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

FORM 40-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended: **December 31, 2016** Commission File Number: **1-2413**

CANADIAN NATIONAL RAILWAY COMPANY
(Exact name of registrant as specified in its charter)

Canada	**4011**	**98-0018609**
(Jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

935 de La Gauchetiere Street West
Montreal, Quebec
Canada H3B 2M9
(514) 399-7091
(Address, including zip code, and telephone number including area code, of Registrant's principal executive offices)

CT Corporation System
111 Eighth Avenue
New York, N.Y. 10011
(212) 894-8600
(Name, address, including zip code, and telephone number, including area code, of agent for service in the United States)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common shares	**New York Stock Exchange**
	Toronto Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

floating rate notes due November 14, 2017
5.85% notes due November 15, 2017
5.55% notes due May 15, 2018
6.80% notes due July 15, 2018
5.55% notes due March 1, 2019
2.85% notes due December 15, 2021
2.25% notes due November 15, 2022
7.63% debentures due May 15, 2023
2.95% notes due November 21, 2024
2.75% notes due March 1, 2026
6.90% notes due July 15, 2028
7.38% debentures due October 15, 2031
6.25% notes due August 1, 2034
6.20% notes due June 1, 2036
6.71% Puttable Reset Securities (PURS)SM due July 15, 2036
6.375% debentures due November 15, 2037
3.50% notes due November 15, 2042
4.50% notes due November 7, 2043
3.20% notes due August 2, 2046
7.70% 100-year debentures due September 15, 2096

For annual reports, indicate by check mark the information filed with this Form:

☒ Annual information form ☐ Audited annual financial statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:
At December 31, 2016, 763,993,631 common shares were issued and outstanding.

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).
Yes ☒ No ☐

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.
Yes ☒ No ☐

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The United States Securities and Exchange Commission (the "Commission") defines "disclosure controls and procedures" as controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms.

After evaluating the effectiveness of Canadian National Railway Company's disclosure controls and procedures as of the end of the fiscal year covered by this report, Canadian National Railway Company's President and Chief Executive Officer (the "CEO") and its Executive Vice President and Chief Financial Officer (the "CFO") have concluded that Canadian National Railway Company's disclosure controls and procedures were effective as of the end of the fiscal year covered by this report.

Management's Annual Report on Internal Control over Financial Reporting

The report of management on our internal control over financial reporting is located under the heading "Management's Report on Internal Control Over Financial Reporting" in our audited consolidated financial statements, which are filed as Exhibit 99.2 to this annual report on Form 40-F, and is incorporated by reference herein.

Attestation Report of the Registered Public Accounting Firm

The attestation report on our internal control over financial reporting is located under the heading "Report of Independent Registered Public Accounting Firm" in our audited consolidated financial statements, which are filed as Exhibit 99.2 to this annual report on Form 40-F, and is incorporated by reference herein.

Changes in Internal Control Over Financial Reporting

During the year ended December 31, 2016, there was no change in Canadian National Railway Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, Canadian National Railway Company's internal control over financial reporting.

AUDIT COMMITTEE FINANCIAL EXPERT

The Registrant's board of directors has determined that it has several audit committee financial experts serving on its Audit Committee. Mr. Donald J. Carty has been determined to be an audit committee financial expert and is independent, as that term is defined by the New York Stock Exchange's listing standards applicable to U.S. Companies. The SEC has indicated that the designation or identification of Mr. Carty as an audit committee financial expert does not deem him an "expert" for any purpose, impose any duties, obligations or liability on Mr. Carty that are greater than those imposed on members of the audit committee and board of directors who do not carry this designation or identification, or affect the duties, obligations or liability of any other member of the audit committee or board of directors.

CODE OF ETHICS

The Registrant has adopted a code of ethics (the "Code of Business Conduct") that applies to all employees and officers, including its principal executive officer, principal financial officer and principal accounting officer. The Code of Business Conduct is available at the Registrant's Internet website, www.cn.ca, under the caption "Delivering Responsibly / Governance." Any amendments to the Code of Business Conduct will be posted at the Registrant's Internet website at the address listed above.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information relating to principal accountant fees and services is set forth under the heading “Auditors’ Fees” in Item 9.2 of the Registrant’s 2016 annual information form included in this Form 40-F.

OFF BALANCE SHEET ARRANGEMENTS

The information provided under the heading “Off Balance Sheet Arrangements” set forth in the 2016 Management’s Discussion and Analysis filed as Exhibit 99.1 to this annual report on Form 40-F is incorporated by reference herein.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The information provided under the heading “Contractual Obligations” set forth in the 2016 Management’s Discussion and Analysis filed as Exhibit 99.1 to this annual report on Form 40-F is incorporated by reference herein.

IDENTIFICATION OF THE AUDIT COMMITTEE

The members of the Audit Committee are set forth under the heading “Composition of the Audit Committee” in Item 9.2 of the Registrant’s 2016 annual information form included in this Form 40-F .

MINE SAFETY DISCLOSURE

Not applicable.

CORPORATE GOVERNANCE PRACTICES

The Registrant’s board of directors has reviewed the Registrant’s corporate governance practices in response to the U.S. Sarbanes-Oxley Act of 2002, applicable rules of the U.S. Securities and Exchange Commission, as well as the NYSE Corporate Governance Standards (the “NYSE Standards”). Except as disclosed on its website, the Registrant’s corporate governance practices do not differ significantly from that followed by U.S. domestic companies under the NYSE Standards. A discussion of differences is available at the Registrant’s Internet website, www.cn.ca under the caption “Delivering Responsibly / Governance”.

UNDERTAKING

Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

CANADIAN NATIONAL
RAILWAY COMPANY

2016

ANNUAL INFORMATION FORM

February 1, 2017

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2016 Annual Information Form

ITEM 1 GENERAL INFORMATION

Except as otherwise indicated in this Annual Information Form (AIF), the information contained herein is given as of December 31, 2016. All references in this AIF to “dollars” or “$” are to Canadian dollars and all financial information reflected herein is determined on the basis of, and prepared in accordance with, United States generally accepted accounting principles (GAAP), unless otherwise indicated.

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

Certain statements included in this AIF or incorporated by reference herein are “forward-looking statements” within the meaning of the *United States Private Securities Litigation Reform Act of 1995* and under Canadian securities laws. By their nature, forward-looking statements involve risks, uncertainties and assumptions. The Company cautions that its assumptions may not materialize and that current economic conditions render such assumptions, although reasonable at the time they were made, subject to greater uncertainty. Forward-looking statements may be identified by the use of terminology such as “believes,” “expects,” “anticipates,” “assumes”, “outlook”, “plans”, “targets” or other similar words.

Forward-looking statements include, but are not limited to, those set forth in the table below, which also presents key assumptions used in determining these forward-looking statements.

Forward-looking statements	***Key assumptions***
Statements relating to revenue growth opportunities, including those referring to general economic and business conditions	• North American and global economic growth • Long-term growth opportunities being less affected by current economic conditions
Statements relating to the Company’s ability to meet debt repayments and future obligations in the foreseeable future, including income tax payments, and capital spending	• North American and global economic growth • Adequate credit ratios • Investment-grade credit ratings • Access to capital markets • Adequate cash generated from operations and other sources of financing
Statements relating to pension contributions	• Adequate cash generated from operations and other sources of financing • Adequate long-term return on investment on pension plan assets • Level of funding as determined by actuarial valuations, particularly influenced by discount rates for funding purposes

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 to be materially different from the outlook or any future results or performance implied by such statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements. Important risk 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; security threats, reliance on technology, trade restrictions, transportation of hazardous materials, various events which could disrupt operations, including natural events such as severe weather, droughts, floods and earthquakes; climate change, labor 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 (U.S.). Reference should be made to the discussion of business risks in CN’s 2016 Management’s Discussion and Analysis (MD&A) for detailed information on major risk factors, which may be found on SEDAR at www.sedar.com and on EDGAR at www.sec.gov and on CN's website, at www.cn.ca in the Investors section.

Forward-looking statements reflect information as of the date on which they are made. CN assumes no obligation to update or revise forward-looking statements to reflect future events, changes in circumstances, or changes in beliefs, unless required by applicable securities laws. In the event CN does update any forward-looking statement, no inference should be made that CN will make additional updates with respect to that statement, related matters, or any other forward-looking statement.

ITEM 2 INCORPORATION

2.1 *INCORPORATION OF THE ISSUER*

CN was incorporated in 1919 by special act of the Parliament of Canada with the appointment of its first Board of Directors by Order in Council in 1922. CN's continuance under the *Canada Business Corporations Act* was authorized by the *CN Commercialization Act* and was effected by Certificate of Continuance dated August 24, 1995. On November 9, 1995, CN filed Articles of Amendment in order to subdivide its outstanding common shares (Common Shares). As of November 28, 1995, CN ceased to be a Crown corporation and became a publicly held corporation with its Common Shares listed on the New York Stock Exchange (NYSE) and the Toronto Stock Exchange (TSX). On April 19, 2002, CN filed Articles of Amendment in order to provide that shareholder meetings may be held at certain specified places in the U.S. Such constating documents are hereinafter collectively referred to as the Articles.

CN's Articles provide that the head office of the Company shall be situated in the Montreal Urban Community, province of Quebec, Canada. The Company's registered and head office is located at 935 de La Gauchetière Street West, Montreal, Quebec, H3B 2M9, Canada, and its telephone number is 1-888-888-5909.

2.2 *SUBSIDIARIES*

CN's principal subsidiaries as of December 31, 2016, all of which are wholly owned (directly or indirectly), and their jurisdiction of incorporation, are indicated below:

Name	Jurisdiction of Incorporation
North American Railways, Inc.	Delaware
Grand Trunk Corporation	Delaware
Grand Trunk Western Railroad Company	Michigan
Illinois Central Corporation	Delaware
Illinois Central Railroad Company	Illinois
Wisconsin Central Ltd.	Delaware

The financial statements of each of the above principal subsidiaries are consolidated within CN's financial statements.

ITEM 3 GENERAL DEVELOPMENT OF THE BUSINESS

3.1 *GENERAL DEVELOPMENT OF THE BUSINESS DURING THE LAST THREE YEARS*

CN's goal is to deliver valuable transportation services for its customers and to grow the business at low incremental cost. A clear strategic agenda, driven by a commitment to innovation, productivity, supply-chain collaboration, running trains safely, and minimizing environmental impact, drive the Company's efforts to create value for customers. CN thereby creates value for its shareholders by striving for sustainable financial performance through profitable top-line growth, adequate free cash flow and return on invested capital. CN is also focused on returning value to shareholders through dividend payments and share repurchase programs.

