common shares while no cash consideration is received by the Company;

vi. any reduction in the exercise price of an Option after the Option has been granted to a participant or any cancellation of an Option and the substitution of that Option by a new Option with a reduced exercise price granted to the same participant, except in the case of a Share Adjustment;

vii. any extension to the term of an outstanding Option beyond the original expiry date, except in the case of an extension due to a blackout period;

viii. any increase to the maximum number of common shares that may be issued:

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

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

ix. the addition in the Plan of any form of financial assistance and any amendment to a financial assistance provision which is more favourable to participants.

No amendment, suspension or termination shall, except with the written consent or the deemed consent of the participants concerned, affect the terms and conditions of Options previously granted under the Plan, unless the rights of the participants shall then have terminated in accordance with the Plan.

On March 4, 2008, the Plan was amended to include a "double trigger provision". Pursuant to such provisions, provided that a proper substitute is granted, the vesting of non-performance-based options held by a participant would not accelerate upon a Change of Control, unless the participant is terminated without cause or resigns for good reason. Please refer to "Change of Control Provisions" on page 48 for more details on such amendment.

DEFERRED COMPENSATION PLANS

The Voluntary Incentive Deferral Plan was introduced by the Company in 2002. This plan allows NEOs and other senior management employees to elect to defer up to 100% of their annual bonus, RSU payouts and other amounts paid under an eligible incentive plan (as approved by the Board of Directors) into deferred share units ("DSUs") payable in cash upon retirement or termination of employment. A DSU is equivalent to a common share of the Company and earns notional dividends, which are re-invested into additional DSUs, when cash dividends are paid on the Company's common shares. The amount deferred is converted into a number of units at the deferral date, using the 20-day average closing share price on the deferral date. Deferral elections are made at least six months prior to the end of the performance period of the incentive plan. The maximum total amount participants can defer to DSUs is equivalent to their ownership requirement under the Stock Ownership guidelines (see section on "Stock Ownership" under "Other Key Compensation Policies of the Company" on page 48 for a detailed description). In other words, the election to receive eligible incentive payments in DSUs is not available to a participant when the value of the participant's vested DSU 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 DSUs resulting from an eligible deferral. These company-matched DSUs vest over a period of four years (25% per year) from the deferral date.

The payout of the DSUs is established based on the 20-day average closing share price at the retirement or termination date and includes the vested company-matched DSUs as well as notional dividends accrued over the deferral period. A lump sum payment is made to eligible Canadian executives following their termination. For eligible U.S. tax payers, in compliance with U.S. tax regulations, payment of amounts deferred or vested after December 31, 2004 is made after a six-month waiting period as a lump sum or in monthly instalments not exceeding ten years, in accordance with the executive's irrevocable election.

Due to its tax effectiveness and the additional match provided by the Company, this plan offers an opportunity for executives to increase their stake in CN, linking their future returns to the share price performance.

Certain executives hold DSUs in accordance with past awards made under the Senior Executive Bonus Share Rights Plan. These awards, which vested in January 2001, are payable upon their retirement or termination date. No additional awards may be made under this plan.

No modification to the nature of the deferrals under both plans can be made, unless the Board of Directors approves an amendment of the plans.

EMPLOYMENT CONTRACTS/ARRANGEMENTS

Claude Mongeau was appointed President and CEO of the Company effective January 1, 2010. The Board of Directors, upon the recommendation of the Committee, approved, at its April 20, 2009 meeting, the terms and conditions of Mr. Mongeau's employment. Mr. Mongeau's employment as President and CEO is not for a fixed term; he serves at the will of the Board.

For 2012, Mr. Mongeau's salary was increased to US$1,000,000, as part of the annual compensation review process, based on performance and market trends. The President and CEO remains eligible for the same compensation, benefit plans and policies as the other executives except for the following:

- Under the AIBP, his target payout is 120% of base salary with a payout ranging from 0% to 240%.
- Mr. Mongeau's supplemental pension plan remains in effect, but the annual pension benefit payable under this plan upon retirement is capped at US$1,000,000. See also the "Pension Plan Benefits" section that starts on page 65.
- Mr. Mongeau is required to maintain a minimum level of stock ownership equivalent to five times his annual salary. He is also required to maintain this stock ownership level for one year following retirement.
- Mr. Mongeau is limited to participating in only one outside public company board.
- The Company has not entered into formal employment agreements with the other NEOs. It has only provided appointment letters setting forth general details of employment which are all described in this Information Circular.

PENSION PLAN BENEFITS

CANADIAN PENSION PLANS AND OTHER RETIREMENT ARRANGEMENTS

CN'S PRINCIPAL PENSION PLAN ("CNPP") AND SENIOR MANAGEMENT PENSION PLAN ("SMPP")

Messrs. Mongeau, Ruest and Finn participate in the CNPP and SMPP, which are federally-registered defined benefit pension plans designed to provide retirement benefits based on pensionable years of service and highest average earnings. Highest average earnings are defined as the average pensionable earnings during the last 60 months of compensated service or the best five consecutive calendar years, whichever is greater. Under the CNPP, pensionable earnings consist of base salary and overtime. Under the SMPP, pensionable earnings include base salary, overtime, and bonuses paid by the Company under the AIBP, up to the employee's target level. In 2012, the aggregate annual retirement benefit payable under both plans is subject to a maximum of C$2,647 per year of pensionable service and is calculated as follows:

- 1.7% of highest average earnings up to the average year's maximum pensionable earnings ("YMPE") as defined under the Canada Pension Plan, multiplied by the number of years of pensionable service (maximum 35 years)

plus

- 2.0% of highest average earnings in excess of the YMPE, multiplied by the number of years of pensionable service (maximum 35 years).

