



Sustainability Report
2010



**DELIVERING
RESPONSIBLY**

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At CN, we know that our long-term success is connected to our contributions to a sustainable future. That is why we are an engaged corporate citizen, committed to the safety of our employees, the public and the environment, delivering reliable, efficient service to support our customers' success in global markets. It is also why we are dedicated to building stronger communities and providing a great place to work.

About this Report

This sustainability report describes the progress that CN has made in the areas of governance, environment, safety, people and community, highlighting our strategy, programs and achievements. The information covers our operations in Canada and the United States during the period 2009 and 2010, as specified. The contents are not meant to be exhaustive, but to provide context and an overview of our efforts.

The performance information presented in this report has been prepared in accordance with the Global Reporting Initiative (GRI) G3 topics. The GRI is an independent institution that provides a standard framework for sustainability reporting across companies and industries. An index of our conformance with the GRI is presented at the end of the report on page 51.

This report has not been externally verified. However, as we develop our performance indicators with robust data management systems, we will be working towards external verification in the next few years.

Our sustainability report is issued on a biennial basis. We issued our first sustainability report in 2006 and our second in 2008. For access to previous reports and additional information not covered in this report, visit www.cn.ca/deliveringresponsibly.

GRI G3 – Level B

we have self-declared our reporting to the application Level B of the GRI G3

MESSAGE FROM THE PRESIDENT AND CEO



Claude Mongeau,
President and Chief Executive Officer

A Sustainable Company

In our third sustainability report, called *Delivering Responsibly*, you will find a snapshot of some of the many ways we are working hard to create a sustainable future. As North America's leading railroad we know people expect the best of CN. And we take that responsibility very seriously.

Over the past year, we deepened our commitment to sustainability. We continued to drive shareholder value in a tough economic climate, and delivered truly sustainable transportation solutions and the highest efficiency standards in the industry.

Inside CN, we strengthened our corporate governance structure with the appointment of a Chief Safety and Sustainability Officer and an Assistant Vice-President of Sustainability. For CN, being a leading railroad also means helping employees to make a difference in their communities, and our newly expanded *CN Railroaders in the Community* program will encourage the volunteer efforts of more employees and their families in keeping their communities safe and strong.

We are making environmental sustainability a strategic priority for the company, with focus on emissions and energy efficiency, as well as waste management and environmental stewardship.

Key initiatives are driving our efforts:

- locomotive fuel efficiency: we are renewing our locomotive fleet as well as continuing to use technology to reduce fuel consumption.
- non-locomotive fuel efficiency: this means extending our fuel efficiency efforts to all our fleets, including intermodal equipment like cranes and yard tractors by using new and more fuel-efficient equipment, as well as new technologies.

- clean right-of-way policy: this involves the cleanup of our properties across our network as well as leaving clean work sites.
- housekeeping and waste streams: we believe in operating organized and neat facilities that are safer and less wasteful. Reducing and redirecting liquid and solid waste streams are fundamental to responsible environmental stewardship.
- building efficiency: this is a dedicated effort to reduce energy consumption at our facilities and explore alternative energy sources.
- modal shift protocols: the protocols adopted by the provinces of British Columbia and Alberta allow customers to get credit for changing their shipping to more environmentally friendly freight service.

All our sustainability initiatives will continue to help distinguish us as a responsible transportation company. Our goal is to deliver responsibly to our stakeholders every time.

A handwritten signature in blue ink that reads "C. Mongeau".

AWARDS AND RECOGNITION

Sustainability



Only North American railroad to be listed on the Dow Jones Sustainability Index in 2009 and 2010

CARBON DISCLOSURE PROJECT

Recognized as a Carbon Disclosure Leader in 2009 and 2010

THE GLOBE AND MAIL*

Recognized on the Corporate Social Responsibility rankings in 2009 and 2010



FTSE4Good

Listed on the FTSE4Good in 2009 and 2010



Listed on the Jantzi Social Index in 2009 and 2010



Received the Investor Relations Magazine Best Corporate Governance Award in 2009 and 2010



Ranked within the Best 50 Corporate Citizens in 2009 and 2010



Listed on the Global Challenges Index in 2010

Governance, Environment, Safety, Community

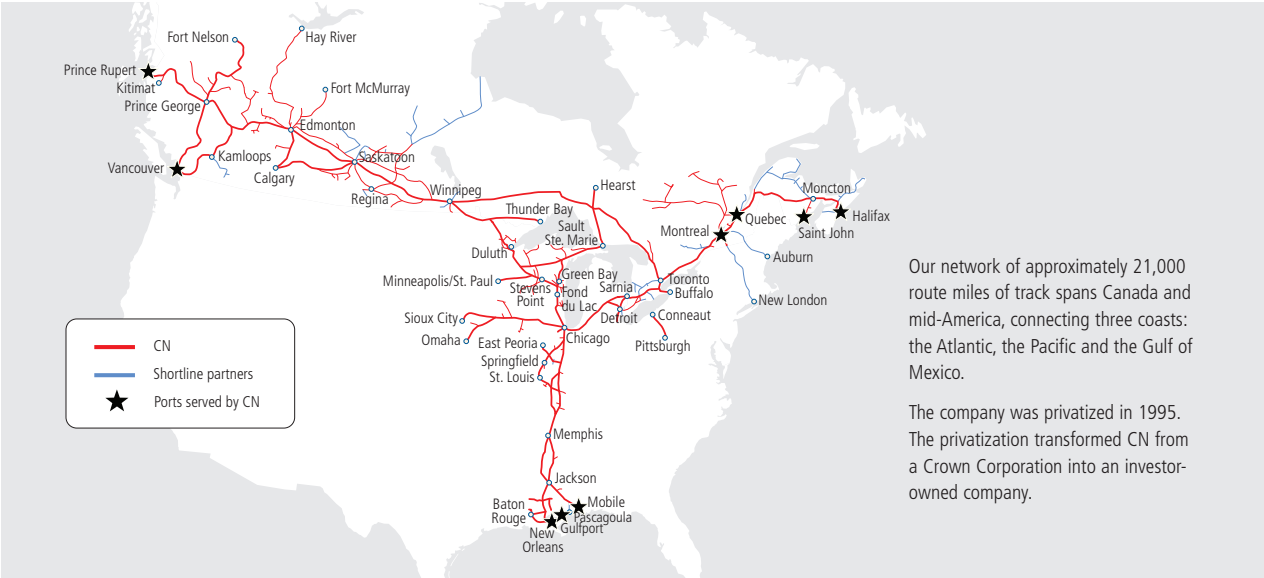
Organization	Award/Recognition	Description
American Chemistry Council	2010 TransCAER National Achievement Award	Recognized for outstanding work in assisting communities to better prepare for dangerous goods incidents.
Brandon Hall Research	2009 Brandon Hall Excellence in Learning Award	Recognized for the creation of an innovative signals training game for CN's Operating Practices.
Inbound Logistics	2010 Green Supply Chain Partner	Recognized as a G50 Partner.
Railway Association of Canada	2010 Environmental Award	Recognized for the development of the Walleye Spawning Grounds initiative to create a natural-setting fish nursery.
Railway Association of Canada	2009 Environmental Award	Recognized for the development of the greenhouse gas modal shift protocol that assesses the benefits of shifting freight transportation from truck to rail.
Safe Communities Canada	2009 National Sean Kells Award for Community Safety	Recognized for the long-time promotion of workplace and community safety across Canada.
Transport Canada	2010 Industry Best Practice Recognition	Recognized CN's Safety Management Plan as an industry best practice in Canada, and included it as part of Transport Canada's <i>Safety Management System Guide</i> .
Walmart	2010 Walmart Innovator of the Year Award	Recognized for ongoing efforts to deliver cutting-edge supply chain solutions for Walmart Canada's evolving logistics network.

DELIVERING RESPONSIBLY FOR A SUSTAINABLE FUTURE

As an important link in the global supply chain, our goal is to support long-term, profitable growth that benefits all our stakeholders and to be internationally regarded as one of the best-performing, sustainable transportation companies.

2010 Highlights

- o revenues: \$8,297 million
- o net income: \$2,104 million
- o diluted earnings per share: \$4.48
- o market capitalization: \$30.5 billion
- o employees: 21,967
- o carloads carried on our system: 4.7 million
- o revenue ton miles: 179 billion



Our network of approximately 21,000 route miles of track spans Canada and mid-America, connecting three coasts: the Atlantic, the Pacific and the Gulf of Mexico.

The company was privatized in 1995. The privatization transformed CN from a Crown Corporation into an investor-owned company.

We are engaged in the rail and related transportation business, moving freight goods between a wide range of origin and destination points within North America.

Company Profile

We are headquartered in Montreal, Canada, and operate a rail and related transportation and logistics business. Our company stock trades on the Toronto Stock Exchange (CNR) and the New York Stock Exchange (CNI).

Our strategic initiatives, which drive our thrust towards operational and service excellence, are developed and managed centrally by corporate management and are communicated to our regional activity centres in the western (based in Edmonton), eastern (based in Toronto) and southern (based in Homewood, Illinois) regions.

An Integrated North American Rail Network

We are the only rail network in North America that connects the continent's three coasts of the Atlantic, the Pacific and the Gulf of Mexico. Our extensive network, co-production arrangements, routing protocols, marketing alliances, and interline agreements provide our customers access to all three North American Free Trade Agreement (NAFTA) nations.

Our tri-coastal network and the diversified portfolio of goods we transport combine to result in a powerful means of serving key trade flows between Asia, Europe and North America.

2010 Geographic Distribution of Revenues





We serve the Port of Prince Rupert – the closest North American port to Asia – providing an impressive time savings of up to 58 hours on transpacific voyages compared to any other North American west coast port.

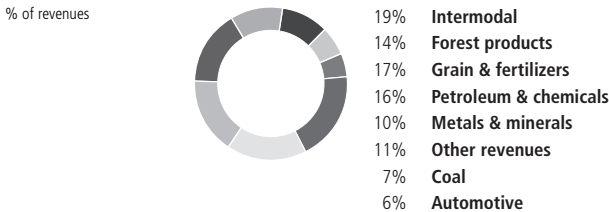
CONNECT

Balanced Portfolio of Business

Our freight revenues are derived from seven commodity groups representing a diversified and balanced mix of commodities transported between a wide range of origins and destinations. In 2010, no individual commodity group accounted for more than 19% of revenues. This product and geographic diversity better positions us to face economic fluctuations and enhances potential for growth opportunities.

In 2010, we benefitted from a recovery in many markets, reflecting a strengthening global economy, an increase in North American industrial production, a turnaround in automotive production and a modest improvement in housing and related segments, as well as share gains in several markets. Our drive to continuously improve our operational and service excellence enabled us to obtain the best carload growth in the industry. In spite of this strong volume growth, we maintained or improved all of our core operating metrics. We remain prepared for, and will continue to pursue, a wide variety of growth opportunities – from bulk commodities to industrial products to intermodal business. We also expect to expand our business in transporting sustainable energy products.

2010 Diversified and Balanced Commodity Mix



Precision Railroading: a Superior Business Model

Our business model, based on our innovative Precision Railroading approach, cements the link between customer and shareholder value, providing industry-leading and cost-effective service focused on what customers want: the timely and safe delivery of their shipments.

With Precision Railroading, fewer railcars and locomotives are needed to ship the same amount of freight in a tight, reliable and efficient operation. These initiatives play a big part in our industry-leading operational efficiency and productivity and in developing innovative solutions to grow with our customers.

Five core principles guide our business strategy as part of Precision Railroading:

- providing quality service
- controlling costs
- focusing on asset utilization
- committing to safety
- developing people

We continue to invest in capital programs to maintain a safe and fluid railroad and pursue strategic initiatives to improve our service, as well as generate productivity initiatives to reduce cost and leverage assets. We completed our capital expenditure program for 2010 at \$1.7 billion, of which approximately \$1 billion was targeted towards track infrastructure in order to improve the safety and fluidity of our network.

\$1.7 billion

was spent on capital expenditures in 2010

DEEPENING OUR COMMITMENT TO SUSTAINABILITY

In 2010 we deepened our commitment to sustainability by appointing a Chief Safety and Sustainability Officer and an Assistant Vice-President of Sustainability, and established a cross-functional working committee dedicated to sustainability efforts. Through our Sustainability Action Plan, we set an environmental focus based on three pillars – emissions and energy efficiency; waste management; and environmental stewardship – and we are actively engaged in meeting the goals established in the plan.

Sustainability Action Plan Themes

- improve locomotive fleet fuel efficiency
- improve vehicle and vessel fleets' fuel efficiency
- improve building efficiency
- invest in sustainable Information Technology
- minimize waste streams and ensure good housekeeping
- implement a clean right-of-way policy
- ongoing environmental stewardship



We have made sustainability an integral part of our business strategy through our approach to governance, environment, safety, people, and community. With our Sustainability Action Plan, we set an environmental sustainability focus based on three pillars: emissions and energy efficiency, waste management, and environmental stewardship. Our outreach initiatives are an important part of executing this strategy, as we continue to focus on creating value for our stakeholders.

Our Environmental Focus

With the powerful environmental advantages of rail and a solid foundation of industry-leading operational efficiency, we are confident in our ability to deliver on our strategy.

To implement our strategy, we developed a Sustainability Action Plan organized around seven themes comprising a large number of projects. These projects are being delivered with the oversight of our executive team and the support of our Sustainability Working Committee and our employees.

Emissions and energy efficiency

We are focused on reducing our carbon footprint and other emissions throughout our operations by expanding our operational excellence, founded on Precision Railroading, to the other aspects of our business, including our vehicle and vessel fleets, as well as our building operations. We also see

opportunities in continuing to provide sustainable solutions to our customers, growing the business through cleaner energy markets, and investing in an efficient and reliable infrastructure.

Waste management

Waste management is important to us and we are addressing this issue with two key initiatives: removing old rail ties from our right-of-way, and establishing an aggressive waste reduction program for our buildings and yards.

Environmental stewardship

Our operations and network pass through a wide range of habitat and we are committed to acting as environmental stewards, taking extensive measures to minimize the company's impact on ecosystems, while striving for a net positive impact on biodiversity.

Looking Ahead

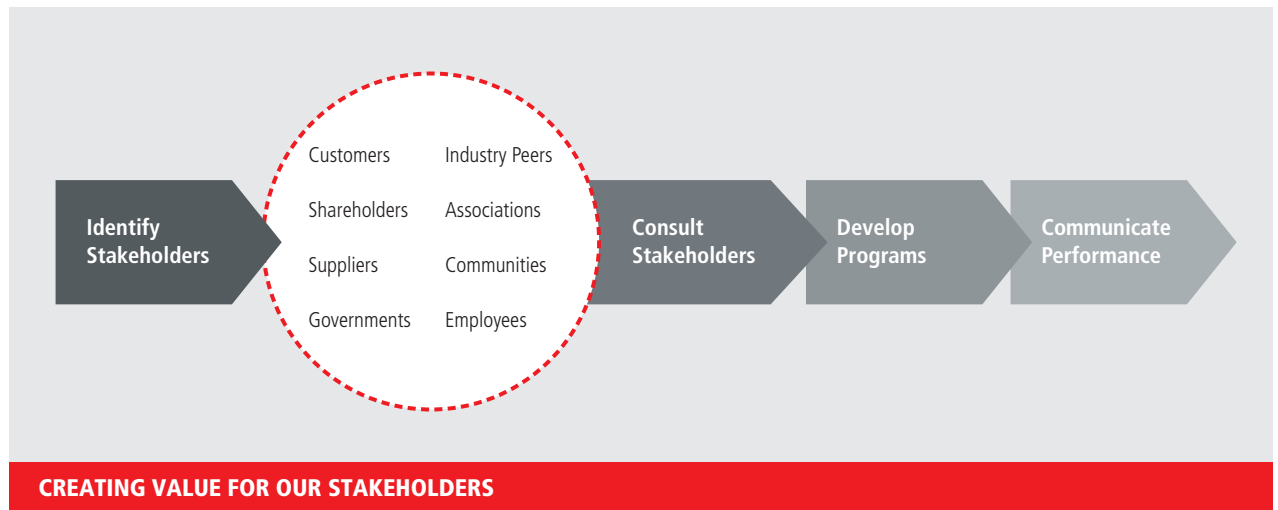
Our focus on environmental sustainability is well aligned with our business goal to create value for our shareholders. With more goods to be moved and the need for more environmentally responsible solutions, we believe we are well positioned to continue to play a leadership role in the transportation sector.