The initiatives undertaken by CN in the last three years to achieve its growth and profitability goals and to enhance shareholder value can be grouped into a few key areas. These include acquisitions and dispositions, targeted capital investment spending and other initiatives to strengthen the Company's position in the marketplace, as well as financial management initiatives, as described below.

2016 Highlights

Leadership Changes

On June 7, 2016, CN announced a number of leadership changes including Claude Mongeau's decision, due to a health condition, to step down from his role as President and Chief Executive Officer (CEO) and member of the Board of Directors at the end of June 2016, as well as the appointment of Executive Vice-President and Chief Financial Officer (CFO) Luc Jobin to President and CEO on July 1, 2016 and a member of the Board of Directors on June 30, 2016. Additionally, on June 27, 2016, the Company announced that Ghislain Houle would become Executive Vice-President and CFO, and that Mike Cory would assume the role of Executive Vice-President and Chief Operating Officer, following the retirement of Jim Vena, effective July 1, 2016.

Strategic Initiatives and Capital Spending

CN's business strategy is anchored on the continuous pursuit of *Operational and Service Excellence*, an unwavering commitment to safety and sustainability, and the development of a solid team of motivated and competent railroaders. CN's success and long-term economic viability depends on the presence of a supportive regulatory and policy environment that drives investment and innovation. CN's success also depends on a stream of capital investments that supports its business strategy. These investments cover a wide range of areas, from track infrastructure and rolling stock, to information and operating technologies, and other equipment and assets that improve the safety, efficiency and reliability of CN's service offering. Investments in track infrastructure enhance the productivity and integrity of the plant, and increase the capacity and the fluidity of the network. The acquisition of new locomotives and railcars generates several key benefits. New locomotives increase fuel productivity and efficiency, and improve the reliability of service. Locomotives equipped with distributed power allow for greater productivity of trains, particularly in cold weather, while improving train handling and safety. Targeted railcar acquisitions aim to tap growth opportunities, complementing the fleet of privately owned railcars that traverse CN's network. CN's strategic investments in information technology provide access to timely and accurate information which supports CN's ongoing efforts to drive innovation and efficiency in service, cost control, asset utilization, safety and employee engagement.

CN is committed to the safety of its employees, the communities in which it operates and the environment. Safety consciousness permeates every aspect of CN's operations. The Company's long-term safety improvement is driven by continued significant investments in infrastructure, rigorous safety processes and a focus on employee training and safety awareness. CN continues to strengthen its safety culture by investing significantly in training, coaching, recognition and employee involvement initiatives.

CN spent $2.75 billion in its capital program, with $1.6 billion invested to maintain the safety and integrity of the network, particularly track infrastructure; $0.55 billion for equipment capital expenditures, including 90 new high-horsepower locomotives, $0.3 billion on initiatives to support growth and drive productivity, and $0.3 billion for the U.S. federal government legislative Positive Train Control (PTC) implementation.

Acquisitions and Dispositions

On December 1, 2016, the Company completed the sale of approximately one mile of elevated track leading into Montreal's Central Station, together with the rail fixtures, to CDPQ Infra Inc., a wholly owned subsidiary of the Caisse de dépôt et placement du Québec, for cash proceeds of $85 million before transaction costs. The transaction resulted in a gain on disposal of $76 million ($66 million after-tax) that was recorded in Other income under the full accrual method of accounting for real estate transactions.

Financial Management Initiatives

On January 5, 2016, CN filed a new shelf prospectus with the Canadian securities regulators and a registration statement with the U.S. Securities and Exchange Commission (SEC) pursuant to which CN may issue up to $6.0 billion of debt securities in the Canadian and U.S. markets. The shelf prospectus and registration statement expire on February 4, 2018 and replace CN's previous shelf prospectus and registration statement. Access to capital markets under the shelf prospectus and registration statement is dependent on market conditions at the time of pricing.

The Company has a commercial paper program in Canada and in the U.S. Both programs are backstopped by the Company's revolving credit facility, enabling it to issue commercial paper up to a maximum aggregate principal amount of $1.3 billion, or the U.S. dollar equivalent, on a combined basis, which was increased from $800 million, effective May 5, 2016. As at December 31, 2016, the Company had total commercial paper borrowings of $605 million (U.S. $451 million). The commercial paper programs, which are subject to market rates in effect at the time of financing, provide the Company with a flexible financing alternative at a low cost, and can be used for general corporate purposes. The weighted-average interest rate on these borrowings was 0.65%.

The Company has an agreement to sell an undivided co-ownership interest in a revolving pool of accounts receivable to unrelated trusts for maximum cash proceeds of $450 million. On October 25, 2016, the Company extended the term of its agreement by one year to February 1, 2019. As at December 31, 2016, the Company had no proceeds received under the accounts receivable securitization program. The accounts receivable securitization program provides the Company with readily available short-term financing for general corporate use.

The Company has an unsecured revolving credit facility with a consortium of lenders. On March 11, 2016, the credit facility agreement was amended, which increased the credit facility from $800 million to $1.3 billion, effective May 5, 2016, consisting of a tranche for $420 million maturing on May 5, 2019 and a tranche for $880 million maturing on May 5, 2021. The increased capacity provides the Company with additional financial flexibility. The credit facility agreement allows for an increase in the credit facility amount, up to a maximum of $1.8 billion, as well as the option to extend the term by an additional year at each anniversary date, subject to the consent of individual lenders. The credit facility provides for borrowings at various interest rates, including the Canadian prime rate, bankers' acceptance rates, the U.S. federal funds effective rate and the London Interbank Offered Rate (LIBOR), plus applicable margins, based on CN's debt credit ratings. The credit facility is available for working capital and general corporate purposes, including backstopping the Company's commercial paper programs. The credit facility agreement has one financial covenant, which limits debt as a percentage of total capitalization, and with which the Company is in compliance. As at December 31, 2016, the Company had no outstanding borrowings under its revolving credit facility and there were no draws during the year ended December 31, 2016.

The Company has a series of committed bilateral letter of credit facility agreements. During 2016, the Company extended the expiry date of the majority of these agreements by one year to April 28, 2019, and entered into various uncommitted bilateral letter of credit facility agreements. These agreements are held with various banks to support the Company's requirements to post letters of credit in the ordinary course of business. Under these agreements, the Company has the option from time to time to pledge collateral in the form of cash or cash equivalents, for a minimum term of one month, equal to at least the face value of the letters of credit issued. As at December 31, 2016, the

Company had outstanding letters of credit of $451 million under the committed facilities from a total available amount of $508 million and $68 million under the uncommitted facilities. As at December 31, 2016, included in Restricted cash and cash equivalents was $426 million and $68 million which were pledged as collateral under the committed and uncommitted bilateral letter of credit facilities, respectively.

On August 2, 2016, under its shelf prospectus and registration statement, the Company issued US$650 million ($848 million) 3.20% Notes due 2046 in the U.S. capital markets, which resulted in net proceeds of $832 million and on February 23, 2016, under its shelf prospectus and registration statement, the Company issued US$500 million ($686 million) 2.75% Notes due 2026 in the U.S. capital markets, which resulted in net proceeds of $677 million. The proceeds from both debt issuances were used for general corporate purposes, including the redemption and refinancing of outstanding indebtedness, and share repurchases.

On October 25, 2016, the Board of Directors approved a new share repurchase program which allows for the repurchase of up to 33.0 million Common Shares, between October 30, 2016 and October 29, 2017, pursuant to a normal course issuer bid at prevailing market prices plus brokerage fees, or such other prices as may be permitted by the TSX. On November 2, 2016 and on December 13, 2016, the Company announced that it entered into agreements with third parties to repurchase Common Shares through daily purchases subject to a maximum of 2,723,662 Common Shares and 4,840,000 Common Shares, respectively. Purchases pursuant to the agreements took place from November 7, 2016 to December 30, 2016 and will be completed by March 15, 2017. Pursuant to the terms of the agreements, and subject to the terms of issuer bid exemption orders issued by the Ontario Securities Commission ("OSC"), the third parties purchased CN's Common Shares on the open market for their own account in accordance with the rules applicable to the normal course issuer bid, for the purpose of ultimately fulfilling their delivery obligations to CN under the agreements. The price that CN paid for Common Shares purchased by it from the third parties under the agreements was negotiated by CN and the third parties and was at a discount to the prevailing market price of CN's Common Shares on the TSX at the time of the purchase. The purchases formed part of CN's repurchase of up to 33.0 million Common Shares under its October 25, 2016 share repurchase program.

On February 5, February 19, March 16 and July 29, 2016, the Company announced that it entered into agreements with third parties to repurchase Common Shares through daily purchases subject to an aggregate maximum of 21.895 million Common Shares. The purchases took place from February 12, 2016 to October 29, 2016. Pursuant to the terms of the agreements, and subject to the terms of issuer bid exemption orders issued by the OSC, the third parties purchased CN's Common Shares on the open market for their own account in accordance with the rules applicable to the normal course issuer bid, for the purpose of ultimately fulfilling their delivery obligations to CN under the agreements. The price that CN paid for Common Shares purchased by it from the third parties under the agreements was negotiated by CN and the third parties and was at a discount to the prevailing market price of CN's Common Shares on the TSX at the time of the purchase. All the purchases formed part of CN's then current share repurchase program.

Significant Collective Agreements

Canadian workforce

On March 23, 2016, the Company served notice to commence bargaining for the renewal of the collective agreements with the Teamsters Canada Rail Conference (TCRC) governing approximately 2,500 train conductors and yard coordinators, which expired on July 22, 2016. On June 29, 2016, the Company filed a notice of dispute seeking conciliation assistance. On July 14, 2016, the Minister of Labour appointed two conciliation officers to assist the parties with their negotiations. On September 16, 2016, the Company and the TCRC agreed to extend the conciliation period on a voluntary basis.

On October 12, 2016, the Company served notice to commence bargaining for the renewal of the collective agreement with the International Brotherhood of Electrical Workers (IBEW) governing approximately 700 signals and communications workers, which expired on December 31, 2016. On December 15, 2016, CN filed a notice of dispute seeking conciliation assistance with the Minister of Labour. On December 29, 2016, the Minister of Labour appointed two conciliation officers to assist the parties in their efforts to renew the collective agreement.