Under both plans, if the sum of the participant's age and years of pensionable service is at least 85 and the participant is age 55 or over at the time of retirement from active employment, the participant is eligible to receive an immediate, unreduced pension, subject to Company consent. Retirement benefits vest immediately when participation begins.

SPECIAL RETIREMENT STIPEND

Executives and senior management employees who participate in the CNPP also participate in a non-registered, supplemental executive retirement program called the Special Retirement Stipend ("SRS"). SRS participants enter into an agreement, which includes confidentiality, non-compete and non-solicitation clauses.

Messrs. Mongeau, Ruest and Finn have each signed an SRS agreement.

The annual amount payable under the SRS equals 2% of the employee's highest average earnings in excess of the average earnings that result in the maximum pension under the CNPP and SMPP (approximately C$139,438 in 2012), multiplied by the number of years of pensionable service (maximum 35 years).

Earnings consist of base salary and bonuses paid by the Company under the AIBP, up to the employee's target level.

If the sum of the participant's age and years of pensionable service is at least 85 and the participant is age 55 or over at the time of retirement, the participant is eligible to receive an immediate, unreduced SRS benefit, subject to the conditions set out in the agreement.

SRS benefits for employees who entered into an SRS agreement prior to July 1, 2002 vest after two years of employment. For employees who entered into an SRS agreement on or after July 1, 2002, the SRS benefits become vested only if the employee remains in active service for two years and until the age of 55. SRS retirement benefits are paid out of operating funds and secured through letters of credit.

Mr. Mongeau's annual benefit payable under the SRS shall not exceed US$1,000,000 (C$994,900).

DEFINED CONTRIBUTION PENSION PLAN FOR EXECUTIVES AND SENIOR MANAGEMENT ("DCPP")

Mr. Jobin participates in the DCPP.

The DCPP is a federally-registered defined contribution pension plan that was introduced for executives and senior management employees on January 1, 2006. For non-unionized employees other than executives and senior management, a separate defined contribution plan was also introduced on the same date. Executives and senior management employees hired prior to January 1, 2006 had a one-time opportunity to either join the DCPP or maintain participation in the CNPP and SMPP mentioned above. Messrs. Mongeau, Ruest and Finn elected to remain in the CNPP and SMPP. Executives and senior management employees hired on or after January 1, 2006 automatically join the DCPP.

Executives participating in the DCPP contribute a specific percentage of their pensionable earnings into their account and the Company contributes the same percentage, subject to the maximum contribution imposed by the Canadian Income Tax Act (C$23,820 in 2012).

The contribution percentage for executives depends on age and service as follows:

POINTS (SUM OF AGE AND SERVICE)	% OF PENSIONABLE EARNINGS
Up to 39	6%
40–49	7%
50–59	8%
60 and above	9%

Pensionable earnings include base salary and bonuses payable under the AIBP up to the employee's target level. All contributions vest immediately and are invested in various investment funds as selected by the participant. No withdrawals or distributions are permitted prior to employment termination.

DEFINED CONTRIBUTION SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN ("DC SERP")

Mr. Jobin participates in the DC SERP.

The DC SERP is a non-registered defined contribution pension plan designed to provide executives and senior management employees with retirement benefits in excess of the Canadian Income Tax Act limits applicable to the DCPP described above. In other words, for each calendar year, once contributions have reached the limit prescribed by the Canadian Income Tax Act in the DCPP, an amount equal to employer and employee contributions in excess of the limit is gradually credited by the Company to a notional account under the DC SERP. These notional contributions vest after two years of employment. Employees do not contribute to the DC SERP.

Notional contributions accrue investment credits using equivalent investment options as selected by the participant in the DCPP. No withdrawals or distributions are permitted prior to employment termination.

Effective January 1, 2011, the DC SERP was amended to include certain confidentiality, non-compete, non-solicitation and other covenants as a condition of payment of retirement benefits accruing as of the effective date.

U.S. PENSION PLANS AND OTHER RETIREMENT ARRANGEMENTS

Mr. Creel participates in the following U.S. pension plans:

DEFINED BENEFIT PENSION PLAN

This qualified defined benefit pension plan is designed to provide retirement benefits equal to 0.4% of the highest average earnings plus 0.3% of the highest average earnings in excess of the Railroad Retirement Board average covered compensation (C$78,677 in 2012) multiplied by the number of years of credited service (maximum 35 years).