DRIVING VALUE THROUGH ENGAGEMENT

We consider stakeholder engagement and collaboration as crucial to our business. Through engagement, we are well positioned to deliver on our commitments to ensure the safety of our employees and communities, provide quality customer service, collaborate with partners – including governments – deliver better end-to-end transportation solutions, act as stewards in protecting our environment, and build stronger communities along our rail network.

2010 Highlights

- o increased executive-led dialogue with governments
- o engaged more than 30 communities related to the Elgin, Joliet & Eastern Railway Company (EJ&E)
- o reached out to more than 2,500 employees through our first sustainability survey
- o stepped up our customer engagement through executive-led customer forums
- o initiated our first supplier sustainability survey



We collaborate with various stakeholders, including our employees as well as external groups and individuals such as customers, suppliers, governments, shareholders, and communities. Through our partnerships and collaborations, we recognize the valuable contributions our stakeholders bring to our business success.

Stakeholder Engagement Efforts

We conduct regular dialogue with employees, customers, investors, community leaders, suppliers, government and public officials through formal and informal channels. We have been engaged with these stakeholders for decades. We believe closer collaboration and a clear end-to-end supply chain perspective are critical to achieving greater efficiencies and providing better service for our customers. In 2010, we advanced our partnership with key stakeholders in the supply chain through groundbreaking collaborative service agreements.

Shareholders

Today, many of our shareholders consider environment, social and governance factors in making investment decisions. We engage with our shareholders through annual general and quarterly meetings, as well as group and one-on-one investor meetings.

We also complete investor questionnaires geared towards various sustainability topics, including the Carbon Disclosure Project and the Dow Jones Sustainability Index.

Governments

Our senior executives are represented on advisory councils and government review boards, participate on regulatory proceedings, and meet with Members of Parliament and Members of Congress to engage on key policy areas.

For example, during the 2007 Railway Safety Act review, we interacted with various government stakeholders. We attended public hearings, hosted review panel and secretariat tours, and participated in the Minister’s Advisory Council on Railroad Safety and in technical working groups. We also participate in studies and engage with various levels of government, as was the case with the Rail Freight Service Review Panel.

Suppliers

Business with our suppliers is conducted in accordance with contractual agreements and our Business Code of Conduct, which include environmental and social requirements. We engage our suppliers through annual supplier council meetings as well as face-to-face meetings and ongoing dialogue. In 2010, we surveyed our top-tier suppliers to better understand their sustainability objectives.



2010 Customer Focus

- strengthen the first and last mile of shipments
- redesign our bulk service offering
- streamline demurrage rules to address customer issues
- provide customers with improved communications and faster resolution of service issues
- improve operations efficiency by maximizing precision fuel management
- offer customers a modal shift protocol to gain carbon credits by switching freight from truck to rail
- increase collaboration with supply chain partners, focusing on clearly defined service measures and balanced accountability

Customers

In 2010, we generated approximately \$8,297 million in revenue from our customers, with a focus on providing quality and cost-effective service. We have deepened our engagement with customers and we are introducing end-to-end shipment scorecards to instill greater accountability for meeting customer commitments and to identify and solve issues before they reach the “boiling point.” We also took concrete steps to improve supply chain efficiencies and increase our capacity to serve a number of specific markets, including steel and automotive. Our innovative thrust was also evident in the improvements we are bringing to the first-mile/last-mile activities, which is where customers have the most direct contact with us. We have been sharpening our focus on car order fulfilment, to help our customers grow and be more competitive in the markets they serve.

We conduct satisfaction surveys, interact through customer service centres, and host focused customer forums. Over the past year, for example, our executives have heightened their engagement with customers through our biannual customer forums, to effectively communicate and monitor service efficiency, quality and performance against service level agreements.

Employees

We are a major employer in North America, with a workforce comprising 21,967 employees in 2010, of which 78% are unionized. We engage with our employees through various means, including surveys and discussion forums and place a strong emphasis on company-union relationships.

Engaging our employees was particularly important in 2010. We reached out to more than 2,500 employees to understand their awareness and the importance they place on environmental and sustainability issues. Our results indicated that more than 75% of them feel CN is a sustainable and environmentally friendly company that contributes to the communities in which we operate. We have used the results to focus our employee engagement program on energy and waste management.

Industry peers

We are committed to working with our industry peers, including competitors and associations, through an environment of mutual cooperation. To do so, we remain committed to open dialogue through our representation on various industry associations and ongoing collaboration to identify cleaner and more sustainable technologies. In 2010 we signed supply chain collaboration and level-of-service agreements with all of Canada’s major ports and intermodal terminal operators. These agreements focus on specific performance targets, clear service measures, and balanced accountability among supply chain participants within a commercial framework.

Communities

We engage with communities through formalized processes to identify, respond to, and report on issues of interest. These include targeted community dialogue sessions and safety outreach programs. For example, we engaged more than 30 communities to understand and address concerns related to the train traffic along the E&E rail line. We report back to the Surface Transportation Board regarding progress on mutual agreements and compliance with mitigation requirements. Through our Community Networking Plan, we identified opportunities for CN to build relationships with municipal leaders throughout our network via active dialogue to better identify and manage emerging community issues, support activities, and celebrate community spirit.

Aboriginal program

We recognize and are committed to preserving the unique traditions, culture, and social structure of Canada’s First Nations communities, through a climate of mutual trust and understanding. A series of policy guidelines spell out our commitment to dealing fairly with the many Aboriginal communities along our rail lines. We actively encourage two-way communication, cross-cultural training, safety awareness, and conflict resolution between our employees and members of First Nations.

2,500 employees

consulted in our sustainability survey in 2010

ADOPTION OF OUR MODAL SHIFT PROTOCOL



Through our engagement with governments, the provinces of British Columbia and Alberta have both adopted our modal shift protocol. The protocol is a detailed, specific set of instructions on how to carry out an offset project, allowing customers to generate carbon credits from shifting long-haul freight shipments to rail from truck.

ENVIRONMENTAL MANAGEMENT AT ALGONQUIN PARK



We have engaged with Algonquin Eco Watch and the provincial Ministry of Environment to review work activities related to the ongoing environmental management of the former Beachburg Subdivision, with the objective of protecting the ecosystem and biodiversity. For more information, visit www.cn.ca.



GOVERNANCE

We are committed to adhering to the highest standards of ethical business conduct in our governance practices, which are designed to assist us in achieving our corporate objectives, while encouraging an innovative spirit among employees and enhancing shareholder value.

ADHERING TO THE HIGHEST STANDARDS OF ETHICAL BUSINESS CONDUCT

Our commitment to good governance is expressed in our Board’s dedication to maintaining and improving upon Board practices and policies that ensure the highest standards of transparency and independence.

2010 Highlights

- o deepened our commitment to environmental sustainability
- o named a Chief Safety and Sustainability Officer
- o listed on the Dow Jones Sustainability Index for the second consecutive year



GOVERNANCE STRUCTURE

We strive to be among North America's leaders in corporate governance, and we have adopted numerous governance structures and process innovations including: a comprehensive Corporate Governance Manual, 10 independent Board members, an independent Chairman, early voluntary compliance with requirements of the U.S. Sarbanes-Oxley Act of 2002, director-majority voting policy, thorough director and chair performance evaluation procedures, including the development of a competency matrix for selection purposes, and channels for employees and other parties to confidentially report any concerns related to accounting, auditing or corporate ethics.

Our Governance Structure

The Board and its committees

The Board is the decision-making body for all matters deemed material to the strategic and financial functioning of the company. It is made up of a non-executive and independent Chairman, the President and Chief Executive Officer (CEO), and 10 non-executive independent Directors.

The Leadership Team

Reporting directly to the CEO are key executives who provide information on CN’s strategic priorities. An important strategic priority this year has been our deepened commitment to sustainability.

In early 2010, we strengthened our commitment to sustainability by appointing a Chief Safety and Sustainability Officer (CSSO) and an Assistant Vice-President of Sustainability (AVPS). The CSSO reports to the Executive Vice-President and Chief Operating Officer, and communicates with the CEO regularly on strategic sustainability and environmental initiatives.

The Cross-functional Sustainability Committee

The Cross-functional Sustainability Committee meets quarterly to define and align our sustainability priorities with the business strategy and assess the sustainability performance.

The Leadership Team and Board committees review the company’s progress and status regarding sustainability efforts on a quarterly and annual basis, through interactions with the Environment, Safety and Security Committee of the Board.

Performance evaluations and compensation

The Board of Directors, under the supervision of the Corporate Governance and Nominating Committee and the Board Chair, conducts a comprehensive process to annually assess the performance of its committees, the Board Chair, committee chairs and individual Directors.

The Directors' compensation program is designed to attract and retain the most qualified people to serve on CN's Board and committees and takes into account the risks and responsibilities of being an effective Director. Executive compensation is tied, in part, to safety and sustainability performance.

Our disclosure of the total value of executive management compensation in the company's Management Information Circular seeks to be comprehensive, transparent and clear, and reflects best practices.

Risk and Crisis Management

Our approach to risk management enables employees to manage risks and losses, and to leverage opportunities. Risk management is essential to protecting, enhancing and creating shareholder value, operating efficiently, and providing a safe and healthy environment for employees, customers and other stakeholders.

The identification of strategic priorities includes a consideration of business and financial risks that are identified on an annual basis at the departmental level. Business function leads identify and communicate key risks to our executives.

Risk response projects are approved through the strategic and financial planning process and communicated to the Board when considered material to the business.

To identify and respond to crisis situations, we have established a business continuity plan, which includes pandemic alerts, among other events.

Values, Policies, and Codes

Informing all our initiatives relating to sustainability, are our five guiding principles:

- providing quality service
- controlling costs
- focusing on asset utilization
- committing to safety
- developing people

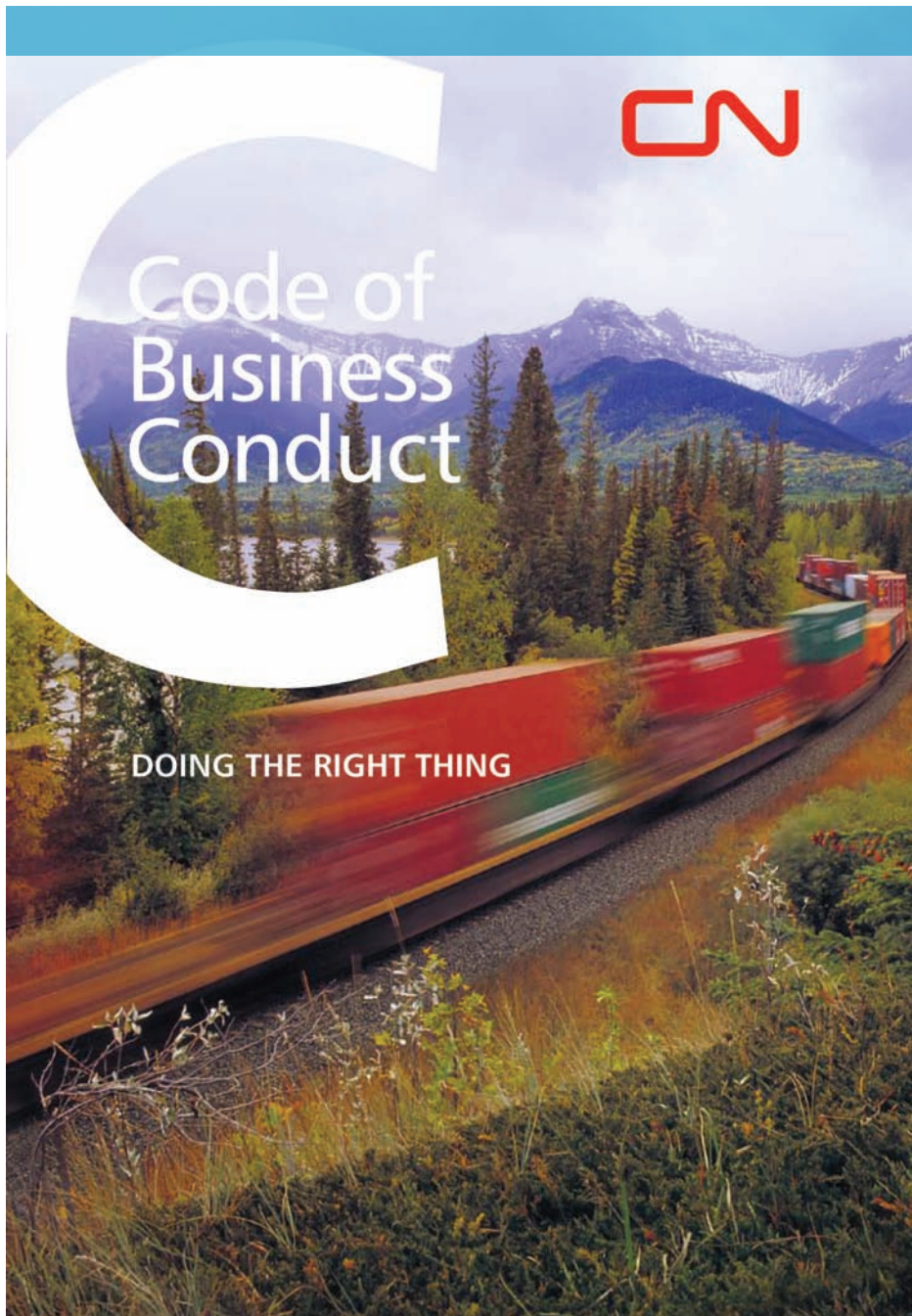
They are the unwavering principles that have helped make us an industry leader and will continue to distinguish us in the future.

Our environmental policy sets out our values and commitments to the principles of sustainable development, and the importance of taking a precautionary approach to addressing our impacts on the environment.

Together, our governance structure, value principles, Code of Business Conduct and corporate policies provide the framework upon which we work towards a long-term sustainable business.

Best Corporate Governance Award

IR Magazine 2009 and 2010



CODE OF BUSINESS CONDUCT

In 2009 we released an updated Code of Business Conduct to reflect changes in our environment and to help employees preserve our corporate integrity. Our Code of Business Conduct includes:

RUNNING OUR RAILROAD

We support free enterprise and believe in fair competition in an open market.

RESPECT IN THE WORK ENVIRONMENT

We are dedicated to providing a safe, environmentally responsible and supportive work environment, where we treat one another fairly, with respect and professionalism.

PUTTING OUR REPUTATION FIRST

We strive to sustain and project a culture of integrity where ethical conduct is recognized, valued and exemplified by all employees.

SAFEGUARDING WHAT'S OURS

We instill a culture of personal responsibility for safeguarding our assets and for using these assets and resources appropriately.

MAKING A DIFFERENCE

We are an active member of the communities in which we operate. It is important that we do the right thing in managing our relationships with our communities and the governments that serve them.

A DUTY TO REPORT

We have in place a confidential method for employees to use when reporting potential or real wrongdoing concerning violations to our Code.

Our Ombudsman provides confidential and impartial guidance to employees on how to resolve workplace problems or issues related to our Code of Business Conduct. The Ombudsman can be reached at 1-866-226-8968 or by email at ombudsman@cn.ca.



ENVIRONMENT

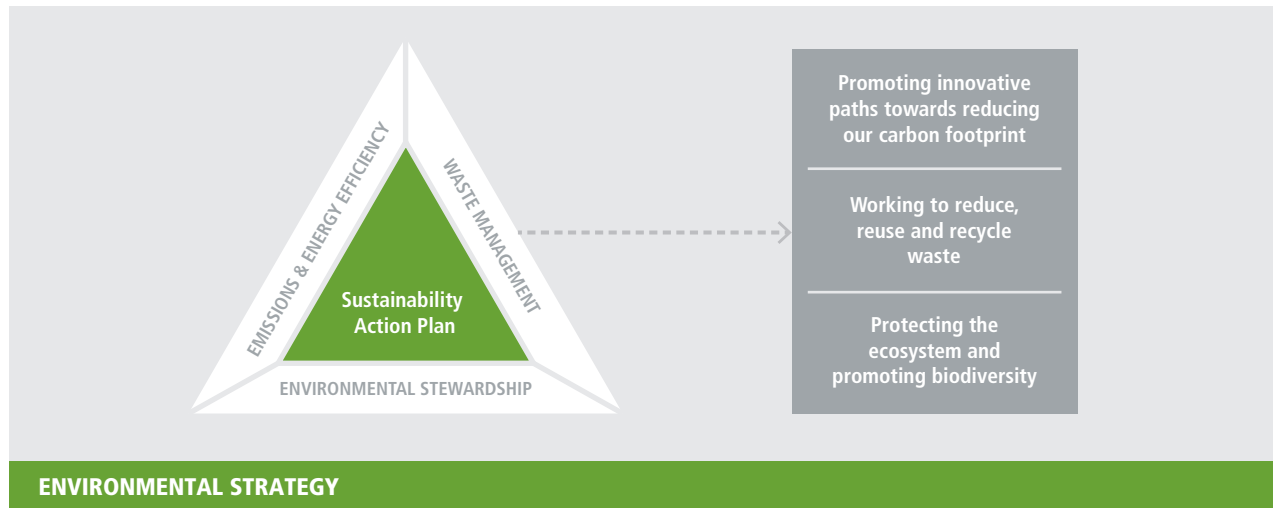
We are focused on conducting our operations in a manner that protects the natural environment and remain committed to respecting applicable laws and regulations, while taking necessary measures to prevent pollution, reduce our greenhouse gas (GHG) emissions and conserve natural resources.