Under the Canada Labour Code, the law governing labor relations for the Canadian railroad industry, collective agreements remain in force until such time as the parties have either reached a renewed agreement or the dispute resolution mechanisms in the Code have been exhausted.

U.S. workforce

As of February 1, 2017, the Company had in place agreements with bargaining units representing the entire unionized workforce at Grand Trunk Western Railroad Company (GTW), companies owned by Illinois Central Corporation (ICC), companies owned by Wisconsin Central Ltd. (WC), Bessemer & Lake Erie Railroad Company (BLE) and The Pittsburgh and Conneaut Dock Company (PCD). Agreements in place have various moratorium provisions up to 2018, which preserve the status quo in respect of the given collective agreement during the terms of such moratoriums. All collective agreements covering non-operating craft employees and six collective agreements covering roughly half of the operating craft population of 3,000 employees are currently under renegotiation.

During 2016, the Company renewed four collective agreements with the United Transportation Union (a division of the International Association of Sheet Metal, Air, Rail, and Transportation Workers - SMART) governing 65 yardmasters at GTW, two WC bargaining units and a small subset working on the ICC.

The general approach to labor negotiations by U.S. Class I railroads is to bargain on a collective national basis with the industry, which GTW, ICC, WC and BLE have agreed to participate in, for collective agreements covering non-operating employees. Collective agreements covering operating employees at GTW, ICC, WC, BLE and all employees at PCD continue to be bargained on a local (corporate) basis.

Where negotiations are ongoing, the terms and conditions of existing agreements generally continue to apply until new agreements are reached or the processes of the *Railway Labor Act* have been exhausted.

2015 Highlights

Strategic Initiatives and Capital Spending

In 2015, CN spent $2.7 billion in its capital program, with $1.53 billion targeted at maintaining the safety and integrity of the network, particularly track infrastructure. This investment included the replacement of rail, ties, and other track materials, bridge improvements, as well as various branch line upgrades. CN invested significantly to build for the future, increasing network capacity, resilience and fluidity across its network, including its Edmonton-Winnipeg and Winnipeg-Chicago corridors. As part of its overall capital program, CN invested more than $120 million in 2015 to install sections of double tracks, extended sidings, crossovers and yard improvements on main lines in the two corridors.

In 2015, CN’s equipment capital expenditures reached $555 million, allowing the Company to be ready for growth opportunities and to improve the quality of the fleet, including the acquisition of 90 new high-horsepower locomotives. Orders have been placed for 90 additional new locomotives which were delivered in 2016. CN also spent $615 million on initiatives to support growth and drive productivity, such as transloads and distribution centers; and information technology to improve service and operating efficiency.

The Company strengthened its commitment to *Operational and Service Excellence* through a wide range of innovations anchored on its continuous improvement philosophy. CN built on its industry leadership in terms of fast and reliable hub-to-hub service by continuing to improve across the range of customer touch points. The Company’s major push in first-mile/last-mile service is all about improving the quality of customer interactions – developing a sharper outside-in perspective; better monitoring of traffic forecasts; higher and more responsive car order fulfillment; and proactive customer communication at the local level, supported by iAdvise, an information tool that is improving the reliability and consistency of shipment information.

Financial Management Initiatives

The Company established a commercial paper program in the U.S. during the second quarter of 2015 in addition to its existing commercial paper program in Canada. Both programs are backstopped by the Company's revolving credit facility, enabling it to issue commercial paper up to a maximum aggregate principal amount of $800 million, or the U.S. dollar equivalent, on a combined basis. As at December 31, 2015, the Company had total commercial paper borrowings of $458 million (U.S. $331 million). The weighted-average interest rate on these borrowings was 0.41%.

The Company has an agreement to sell an undivided co-ownership interest in a revolving pool of accounts receivable to unrelated trusts for maximum cash proceeds of $450 million. On June 18, 2015, the expiry date of the agreement was extended by one year to February 1, 2018. As at December 31, 2015, the Company had no proceeds received under the accounts receivable securitization program. The accounts receivable securitization program provides the Company with readily available short-term financing for general corporate use.

The Company has an $800 million revolving credit facility agreement with a consortium of lenders. The agreement, which contains customary terms and conditions, allows for an increase in the facility amount, up to a maximum of $1.3 billion, as well as the option to extend the term by an additional year at each anniversary date, subject to the consent of individual lenders. The Company exercised such option, and on March 12, 2015, the expiry date of the agreement was extended by one year to May 5, 2020. The credit facility is available for general corporate purposes, including back-stopping the Company's commercial paper program, and provides for borrowings at various interest rates, including the Canadian prime rate, bankers' acceptance rates, the U.S. federal funds effective rate and the London Interbank Offered Rate (LIBOR), plus applicable margins. The credit facility agreement has one financial covenant, which limits debt as a percentage of total capitalization, and with which the Company is in compliance. As at December 31, 2015, the Company had no outstanding borrowings under its revolving credit facility and there were no draws during the year ended December 31, 2015.

The Company has a series of bilateral letter of credit facility agreements with various banks to support its requirements to post letters of credit in the ordinary course of business. On March 12, 2015 the expiry date of these agreements was extended by one year to April 28, 2018. Under these agreements, the Company has the option from time to time to pledge collateral in the form of cash or cash equivalents, for a minimum term of one month, equal to at least the face value of the letters of credit issued. As at December 31, 2015, the Company had letters of credit drawn of $551 million from a total committed amount of $575 million by the various banks. As at December 31, 2015, cash and cash equivalents of $523 million were pledged as collateral and recorded as Restricted cash and cash equivalents on the Consolidated Balance Sheet.

On September 11, 2015, CN announced that the TSX had accepted CN's amended 2014-2015 notice of intention of October 2014 to make a normal course issuer bid. The notice was amended to permit the repurchase by CN of its Common Shares under a specific share repurchase program during the term of the Normal Course Issuer Bid. The purchases formed part of CN's 2014-2015 Normal Course Issuer Bid for up to 28.0 million Common Shares announced on October 21, 2014. CN entered into an agreement with a third party to repurchase its Common Shares through daily purchases that took place from September 16 to October 23, 2015. Pursuant to the terms of the agreement, and subject to the terms of an issuer bid exemption order issued by the OSC, the third party purchased CN's Common Shares on the open market for its own account in accordance with the rules applicable to the normal course issuer bid, for the purpose of ultimately fulfilling its delivery obligations to CN under the agreement. The price that CN paid for Common Shares purchased by it from the third party under the agreement was negotiated by CN and the third party and was at a discount to the prevailing market price of CN's Common Shares on the TSX at the time of the purchase.

On September 22, 2015, under its then current shelf prospectus and registration statement, the Company issued $350 million 2.80% Notes due 2025, $400 million 3.95% Notes due 2045 and $100 million 4.00% Notes due 2065, in the Canadian capital markets, which resulted in total net proceeds of $841 million, intended for general corporate purposes, including the redemption and refinancing of outstanding indebtedness and share repurchases.

On October 27, 2015, the Board of Directors approved a new share repurchase program which allowed for the repurchase of up to 33.0 million Common Shares, between October 30, 2015 and October 29, 2016, pursuant to a normal course issuer bid at prevailing market prices plus brokerage fees, or such other prices as may be permitted by the TSX and on the same day, the Company announced that it would enter into an agreement with a third party to repurchase Common Shares through daily purchases subject to a maximum of 4.0 million Common Shares. The agreement was amended on November 30, 2015 to increase the number of Common Shares to be purchased to 5.175 million Common Shares. The purchases took place from October 30, 2015 to December 24, 2015. Pursuant to the terms of the agreement, and subject to the terms of an issuer bid exemption order issued by the OSC, the third party purchased CN's Common Shares on the open market for its own account in accordance with the rules applicable to the Normal Course Issuer Bid, for the purpose of ultimately fulfilling its delivery obligations to CN under the agreement. The price that CN paid for Common Shares purchased by it from the third party under the agreement was negotiated by CN and the third party and was at a discount to the prevailing market price of CN's Common Shares on the TSX at the time of the purchase. The purchases formed part of CN's repurchase of up to 33.0 million Common Shares under its share repurchase program.

On December 18, 2015, the Company announced that it had entered into an agreement with a third party to repurchase Common Shares through daily purchases subject to a maximum of 4.356 million Common Shares. The purchases took place from December 29, 2015 to February 29, 2016. Pursuant to the terms of the agreement, and subject to the terms of an issuer bid exemption order issued by the OSC, the third party purchased CN's Common Shares on the open market for its own account in accordance with the rules applicable to the normal course issuer bid, for the purpose of ultimately fulfilling its delivery obligations to CN under the agreement. The price that CN paid for Common Shares purchased by it from the third party under the agreement was negotiated by CN and the third party and was at a discount to the prevailing market price of CN's Common Shares on the TSX at the time of the purchase. The purchases formed part of CN's repurchase of up to 33.0 million Common Shares under its share repurchase program.

Significant Collective Agreements

Canadian workforce

On January 30, 2015, the agreement for the renewal of the collective agreement with the United Steelworkers of America (USW) governing maintenance of way employees was ratified. The new collective agreement expires on December 31, 2018.

On February 25, 2015, the agreement for the renewal of the collective agreement with the Teamsters Canada Rail Conference (TCRC-RCTC) governing rail traffic controllers was ratified. The new collective agreement expires on December 31, 2018.

On March 13, 2015, the agreements for the renewal of the collective agreements with Unifor governing clerical, intermodal employees and owner operator truck drivers were ratified. The new collective agreements expire on March 31, 2019.

On March 17, 2015, the agreement for the renewal of the collective agreement with Unifor governing shopcraft employees was ratified. The new collective agreement expires on December 31, 2018.

On April 16, 2015, the agreement for the renewal of the collective agreement with the TCRC governing locomotive engineers (TCRC-LE) was ratified. The new collective agreement expires on December 31, 2017.

Under the Canada Labour Code, the law governing labor relations for the Canadian railroad industry, collective agreements remain in force until such time as the parties have either reached a renewed agreement or the dispute resolution mechanisms in the Code have been exhausted.