Highest average earnings are defined as the average pensionable earnings during the best 60 full consecutive months in the last 120 full consecutive months of employment. Pensionable earnings consist of base salary and overtime and are capped at the average of the U.S. Internal Revenue Code limit, over the last five years (C$241,761 in 2012). The retirement benefit is payable without reduction at age 65 or age 60 if the employee has 30 years of credited service or 30 years of Railroad Retirement Board service at termination of employment. Retirement benefits vest after five years of employment.

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN ("SERP")

The SERP is a non-qualified, unfunded defined benefit pension plan. It is designed to provide executives and senior management employees with retirement benefits equal to 2% of their highest average earnings, multiplied by the number of years of credited service (maximum 35 years) minus the offsets described below. Highest average earnings are defined as the average pensionable earnings during the best 60 full consecutive months in the last 120 full consecutive months of employment. Earnings consist of base salary and bonuses paid by the Company under the AIBP, up to the employee's target level. The SERP pension is offset by:

(i) the pension accrued under the Defined Benefit Pension Plan;

(ii) the U.S. Railroad Retirement Board Tier 2 pension; and

(iii) the amount of a single life annuity that can be purchased with the 3% maximum employer matching contributions available under the Savings Plan described below.

SERP benefits for employees who joined the plan prior to July 1, 2002 vest after five years of employment. For employees who joined the plan on or after July 1, 2002, SERP benefits become vested only if the employee remains in active service for five years and until the age of 55.

Generally, the SERP pension benefit is payable without reduction at age 65 or age 60 if the participant has 30 years of credited service or 30 years of Railroad Retirement Board service at termination of employment. Participants had until December 31, 2008 to elect to receive their lifetime pension benefit at a different age than the above retirement ages, but no earlier than six months after retirement or termination of employment. Retirement benefits accrued and vested prior to January 1, 2005 are not subject to the six-month delay. Retirement benefits cannot be paid earlier than age 55. Effective July 15, 2010, the SERP was amended to include certain confidentiality, non-compete, non-solicitation and other covenants as a condition of payment of retirement benefits accruing as of the effective date.

QUALIFIED SAVINGS PLAN ("SAVINGS PLAN")

The Savings Plan is a qualified 401(k) plan. Participants may make voluntary "pre-tax" contributions to the Savings Plan subject to limitations imposed by the U.S. Internal Revenue Code. The voluntary contributions are partially matched by the Company. The matching contribution is limited to 50% of the first 6% of the employee's pre-tax salary, subject to limitations imposed by the U.S. Internal Revenue Code. All contributions are immediately and fully vested upon contribution and are invested in various investment funds as selected by the participant.

DEFINED CONTRIBUTION FEATURE ("DC FEATURE")

The DC Feature was introduced for non-unionized employees on January 1, 2006. Non-unionized employees hired prior to January 1, 2006 had a one-time opportunity to either join the DC Feature or maintain participation in the Defined Benefit Pension Plan mentioned above. On January 1, 2006, Mr. Creel ceased to accrue credited service in the Defined Benefit Pension Plan and joined the DC Feature. The DC Feature provides for an additional employer contribution of 3.5% of base salary to the Savings Plan, subject to limitations imposed by the U.S. Internal Revenue Code. Employer contributions are vested after three years of service with the Company. Contributions are invested in the same investment funds as selected by the participant for the Savings Plan contributions. No withdrawals or distributions are permitted prior to employment termination.

U.S. DEFINED CONTRIBUTION SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN ("U.S. DC SERP")

The U.S. DC SERP is a non-qualified, unfunded pension plan which complements the DC Feature described above.

The U.S. DC SERP is a stand-alone plan, which provides executives and senior management employees with a Company contribution on eligible compensation without regard to the limitations imposed by the U.S. Internal Revenue Code. Eligible compensation consists of base salary and bonuses payable under the AIBP, up to the employee's target level.

The contribution percentage for executives depends on age and service as follows:

POINTS (SUM OF AGE AND SERVICE)	% OF ELIGIBLE COMPENSATION
Up to 39	5%
40–49	6%
50–59	7%
60 and above	8%

Contributions vest after two years of service with the Company and benefits cannot begin to be paid earlier than six months after retirement or termination of employment. No withdrawals or distributions are permitted prior to employment termination. On January 1, 2006, Mr. Creel ceased to accrue credited service in the SERP and joined the U.S. DC SERP.

Generally, the U.S. DC SERP pension benefit is payable in a fixed number of annual installments over three, five, ten or fifteen years, based on the participant's election. Participants had until December 31, 2008 to elect their form of payment.

Effective January 1, 2011, the U.S. DC SERP was amended to include certain confidentiality, non-compete, non-solicitation and other covenants as a condition of payment of retirement benefits accruing as of the effective date.

DEFINED BENEFIT PLANS TABLE

The following amounts have been calculated using the same actuarial assumptions as those used in Note 11—Pensions, on page 70 of the 2012 Annual Report and in Note 12—Pensions on page 70 of the 2011 Annual Report, available on the Company's website at www.cn.ca and on SEDAR at www.sedar.com. The amounts calculated in this table are estimates only and are based on assumptions, which may or may not materialize. Amounts shown in this table include pension benefits from the Company's defined benefit registered pension plans and non-registered supplemental pension arrangements for 2012 and are in Canadian dollars.