TAKING ACTION TO PROTECT THE ENVIRONMENT

We have embraced our responsibility to environmental protection with confidence, and continue to deepen our commitment to environmental initiatives. We believe that, because of its environmental and economic advantages, rail will be an integral part of the sustainability solution.

2010 Highlights

- o scored 82% on the environmental dimension of the Dow Jones Sustainability Index
- o identified a large number of environmental projects in our Sustainability Action Plan
- o extended our commitments to reduce our carbon footprint beyond our rail operations to our vehicle and vessel fleets and our buildings



Our environmental strategy focuses on emissions and energy efficiency, waste management and environmental stewardship, covering various aspects of the life-cycle of our activities and operations. To execute our strategy, we developed a Sustainability Action Plan, comprising many projects, that helps us achieve our objectives.

Management Control

A combination of expert resources, environmental procedures, training and audits, and emergency preparedness response initiatives help ensure that we conduct our operations and activities while protecting the natural environment.

Expert resources

Our diverse team of environmental professionals are at the core of our environmental management activities. The team boasts expertise from biologists and environmental engineers to experts in environmental site assessments. These specialists monitor CN's environmental performance in Canada and the United States on an ongoing basis.

Environmental Management Procedures

We are vigilant in respecting applicable laws and regulations and adopting required standards, procedures, contingency measures and management systems. This ensures that our operations are

managed safely, ecologically and sustainably. Our environmental issues are appropriately identified and managed in accordance with our Environment Policy and Environmental Management Procedures (EMPs). For more information, visit www.cn.ca.

Training and audits

Our team of environmental professionals plays a critical role in training our employees and contractors and assessing performance regarding environmentally responsible practices. Audits are conducted annually to validate compliance with corporate and regulatory policies and procedures, as well as to ensure the sharing of environmental best practices.

Emergency preparedness

Through our EMPs and audits we remain focused on incident prevention. When an incident does occur, our comprehensive Emergency Response Plan (ERP) and procedures help enable us to deal diligently with the situation and ensure that any impact is minimized. Should there be an environmental impact, it is immediately reported to government authorities in compliance with applicable laws. We work closely with government officials during and after any such incident to ensure sites are restored to applicable standards.

EMISSIONS AND ENERGY EFFICIENCY



Promoting innovative paths towards reducing our carbon footprint

Rail is the most energy-efficient method of moving freight on land. No ground transportation mode can outperform rail for the hauling of large volumes of high-density freight over long distances. Rail also relieves traffic congestion and stress from our strained public infrastructure. We believe the single best way we can positively impact the environment is by continuously improving the efficiency of our operation.



Shipping by rail is up to six times more fuel efficient than shipping by truck.

6X



To ensure our continued success, we have aligned our emissions and energy efficiency strategy with our business goals. We are focused on reducing our carbon footprint, providing sustainable solutions to customers, growing the business through cleaner energy markets, investing in efficient and reliable infrastructure and enhancing our stakeholder outreach activities.

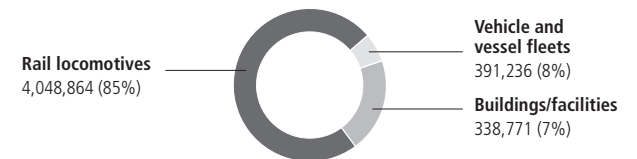
Reducing our Carbon Footprint

Our carbon footprint includes emissions from the operation of our locomotive fleet, as well as our vehicle and vessel fleets. These fleets include the many non-rail vehicles we operate, such as shunt trucks and cranes used in our intermodal yards. GHG emissions from our locomotives represent the majority of our emissions, which we estimate to be 85%. Buildings represent 7% and our vehicle and vessel fleets represent approximately 8% of our GHG emissions.

As a leader in the North American rail industry, efficiency and emission reduction has always been an integral part of how we operate our railroad. Our Precision Railroad approach has enabled us to not only become recognized as the most efficient and productive railroad in North America, but also reduce our carbon footprint.

To build on our success, we will be even more focused on promoting innovative paths towards efficiency by leveraging our operational excellence and extending it to our vehicle and vessel fleets, as well as our buildings and yard operations.

Our Carbon Footprint: GHG Emissions (tCO₂e) – 2010



100%

we achieved a 100% score for our climate change strategy on the Dow Jones Sustainability Index in 2010

REDUCING OUR RAIL CARBON FOOTPRINT

As approximately 85% of our GHG emissions are generated from our rail operations, emission reduction in this area is an ongoing priority. Over the years, our asset-lean Precision Railroading initiatives, fuel-efficient locomotive acquisitions and locomotive technology upgrades, innovative yard efficiencies and focused fuel conservation practices have all contributed to the reduction of our carbon footprint. In 2010, \$225 million was spent on fuel-efficient locomotives and improvements to our existing locomotive fleet.



Efficiently Operating the Railroad

Precision Railroading

The goal of Precision Railroading is to ensure the most reliable and efficient movement of freight for our customers. This model continues to mean fewer railcars and locomotives are required to ship the same amount of freight in a tight, effective and efficient operation. The net result is greater reliability for our customers, increased fuel efficiency and reduced emissions.

Routing protocols

We currently have routing protocol agreements in place with all Class I railroads. Routing protocols serve to reduce rail-freight costs industry-wide by placing traffic on the most efficient routing, regardless of track ownership.

Co-production

Co-production arrangements, like routing protocols, are designed to increase efficiencies and improve service by optimizing the use of current industry infrastructure while maintaining a shipper's competitive options. We currently have over 100 agreements in place, covering key locations across our North American rail network.

Efficient Information Technology (IT) systems

Sophisticated IT systems such as GPS, wireless communication, and the next generation of business intelligence solutions are creating new opportunities to advance our railroad operations. Improving mobile access to information, together with better visibility of real-time data, by using Wi-Tronix technology, for example, will enable us to increase our efficiency and enhance the consistency and reliability of service to our customers.

\$225 million

was spent on fuel-efficient locomotives and improvements to our existing locomotive fleet in 2010

Investing in Fuel-Efficient Locomotives

Locomotive fleet acquisitions and upgrades

We continue to acquire new, fuel-efficient locomotives and upgrade our existing fleet. Since 1995, we have acquired 631 new locomotives, of which 90 were acquired in the 2009–2010 period. These new locomotives enable us to meet Tier 2 regulatory obligations, and are up to 20% more fuel efficient, producing 40% less nitrogen oxides.

Research and development

We work with manufacturers and research centres to support the development of cleaner rail technologies. We are currently investing \$1 million in research into next-generation locomotives and alternative fuels.

Improving Yard Efficiencies

Our innovative SmartYard project makes traditional switching practices at our largest switching yards more flexible and efficient.

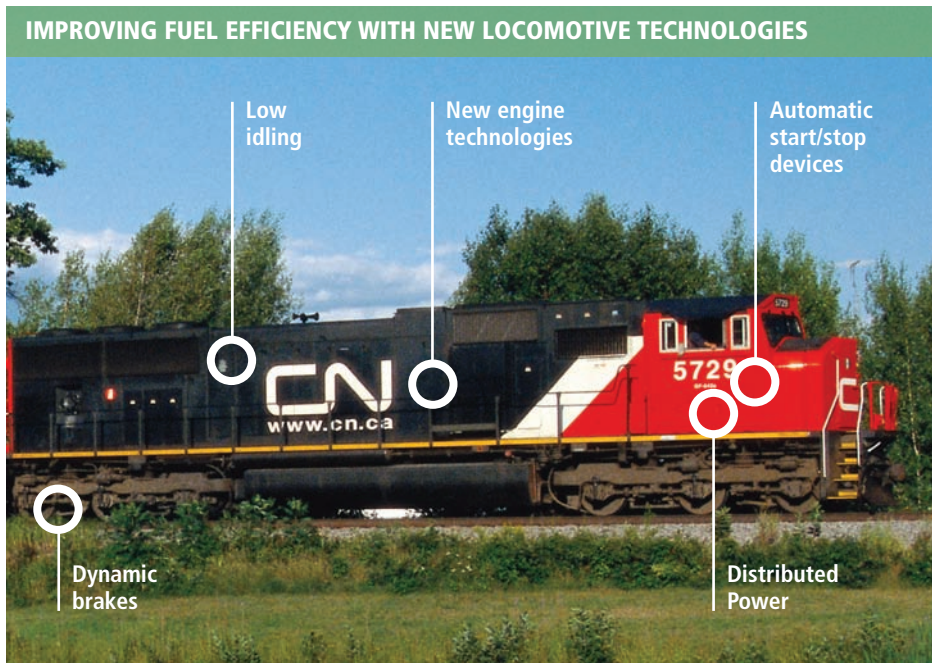
We invested more than US\$100 million in the reconfiguration of the Harrison railyard, a multi-year construction project completed in 2009. The yard's new, efficient layout positions us to handle existing and future traffic growth in the region more effectively. We also continue to deploy efficiency features on our rails and in our yards, such as longer sidings, smart switch heaters, lighter freight railcars, rail lubrication and welded/harder rails.

Focusing on Fuel Conservation Practices

Our crews are trained on better fuel conservation practices, including locomotive shutdowns in our yards, streamlined railcar handling, train pacing, coasting and braking strategies, as well as notch limiting, which means locomotives are not run in their top notch setting when maximum power is not required.

\$1 million

being invested in research into next-generation locomotives



Dynamic brakes

Dynamic brakes use less fuel by changing the train handling techniques for controlling train speed. More than 90% of our mainline locomotives are equipped with dynamic brake systems.

Low idling

Low idling saves approximately 10 litres of fuel per hour for those times when locomotives must idle, such as coasting downhill or when making short stops between movements.

New engine technologies

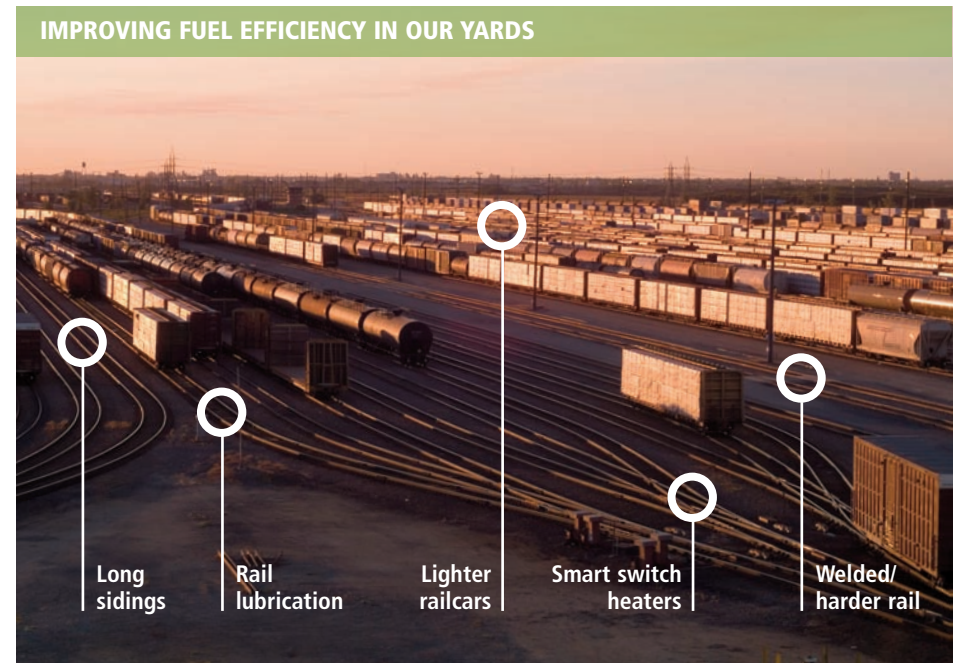
We monitor developments of any new locomotive or operating technologies, as well as alternative fuels, in order to identify opportunities to further reduce fuel consumption and emissions.

Distributed Power

Train productivity is improved through “Distributed Power,” which allows us to run longer, more efficient trains, while improving train handling and reducing train separations.

Automatic start/stop devices

These devices conserve fuel and reduce emissions by automatically shutting down locomotives when they are not in use.



Long sidings

Across our network, we have extended sidings to accommodate longer, more efficient trains.

Rail lubrication

Rail lubrication reduces surface friction between the rail and railcars, requiring less effort to maintain a specific speed, resulting in lower fuel consumption.

Lighter railcars

Lighter railcars reduce wheel flange and rail-head drag, improving fuel consumption of the locomotives pulling a train.

Smart switch heaters

These ensure that switches are heated only when required, enabling us to reduce our switch energy consumption by 50%.

Welded/harder rail

Long welded and head-hardened steel used in new rail is less likely to deform, thereby reducing the amount of fuel needed to pull railcars.

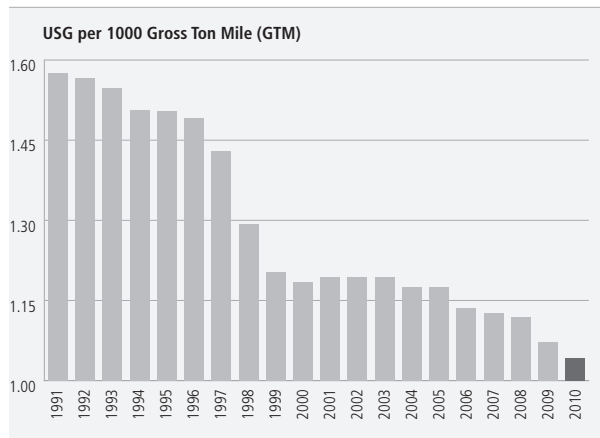
For more information on these technologies, visit www.cn.ca.

Rail Network and Locomotive Carbon Footprint Performance

We continue to upgrade our locomotive fleet by retrofitting locomotives utilizing new technologies, while cooperating with other railroads regarding developments in fuel-efficient locomotive technology. We are also enhancing our fuel management system in order to achieve greater precision in measurements. We are enhancing employee training, and improving incentives for deploying fuel conservation practices.



CN FUEL EFFICIENCY

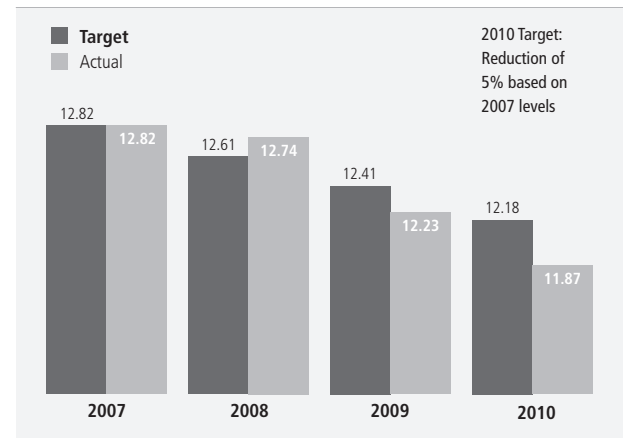


35.7%

fuel improvement over 19 years

As a result of our rail initiatives, we have been carrying our freight more efficiently. During the period 1991 to 2010, we improved our fuel efficiency by 35.7%, and 7% over the last three years.

EMISSION INTENSITY GHG kgCO₂e/GTM



7%

reduction over three years

In 2010, we reduced our rail GHG emission intensity, measured at 11.87 kgCO₂e/GTM by 7% based on 2007 levels, which we measured at 12.82 kgCO₂e/GTM. This reduction surpassed our objective to reduce our rail locomotive emissions by 5% during the same period.

REDUCING THE CARBON FOOTPRINT OF OUR VEHICLE AND VESSEL FLEETS

The emissions from the operation of our vehicle and vessel fleets, such as intermodal trucks and company vehicles, represent approximately 8% of our total carbon emissions. To reduce our carbon footprint in this segment, we are extending the operational excellence in our rail fleet, based on Precision Railroading, to the other vehicles we operate in our day-to-day business.