U.S. workforce

As of February 1, 2016, the Company had in place agreements with bargaining units representing the entire unionized workforce at Grand Trunk Western Railroad Company (GTW), companies owned by Illinois Central Corporation (ICC), companies owned by Wisconsin Central Ltd. (WC), Bessemer & Lake Erie Railroad Company (BLE) and The Pittsburgh and Conneaut Dock Company (PCD). Agreements in place have various moratorium provisions up to 2018, which preserve the status quo in respect of the given collective agreement during the terms of such moratoriums. All collective agreements covering non-operating craft employees and four collective agreements covering operating craft employees are currently under renegotiation.

During 2015, the Company renewed a collective agreement with the United Transportation Union (UTU) (a division of the International Association of Sheet Metal, Air, Rail, and Transportation Workers - SMART) governing conductors on the Grand Trunk Western. On January 15, 2016, the Company renewed three additional collective agreements with UTU, governing 57 yardmasters at GTW, WC, and a small subset working on the ICC.

The general approach to labor negotiations by U.S. Class I railroads is to bargain on a collective national basis with the industry, which GTW, ICC, WC and BLE have agreed to participate in, effective January 2015, for collective agreements covering non-operating employees. Collective agreements covering operating employees at GTW, ICC, WC, BLE and all employees at PCD continue to be bargained on a local (corporate) basis.

Where negotiations are ongoing, the terms and conditions of existing agreements generally continue to apply until new agreements are reached or the processes of the *Railway Labor Act* have been exhausted.

2014 Highlights

Acquisitions and Dispositions

On February 28, 2014, the Company closed a transaction with Agence Métropolitaine de Transport to sell the Deux-Montagnes subdivision between Saint-Eustache and Montreal, Quebec, including the Mont-Royal tunnel, together with the rail fixtures (collectively Deux-Montagnes), for cash proceeds of $97 million before transaction costs. Under the agreement, the Company obtained the perpetual right to operate freight trains over the Deux-Montagnes at its then current level of operating activity, with the possibility of increasing its operating activity for additional consideration. The transaction resulted in a gain on disposal of $80 million ($72 million after-tax) that was recorded in Other income under the full accrual method of accounting for real estate transactions.

On September 4, 2014, the Company closed a transaction with Metrolinx to sell a segment of the Guelph subdivision located between Georgetown and Kitchener, Ontario, together with the rail fixtures and certain passenger agreements (collectively the Guelph), for cash proceeds of $76 million before transaction costs. The Company did not meet all the conditions to record the sale under the full accrual method for real estate transactions as it continues to have substantial continuing involvement on the Guelph. The Company will have relinquished substantially all of the risks and rewards of ownership on the Guelph in 2018, at which time the gain on the sale is expected to be recognized.

Strategic Initiatives and Capital Spending

In 2014, CN spent approximately $2.3 billion in its capital program, with $1.25 billion targeted at maintaining the safety and integrity of the network. This investment included the replacement of rail, ties, and other track materials, bridge improvements, as well as various branch line upgrades. CN invested significantly to build for the future, increasing network capacity, resilience and fluidity across its network, including its Edmonton-Winnipeg and Winnipeg-Chicago corridors. As part of its overall capital program, CN invested more than $100 million in 2014 to install sections of double tracks, extended sidings, crossovers, high-speed switches and yard improvements on main lines in the two corridors.

In 2014, CN's equipment capital expenditures reached approximately $375 million, allowing the Company to tap growth opportunities and improve the quality of the fleet. In order to handle the expected traffic increase and improve operational efficiency, 60 new high-horsepower locomotives were added to the fleet in 2014. Furthermore, orders were placed for 180 additional new locomotives: 90 delivered in 2015 and 90 delivered in 2016. CN also spent approximately $575 million on initiatives to support growth and drive productivity, such as transloads and distribution centers; and information technology to improve service and operating efficiency.

As part of its objective to build a solid team of railroaders, the Company opened two new state-of-the-art training facilities in 2014, in Winnipeg, Manitoba and Homewood, Illinois, at a cost of $55 million, aimed at preparing employees to be highly skilled, safety conscious and confident in their work environment. Curricula for technical training and leadership development was also improved to meet the learning needs of CN's railroaders – both current and future. These programs and initiatives provided a solid platform for the assessment and development of the Company's talent pool, and are tightly integrated with the Company's business strategy.

The Company also strengthened its commitment to *Operational and Service Excellence* through a wide range of innovations anchored on its continuous improvement philosophy. Through a portfolio of initiatives called CustomerFIRST, the Company innovated to address key customer pinch points, including the first-mile and last-mile of the shipment cycle. iAdvise, an information tool that is improving the reliability and consistency of shipment information, was the latest initiative in CN's strategy to communicate better with customers. In 2014, CN rolled out its iAdvise tool to a significant number of its largest customers.

Financial Management Initiatives

The Company has a commercial paper program, which is back-stopped by its revolving credit facility, enabling it to issue commercial paper up to a maximum aggregate principal amount of $800 million, or the U.S. dollar equivalent. As at December 31, 2014, the Company had no commercial paper borrowings.

The Company has an agreement to sell an undivided co-ownership interest in a revolving pool of accounts receivable to unrelated trusts for maximum cash proceeds of $450 million. On July 23, 2014, the expiry date of the agreement was extended by one year to February 1, 2017. As such, as at December 31, 2014, the Company recorded $50 million of proceeds received under the accounts receivable securitization program in the Current portion of long-term debt on the Consolidated Balance Sheet at a weighted-average interest rate of 1.24% which is secured by and limited to $56 million of accounts receivable. The accounts receivable securitization program provides the Company with readily available short-term financing for general corporate use.

The Company has an $800 million revolving credit facility agreement with a consortium of lenders. The agreement, which contains customary terms and conditions, allows for an increase in the facility amount, up to a maximum of $1.3 billion, as well as the option to extend the term by an additional year at each anniversary date, subject to the consent of individual lenders. The Company exercised such option and on March 14, 2014, the expiry date of the agreement was extended by one year to May 5, 2019. The credit facility is available for general corporate purposes, including back-stopping the Company's commercial paper program, and provides for borrowings at various interest rates, including the Canadian prime rate, bankers' acceptance rates, the U.S. federal funds effective rate and the LIBOR, plus applicable margins. The credit facility agreement has one financial covenant, which limits debt as a percentage of total capitalization, and with which the Company is in compliance. As at December 31, 2014, the Company had no outstanding borrowings under its revolving credit facility and there were no draws during the year ended December 31, 2014.

The Company has a series of bilateral letter of credit facility agreements with various banks to support its requirements to post letters of credit in the ordinary course of business. On March 14, 2014, the expiry date of these agreements was extended by one year to April 28, 2017. Under these agreements, the Company has the option from time to time to pledge collateral in the form of cash or cash equivalents, for a minimum term of one month, equal to at least the face value of the letters of credit issued. As at December 31, 2014, the Company had letters of credit drawn of $487 million from a total committed amount of $511 million by the various banks. As at December 31, 2014, cash and cash equivalents of $463 million were pledged as collateral and recorded as Restricted cash and cash equivalents on the Consolidated Balance Sheet.

On February 18, 2014, under its then current shelf prospectus, the Company issued $250 million 2.75% Notes due 2021 in the Canadian capital markets, which resulted in net proceeds of $247 million, intended for general corporate purposes, including the redemption and refinancing of outstanding indebtedness and share repurchases.

On October 21, 2014, the Board of Directors approved a new share repurchase program which allowed for the repurchase of up to 28.0 million Common Shares, between October 24, 2014 and October 23, 2015, pursuant to a normal course issuer bid at prevailing market prices plus brokerage fees, or such other prices as may be permitted by the TSX.

On October 27, 2014, the Company announced its intention to repurchase up to 5.175 million of its Common Shares from an arm's-length third-party seller by means of private agreements formalized at the time of each such purchase. Such repurchases were made pursuant and subject to the terms of an issuer bid exemption order issued by the OSC. The purchases formed part of CN's repurchase of up to 28.0 million Common Shares under the share repurchase program announced on October 21, 2014. The price that CN paid for any Common Shares purchased under such private agreements was negotiated by CN and the third-party seller and was at a discount to the prevailing market price of CN's Common Shares on the TSX at the time of the purchase.

On November 14, 2014, under its then current shelf prospectus and registration statement, the Company completed a two-tranche debt offering of U.S.$600 million ($682 million), comprised of U.S.$250 million ($284 million) Floating Rate Notes due 2017, and U.S.$350 million ($398 million) 2.95% Notes due 2024 in the U.S. capital markets, which resulted in net proceeds of U.S.$593 million ($675 million), intended for general corporate purposes, including the redemption and refinancing of outstanding indebtedness, and share repurchases.

Significant Collective Agreements

On June 19, 2014, settlement through binding arbitration decision was reached on the collective agreement between CN and the Teamsters Canada Rail Conference, covering approximately 3,000 mainline conductors and yard crews. The new collective agreement is set to expire on July 22, 2016.

In the fourth quarter of 2014, the bargaining process commenced for the renewal of CN's collective agreements expiring on December 31, 2014, with:

- Unifor governing clerical, intermodal, shopcraft employees and owner operator truck drivers;
- the Teamsters Canada Rail Conference governing rail traffic controllers;

- the Teamsters Canada Rail Conference governing locomotive engineers; and
- the United Steelworkers of America governing maintenance of way employees.

See Item 3.1 of this AIF *General Development of the Business during the last three years – 2015 Highlights* for an update on these labor negotiations.

As of February 2, 2015, the Company had in place agreements with bargaining units representing the entire unionized workforce at Grand Trunk Western Railroad Company, companies owned by Illinois Central Corporation, companies owned by Wisconsin Central Ltd., Bessemer & Lake Erie Railroad Company and The Pittsburgh and Conneaut Dock Company. Agreements in place have various moratorium provisions up to 2018, which maintain the terms of the collective agreement and clearly define when a party to the agreement can serve notice of an intention to negotiate contractual changes.

3.2 *STRATEGY OVERVIEW*

For a discussion of the Company's business strategy and anticipated developments for 2017, please see the section entitled "Strategy overview" on pages 3 to 6 of the MD&A, which are incorporated by reference herein. The MD&A may be found on SEDAR at www.sedar.com and on EDGAR at www.sec.gov and on the Company's website at cn.ca in the Investors section.