Improving our Intermodal Truck Fleet Efficiency

We have implemented a number of initiatives that play an integral role in reducing the GHG emissions generated from the use of fuel required to run our intermodal trucking operations.

Acquisitions and upgrades

We have specifications for our trucking fleet which include complete aerodynamic package, engine size and weight to improve fuel efficiency. We also offer subsidies to truck owner-operators as an incentive to upgrade older model trucks to achieve greater fuel efficiencies.

Preventive maintenance

Additional fuel savings are expected through our preventive maintenance detection activities, which include targeted truck engine monitoring, semi-annual tractor inspections, and safety and efficiency testing.

Route optimization

We work with our suppliers and customers to support route optimization, with \$250,000 in annual savings expected from fuel efficiency improvements.

Operator training

We train truck owner-operators on fuel-efficient driving practices such as tractor maintenance, driving behaviour, route optimization, gear and wheel selection, speed control, idling and fuel levels.

Upgrading our On Company Service Fleet (OCS)

Our OCS fleet consists primarily of on-road and on-rail vehicles used to carry out our day-to-day business operations, as well as infrastructure and maintenance support. The fleet includes cars, light-duty trucks and specialized heavy-duty trucks. Our annual vehicle replacement program provides for the purchase of 400 state-of-the-art, fuel-efficient vehicles, including those using alternative fuel-efficient power sources, such as hybrids. We are also training our crews to reduce unnecessary vehicle idling, speeding and insufficient vehicle utilization.

Promoting Better Practices in our Shipping Vessel Fleet

We currently operate an eight-vessel shipping fleet, consisting of four motor and four steam vessels. To reduce the carbon footprint of our vessel fleet, we are replacing existing engines with new fuel-efficient engines and training ship operators on better practices designed to reduce fuel consumption, such as speeding protocols and operating parameters.

REDUCING THE CARBON FOOTPRINT OF OUR BUILDING OPERATIONS

The carbon footprint from our building operations accounts for 7% of our GHG emissions, and includes electricity and miscellaneous fuel consumption. Miscellaneous fuel, in this context, includes propane, stove oil, natural gas, furnace oil and kerosene used primarily for maintenance and operational activities related to terminals, buildings, switch heaters, and other equipment.



Upgrading the Efficiency of Existing Buildings and Yards

To reduce the carbon footprint related to our buildings and facilities, we plan to refine our carbon inventory by developing a measurement system that more accurately incorporates our energy consumption data. Once analyzed, we will set a 2015 reduction target. In the meantime, we continue to identify opportunities to reduce our energy consumption, and implement and share energy reduction programs for our buildings and yards. Over the past few years, we have focused our efforts on upgrading the efficiency within our existing buildings and yards, incorporating sustainable design into new buildings and yards, and creating sustainable IT systems.

Improving energy measurement

Improvements to our power metres enable us to monitor electrical and gas consumption in our yards remotely, using real-time data to control the energy load in the yards.

Upgrading equipment

We are replacing existing old equipment with more energy-efficient alternatives, in terms of boilers, air compressors, and lighting. For example, at our Symington Yard in Winnipeg, load management control on our blowers saved us thousands of kilowatt-hours of electricity, reducing our expenditure by nearly \$50,000 per year since 2004.

Replacing lighting

The replacement of 1000-watt mercury-vapour light fixtures at MacMillan Yard Locomotive Repair Centre with more efficient 400-watt halide fixtures in 2010 reduced electrical consumption by 30,000 volt amps a year, resulting in annual savings of \$45,000 on electricity. And modifications to the yard's air supply system have reduced associated energy costs by \$55,000 a year since 2006.

Incorporating Sustainable Design in New Buildings

Increasingly, we look to the Leadership in Energy and Environmental Design (LEED) criteria when we expand or construct new office space. We have LEED-inspired offices in Montreal, Edmonton and Homewood, which have resulted in annual savings related to energy of more than \$100,000.

Sustainable Information Technology (IT)

We are reducing the carbon footprint of our IT systems through data centre optimization. In addition, we are implementing a multi-point tele-presence system in order to reduce corporate travel, an investment that we expect will result in further savings and reduce our Scope 3 emissions.

\$100 million

planned investment in the Calgary Logistics Park, which will include sustainable technology such as LEED features, improved water treatment and energy efficiency



We constantly pursue the development of service and productivity initiatives. Our focus on network velocity, train efficiency, first-mile/last-mile reliability and safety help us accommodate volume growth at low incremental cost while maintaining a high level of service quality for our customers.

Providing Sustainable Solutions to Customers

We believe that innovative supply chain solutions will help drive a lower carbon economy and increase awareness among shippers of the strong environmental benefits of shipping by rail. To help our customers capitalize on the positive impacts of shipping by rail, we offer a number of solutions to reduce their carbon footprint.

Carbon credits

We provide our customers with a modal shift quantification protocol enabling them to calculate the carbon credits resulting from switching their freight from truck to rail. We also provide a Greenhouse Gas Calculator that allows customers to estimate the carbon emissions for their shipments when using a combination of marine, vessel, truck, and/or rail modes of transportation.

Service efficiency

Through our routing efficiencies, made possible as a result of our unique North American franchise and our supply chain expertise, we ensure the shortest, most efficient transportation routes.

Customer-centric innovations

We provide “first-mile/last-mile” services with a supply chain perspective that emphasizes an end-to-end view of handling customer loads. Through this focus, we are in a better position to improve shipment deliveries while enabling greater fuel efficiencies.

Growing the Business to Support Clean Energy Markets

Together with growing concerns related to the impacts of climate change, we are keenly aware of a corresponding increase in demand for more sustainable and cleaner technologies, products and services. We have seen increased opportunities in the area of sustainable energy products, including biodiesel and wood pellets, as well as equipment and components related to “cleaner” technologies, such as wind turbines and solar panel components.



CN's capital spending program is critical to our safety, growth and service objectives. In the last five years, CN spent almost \$8 billion on capital improvements. Such investments serve to build a quality network that, in turn, supports economic growth across Canada and the United States.

Investing in Efficient and Reliable Infrastructure

Being cognizant of the service disruptions that can result from weather events, the protection of our network remains a top priority. We do this by investing significantly in track infrastructure upgrades, executing seasonal readiness plans, testing natural hazard warning systems, and undertaking rail inspections, as well as ensuring processes and procedures are in place for recovery from emergency weather situations. We are also using various technologies and inspection protocols to maintain our infrastructure's reliability and fluidity. For example, we use Wheel Impact Load Detectors (WILD), hot wheel detectors and hot bearing detectors to monitor the network for unsafe operating conditions. Furthermore, to prevent problems before a train departs, employees conduct inspections for load shifting or dragging equipment as a train moves out of the yard or the intermodal terminal.

Stakeholder Outreach

We continue to reach out to our stakeholders and work with them to identify and implement solutions and to reduce the transportation supply chain carbon footprint. We will continue to increase awareness among our customers of government incentive programs that favour rail freight solutions. We are engaging governments in adopting the modal shift protocol throughout North America, and supporting customers in their use of the protocol. At the same time, we are increasing our efforts to encourage and engage our employees in our sustainability efforts.

U.S. SmartWay Agreement

We are a signatory to this voluntary program between the Environmental Protection Agency and the rail industry with the goal of eliminating 33 to 60 million metric tonnes of carbon dioxide emissions and up to 200,000 tonnes of nitrogen oxide emissions per year in the United States by 2012.

Governments of British Columbia and Alberta

Our modal shift protocol, adopted by the provinces of B.C. and Alberta, provides a method for calculating greenhouse gas (GHG) emission reductions that occur when shifting truck freight traffic to rail. Shifting freight transportation from a more GHG-intensive mode such as truck to a less GHG-intensive mode such as rail results in significant GHG emission reductions. Customers in British Columbia and Alberta demonstrating emission reductions through modal shift are eligible to receive offset credits which may be used to meet emission reduction goals, trade to other regulated emitters to help them achieve required reductions, or banked for future use.

\$1 billion

approximately \$1 billion was invested to ensure the safety and reliability of our rail infrastructure in 2010

WASTE MANAGEMENT



Working to reduce, reuse and recycle waste

We are committed to sustainable resource management and recognize that preventing and minimizing the amount of waste being generated throughout our operations will play an important role in our resource conservation efforts. We therefore take the necessary measures to prevent pollution, to conserve, to recycle, and rationally use the natural resources required for our operations.



While we already have a number of waste programs in place, we will use our waste inventory as a solid baseline to support our resource consumption decisions focused on reducing, reusing and recycling waste.

Managing our Impact

To better align our waste strategy with the principles of waste prevention and minimization, we are working to develop a waste inventory that includes an accurate quantity and composition profile.

Our waste consists of both non-hazardous and hazardous waste. Our non-hazardous waste includes office paper, cardboard, aluminum cans, plastic bottles, glass, wood, empty containers and scrap metal. Our hazardous waste streams consist of diesel, oily water and sludge generated from locomotive fuelling, as well as solvents used in maintenance activities.

Respecting our strong commitment to the environment, our waste strategy incorporates the principles of waste reduction, reuse and recycling. In order to effectively execute this strategy, we are working with waste contractors to develop an accurate waste inventory that better reflects the weight and composition of our waste streams. Once fully analyzed, we will use this information to develop a culture of resource conservation that builds on our existing programs and encourages employee involvement.

Reducing Waste

We are committed to supporting initiatives that prevent the generation of waste at the source and have already initiated programs to reduce both our surplus material and hazardous waste.

Surplus materials

To address the issue of packaging materials and unused surplus material, we have initiated a two-year material surplus reduction initiative. This involves working with our suppliers to develop an inventory management program that better addresses our material needs, as well as reducing the quantities of lubricants and packaging materials associated with our operations.

Hazardous waste

We have implemented various spill prevention control procedures during fuelling and storage tank activities. Where hazardous waste is generated, we ensure it is handled and disposed of in a safe and responsible manner, conforming to government environmental regulatory requirements.



We have established a five-year plan to dispose of four million wood ties annually. Through this initiative, we expect to clean up and maintain a clean right-of-way in the future. Our preferred method of disposal is to send ties to cogeneration facilities where they are recycled to produce energy. We also have in place a parallel project to clean up scrap rail on the right-of-way.

Reusing Waste

We are committed to redirecting waste away from landfills and hazardous waste disposal sites by extending the life of waste materials. To this end, we have undertaken various waste initiatives, including the reuse of railroad ties, waste water and engine coolants.

Railroad ties

Railroad ties were historically sent to landfills, but over the years, we have actively looked for opportunities to reuse them where possible. Old ties are used as landfill cover and on our own system in low traffic areas, for example.

Storm and waste water

Storm and waste water produced at our maintenance shops is passed through our treatment plants to ensure that discharges comply with relevant environmental regulations. Where possible, we make every effort to reuse our waste water. For example, water reclaimed from treatment plants at some of our yards is used to wash locomotives.

Engine coolants

At our diesel shops, locomotive engine coolants are recovered and reused in locomotives after they are repaired.

Recycling Waste

Across the company, we have various recycling programs in place, designed to reduce waste being directed to landfills.

Operational waste

Through various initiatives, we recycle fluorescent tubes, lead-acid batteries, used oil, used oil filters, scrap metals, as well as rail, railcars and rail ties. Whenever possible, we send old railroad ties to cogeneration plants, where they can be recycled to produce energy. At large CN facilities where enough waste is generated, we also recycle such materials as paper, wood pallets and cardboard. Moving forward, we expect to be able to expand our recycling programs to include an even wider range of material.

Scrap metal

We have developed a number of recycling programs for miscellaneous ferrous and non-ferrous scrap metal. Our ferrous scrap metals are iron- and steel-based, largely from our shops and yards, including drums, old pumps, scrap material from maintenance work, couplers, knuckles, and metal pieces. Our non-ferrous metals are non-steel-based, and include items such as scrap copper wire, aluminum, locomotive radiators, locomotive traction motors, and generator parts.

Electronic waste

We routinely return obsolete electronic hardware to our computer suppliers to ensure that it is being disposed of responsibly. In 2010, we returned over 3,000 electronic components, including desktops, laptops, monitors, servers and printers.

5 million

rail ties were removed in 2009-2010

285,655 tons

of steel were recycled in 2010

ENVIRONMENTAL STEWARDSHIP



Protecting the ecosystem and promoting biodiversity

Environmental stewardship is a fundamental component of our environment policy, and we are committed to conducting our operations and activities in a manner that protects ecosystems and biodiversity. As our network extends to three North American coasts, it passes through a wide range of habitats, including national parks, forests, prairies and wetlands. We have developed our environmental stewardship strategy to help protect the diversity and variety of life in all of these areas, and strive towards a net positive impact on the environment.



To prevent and correct impacts to ecosystems and biodiversity, we undertake environmental assessments, biodiversity and ecosystem protection, and cleanup and remediation activities.

Environmental Assessments

We conduct detailed studies to understand the environmental impacts associated with our projects. These studies may involve fish and fish habitat, species at risk, vegetation (including assessments for threatened or endangered plants), and wildlife. We also engage various stakeholders, including local communities, to understand potential impacts and obtain feedback. We monitor projects during construction and after completion.

Biodiversity and Ecosystem Protection

Targeted programs assist us in preventing and correcting impacts to the ecosystems in areas where we operate.

Protecting aquatic life

Maintenance and construction activities that could affect aquatic life include bank stabilization, culvert and bridgework, stream work, rock stabilization, and ditch cleaning. Appropriate environmental protection measures are developed to mitigate concerns related to these activities.

Vegetation management

Vegetation control is important for safe train operations and railroad maintenance. Our responsible chemical applications minimize impacts related to vegetation control.

Ecosystem management

We take extensive measures to rehabilitate ecosystems along our network and where possible, strive to have a net positive impact on biodiversity. Our Geographic Information System (GIS) allows us to access relevant data about nearby communities and sensitive habitats that could be impacted by our operations.

Wildlife management

We share our environment with hundreds of wildlife species such as deer, moose, bears, wolves, sheep and elk. As part of wildlife management, we map and locate areas of high wildlife collisions and make significant efforts to prevent and reduce them.

Cleanup and Remediation Activities

We remain committed to the cleanup and remediation of our operations related to past and present ownership, operation or control of real property.

\$19.8 million

spent on site assessments and remediation in 2010

PROTECTING AQUATIC LIFE AT RESERVOIR BLANC



We have long been sensitive to the need for balancing essential track work with aquatic protection. To address track instability issues along a four-mile long causeway on CN's Saint-Maurice Subdivision, we installed a silt fence system during reconstruction of the causeway in order to protect the lake. We also built several fish spawning areas and a state-of-the-art feeding and nursery habitat for fish.

Our work with various local and provincial stakeholders was critical to the success of the project. In October 2010, we received an environmental award for our Reservoir Blanc project from the Railway Association of Canada, recognizing our efforts in protecting the environment.



SAFETY

Nothing is more important to us than running a safe operation. We are committed to safeguarding employees, assets, customers and the communities in which we operate at all times. Our vision is to be the safest railroad in North America by establishing an uncompromising safety culture that leads to sustained leadership in safety.

PUTTING SAFETY FIRST

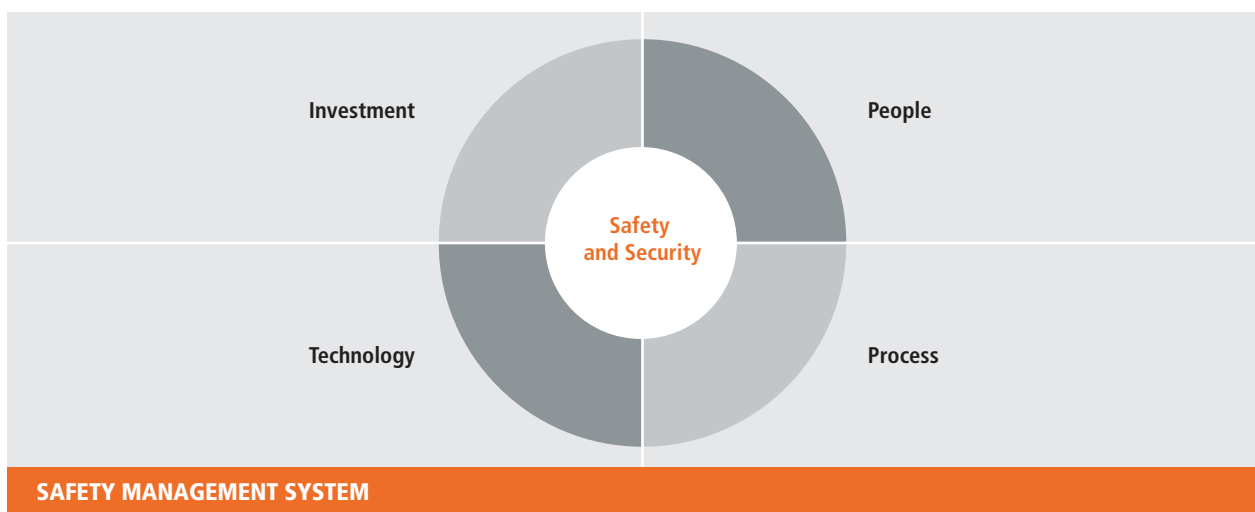
Safety is a core value at CN, with a focus that has helped our company rank consistently among the safest railroads in North America. We work closely with federal, provincial and state agencies to meet safety standards and environmental regulations. We partner with municipalities to integrate their safety procedures with ours. Many of our safety culture initiatives – addressing ways to enhance safety culture in railroads across Canada – have recently been recognized by Transport Canada and working groups of the Railway Safety Act Review.