ITEM 4 DESCRIPTION OF THE BUSINESS

4.1 *OVERVIEW*

CN is engaged in the rail and related transportation business. CN's network of approximately 20,000 route miles of track spans Canada and mid-America, uniquely connecting three coasts: the Atlantic, the Pacific and the Gulf of Mexico and serving the cities and ports of Vancouver, Prince Rupert (British Columbia), Montreal, Halifax, New Orleans, and Mobile (Alabama), and the metropolitan areas of Toronto, Edmonton, Winnipeg, Calgary, Chicago, Memphis, Detroit, Duluth (Minnesota)/Superior (Wisconsin), and Jackson (Mississippi), with connections to all points in North America. CN's extensive network and efficient connections to all Class I railroads provide CN customers access to all three North American Free Trade Agreement (NAFTA) nations. CN handles over $250 billion worth of goods annually and carries almost 300 million tons of cargo, serving exporters, importers, retailers, farmers and manufacturers.

CN's freight revenues are derived from seven commodity groups representing a diversified and balanced portfolio of goods transported between a wide range of origins and destinations. This product and geographic diversity better positions the Company to face economic fluctuations and enhances its potential for growth opportunities. In 2016, no individual commodity group accounted for more than 24% of total revenues. From a geographic standpoint, 17% of revenues relate to U.S. domestic traffic, 34% transborder traffic, 18% Canadian domestic traffic and 31% overseas traffic. The Company is the originating carrier for approximately 85% of traffic moving along its network, which allows it both to capitalize on service advantages and build on opportunities to efficiently use assets.

Revenues generated by the Company during the year are influenced by seasonal weather conditions, general economic conditions, cyclical demand for rail transportation, and competitive forces in the transportation marketplace. Operating expenses reflect the impact of freight volumes, seasonal weather conditions, labor costs, fuel prices, and the Company's productivity initiatives.

4.2 *Commodity Groups*

For a description of the various commodity groups transported by CN, their principal markets, as well as select revenue, revenue ton miles and carload information, please see pages 10 to 14 of the MD&A, which are incorporated by reference herein.

4.3 *Competitive Conditions*

For a discussion of the competitive conditions under which CN operates, please see the section entitled “Competition” in the Business risks discussion located on page 41 of the MD&A, which is incorporated by reference herein.

4.4 *Labor*

As at December 31, 2016, CN employed a total of 22,249 employees, of which 16,621 were unionized employees.

For a discussion of CN’s labour negotiations, please see the section entitled “Labor negotiations” in the Business risks discussion located on page 43 of the MD&A, which are incorporated by reference herein.

4.5 *Social Policies*

In addition to its Employment Equity Policy (for Canadian employees) and Equal Employment Opportunity Policy (for U.S. employees), CN maintains a comprehensive Human Rights Policy and a Harassment Free Environment Policy for its Canadian employees and a Prohibited Harassment, Discrimination and Anti-Retaliation Policy for its U.S. employees. These policies affirm CN’s commitment to ensuring that there is no discrimination against any employee or applicant based on grounds of religion, race, sex, nationality, disability or any other prohibited grounds of discrimination. The policy extends to recruitment, selection and compensation practices, as well as to working conditions and the work environment. All Company vice-presidents have been mandated with the responsibility of implementing these policies and ensuring that all work practices are in compliance. Internal complaint procedures have been established whereby any person covered by the Harassment Free Environment Policy and the Employment Equity Policy (for Canadian employees) or the Equal Employment Opportunity Policy and Prohibited Harassment, Discrimination and Anti-Retaliation Policy (for U.S. employees) can contact his or her human resources director or human resources manager who will address his or her complaint. The employee can also call either the Human Resources Center, which will forward the complaint to the appropriate human resources manager for further handling, or the CN Ombudsman directly, who can be contacted on a confidential basis. As part of CN’s commitment to providing a safe, healthy and violence-free workplace for all employees, CN has in place a Workplace Violence Prevention Policy which applies to all employees. The objective of this policy is to reiterate the prohibition of workplace violence at CN and set out how threats, acts or risks of workplace violence are to be reported and addressed.

4.6 *Regulation*

The Company’s operations are subject to regulations both in Canada and in the U.S. A summary of such regulations is provided below. For a complete discussion of recent and pending legislative and other regulatory developments both in Canada and in the U.S., see the section entitled “Regulation” in the Business risks discussion located on pages 43 to 48 of the MD&A, which are incorporated by reference herein.

Economic regulation – Canada

The Company’s rail operations in Canada are subject to economic regulation by the Canadian Transportation Agency (Agency) under the *Canada Transportation Act* (CTA). The CTA provides rate and service remedies, including final offer arbitration (FOA), competitive line rates and compulsory interswitching. It also regulates the maximum revenue entitlement for the movement of regulated grain, charges for railway ancillary services and noise-related disputes. In addition, various Company business transactions must gain prior regulatory approval, with attendant risks and uncertainties, and the Company is subject to government oversight with respect to rate, service and business practice issues.

The CTA gives railroads in Canada the freedom to negotiate prices according to market forces, subject to certain provisions aimed at protecting shippers. These shipper protections include, *inter alia*, interswitching, final offer arbitration, competitive line rates and the right to seek a regulatory order as to the reasonableness of the terms and conditions imposed by carriers for incidental services. Pursuant to the interswitching provisions, shippers within a 30 kilometers radius (approximately 19 miles) of an interchange between two federally regulated railroads have access to the other railway at a prescribed interswitching rate. During 2014, Bill C-30 came into force pursuant to which the Agency issued an amendment to the interswitching regulations extending the distance to 160 kilometers from the previous 30 kilometers limits for all commodities in the provinces of Manitoba, Saskatchewan and Alberta; and issued regulations defining what constitutes “operational terms” for the purpose of rail level of service arbitrations. On June 15, 2016, the Government of Canada announced that the provisions introduced by Bill C-30 which were set to expire on August 1, 2016, had been extended until August 2017. Final offer arbitration is used in cases of rate disputes between a shipper and a railroad and involves the selection by an arbitrator of either the shipper’s or the carrier’s rate and service offer. Competitive line rate provisions can be invoked to require an originating railroad to issue to a shipper with access to a single rail carrier, a rate covering the movement to the nearest junction with another railroad according to predetermined formulae. In addition, certain rail shipments of export grain are subject to a government-established revenue cap, which effectively specifies a maximum revenue entitlement that railways can earn.

To supplement public rates issued under tariffs, the CTA permits confidential contracts to be negotiated between rail carriers and shippers to govern the terms, conditions and rates for service. Furthermore, railroads are subject to service level obligations and, in case of breach, shippers may seek redress from the Agency. Railroads are also required to enter into an agreement, at the request of a shipper, respecting the manner in which it intends to fulfill its service obligations. In the absence of an agreement, the shipper may submit the matter for determination by an arbitrator.

When a railroad operator wants to sell or abandon lines, the CTA encourages their sale to other railroad operators and provides the framework for line discontinuance. The railroads are required to publish a plan for lines they intend to discontinue within the next three years. Prior to discontinuance, the line must be advertised as being for sale for continued rail operation and, if no interest is shown, must be offered specifically for sale to applicable federal, provincial and municipal governments as well as urban transit authorities. The entire process is intended to take, at most, 24 months. The Company’s operations are also subject to safety and environmental provisions relating to track standards, equipment standards, transportation of hazardous materials, environmental assessments and certain labor regulations, which are in many respects similar when comparing Canadian and U.S. regulations.

In addition, periodically, a comprehensive review is made by the federal government of the effectiveness of the CTA, the Canadian *Railway Safety Act* and other statutes related to transportation, which may prompt regulatory amendments as a result. On June 25, 2014, the Government of Canada launched a statutory review of the CTA. The review concluded on December 21, 2015 when a report was submitted to the Federal Minister of Transport by the Chair of the review panel. The report was tabled in Parliament on February 25, 2016 by the Federal Minister of Transport, and on November 3, 2016, he announced that amendments to the CTA would be introduced in 2017 respecting the provisions of Bill C-30, the maximum revenue entitlement, reciprocal monetary penalties, the definition of the statutory level of services obligations and the timelines of Agency decisions. On November 3, 2016, the Minister of Transport also announced that the review of the Railway Safety Act which was initially scheduled for 2018 would be initiated in 2017 in order to further improve railway safety.

Economic regulation – U.S.

The Company's U.S. rail operations are subject to economic regulation by the Surface Transportation Board (STB). The STB serves as both an adjudicatory and regulatory body and has jurisdiction over, amongst other things, service levels, carrier practices, car compensation, and limited jurisdiction over carrier rates. It also has jurisdiction over the situations and terms under which one railroad may gain access to another railroad's traffic or facilities, the construction, extension, or abandonment of rail lines, railroad consolidations, and labor protection provisions in connection with the foregoing. The STB's jurisdiction in these areas of rail transportation, including intrastate rail transportation, is exclusive, pre-empting other remedies under U.S. federal and state laws. As such, various Company business transactions must gain prior regulatory approval and aspects of its pricing and service practices may be subject to challenge, with attendant risks and uncertainties. The STB has undertaken proceedings in the past few years in a number of significant matters that remain pending. For further details on such proceedings, see the section entitled "Regulation – Economic regulation - U.S." in the Business risks discussion located on page 44 of the MD&A, which is incorporated by reference herein.

Government regulation of the railroad industry is a significant determinant of the competitiveness and profitability of railroads. Deregulation of certain rates and services, plus the ability to enter into confidential contracts, pursuant to the *Staggers Rail Act of 1980* (Staggers Act), has substantially increased the flexibility of railroads to respond to market forces and has resulted in highly competitive rates. Various interests have sought and continue to seek reimposition of government controls on the railroad industry in areas deregulated in whole or in part by the Staggers Act. Additional regulation, changes in regulation and re-regulation of the industry through legislative, administrative, judicial or other action could materially affect the Company.

Safety regulation – Canada

The Company's rail operations in Canada are subject to safety regulation by the Federal Minister of Transport under the *Railway Safety Act* as well as the rail portions of other safety-related statutes, which are administered by Transport Canada. The Company may be required to transport toxic inhalation hazard materials as a result of its common carrier obligations and, as such, is exposed to additional regulatory oversight in Canada. The *Transportation of Dangerous Goods Act,* also administered by Transport Canada, establishes the safety requirements for the transportation of goods classified as dangerous and enables the establishment of regulations for security training and screening of personnel working with dangerous goods, as well as the development of a program to require a transportation security clearance for dangerous goods and that dangerous goods be tracked during transport.

Following a significant derailment involving a non-related short-line railroad within the Province of Quebec (Lac-Mégantic derailment) on July 6, 2013, several measures have been taken by Transport Canada to strengthen the safety of the railway and transportation of dangerous goods systems in Canada. Amendments to the *Canada Railway Safety Act* and *Transportation of Dangerous Goods Act* include requirements for classification and sampling of crude oil, the provision of yearly aggregate information on the nature and volume of dangerous goods the company transports by rail through designated municipalities, and new speed limit restrictions of 40 miles per hour for certain trains carrying dangerous commodities. Additional requirements for railway companies to conduct route assessments for rail corridors handling significant volumes of dangerous goods and an Emergency Response Assistance Plan in order to ship large volumes of flammable liquids were also put into place. Further to this, on April 28, 2016, Transport Canada issued a Protective Direction under which railways are required to provide municipalities and first responders with data on dangerous goods to improve emergency planning, risk assessment, and training.

In 2014, Transport Canada's *Grade Crossings Regulations* came into force, which establish specific standards for new grade crossings and requirements that existing crossings be upgraded to basic safety standards within seven years, as well as safety related data that must be provided by railway companies on an annual basis. The Company has complied with the information requirements by providing road authorities with specific information respecting public grade crossings, as required by November 27, 2016.

In 2015, Transport Canada issued rules prohibiting the use of certain DOT-111 tank cars for the transportation of dangerous goods, and announced a new standard for tank cars transporting flammable liquid dangerous goods. The new standard, called TC-117, establishes enhanced construction specifications along with a phase out schedule for DOT-111 and CPC-1232 tank cars. On July 25, 2016, Transport Canada issued a Protective Direction which accelerated the phasing out of DOT-111 tank cars in crude oil service by November 1, 2016.

On June 18, 2016, the liability and compensation regime for rail under the *Safe and Accountable Rail Act* came into force. Under the regime, railway companies are strictly liable for damages resulting from accidents involving crude oil and are required to maintain minimum liability insurance coverage in respect of losses incurred as a result of a railway accident involving crude oil. The Act creates a fund, capitalized through levies payable by crude oil shippers, to compensate for losses exceeding the railway company's minimum insurance level. CN has provided the Agency with submissions respecting the adequacy of its insurance coverage and has started collecting the levy on crude shipments. As a result of this legislation, the Agency also now has jurisdiction to order railway companies to compensate municipalities for the costs incurred in responding to fires caused by railway operations.

Safety regulation – U.S.

The Company's U.S. rail operations are subject to safety regulation by the Federal Railroad Administration (FRA) under the *Federal Railroad Safety Act* as well as rail portions of other safety statutes, with the transportation of certain hazardous commodities also governed by regulations promulgated by the Pipeline and Hazardous Materials Safety Administration (PHMSA). PHMSA requires carriers operating in the U.S. to report annually the volume and route-specific data for cars containing these commodities; conduct a safety and security risk analysis for each used route; identify a commercially practicable alternative route for each used route; and select for use the practical route posing the least safety and security risk. In addition, the Transportation Security Administration (TSA) requires rail carriers to provide upon request, within five minutes for a single car and 30 minutes for multiple cars, location and shipping information on cars on their networks containing toxic inhalation hazard materials and certain radioactive or explosive materials; and ensure the secure, attended transfer of all such cars to and from shippers, receivers and other carriers that will move from, to, or through designated high-threat urban areas.

The FRA also has jurisdiction over railroad safety and equipment standards, and most rail safety regulation is handled at the federal level. In contrast, however, to the exclusive role of the STB over railroad economic regulation, state and local regulatory agencies have jurisdiction over certain local safety and operating matters and these agencies are becoming more aggressive in their exercise of jurisdiction. State legislatures have also recently enacted new laws in this regard that are intended to regulate railroads more extensively.

In the aftermath of the July 2013 Lac-Mégantic derailment, the FRA issued Emergency Order No. 28, Notice No. 1 on August 2, 2013 directing that railroads take specific actions regarding unattended trains transporting specified hazardous materials, including securement of these trains. That same day, the FRA and the PHMSA issued Safety Advisory 2013-06, which made recommendations to railroads on issues including crew staffing practices and operational testing to ensure employees' compliance with securement-related rules, as well as recommendations to shippers of crude oil to be transported by rail. In addition, the railroad industry has acted on its own to enhance rail safety in light of the Lac-Mégantic derailment and fire. Effective August 5, 2013, the Association of American Railroads amended the industry's Recommended Railroad Operating Practices for Transportation of Hazardous Materials by expanding the definition of a "key train" (for which heightened operating safeguards are required).

Other regulations – Canada and U.S.

Positive train control (PTC)

On October 16, 2008, the U.S. Congress enacted the *Rail Safety Improvement Act of 2008,* which required all Class I railroads and intercity passenger and commuter railroads to implement a PTC system by December 31, 2015 on mainline track where intercity passenger railroads and commuter railroads operate and where toxic inhalation hazard materials are transported. PTC is a collision avoidance technology intended to override locomotive controls and stop a train before an accident. Pursuant to the *Positive Train Control Enforcement and Implementation Act of 2015* and the *FAST Act* of 2015 (collectively, the PTCEIA), Congress extended the PTC installation deadline until December 31, 2018, with the option for a railroad carrier to finalize full implementation of PTC by no later than December 31, 2020, provided certain benchmarks are met by the end of 2018. Pursuant to the PTCEIA, the Company submitted its revised implementation plan on January 27, 2016 and a request for amendment on December 29, 2016. The Company filed its first annual progress report with the FRA on March 31, 2016, and its initial quarterly progress reports on July 31 and October 31, 2016. The Company is progressing its implementation of PTC pursuant to the law and is working with the FRA and other Class I railroads to satisfy the requirements for U.S. network interoperability.

Security

The Company is subject to statutory and regulatory directives in the U.S. addressing homeland security concerns. In the U.S., safety matters related to security are overseen by the TSA, which is part of the U.S. Department of Homeland Security (DHS) and PHMSA, which, like the FRA, is part of the U.S. Department of Transportation. Border security falls under the jurisdiction of U.S. Customs and Border Protection (CBP), which is part of DHS. In Canada, the Company is subject to regulation by the Canada Border Services Agency (CBSA). Matters related to agriculture-related shipments crossing the Canada/U.S. border also fall under the jurisdiction of the U.S. Department of Agriculture (USDA) and the Food and Drug Administration (FDA) in the U.S. and the Canadian Food Inspection Agency (CFIA) in Canada.

More specifically, the Company is subject to:

- Border security arrangements, pursuant to an agreement the Company and Canadian Pacific Railway Company entered into with the CBP and the CBSA.
- The CBP's Customs-Trade Partnership Against Terrorism program and designation as a low-risk carrier under CBSA's Customs Self-Assessment program.
- Regulations imposed by the CBP requiring advance notification by all modes of transportation for all shipments into the U.S. The CBSA is also working on similar requirements for Canada-bound traffic.
- Inspection for imported fruits and vegetables grown in Canada and the agricultural quarantine and inspection user fee for all traffic entering the U.S. from Canada.
- Gamma ray screening of cargo entering the U.S. from Canada, and potential security and agricultural inspections at the Canada/U.S. border.

Vessels

The Company's vessel operations are subject to regulation by the U.S. Coast Guard and the Department of Transportation, Maritime Administration, which regulate the ownership and operation of vessels operating on the Great Lakes and in U.S. coastal waters. In addition, the Environmental Protection Agency has authority to regulate air emissions from these vessels.

Transportation of hazardous materials

As a result of its common carrier obligations, the Company is legally required to transport toxic inhalation hazard materials regardless of risk or potential exposure or loss. A train accident involving the transport of these commodities could result in significant costs and claims for personal injury, property damage, and environmental penalties and remediation in excess of insurance coverage for these risks, which may materially adversely affect the Company's results of operations, or its competitive and financial position.

4.7 *ENVIRONMENTAL MATTERS*

Regulatory Compliance

A risk of environmental liability is inherent in railroad and related transportation operations; real estate ownership, operation or control; and other commercial activities of the Company with respect to both current and past operations. As a result, the Company incurs significant operating and capital costs, on an ongoing basis, associated with environmental regulatory compliance and clean-up requirements in its railroad operations and relating to its past and present ownership, operation or control of real property. In as much as such liability is inherent to railroad and transportation operations, CN is in all material aspects similarly situated relative to its competitors and thus the resulting environmental protection requirements and expenditures are not expected to have a material adverse effect on CN's competitive position. Environmental expenditures that relate to current operations are expensed unless they relate to an improvement to the property. Expenditures that relate to an existing condition caused by past operations and which are not expected to contribute to current or future operations are expensed.

In Canada, the matter of environmental permits for the Company is complex because of an overlap between federal and provincial jurisdictions. When projects trigger an environmental assessment, CN proceeds in accordance with the *Canadian Environmental Assessment Act*, *2012*. Provincial and municipal environmental legislation may be applicable to railway activities if such legislation does not aim to regulate the management or operations of railways. Therefore, the Company does not apply systematically for provincial, municipal or local environmental permits for its railway operations in Canada except (i) where obtaining and complying with such permits would not interfere with the operations or management of its railway activities, (ii) where the work undertaken has an impact outside of CN's right-of-way, (iii) where the Company or the governmental authority think it is necessary to obtain such permits to continue minor aspects of the Company's railway operations or maintenance, or (iv) where the absence of a permit may affect a third party (such as a customer or a supplier). Because of the multiple jurisdictions involved and the extensive provincial legislative authority to regulate environmental matters, there can be no assurance that additional provincial, municipal or local environmental permits will not be required in the future. The Company may incur additional expenses or changes in its operations if such additional permits were to be required in the future.

See Note 16 – Major commitments and contingencies, to CN's 2016 Annual Consolidated Financial Statements (Financial Statements) for a further discussion of environmental matters, as well as the section entitled "Environmental matters", on pages 40 to 41 of the MD&A, and the section entitled "Environmental matters" in the Business risks discussion located on page 42 of the MD&A, which are incorporated by reference herein.