2010 Highlights

- o decreased our FRA injury and accident rates
- o increased risk assessments and best practice sharing
- o expanded the use of audits to assess compliance with operating rules as well as with our Safety Management System and safety culture – a first for the industry

2,900 employees participated in our safety survey in 2010.

2,900



We continue to make important progress in delivering our Safety Management Plan and in improving our safety culture. Each year we invest a significant percentage of revenues in safety training, technology and infrastructure to ensure a safe and secure working environment and to deliver our customers' shipments damage-free.

Our Safety Management System (SMS) is a proactive, comprehensive program designed to minimize risk and drive continuous improvement in the reduction of injuries and accidents in day-to-day operations. The SMS focuses on the areas of People, Process, Technology and Investment.

People

We work hard to create a safe workplace by fostering a culture of safety awareness and safe practices. We invest significantly in training, coaching, recognition and employee involvement initiatives to strengthen our safety culture, knowledge and awareness.

Training and coaching

Employees in specific operating jobs are mandated to take courses that integrate safe work procedures and processes. We have also implemented multiple programs focused on peer-to-peer coaching, and two-way dialogue between supervisors and employees to clarify expectations regarding safe behaviours.

Employee involvement

Employee involvement is a fundamental part of our SMS and is achieved through a number of initiatives, including "SaFE" programs, involving employees in peer-to-peer observations and coaching regarding critical activities, "Safety Summits," and annual SMS conferences. Additionally, weekly safety leadership conference calls involving all levels of management are held to review root causes of injuries and accidents and identify preventive actions.

Safety culture

We have implemented a process to measure and strengthen our safety culture that we aligned with Transport Canada's 2010 guideline. In 2010, we completed an employee survey on our safety culture, which showed encouraging results.

Health and safety committees

Our nearly 100 joint union-management committees in Canada and the U.S. help us identify top causes of injuries and accidents and implement solutions locally. Several years ago, we instituted a process to strengthen the effectiveness of these committees. In 2011, our focus is to deliver systematic support to committees, including training, teaching risk assessments, and assistance in developing annual action plans to address top causes of accidents and injuries.

Technology and Investment

We are committed to investing in infrastructure and technology to maintain a safe railroad and to improve reliability for our customers. We have the highest capital investment ratio in the industry for Class I railroads. In 2010, we invested approximately \$1.7 billion in capital expenditures, of which approximately \$950 million was dedicated to track infrastructure and other initiatives to operate a safe railroad and to improve the productivity and fluidity of our network. In 2011, we again plan to invest \$1.7 billion in capital expenditures.



The addition of Rail Stress Detectors on the system began in 2009 with the installation of 4,000 detectors.

4,000

Process

Process initiatives aim to make safety a systematic part of all railroad activities. We are focusing our efforts on the top causes of accidents and injuries.

Risk assessments

We have developed a process to conduct risk assessments in a structured manner. Assessments are conducted throughout the year with the involvement of health and safety committees, and are made available company-wide through our intranet site. Risk assessments are also conducted at the field level in a decentralized way through our Field Level Risk Assessment (FLRA) process.

Safety audits

We conduct three levels of safety audits/inspections:

- system integrated audits focus on compliance with our SMS and Operating Rules, as well as our safety culture
- regional audits include safety blitzes and technical audits
- local audits focus on operational activities, including efficiency tests

We have expanded the use of our system integrated audits to encompass safety culture – a first for the industry.

\$1.7 billion

invested in capital expenditures in 2010

Prioritization through CN's Safety Management System

Based on the leading root causes of accidents and injuries, plans are developed and prioritized to address top safety issues with quantified targets at all levels of the company. These include local safety action plans encompassing efficiency testing, employee involvement, risk assessment and corrective actions, as well as system action plans including quantified targets to address areas such as rail and track geometry testing.

Dangerous goods and emergency response

A critical part of any safety plan is knowing what to do when things go wrong. Our Emergency Response Plan (ERP) ensures that there is an immediate, coordinated response to deal with incidents quickly, safely and effectively. Every year, our Dangerous Goods group takes steps to enhance our level of emergency preparedness and system protection.

Security

Our comprehensive Security Management Plan provides a structured risk-based approach to managing network security. Its key components include threat and vulnerability assessments of critical infrastructure, security alerts and countermeasures. The plan enables us to focus resources on protecting critical assets and trespassing.

CN Police officers in the U.S. and Canada protect customer goods, prevent and investigate crime, and ensure the safety and integrity of our facilities, equipment, and property. They are also actively involved in rail safety education initiatives in communities across the network.

We continue to make considerable investments in technology and infrastructure protection to help safeguard our people, our assets and customer shipments. Surveillance at all our major yards and terminals continues to increase with the addition of technology-based security measures.

100

risk assessments were made available to employees in 2009 and 2010

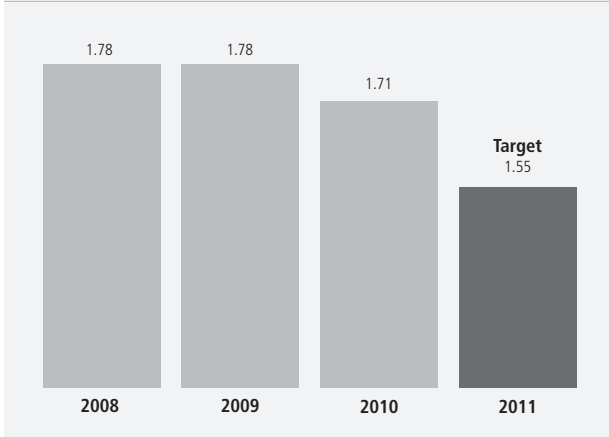
Safety Performance

We track our safety performance closely. We set aggressive safety targets and analyze how we are progressing toward these goals. We also develop detailed action plans to address the root causes of all our accidents. We turned in a solid safety performance in 2010, with the lowest number of Federal Railroad Administration (FRA) and Transportation Safety Board (TSB) main-track accidents on record. We also improved our FRA and TSB accident ratios, and our FRA personal injury ratio.



FRA PERSONAL INJURY RATIO

Injuries per 200,000 person hours

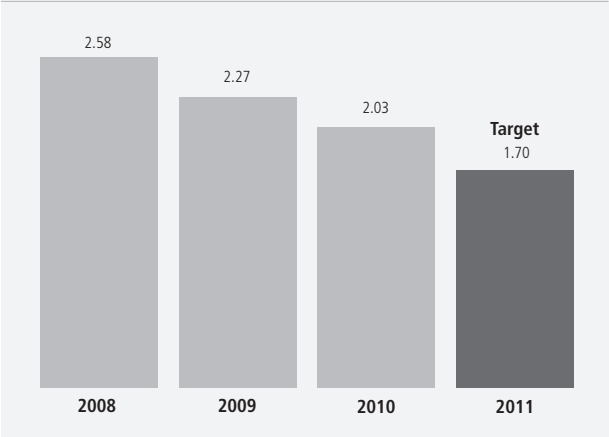


4%
improvement

Our FRA injury ratio improved by 4% in 2010 versus 2009. The improvements are a reflection of our unrelenting work in addressing top injury causes at a local level by involving employees, engaging our health and safety committees and improving our safety culture.

FRA TRAIN ACCIDENT RATIO

Accidents per million train miles

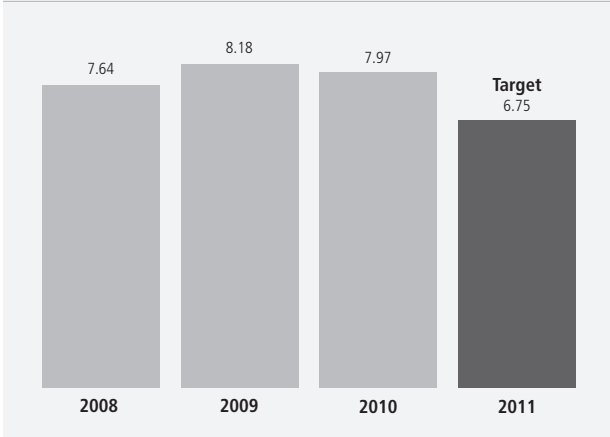


11%
improvement

Our FRA accident ratio improved by 11% in 2010 versus 2009. The improvements are a result of our engineering initiatives, particularly the increase in ultrasonic and track geometry testing.

TSB (CANADA) ACCIDENT RATIO

Accidents per million train miles



3%
improvement

Our TSB accident ratio improved by 3% in 2010 versus 2009. The improvements are a result of increased main-track inspections, addressing human factors related to non-main-track accidents, and improving our safety culture.

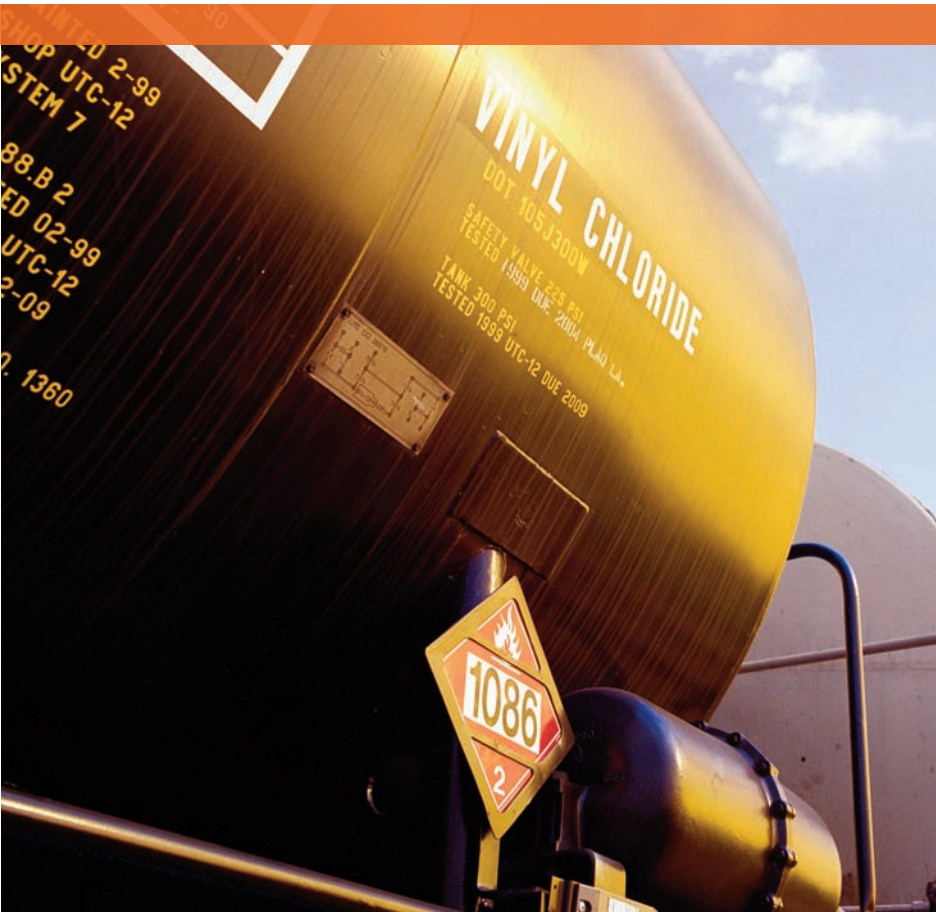
LEADERSHIP IN SAFETY



PARTNERS IN RESPONSIBLE CARE

We are a partner, both in Canada and the United States, in Responsible Care®, an ongoing performance improvement initiative established by the Chemistry Industry Association of Canada (CIAC) and the American Chemistry Council (ACC). Transportation partners commit to continuous improvement in the areas of employee and public health and safety, and to environmental quality.

The principles of Responsible Care® recognize the importance of minimizing risks, meeting or exceeding regulations and standards, and communicating openly with employees and communities. The principles are applied to all of our activities, while protecting the environment for the communities we serve.



DANGEROUS GOODS AND EMERGENCY RESPONSE

In 2009 and 2010, our Dangerous Goods team further enhanced and implemented safety programs:

- conducted multiple joint audits and inspections to verify that dangerous commodities were being safely and securely transported
- funded and participated in a one-week Tank Car Specialist training course, inviting 30 emergency responders, including firefighters and police from various communities, to learn how to safely handle incidents
- reviewed our Emergency Response Plan with multi-stakeholder input
- developed an enhanced Incident Notification Process

LEADERSHIP IN SAFETY



CN'S SAFETY MANAGEMENT PLAN

Enhancing safety culture in railroads across Canada was identified as an area of opportunity following a 2007 review of the Railway Safety Act. CN representatives, along with representatives from other railroads, Transport Canada and unions, have been actively participating in each of the six working groups addressing the recommendations from the review.

Our representatives have led the creation of a common industry definition of safety culture, and several of our internal initiatives have been recognized by the RSA work groups and adopted by Transport Canada.

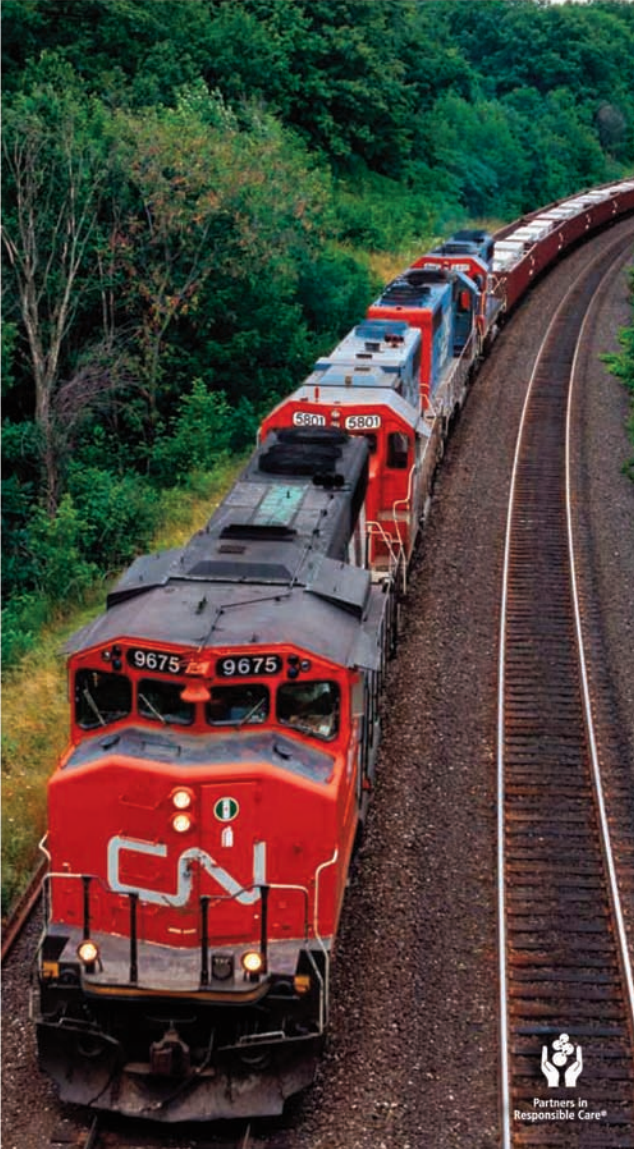
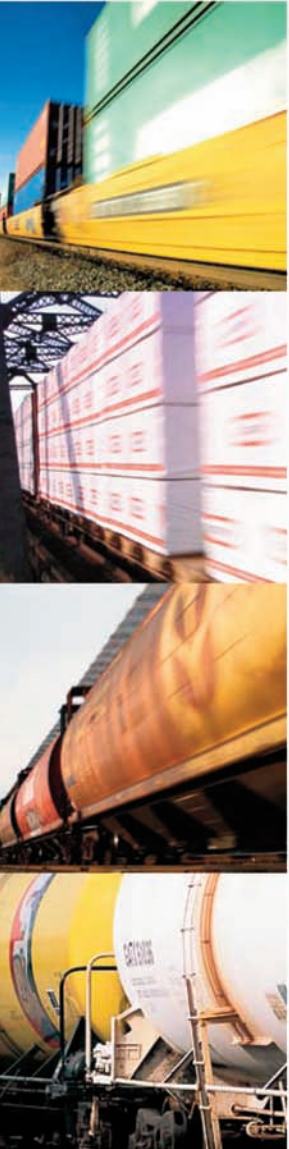
Our Safety Management Plan is an industry Best Practice in Canada, and has been included in Transport Canada's *Safety Management System Guide*.

FOUR-SECOND FOCUS

A tool that has been helping employees zero in on safety and minimize risks is the "Four-Second Focus." Employees take a few seconds prior to the start of any job or when the job changes to ask themselves four basic questions:

- Do I have a clear understanding of the work to be performed?
- Are there any immediate hazards?
- Am I using the right tools and equipment for the job?
- Are there specific safety rules or procedures to follow?

Railroad
Customer Safety
Handbook



CUSTOMER ENGAGEMENT

Our customers who own or lease sidings or load and unload railroad equipment have a direct effect on our safety performance. We work closely with these customers to share best practices in conducting safe railroad operations.

One of the tools we use to assist our customers is the Railroad Customer Safety Handbook, intended to raise awareness of key safety issues and the many ways customers can enhance the safety of their operations. For more information, visit www.cn.ca.



PEOPLE

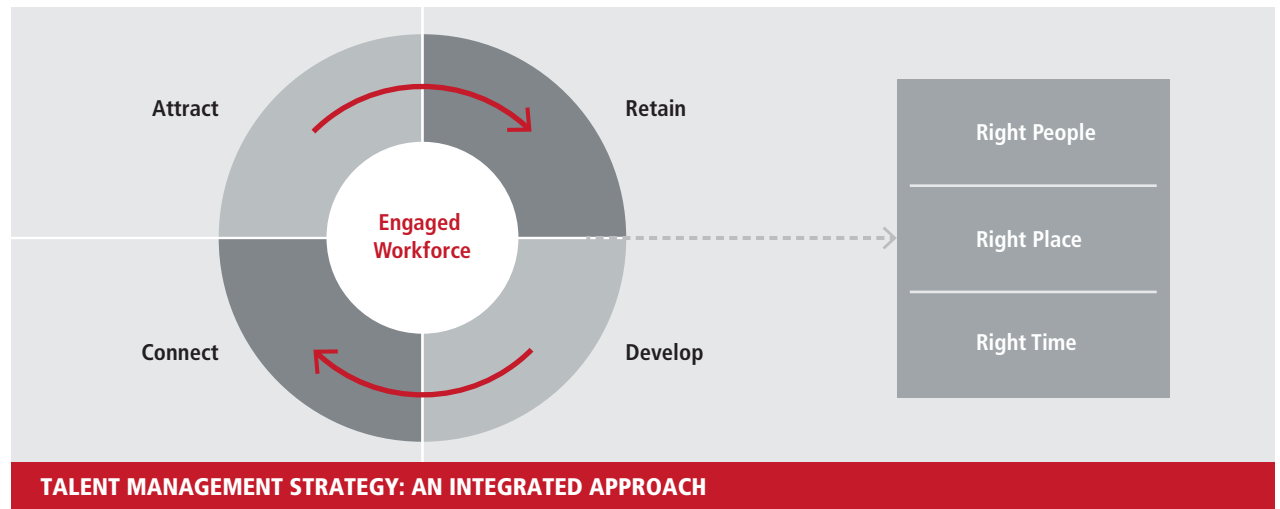
We are committed to the well-being and success of our employees. We strive to provide a safe, supportive work environment that values respect, integrity and pride. We are also dedicated to ensuring employees can grow to their full potential and be recognized for their contributions to our success.

CREATING A GREAT PLACE TO WORK

“People” is one of the five pillars of our business philosophy and the foundation for our other guiding principles. Our people make the difference, and distinguish us from the competition. That is why it is a top priority to attract, retain and develop the best talent in the industry.

2010 Highlights

- o hired 2,410 new employees from an application pool of approximately 90,000
- o trained 80% of our employees on courses relevant to their jobs
- o employed a total of 21,967 employees throughout North America, 78% of whom are unionized



With increasing global mobility, competitive labour markets, and changing demographics, people management presents a business challenge. To continue to be a leader in the North American transportation industry, we need the right people, at the right place, at the right time. To achieve this, we are focused on attracting the right people, retaining our employees, developing the best railroaders, and strengthening connections with our employees.

Attracting Top Talent

Workforce renewal is an issue common to every major railroad in North America. Within the next five years, we expect nearly 45% of our current workforce will be renewed. That is why attracting the best possible talent is a key focus.

Renewing our workforce

We are hiring at a rapid pace, bringing in a new generation of railroaders who will carry the company through the 21st Century. One way we attract qualified people is through CN-exclusive job fairs held at various locations.

Prospective candidates are prepared for their career at CN by way of job previews, which help to familiarize them with our corporate culture. Once hired, formal or on-the-job training prepares every new employee for their role and responsibilities.

Managers at all levels play an important role in facilitating the transition from a mature and experienced workforce to a new and younger one. They support new employees as they learn their job and our culture, which is critical to making new employees feel part of the team – and productive – as soon as possible.

Compensation

We offer competitive compensation and comprehensive benefit programs to attract talented railroaders. To remain competitive, we regularly review and benchmark our compensation packages with the external market.



We are dedicated to ensuring employees can grow to their full potential and be recognized for their contributions to our success.

PEOPLE

Retaining our Employees

Our strategy to retain top talent is supported by comprehensive compensation packages including: base salary, employee savings and share ownership programs, flexible benefit programs, pension plans, annual bonus plan, stock-based incentives, and employee discounts on a wide variety of products and services, ranging from cell phones to vehicles to home and car insurance.

We also work to offer a positive, diverse, rewarding and healthy work environment that creates attractive working conditions.

Employees can also learn about internal job opportunities through our Career Opportunities system, which allows them to view management job openings, consider their career options, and apply for positions that match their qualifications.

Health and well-being

Our *CN People* magazine provides information on key wellness topics including stress management, substance abuse, healthy lifestyles and nutrition, and is one of the communications tools we use to disseminate information on health and well-being. Our Employee and Family Assistance Program (EFAP) also provides various health and well-being tools and resources to employees and their families.

Employment equity and diversity

Creating a workplace that reflects diversity is best practice. We are committed to the principles of employment equity and to maintaining a workplace that is inclusive, diverse and tolerant. In 2001 we launched the Diversity Leadership Council to educate employees on the value of diversity in the workplace and facilitate the sharing of best practices and programs that support diversity. The Council also reviews challenges faced by diverse candidates and considers tactics to remove barriers.

Human rights

Our human rights policy confirms our support of human rights and non-discrimination in the various jurisdictions where we operate. In Canada, CN is governed by the Canadian Human Rights Act, and in the U.S., human rights are covered under the provisions of Equal Employment Opportunity laws. All employees must abide by our human rights policy, embodied in our Code of Business Conduct. For more information, see the CN Code of Business Conduct at www.cn.ca.

2,410 people

were hired in 2010

Developing the Best Railroaders

Management, leadership and skills development programs at all levels within the organization help our employees realize their full potential.

BRANDON HALL EXCELLENCE IN LEARNING AWARD

Our Human Resources and Operating Practices teams jointly won a bronze award for the creation of an innovative signals training game for CN's Operating Practices. The computer game, named "Signals Challenge," is a key element in the training of our locomotive engineers and conductors in Canada.



EXCELLENCE

Training and organizational learning

We believe that the more employees understand about our business and its goals, the more likely they will be to succeed personally and contribute to our collective success. For that reason, we have developed training programs aligned with our strategic vision and our five guiding principles. These programs include management training, such as the Executive Development Program and the Railroad MBA. We also provide job-specific development programs related to areas such as safety, technical, management and computer skills, as well as leadership and business skills. In 2010, we conducted 666,000 hours of skills training, representing an average of 29.9 hours of training per employee.

In addition, we support transportation education by leveraging our Supervisor Assessment Centres, Assistant Track Supervisor, Future Leader and Railroad Certification programs.

Performance management and rewards

The Employee Performance Scorecard (EPS) is the formal process we use to align employee performance objectives with our business plan. The EPS process is completed with 100% of our employees.

For management employees, performance objectives may include environmental and social objectives, as well as leadership competency assessments. For unionized employees, performance objectives relate to our five guiding principles.

Recognition programs

The principle of recognizing our best railroaders is supported by our commitment to reward employees who contribute to our success. An example is the President's Award for Excellence, which recognizes outstanding achievements in each of five categories defined by our five guiding principles. In 2011, we introduced two additional award categories: "Sustainability" and "Terminal of the Year."

80%

of employees were trained in areas relevant to their jobs in 2010

666,000 hours

of skills training, with an average of 29.9 hours per employee in 2010

Connecting with Employees

Better connecting with employees is vital, and communication plays a key role in carrying out this objective. We encourage two-way communication between employees and their direct supervisors, as well as with other levels of management within our organization.



We support family-friendly events throughout the year for our employees. Many departments organize their own activities in addition to CN-sponsored events such as family barbecues, sporting events and open houses at local landmarks and CN facilities.

ENGAGED

Employee communications

A number of award-winning communications tools help us keep employees informed and up-to-date about our activities. The recent launch of our Extranet allows employees to access their company email, as well as CN news and programs, from their personal computer at home.

Our principal communications vehicles include:

- *A Note from Claude*: our President and CEO shares his views on how we want to maintain operational and service excellence, and on major company developments.
- *CN People* magazine: mailed to all employees' homes, the magazine profiles employees helping us maintain our position as a leader in the transportation business, as well as those active in their community. It also includes family-oriented features on safety.
- *CN Spotlight*: a bi-weekly electronic newsletter recognizing employee achievements.
- We also use websites for the exclusive use of employees, on subjects as diverse as benefits, compensation, training and collective bargaining.

In addition, regional and other departmental publications are published in electronic and printed formats, and quarterly financial results are distributed using a variety of communication vehicles.

Raising concerns

We are dedicated to cultivating an open and respectful work environment. This commitment is embodied in our Code of Business Conduct, which requires CN supervisors to foster a workplace culture that ensures employees feel comfortable – and know they are being heard – when raising an issue or voicing a concern. The goal, always, is to build stronger and more productive relationships.

A number of resources for advice and assistance are available to employees, including:

- an Ombudsman who provides impartial advice and guidance to our employees on how to resolve workplace problems and issues
- a legal assistance helpline that provides support relating to legal issues covered in the CN Code of Business Conduct
- a hotline that allows employees to report accounting or auditing violations
- the CN Police, to report emergency situations, including environmental emergencies
- our human resources group, to provide information on human resources related matters
- the confidential Employee and Family Assistance Program (EFAP) to help employees and their families cope with a broad range of personal problems

For more information, see the CN Code of Business Conduct at www.cn.ca.



COLLECTIVE AGREEMENTS

Seventy-eight per cent of our workforce is represented by various unions with whom we have collective agreements. We have over 35 collective agreements in Canada and more than 60 in the U.S. The collective agreements include provisions for negotiations, material changes or operational changes (with a minimum notice period of approximately four months), dispute resolution, training, and other opportunities for parties to meet, if required, to progress or resolve matters. The Hourly Rate Agreements (HRAs) in place for most of our train crews in the U.S. are modern, innovative and unlike any other collective agreements in the railroad industry.

Our ground-breaking Grievance Tracking System, unique in the industry, enables real-time tracking of issues and accelerates resolution. The goal of the system is to improve the manner in which grievances are handled and foster better company-union relationships.



HEALTH AND WELLNESS PROGRAMS

We offer employees a variety of health and wellness programs. For example, our Employee and Family Assistance Program (EFAP) is a confidential and voluntary support service to help employees and their family members when they are confronted with life challenges and may not know where else to turn. Employees can receive support over the telephone, in person, by way of e-counselling and through a variety of issue-based health and wellness resources. In order to ensure the confidentiality of EFAP, CN uses an external service provider to deliver these services.

Family Support, for what matters the most

Balancing the demands of work and family is an ongoing challenge and often the juggling act can feel overwhelming.

Whether you're trying to find day-care, dealing with care-giving emergencies or looking after older relatives, your Employee and Family Assistance Program (EFAP) can help.

Call EFAP to discuss your situation and needs.



All services provided through EFAP are free of charge and strictly confidential.

EFAP
Employee and Family Assistance Program

Canada
For services in English dial **1-800-268-5211**
or **1-800-363-3872** for services in French.

You can also get information online at:
www.shepellfgi.com/go/members
Shepell-fgi
username: **cn**
password: **cn01**

United States
For services dial **1-800-554-6931**
You can also get information online at:
www.cignabehavioral.com
Employer ID: **cnic**



Program

Description

Stress Management	The EFAP provides resources on stress management, including on-line brochures and stress assessments. Individual counselling may address personal challenges, or stress related to work or family issues.
Relationships	The EFAP provides counselling on managing relationships and family issues, including communication, relationship conflict, separation/divorce, parenting, domestic abuse, blended family issues, and aging parent concerns. Counsellors can help identify child and elder care resources as well as schools.
Legal Issues	The EFAP can help employees clarify legal issues relating to family law, custody, separation/divorce, bankruptcy, summons, warrants, subpoenas, and consumer protection.
Financial Matters	Through EFAP, support can be obtained to help manage almost any financial concern, including credit/debt management, bankruptcy, early retirement, the financial aspects of separation or divorce and handling a financial emergency.
Workplace	EFAP counsellors help employees resolve conflicts in the workplace, provide advice on career planning, work-life balance and work-related stress.



COMMUNITY

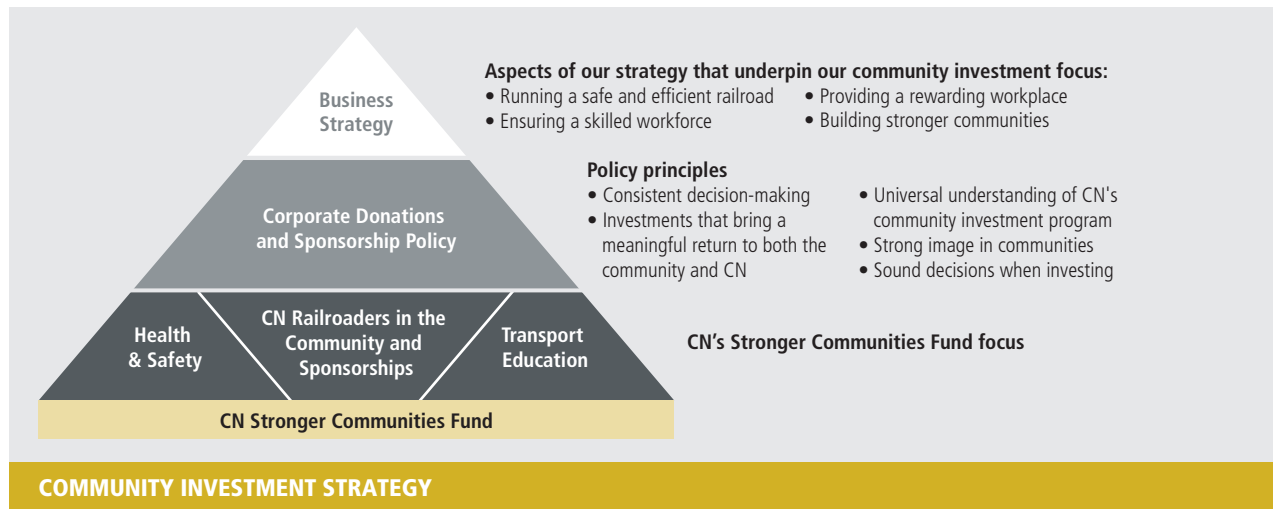
We recognize our responsibilities to the communities in which we operate, not only in our commitment to safety and the environment, but also in contributing to the economy of these communities and making them stronger, better and more liveable.

COMMITTED TO HELPING BUILD STRONGER, SAFER COMMUNITIES

Through our network and operations, we touch people living in hundreds of communities across North America and around the world. We contribute in a broad sense through our impact on economic development, and in a local sense through our community investment programs, as well as the numerous safety initiatives we support.