Environmental Policy

CN is committed to conducting its operations and activities in a manner that protects the natural environment. CN considers protecting the environment a fundamental corporate social responsibility governing its activities. Consequently, CN has implemented comprehensive environmental management programs. The Company's programs aim to minimize the impact of the Company's activities on the environment. The Company strives to contribute to the protection of the environment by integrating environmental priorities into the Company's overall business plan and through the specific monitoring and measurement of such priorities against historical performance and, in some cases, specific targets.

The Environment, Safety and Security Committee of the Board of Directors has the responsibility of overseeing the Company's environmental programs. The Environment, Safety and Security Committee is composed of CN's directors and its responsibilities, powers and operation are further described in the charter of such committee, which is included in the Company's Corporate Governance Manual available on CN's website. Certain risk mitigation strategies, such as periodic audits, employee training programs and emergency plans and procedures, are in place to minimize the environmental risks to the Company. The Company's CDP report, its Sustainability Report entitled "Delivering Responsibly" and the Company's Corporate Governance Manual, are available on CN's website www.cn.ca in the Delivering Responsibly section.

4.8 *LEGAL MATTERS*

Legal Proceedings

As of the date hereof, there are no legal proceedings to which CN is a party involving claims for damages, exclusive of interest and costs, in excess of 10% of its current assets. The Company will regularly assess its position as events progress.

See Note 16 – Major commitments and contingencies to the Financial Statements, for further discussion of legal actions, if any, as well as pages 38 to 39 of the MD&A, for a general discussion of personal injury and other claims, which are incorporated by reference herein.

Aboriginal Claims

CN and its predecessor companies have acquired lands throughout Canada from the Crown, including certain lands contained in Aboriginal reserves. A portion of the Company's network, primarily in British Columbia, is currently operated on these lands.

The Company believes that it possesses unrestricted and absolute title to lands acquired out of Aboriginal reserves. However, in recent years, some Aboriginal bands have claimed to have a continuing legal interest in such lands. They allege this interest prohibits the Company from disposing of the lands when they are no longer needed for railway purposes, except by allowing them to revert to the Crown for the benefit of Aboriginals. This issue is one which will ultimately be decided by the courts; however, regardless of the outcome, there is no perceived material adverse effect, as the right of the Company to continue to occupy and operate over such lands is not being called into question.

As the issues surrounding Aboriginal claims are complex and involve not only private interests but fiduciary and other obligations of the Crown in the right of Canada, CN has agreed not to sell or otherwise dispose of land which is not essential to its rail operations and which is located in, or adjacent to, an Aboriginal reserve, unless each of CN and the Government of Canada is satisfied that no legitimate Aboriginal claim exists with respect to such land. In addition, CN has agreed to convey to the Government of Canada, for no consideration, any land not integral to its rail operations that may be necessary to settle legitimate Aboriginal claims with respect to such land, or lands which were formerly reserve lands and have become non-rail assets. The Government of Canada, for its part, has agreed that it will provide the necessary compensation for settlement of legitimate Aboriginal claims which would otherwise result in CN having to relinquish land essential to its rail network, unless such claims arise out of, or are substantially based upon, willful, known, negligent or fraudulent acts or omissions of CN which adversely affected the rights or interests of Aboriginal people.

4.9 *INTANGIBLE PROPERTIES*

CN uses various works protected by intellectual property rights to which the Company owns or for which it has been granted rights to use. These works include customers' lists, copyrights, patents, trade-marks, logos and trade names. This intellectual property is important to the Company's operations and its success.

4.10 *RISK FACTORS*

A description of risks affecting CN and its business appears under the heading "Business risks" located on pages 41 to 50 of the MD&A, and under the heading "Financial Instruments" for risks associated with the Company's use of financial instruments located on pages 30 to 31 of the MD&A, which pages are incorporated by reference herein. See Item 1 of this AIF for a further discussion of risks associated with forward-looking statements.

ITEM 5 DIVIDENDS

The Company has declared dividends in line with its overall financial performance and cash flow generation. The Board of Directors makes decisions on dividend levels on an annual basis and on dividend payout on a quarterly basis. Consistent with this practice, the quarterly rate of $0.2500 per share, starting with the first quarter of 2014, was increased to $0.3125 per share, starting with the first quarter of 2015; the quarterly dividend was next increased to $0.3750 per share, starting with the first quarter of 2016 and to $0.4125 per share, starting with the first quarter of 2017. There can be no assurance as to the amount or timing of such dividends in the future.

ITEM 6 DESCRIPTION OF CAPITAL STRUCTURE

6.1 *GENERAL DESCRIPTION OF CAPITAL STRUCTURE*

The authorized share capital of CN consists of an unlimited number of Common Shares, an unlimited number of Class A Preferred Shares issuable in series and an unlimited number of Class B Preferred Shares issuable in series, all without par value.

There are no Class A Preferred Shares or any Class B Preferred Shares currently issued and outstanding.

Common Shares

The Common Shares carry and are subject to the following rights, privileges, restrictions and conditions described below:

Voting: Each Common Share entitles its holder to receive notice of and to attend all general and special meetings of shareholders of CN, other than meetings at which only the holders of a particular class or series of shares are entitled to vote, and each such Common Share entitles its holder to one vote.

Dividends: The holders of Common Shares are, at the discretion of the directors, entitled to receive, out of any amounts applicable to the payment of dividends, and after the payment of any dividends payable on any Preferred Shares, any dividends declared and payable by CN on the Common Shares.

Dissolution: The holders of Common Shares shall be entitled to share equally in any distribution of the assets of CN upon the liquidation, dissolution or winding-up of CN or other distribution of its assets among its shareholders. Such participation is subject to the rights, privileges, restrictions and conditions attaching to any issued and outstanding Preferred Shares or shares of any other class ranking prior to the Common Shares.

Preferred Shares

The Class A Preferred Shares and the Class B Preferred Shares are issuable in series and, subject to CN's Articles, the Board of Directors is authorized to fix, before issuance, the designation, rights, privileges, restrictions and conditions attaching to the shares of each series. The holders of Class A Preferred Shares or Class B Preferred Shares shall not be entitled to vote at meetings of shareholders otherwise than as provided by law and holders of Class A Preferred Shares or Class B Preferred Shares shall not be entitled to vote separately as a class except as provided by law.

6.2 *SHARE OWNERSHIP CONSTRAINTS*

CN's Articles provide that where the total number of voting shares held, beneficially owned, or controlled, directly or indirectly, by any one person together with his or her associates exceed 15%, no person shall exercise the voting rights attached to the voting shares held, beneficially owned or controlled, directly or indirectly, by such person or his or her associates. Furthermore, all dividends attributable to the percentage of voting shares held by such persons in excess of 15% shall be forfeited, including any cumulative dividend. However, CN's Articles provide that in the event where the 15% limit is exceeded solely as a result of share buybacks conducted by CN, the only consequence to the relevant shareholder under CN's Articles is that the shareholder shall not be entitled to exercise the voting rights attached to the common shares held by such shareholder that are in excess of the 15% limit. CN's Articles confer on the Board of Directors all powers necessary to give effect to the ownership restrictions, including the ability to pay dividends or to make other distributions which would otherwise be prohibited if the event giving rise to the prohibition was inadvertent or of a technical nature or it would otherwise be inequitable not to pay the dividends or make the distribution. CN's Articles provide that the Board of Directors may adopt by-laws concerning the administration of the constrained share provisions described above, including by-laws requiring a shareholder to furnish a declaration indicating whether he or she is the beneficial owner of the shares and whether he or she is an associate of any other shareholder. In addition, CN is also authorized to refuse to recognize the ownership rights that would otherwise be attached to any voting shares held, beneficially owned or controlled, directly or indirectly, contrary to the share ownership constraint. Finally, CN has the right, for the purpose of enforcing any constraint imposed pursuant to its Articles, to sell, as if it were the owner thereof, any voting shares that are owned or that the directors determine may be owned, by any person or persons contrary to such share ownership constraint.

6.3 *RATINGS OF DEBT SECURITIES*

The Company's access to long-term funds in the debt capital markets depends on its credit rating and market conditions. The Company believes that it continues to have access to the long-term debt capital markets. Rating downgrades could limit the Company's access to the credit markets, or increase its borrowing costs. Various classes of CN's outstanding securities have been rated by several rating organizations as described in detail below, as of the date hereof.

	DBRS	**Moody's Investors Service**	**Standard & Poor's**
Long-Term Debt	A	A2	A
Commercial Paper	R-1 (low)	P-1	A-1

The above-noted ratings are given the following credit characteristics by the various rating agencies:

DBRS Limited (DBRS)

- Long-term debt rated A is of good credit quality. The capacity for the payment of financial obligations is substantial, but of lesser quality than AA. May be vulnerable to future events, but qualifying negative factors are considered manageable. This rating falls within the third highest of DBRS's ten long-term debt rating categories which range from "AAA" to "D".

- Commercial paper rated R-1 (low) is of good credit quality. The capacity for the payment of short-term financial obligations as they fall due is substantial. Overall strength is not as favourable as higher rating categories. May be vulnerable to future events, but qualifying negative factors are considered manageable. This rating falls within the third highest of DBRS's ten short-term debt rating categories which range from "R-1 (high)" to "D".

Moody's Investors Service (Moody's)

- Long-term debt obligations rated A are judged to be upper-medium grade and are subject to low credit risk. This rating falls within the third highest of Moody's nine generic long-term obligation rating categories which range from "Aaa" to "C". The modifier "2" indicates a ranking in the mid-range of that generic rating category.

- Commercial paper rated P-1 indicates that CN has a superior ability to repay short-term debt obligations. This rating falls within the highest of Moody's four generic short-term debt rating categories which range from "P-1" to "NP".

Standard & Poor's Financial Services LLC (S&P)

- Long-term debt obligations rated A are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rated categories. However, the obligor's capacity to meet its financial commitment on the obligations is still strong. This rating falls within the third highest of S&P's ten major long-term credit rating categories which range from "AAA" to "D".

- A short-term obligation rated "A-1" is rated in the highest category by S&P. The obligor's capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong.

The ratings of CN's securities described above should not be construed as a recommendation to buy, sell, or hold CN securities. Ratings may be revised or withdrawn at any time by the rating agencies.

As is common practice, during the last two years, each of the above-noted credit rating agencies charged CN for their rating services which include annual surveillance fees covering CN's outstanding long-term and short-term debt securities, in addition to one-time rating fees when debt is initially issued. CN reasonably expects that such payments will continue to be made for rating services in the future.