2010 Highlights

- o reviewed our community investment strategy to develop a more transparent program focused on CN communities
- o contributed \$21.75 million in sponsorships and donations
- o expanded the eligibility of the CN Railroaders in the Community charitable grant program



The CN Stronger Communities Fund symbolizes our commitment to help build safer, stronger communities. Our community investment strategy is defined by our corporate donations and sponsorship policy, aligned with our business strategy and focused on three key pillars: health and safety, CN Railroaders in the Community and sponsorships, and transport education. This year, we will redefine our corporate donations and sponsorship policy to be better aligned with our evolving business strategy.

Promoting the Health and Safety of Young People

Our objective is to deliver the best service possible, while maintaining the highest standards of safety and security. We believe the best way to build strong communities is to promote and safeguard the health and safety of our young people.

Safeguarding health

Our Stronger Communities Fund contributes to initiatives that promote healthy lifestyles for youth. We also support children's hospitals to fight childhood diseases and save lives. Our Miracle Match program is a charitable initiative designed to rally communities across Canada to support children's hospitals. We pledge to help maximize local fundraising in order to help Canada's leading healthcare facilities treat more children.

All Aboard for Safety program

The All Aboard for Safety program, our flagship community-education program to help prevent fatalities and injuries on or near railroad property, involves partnerships with like-minded community groups.

As part of this program, we conduct mock train-vehicle collisions and safety blitzes, host Safe Crossing weeks, and promote safety to kids using CN's safety train, Obie, and his website. CN Police officers speak to children and adults annually about how to be safe at grade crossings and the danger of walking and playing on or near tracks and railroad property.

The strength of our All Aboard for Safety program is extensive community outreach and longstanding community partnerships with injury prevention organizations such as Operation Lifesaver, SafeKids Canada, Safe Communities Canada, Safe Communities America, SMARTRISK, and Mothers Against Drunk Driving (MADD).

As a result of these programs, we have observed that the number of crossing accidents has been declining over time, which we attribute to the increase in rail safety presentations at schools, and public education initiatives that we have supported.



We have been promoting railroad safety for more than 25 years through our All Aboard for Safety community education program. Every year, CN Police officers make hundreds of presentations to more than 300,000 children and adults at schools and community events in Canada and the United States.

Investing in Transport Education

To ensure that we continue to run one of the world's leading railroads with highly skilled people, we are committed to supporting educational programs that encourage today's youth to become tomorrow's railroaders.

The CN Stronger Communities Fund supports post-secondary education in the areas of transportation and transportation policy. This includes transportation and technical programs and scholarships for students studying in fields such as:

- railroad engineering
- logistics
- occupational health and safety
- mechanics
- diesel electronics

We also support research and development activities in pursuit of cleaner, more sustainable forms of rail transport.

20 programs

were supported by CN at the university level in Canada and the U.S. in 2010

Sponsorships and Donations

United Way/Centraide

Our company, employees and retirees collectively contribute more than \$1.5 million every year to the United Way/Centraide agencies across Canada and the United States.

CN Railroaders in the Community

The CN Railroaders in the Community program recognizes employees' contributions of countless hours of personal time by providing grants to the charitable organizations they serve. In 2010, we increased the individual amount of Employee Volunteer grants to \$1,000. We also expanded the eligibility of the charitable grant program to include support for youth sports and matched fundraising, and instituted retiree volunteer and family programs.



The CN Canadian Women's Open and CN Miracle Match

The CN Canadian Women's Open has become one of the premier tournaments in women's professional golf. Working hand-in-hand with the Open is the tremendously successful CN Miracle Match program. Through the program, we match funds raised by way of various initiatives connected with the Open to support a children's hospital in the tournament's host community. Our Miracle Match program continues to grow, and further illustrates our commitment as community champions.

175 charities

in Canada and the U.S. are supported by CN each year



Our sponsorship spending is focused on activities that make a positive impact on the communities through which our trains pass. In recognizing the clear link between safe and healthy living and strong community spirit, we are committed to making these communities better places to live and work.

COMMUNITY

INVESTED IN BUILDING STRONGER COMMUNITIES

100,000

school-aged children were reached during 2010 through the CN Future Links program, helping kids develop skills and self-esteem to succeed on and off the golf course.

\$462,741

was presented to the Red Cross in 2010 from CN's Relief Fund for Haiti through employee donations and a corporate and government match program.

\$1.25 million

was donated to support construction of the new CN Roundhouse and Conference Centre in Squamish in 2009, including an environmentally friendly geothermal heating system.

60,000

adolescents were reached during 2010 through the CN Adopt an Alouette program, developed to battle high school dropout rates. Each school "adopts" an Alouette player who provides mentoring. They are joined by CN Police officers who promote rail safety.

US\$325,000

was donated to the University of Illinois Railroad Engineering program in 2010, to which CN has contributed more than US\$1 million since 2002.

\$606,183

was presented to the Sens Foundation in Ottawa, Ontario, as a result of the seventh annual 2010 Roger's House Telethon presented by CN. Funds will help the foundation provide pediatric respite and palliative care.

\$570,000

was generated by the CN Cycle for the Children's Hospital of Eastern Ontario (CHEO) in 2010. CN is a new title sponsor of the event.

\$4.3 million

has been raised during the past four years for children's hospitals through the CN Canadian Women's Open and CN Miracle Match.

US\$1 million

was bestowed to the Alexian Brothers Hospital Network in 2010, for a five-year period, in support of its new and only children's hospital and pediatric emergency department in the Northwest corridor of Chicago.

\$1.5 million

is presented to United Way/Centraide agencies by CN and its employees and retirees every year.

PERFORMANCE SCORECARD

Focus		2009/2010 Performance	2011 Commitment
GOVERNANCE	Named the positions of Chief Safety and Sustainability Officer and Assistant Vice-President of Sustainability	<ul style="list-style-type: none"> Named a Chief Safety and Sustainability Officer and an Assistant Vice-President of Sustainability in 2010 Established a cross-functional sustainability committee reporting directly to the executive office in 2010 Received <i>IR Magazine's</i> Best Corporate Governance Award in 2009 and 2010 	<ul style="list-style-type: none"> Align sustainability principles and values throughout our governance structure, Code of Business Conduct and core principles
ENVIRONMENT	EMISSIONS AND ENERGY EFFICIENCY 2010 Canadian Carbon Disclosure Project Leader	<ul style="list-style-type: none"> 7% reduction of rail GHG emissions in 2010 since 2007 35.7% fuel improvement from 1991 to 2010 	<ul style="list-style-type: none"> Establish a GHG emission reduction target and align programs
	WASTE 3.8 million rail ties removed in 2010	<ul style="list-style-type: none"> 5 million rail ties removed in 2009-2010 	<ul style="list-style-type: none"> Establish comprehensive baseline data
	ENVIRONMENTAL STEWARDSHIP \$19.8 million spent on site assessments and remediation	<ul style="list-style-type: none"> \$19.8 million spent on site assessments and remediation in 2010 	<ul style="list-style-type: none"> Continue to focus on ecosystem rehabilitation and environmental protection projects
SAFETY	Approximately \$1 billion invested in infrastructure to run a safe and efficient railroad	<ul style="list-style-type: none"> 1.71 FRA personal injury ratio, which resulted in 4% improvement in 2010 versus 2009 2.03 FRA train accident ratio resulting in an 11% improvement in 2010 versus 2009 7.97 TSB (Canada) accident ratio, resulting in a 3% improvement in 2010 versus 2009 	<ul style="list-style-type: none"> 1.55 FRA personal injury ratio 1.70 FRA train accident ratio 6.75 TSB Canada accident ratio
PEOPLE	21,967 employees in Canada and the U.S.	<ul style="list-style-type: none"> 2,410 people hired by CN in 2010 80% of employees were trained in areas relevant to their jobs in 2010 We conducted 666,000 hours of skills training, representing an average of 29.9 hours per employee in 2010 	<ul style="list-style-type: none"> Continue to acquire and develop talent
COMMUNITY	175 charities supported in Canada and the U.S.	<ul style="list-style-type: none"> \$8,297 million revenue from customers in 2010 \$4,334 million payments to employees, suppliers and other expenses in 2010 \$214 million in taxes to governments in 2010 \$503 million dividends to investors in 2010 \$21.75 million in sponsorships and donations in 2010 	<ul style="list-style-type: none"> Continue to support the economy and contribute to communities

DATA TABLES

Data	Measure	2010	2009	2008	2007
ENVIRONMENTAL					
CARBON MANAGEMENT					
SCOPE 1 EMISSIONS/ENERGY					
Scope 1 emissions (a)	Metric tonnes of CO ₂ e	4,584,604	4,236,310	4,358,512	4,486,788
Rail locomotives (b)	Metric tonnes of CO ₂ e	4,048,803	3,749,549	4,330,945	4,458,409
Intermodal trucks (c)	Metric tonnes of CO ₂ e	80,969	98,545	Not available	Not available
Shipping vessel fleet (d)	Metric tonnes of CO ₂ e	212,103	135,366	Not available	Not available
On Company Service fleet (e)	Metric tonnes of CO ₂ e	98,164	88,816	Not available	Not available
Miscellaneous fuel emissions (f)	Metric tonnes of CO ₂ e	144,504	164,033	Not available	Not available
Direct energy consumption	Megawatt hours	15,826,165	14,583,956	Not available	Not available
RAIL OPERATING PERFORMANCE INDICATORS					
Rail carbon intensity (g)	KgCO ₂ e/GTM	11.87	12.23	12.74	12.82
Fuel costs (h)	\$ million	1,048	820	1,403	1,026
GTM per U.S. gallon of fuel consumed (i)	Gross Ton Miles per U.S. gallon of fuel consumed	959	931	894	887
SCOPE 2 EMISSIONS/ENERGY					
Electricity emissions (j)	Metric tonnes of CO ₂ e	194,268	226,443	Not available	Not available
Indirect energy consumption	Megawatt hours	488,823	536,129	Not available	Not available
OTHER RAIL EMISSIONS					
Nitrous Oxides (NOx)	Kilo tonnes	60.81	55.2	64.4	67.3
Sulphur Dioxide (SOx)	Kilo tonnes	0.34	0.30	0.35	1.23
Particulate matter	Kilo tonnes	1.99	1.806	2.104	2.383
Hydrocarbons	Kilo tonnes	2.45	2.25	2.65	2.7
Carbon monoxide	Kilo tonnes	6.37	5.71	6.61	7.69
WASTE					
Waste (k)	Metric tonnes	59,500	48,687	58,510	52,164
Rail ties removed	Million	3.8	1.2	0.98	Not available

(a) Scope 1 Total Emissions – Since 2009, our data has been expanded to include other non-rail fuel consumption, including our intermodal trucks, shipping vessel fleet, On Company Service fleet, and other miscellaneous fuel emissions. To calculate our GHG emissions for rail locomotive emissions, we applied the Environment Canada emission factors for the rail freight industry. To calculate all our other GHG emissions, we applied the emission factors provided by the IPCC 2006, Volume 2 for Stationary Mobile Scope 1 Emission Sources. The emission factors are applied to the three most significant GHGs: carbon dioxide, methane and nitrous oxide.

(b) Locomotive emissions – The use of fuel for the operation of our rail locomotives. To measure our fuel consumption data we rely on a combined approach of consumption data from invoices as well as fuel storage metered measurements.

(c) Intermodal trucks – The use of fuel to run our intermodal trucking operations. To calculate our fuel consumption data we compile both truck mileage data and fuel consumption data.

(d) Shipping vessel fleet – We currently operate an eight-vessel shipping fleet. The fuel consumption (comprising diesel and bunker C) quantities and cost information are obtained from our supplier invoices.

(e) On Company Service fleet – The use of fuel by the CN on-road and on-rail vehicles used to run the day-to-day business operations, infrastructure and maintenance support. The fleet includes cars, light-duty trucks, and specialized heavy-duty trucks. Fuel purchase data using fuel credit cards are uploaded on the Automotive Management Information System, and converted into GHG emissions.

(f) Miscellaneous fuel – Miscellaneous fuel covers propane, furnace oil, stove oil, kerosene and natural gas.

(g) Emission intensity target – In 2007, CN's Memorandum of Understanding with Environment Canada and Transport Canada was renegotiated to include a 2010 GHG emission intensity target for each category of railroad. To meet our obligations under the MOU, we committed to reduce our locomotive GHG emissions by 5% (kgCO₂e/Gross Ton Miles) by 2010, based on 2007 levels. To report this data to Environment Canada, we are required to use Environment Canada GHG emission factors.

(h) Fuel costs – Fuel expenses include the cost of fuel consumed by locomotives, intermodal equipment, and other vehicles.

(i) GTMs per U.S. gallon of fuel consumed.

(j) Scope 2 electricity emissions – Scope 2 emissions comprise electricity emissions only, and are calculated based on cost data. To obtain the MWh consumption numbers, we have applied generic cost per MWh factors, as provided by Hydro-Québec Analysis.

(k) Waste – Includes hazardous and non-hazardous waste. We are currently refining our system of compiling our waste data to ensure greater accuracy. Once established, we expect to redefine our targets.

Data	Measure	2010	2009	2008	2007
LAND					
Site assessment and land reclamation costs	\$ million	19.8	15	13	27
Sites rehabilitated	Number	190	180	211	392
PEOPLE					
EMPLOYEES					
Number of employees	Number (average for the year)	21,967	21,793	22,695	22,389
Non-unionized employees	Number	4,783	4,670	4,592	4,400
Unionized employees	Number	17,184	17,123	18,103	17,989
HIRING					
EMPLOYEES GENERAL					
Number of employees hired	Number	2,410	706	2,082	2,475
Application pool (via CN website)	Number	89,482	29,427	51,716	Not available
EMPLOYMENT EQUITY (a)					
CANADA					
Women	%	Not reported	9.3	9.2	8.8
Visible minority	%	Not reported	5.7	5.6	5.6
Disabled	%	Not reported	2.6	2.7	2.9
Aboriginal	%	Not reported	2.7	2.9	2.8
UNITED STATES (b)					
Minorities (c)	%	Not reported	14.9	14.4	13.2
Non-minorities	%	Not reported	85.1	85.6	86.8
Women	%	Not reported	5.5	5.7	5.2
Men	%	Not reported	94.5	94.3	94.8
EMPLOYEE PERFORMANCE SCORECARD					
% complete EPS	%	100	100	Not available	Not available
TRAINING AND EDUCATION					
Average hours of training per employee	Hours	29.9	18.5	25.6	28.6
Average hours per trained employee	Hours	39.2	24.2	38.5	38.1
% management development training	%	2.2	3.7	5	3.7
% technical training hours	%	97.8	96.3	95	96.3

(a) CN's Equal Employment Opportunity tracking relies on employees to self-identify as a minority if they wish.

(b) As reported to the U.S. Equal Employment Opportunity Commission on September 30 of each reporting year.

(c) Minorities include male and female employees who are Black or African-American, Hispanic or Latino, Asian, Native Hawaiian or Pacific Islander, American Indian or Alaskan Native.

Data	Measure	2010	2009	2008	2007
SAFETY					
Federal Railroad Administration (FRA) injury frequency rate	Ratio	1.71	1.78	1.78	1.87
FRA accident rate per million train miles	Ratio	2.03	2.27	2.58	2.73
Transport Safety Board Canada accidents per million train miles	Ratio	7.97	8.18	7.64	10.20
Crossing accidents	Number	211	245	280	280
Trespassing accidents	Number	86	67	68	78
Safety training	No. of employees	15,261	16,614	14,656	Not available
ECONOMIC IMPACT					
Revenue from customers	\$ million	8,297	7,367	8,482	7,897
Revenue Ton Miles	Million	179,232	159,862	177,951	184,148
Payments to employees, suppliers and other expenses	\$ million	4,334	4,323	4,935	4,323
Taxes to governments	\$ million	214	245	425	867
Dividends to investors	\$ million	503	474	436	418
Contributions to sponsorships and donations	\$ million	21.75	25	Not available	Not available

GRI REPORTING SCOPE

● Complete
 ◐ Partially Complete
 ○ Not Reported
 N/A Not Applicable

G3 Indicator	Description	2010 Response	Report Coverage
1.0 STRATEGY AND ANALYSIS			
1.1	President and CEO statement	President and CEO Statement, p. 3	●
1.2	Description of impacts, risks and opportunities	Vision and Strategy, p. 7 and Carbon Disclosure Project at www.cn.ca/en/corporate-citizenship-environment.htm	●
2.0 ORGANIZATION PROFILE			
2.1	Name of the organization	Our Business, p. 5	●
2.2	Primary brands, products and/or services	Our Business, p. 5	●
2.3	Operational structure	Our Business, p. 5	●
2.4	Location of headquarters	Our Business, p. 5	●
2.5	Countries of operation	Our Business, p. 5	●
2.6	Nature of ownership and legal form	Our Business, p. 5	●
2.7	Markets served	Our Business, p. 5-6	●
2.8	Scale of organization	Our Business, p. 5	●
2.9	Significant changes during reporting period	Our Business, p. 6	●
2.10	Awards and recognition	Awards and Recognition, p. 4	●
3.0 REPORT PARAMETERS			
REPORT PROFILE			
3.1	Date of most recent previous report	Table of Contents, p. 2	●
3.2	Reporting cycle	Table of Contents, p. 2	●
3.3	Contact point	Glossary, p. 57	●
3.4	Reporting period	Table of Contents, p. 2	●
REPORT SCOPE AND BOUNDARY			
3.5	Process to define report content	Table of Contents, p. 2 and Vision and Strategy, p. 7	●
3.6	Boundary of the report	Table of Contents, p. 2	●
3.7	Limitations to boundary of report	Table of Contents, p. 2	●
3.8	Basis for reporting on other entities that could impact reporting	Data Tables, p. 48-50	●
3.9	Data measurement technique	Data Tables, p. 48-50	●
3.10	Explanations of re-statements of information	Data Tables, p. 48-50	●
3.11	Significant changes from previous reporting boundary or scope	Data Tables, p. 48-50	●
GRI CONTENT INDEX			
3.12	Table of standard disclosures	GRI Reporting Scope, p. 51-56	●
ASSURANCE			
3.13	Policy and practice regarding external assurance	Table of Contents, p. 2	●

● Complete ◐ Partially Complete ○ Not Reported N/A Not Applicable

G3 Indicator	Description	2010 Response	Report Coverage
4.0 GOVERNANCE, COMMITMENTS AND ENGAGEMENTS			
4.1	Governance structure	Governance, p. 12	●
4.2	Chair and relationship with Executive Officer	Governance, p. 12	●
4.3	Number of members of the Board	Governance, p. 12	●
4.4	Mechanisms for shareholders/employees to recommend to Board	Governance, p. 12	●
4.5	Link between compensation and sustainability performance	Governance, p. 13	●
4.6	Process to address conflicts of interest	Governance, p. 12	●
4.7	Determining qualifications of the Board on sustainability topics	Governance, p. 12	◐
4.8	Internally developed values, code of conduct, policies on sustainability	Governance, p. 13	●
4.9	Process to oversee sustainability performance and compliance	Governance, p. 12	●
4.10	Process to evaluate Board performance on sustainability	Governance, p. 13	●
COMMITMENTS TO EXTERNAL INITIATIVES			
4.11	How precautionary principle is addressed	Governance, p. 13	●
4.12	Externally developed or endorsed sustainability charters, policies	Governance, p. 13	●
4.13	Memberships in associations	Environment, p. 24 and Carbon Disclosure Project at www.cn.ca/en/corporate-citizenship-environment.htm	●
STAKEHOLDER ENGAGEMENT			
4.14	List of stakeholder groups engaged	Stakeholders, p. 8-10	●
4.15	Basis for identification of stakeholders	Stakeholders, p. 8	●
4.16	Approach to stakeholder engagement	Stakeholders, p. 8	●
4.17	Key stakeholder topics and concerns and how they are addressed	Stakeholders, p. 8-10	●
MANAGEMENT APPROACH AND PERFORMANCE INDICATORS			
ECONOMIC PERFORMANCE INDICATORS			
DISCLOSURE ON MANAGEMENT APPROACH (DMA)			
DMA	Organization-wide goals to economic aspects	Our Business, p. 6 and 2010 Annual Report	●
ECONOMIC PERFORMANCE			
EC1	Direct economic value generated and distributed	Data Tables, p. 50	●
EC2	Financial implications and risks and opportunities due to climate change	Carbon Disclosure Project at www.cn.ca/en/corporate-citizenship-environment.htm	●
EC3	Coverage of defined benefit plan obligations	People, p. 37	●
EC4	Financial assistance from government	○	○
MARKET PRESENCE			
EC5	Entry level wage compared to local minimum wage	N/A	N/A

● Complete ◐ Partially Complete ○ Not Reported N/A Not Applicable

G3 Indicator	Description	2010 Response	Report Coverage
EC6	Policies, practices and spending on local suppliers	Data Tables, p. 50	◐
EC7	Procedures for local hiring and proportion of senior management hired	○	○
INDIRECT ECONOMIC IMPACTS			
EC8	Development and impact of infrastructure investments and services provided for public benefit through commercial, in-kind and pro bono	Community, p. 44-46	●
EC9	Understanding of indirect economic impact	Data Tables, p. 50	◐
ENVIRONMENTAL			
DISCLOSURE ON MANAGEMENT APPROACH (DMA)			
DMA	Organization-wide goals to relevant environmental aspects in terms of policy, organizational responsibility, training, awareness, monitoring, follow-up	Environment, p. 16	○
MATERIALS			
EN1	Materials used by weight or volume	○	○
EN2	Percentage of materials used that are recycled input	○	○
ENERGY			
EN3	Direct energy by primary energy source	Data Tables, p. 48	●
EN4	Indirect energy by primary source	Data Tables, p. 48	●
EN5	Energy saved due to conservation and efficiency improvements	Environment, p. 18-24	●
EN6	Initiatives to provide energy-efficient-based products or services and reductions as a result of initiatives	Environment, p. 23	●
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Environment, p. 18-24	●
WATER			
EN8	Total water withdrawal by source	○	○
EN9	Water sources significantly affected by withdrawal of water	○	○
EN10	Percentage and total volume of water recycled and reused	○	○
BIODIVERSITY			
EN11	Location and size of land owned, leased, managed in areas of high biodiversity value	○	○
EN12	Description of significant impacts of activities on biodiversity	Environment, p. 27	●
EN13	Habitats protected or restored	Environment, p. 27	●
EN14	Strategies for managing impacts on biodiversity	Environment, p. 27	●
EN15	Endangered species affected by operations of the organization	○	○
EMISSIONS, EFFLUENTS, WASTE			
EN16	Direct and indirect GHG emissions	Data Tables, p. 48	●
EN17	Other relevant indirect GHG emissions	Data Tables, p. 48	●
EN18	Initiatives to reduce GHG emissions and reductions achieved	Environment, p. 18-24	●
EN19	Emissions of ODS	○	○
EN20	NOx, SOx, and other significant air emissions	Data Tables, p. 48	●
EN21	Total water discharge by quality and destination	○	○

● Complete ◐ Partially Complete ○ Not Reported N/A Not Applicable

G3 Indicator	Description	2010 Response	Report Coverage
EN22	Total weight of waste by type and disposal method	Data Tables, p. 48	◐
EN23	Total number and volume of spills	○	○
EN24	Weight of transported hazardous waste	○	○
EN25	Identify size, protected status and biodiversity value of water bodies and habitats affected by discharges of water and run-off	○	○
PRODUCTS AND SERVICES			
EN26	Initiatives to mitigate environmental impacts of products and services	Environment, p. 23	●
EN27	Percentage of products sold and their packaging materials reclaimed	N/A	N/A
COMPLIANCE			
EN28	Monetary value of significant fines and total number of non-monetary sanctions	○	○
TRANSPORT			
EN29	Significant environmental impacts of transporting products and other goods from the organization	○	○
OVERALL			
EN30	Total environmental protection expenditures and investments by type	○	○
SOCIAL			
LABOUR PRACTICES AND DECENT WORK			
DISCLOSURE ON MANAGEMENT APPROACH (DMA)			
DMA	Organization-wide goals to labour practices and decent work in terms of policy, organizational responsibility, training, awareness, monitoring, and follow-up	People, p. 37	●
LABOUR PRACTICES AND DECENT WORK			
LA1	Total workforce by employment type and region	Data Tables, p. 49	◐
LA2	Total number and rate of employee turnover by age, gender and region	○	○
LA3	Benefits provided to full-time employees	People, p. 37	●
LABOUR/MANAGEMENT RELATIONS			
LA4	Percentage of employees covered by collective bargaining agreements	People, p. 41	●
LA5	Minimum notice period regarding operational changes	People, p. 41	●
OCCUPATIONAL HEALTH AND SAFETY			
LA6	Percentage of workforce represented in joint management-worker health and safety committees	Safety, p. 30	●
LA7	Rates of injury	Safety, p. 32	●
LA8	Education, training, counselling, prevention and risk-control programs	Safety, p. 30	●
LA9	Health and safety topics covered in formal agreements with trade unions	Safety, p. 30	●
TRAINING AND EDUCATION			
LA10	Average hours of training per year per employee by employee category	People, p. 39	◐
LA11	Programs for skill management and life-long learning	People, p. 39	◐
LA12	Percentage of employees receiving regular performance and career development reviews	People, p. 39	●

● Complete ● Partially Complete ○ Not Reported N/A Not Applicable

G3 Indicator	Description	2010 Response	Report Coverage
DIVERSITY AND EQUAL OPPORTUNITY			
LA13	Composition of governance bodies and breakdown of employees per category of diversity	Data Tables, p. 49	●
LA14	Ratio of basic salary of men to women by employee category	○	○
HUMAN RIGHTS			
DISCLOSURE ON MANAGEMENT APPROACH			
DMA	Organization-wide goals to human rights in terms of policy, organizational responsibility, training, awareness and monitoring and follow-up	People, p. 38 and Code of Business Conduct at www.cn.ca/documents/Investor-Governance/CN_Code_ang.pdf	●
INVESTMENT AND PROCUREMENT PRACTICES			
HR1	Percentage of significant investment agreements that include human rights clauses or undergone human rights screening	○	○
HR2	Percentage of significant suppliers and contractors that have undergone human rights screening	○	○
HR3	Total hours of employee training on policies and procedures concerning human rights	○	○
NON-DISCRIMINATION			
HR4	Total number of incidents of discrimination and actions taken	○	○
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING			
HR5	Operations in which the rights to exercise freedom of association is at risk	N/A	N/A
CHILD LABOUR			
HR6	Operations identified as having risks of incidents of child labour	N/A	N/A
FORCED AND COMPULSORY LABOUR			
HR7	Operations identified as having risks for incidents of forced or compulsory labour	N/A	N/A
SECURITY PRACTICES			
HR8	Percentage of security personnel trained on policies related to human rights	People, p. 38	●
INDIGENOUS RIGHTS			
HR9	Total number of incidents of violations involving rights of indigenous people	○	○
SOCIETY			
DISCLOSURE ON MANAGEMENT APPROACH (DMA)			
DMA	Organization-wide goals to society in terms of policy, organizational responsibility, training, awareness and monitoring and follow-up	Community, p. 44-46	●
COMMUNITY			
S01	Nature, scope and effectiveness of programs that assess and manage impacts of operations on communities	Stakeholders, p. 6 and Community, p. 44-46	●
CORRUPTION			
S02	Percentage and total number of business units analyzed for risks related to corruption	○	○
S03	Percentage of employees trained in organization's anti-corruption policies and procedures	○	○
S04	Actions taken in response to incidents of corruption	○	○

● Complete ● Partially Complete ○ Not Reported N/A Not Applicable

G3 Indicator	Description	2010 Response	Report Coverage
PUBLIC POLICY			
S05	Public policy positions and participation in public policy and lobbying	Stakeholders, p. 8 and Environment p. 24	●
S06	Total value of financial and in-kind contributions to political parties, politicians and related institutions in Canada	This information is publicly available on government websites	○
ANTI-COMPETITIVE BEHAVIOUR			
S07	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices	○	○
COMPLIANCE			
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	○	○
PRODUCT RESPONSIBILITY			
DISCLOSURE ON MANAGEMENT APPROACH (DMA)			
DMA	Organization-wide goals to product responsibility in terms of policy, organizational responsibility, training, awareness and monitoring and follow-up	Safety, p. 30	●
CUSTOMER HEALTH AND SAFETY			
PR1	Life cycle stages in which health and safety of products and services are assessed for improvement	Safety, p. 30	●
PR2	Total incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products/services during their life cycle	○	○
PRODUCT AND SERVICE LABELLING			
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to requirements	N/A	N/A
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information	N/A	N/A
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Stakeholders, p. 9	●
MARKETING AND COMMUNICATIONS			
PR6	Programs for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship	Material is reviewed by legal department to ensure compliance	●
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications	○	○
CUSTOMER PRIVACY			
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	○	○
COMPLIANCE			
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	○	○

GLOSSARY

Class I Railroad

A Class I railroad in the United States, or a Class I railway (also Class I rail carrier) in Canada, is one of the largest freight railroads, as classified based on operating revenue. Smaller railroads are classified as Class II and Class III. The exact revenues required to be in each class have varied through the years, and they are now continuously adjusted for inflation. As determined by the Surface Transportation Board, the threshold for a Class I Railroad in 2006 was \$346.8 million.

Cogeneration

Cogeneration plants simultaneously generate both electricity and useful heat and can utilize a variety of fuel sources including wood.

Dangerous Goods

In Canada, the Transportation of Dangerous Goods Regulations, section 1.4, defines dangerous goods as: explosives, gases, flammable and combustible liquids, flammable solids, oxidizing substances, organic peroxides, poisonous (toxic) and infectious substances, nuclear substances, corrosives, or miscellaneous products, substances or organisms considered by the Governor in Council to be dangerous to life, health, property or the environment when handled, offered for transport or transported.

In the United States, a dangerous good is defined by the U.S. Department of Transportation Hazardous Materials Regulations as a substance or material which has been determined by the Secretary of Transportation to be capable of posing an unreasonable risk to health, safety, and property when transported in commerce, and which has been so designated.

Energy Efficiency

This term refers to how effectively energy is being used for a given purpose. For example, providing a similar (or better) level of service with less energy consumption on a per unit basis is considered an improvement in energy efficiency. Energy efficiency is measured in units of energy such as British thermal units (BTU), megajoules (MJ), gigajoules (GJ), kilocalories (kcal), or kilowatt-hours (kWh).

Energy Intensity

The amount of energy used per unit of activity. Examples of activity measures are households, floor space, passenger-kilometres and tonne-kilometres.

Fuel Efficiency

The output one gets for a unit amount of fuel input such as "miles per gallon" or "litres per 100 kilometres" (l/100 km) for an automobile or ton-miles (of freight) for rail.

Greenhouse Gas Intensity

Greenhouse Gas Intensity at CN refers to the kilograms of greenhouse gas emissions per gross ton mile of freight.

Gross Ton Mile (GTM)

A measure of the movement of one ton of freight or equipment over one mile.

Heavy Truck

A truck with a gross vehicle weight that is more than, or equal to, 14,970 kg (33,001 lb). The gross vehicle weight is the weight of the empty vehicle plus the maximum anticipated load weight.

Interline

Interline refers to shipments that involve more than one railroad as they move from origin to destination.

Remediation

Environmental remediation deals with the removal of pollution or contaminants from the environment that have affected the soil, groundwater or surface water, for the general protection of human health and the environment.

Sustainability

The ability to meet present needs without compromising those of future generations. It relates to the continuity of economic, social, institutional and environmental aspects of human society, as well as the non-human environment.

TEST Railcar

The TEST railcar is a refurbished passenger coach railcar that contains state-of-the-art technology that analyzes and monitors geometric imperfections of the track structure as well as rail wear using video cameras, lasers, electronic sensors, simulators and talking computers. Any imperfections that exceed FRA or Transport Canada safety guidelines or CN's own standards are immediately addressed by maintenance personnel. Information from the railcar is also used for long- and short-term maintenance planning purposes as well as in capital replacement strategy.

Trip Plan

A detailed transit plan for every shipment on CN and connecting lines that includes the stations the shipment is scheduled to pass through and estimated time of arrival at destination.

Waste Fuel

A name applied to any number of energy sources other than conventional fuels used in the cement industry. It includes materials such as tires, municipal waste and landfill off-gases.

In reviewing the risks and opportunities within this report, it is important to note that certain information may be "forward-looking statements." As such, CN cautions, that by their nature, forward-looking statements involve risks, uncertainties and assumptions. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, which may cause the actual results or performance of the Company or the rail industry to be materially different from outlook or any future results or performance implied by such statements. Important factors that could affect the forward-looking statements include, but are not limited to, the effects of general economic and business conditions, industry competition, inflation, currency and interest rate fluctuations, changes in fuel prices, legislative and/or regulatory developments, compliance with environmental laws and regulations, actions by regulators, various events which could disrupt operations, including natural events such as severe weather, droughts, floods and earthquakes, labour negotiations and disruptions, environmental claims, uncertainties of investigations, proceedings or other types of claims and litigation, risks and liabilities arising from derailments, and other risks detailed from time to time in reports filed by CN with securities regulators in Canada and the United States.

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