ITEM 7 TRANSFER AGENT AND REGISTRAR

In Canada, the transfer agent and registrar for each class of CN's publicly issued securities is Computershare Trust Company of Canada and, in the U.S., the co-transfer agent and co-registrar is Computershare Trust Company, N.A., both of which maintain registers of transfers for CN's securities at the locations specified below:

Computershare Trust Company of Canada
100 University Avenue, 8th Floor
Toronto, Ontario M5J 2Y1
Toll Free Tel: 1-800-564-6253
Toll Free Fax: 1-888-453-0330
Email: service@computershare.com
Web: www.investorcentre.com\service

Co-transfer agent and co-registrar:

Computershare Trust Company, N.A.
Att: Stock Transfer Department
Overnight Mail Delivery: 250 Royall Street, Canton, Massachusetts 02021
Regular Mail Delivery: P.O. Box 43078, Providence, Rhode Island 02940-3070
Telephone: (303) 262-0600 or 1-800-962-4284

ITEM 8 MARKET FOR SECURITIES

8.1 *TRADING PRICE AND VOLUME*

CN's Common Shares are listed on both the TSX and the NYSE under the stock symbols CNR and CNI, respectively. The following table sets forth the price ranges and aggregate trading volumes of the Common Shares on the TSX for each month of 2016:

Month	High	Low	Volume
January	76.53	66.62	34,104,342
February	79.95	72.07	26,199,370
March	82.04	77.33	27,695,224
April	83.81	76.68	26,422,375
May	78.65	75.09	23,029,392
June	78.02	72.78	29,384,534
July	85.43	75.82	21,756,119
August	85.61	80.11	20,669,433
September	86.15	80.63	31,599,958
October	89.40	83.88	22,480,640
November	90.71	82.85	22,892,341
December	92.85	87.82	26,282,421

8.2 *PRIOR SALES*

On August 2, 2016, under its shelf prospectus and registration statement, the Company issued US$650 million ($848 million) 3.20% Notes due 2046 in the U.S. capital markets and on February 23, 2016, under its shelf prospectus and registration statement, the Company issued US$500 million ($686 million) 2.75% Notes due 2026 in the U.S. capital markets, which are together detailed in the following table:

Security	Notes due 2026	Notes due 2046
Size of Offering:	U.S. $500,000,000	U.S. $650,000,000
Maturity Date:	March 1, 2026	August 2, 2046
Coupon Rates:	2.75%	3.20%
Net Proceeds of Issue:	U.S. $494,835,000	U.S. $637,253,000

Security	Notes due 2026	Notes due 2046
Public Offering Price:	98.967%	98.914%
Application of Proceeds:	General corporate purposes, including the redemption and refinancing of outstanding indebtedness, and share repurchases.	

In addition, in the ordinary course of business, the Company has the capability to issue commercial paper with maturities of less than 12 months. As at December 31, 2016, the Company had total commercial paper borrowings of $605 million (U.S. $451 million). The weighted-average interest rate on these borrowings was 0.65%.

ITEM 9 DIRECTORS AND EXECUTIVE OFFICERS

9.1 *DIRECTORS*

The directors of the Company are elected by the shareholders at the Annual General Meeting of the Company, and hold office until their term expires at the following Annual General Meeting, subject to resignation, retirement, or re-election. The following table lists the directors of the Company as of the date hereof:

Name Province or State of Residence and Date of First Election/Appointment to Board	Current Principal Occupation	Past Principal Occupations held in the Preceding Five Years
Donald J. Carty, O.C., LL. D. Texas, U.S.A. January 1, 2011	Corporate Director	
Ambassador Gordon D. Giffin Georgia, U.S.A. May 1, 2001	Partner, Dentons U.S. LLP (law firm)	
Edith E. Holiday Florida, U.S.A. June 1, 2001	Corporate Director and Trustee	
Luc Jobin Quebec, Canada June 30, 2016	President and Chief Executive Officer, CN	Executive Vice-President and Chief Financial Officer, CN
V. Maureen Kempston Darkes, O.C., D. Comm., LL.D. Ontario, Canada Florida, U.S.A. March 29, 1995	Corporate Director	
The Hon. Denis Losier, P.C., LL.D., C.M. New Brunswick, Canada October 25, 1994	Corporate Director	President and Chief Executive Officer, Assumption Life (life insurance company)

Name Province or State of Residence and Date of First Election/Appointment to Board	Current Principal Occupation	Past Principal Occupations held in the Preceding Five Years
The Hon. Kevin G. Lynch, P.C., O.C., PH.D., LL.D. Ontario, Canada April 23, 2014	Vice-Chair, BMO Financial Group (bank)	
James E. O'Connor Florida, U.S.A. April 27, 2011	Corporate Director	
Robert Pace, D. COMM. Nova Scotia, Canada October 25, 1994	Chair of the Board of Directors, CN President and Chief Executive Officer, The Pace Group (radio broadcasting, real estate and environmental services)	
Robert L. Phillips British Columbia, Canada April 23, 2014	President, R.L. Phillips Investments Inc.	
Laura Stein California, U.S.A. April 23, 2014	Executive Vice-President – General Counsel & Corporate Affairs, The Clorox Company (marketer and manufacturer of consumer products)	Senior Vice-President, General Counsel, The Clorox Company

Committee Membership

The membership of each Board committee is composed of the following directors:

Audit Committee

Donald J. Carty (chair), Ambassador Gordon D. Giffin, Edith E. Holiday, V. Maureen Kempston Darkes, James E. O'Connor, Robert L. Phillips, Laura Stein.

Finance Committee

The Hon. Kevin G. Lynch (chair), Edith E. Holiday, V. Maureen Kempston Darkes, James E. O'Connor, Laura Stein.

Corporate Governance and Nominating Committee

The Hon. Denis Losier (chair), Donald J. Carty, V. Maureen Kempston Darkes, the Hon. Kevin G. Lynch, Robert Pace, Robert L. Phillips.

Donations and Sponsorships Committee

Luc Jobin (chair), Ambassador Gordon D. Giffin, the Hon. Denis Losier, Robert Pace.

Environment, Safety and Security Committee

V. Maureen Kempston Darkes (chair), Donald J. Carty, James E. O'Connor, Robert Pace, Robert L. Phillips, Laura Stein.

Human Resources and Compensation Committee

Ambassador Gordon D. Giffin (chair), Donald J. Carty, Edith E. Holiday, the Hon. Denis Losier, the Hon. Kevin G. Lynch, James E. O'Connor, Robert L. Phillips, Laura Stein.

Investment Committee of CN's Pension Trust Funds

Edith E. Holiday (chair) Ambassador Gordon D. Giffin, the Hon. Denis Losier, the Hon. Kevin G. Lynch.

Strategic Planning Committee

James E. O'Connor (chair), Donald J. Carty, Ambassador Gordon D. Giffin, Edith E. Holiday, Luc Jobin, V. Maureen Kempston Darkes, the Hon. Denis Losier, the Hon. Kevin G. Lynch, Robert Pace, Robert L. Phillips, Laura Stein.

9.2 *AUDIT COMMITTEE DISCLOSURE*

The Audit Committee Charter is reproduced in its entirety at Schedule A of this AIF.

Composition of the Audit Committee

The Audit Committee is composed of seven independent directors, namely, Donald J. Carty, chair of the Audit Committee, Ambassador Gordon D. Giffin, Edith E. Holiday, V. Maureen Kempston Darkes, James E. O'Connor, Robert L. Phillips and Laura Stein.

Education and Relevant Experience of the Audit Committee Members

The Board of Directors believes that the composition of the Audit Committee reflects a high level of financial literacy and experience. Each member of the committee has been determined by the Board of Directors to be financially literate, as such term is defined under Canadian and U.S. securities laws and regulations and the NYSE Corporate Governance Standards. The Board of Directors has made such determination based on the education and experience of each committee member. The following is a description of the education and experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as a member of the committee:

Mr. Carty, Chair of the Audit Committee since April 23, 2014, is the retired Vice-Chairman and Chief Financial Officer of Dell, Inc., a position he assumed from January 2007 until June 2008. Before joining Dell, Mr. Carty retired in June 2003 as Chairman and CEO of AMR Corporation and American Airlines. He had previously served as President, Executive Vice-President – Finance and Planning and Senior Vice-President and Controller of AMR Airline Group and American Airlines. He was President and CEO of CP Air from 1985 to 1987. Mr. Carty is chairman of the board of directors of Porter Airlines Inc. and is serving as a director and member of the audit committee of VMWare, Inc. and Hawaiian Holdings, Inc. Mr. Carty holds a Master of Business Administration from the Harvard Business School.

Ambassador Giffin is a Partner of the law firm of Dentons U.S. LLP, where he maintains offices in Washington, D.C. and Atlanta. His practice focuses on international transactions and trade matters and public policy. He has been engaged in the practice of law or government service for more than thirty-five years. Mr. Giffin was United States Ambassador to Canada from 1997 to 2001. Mr. Giffin is a member of the board of trustees of the Jimmy Carter Presidential Center and is a member of the Council on Foreign Relations and the Tri-Lateral Commission. Mr. Giffin serves on the Board of Counsellors of McLarty Global. Mr. Giffin is also Chair of the board of TransAlta Corporation and a director of the Canadian Imperial Bank of Commerce. He is Lead Director and member of the audit committee of Canadian Natural Resources Limited and a director of ECN Capital Corp. Mr. Giffin holds a B.A. from Duke University and a J.D. from Emory University School of Law in Atlanta, Georgia.

Ms. Holiday is a Corporate Director and Trustee and a former General Counsel, U.S. Treasury Department and former Secretary of the Cabinet, The White House. Ms. Holiday serves on the board of directors of Hess Corporation and serves as director and member of the audit committee of White Mountains Insurance Group, Ltd. She is also a director or trustee and member of the audit committee of various investment companies of the Franklin Templeton Group of Funds and a director of Santander Consumer USA Holdings Inc. Ms. Holiday holds a B.S. and a J.D. from the University of Florida, and she was admitted to the bars of the states of Florida, Georgia and the District of Columbia.

Ms. Kempston Darkes is the retired Group Vice-President and President Latin America, Africa and Middle East, General Motors Corporation. In 2009 she ended a 35-year career at GM during which she attained the highest operating position ever held by a woman at GM. From 1994 to 2001, she was President and General Manager of General Motors of Canada Limited and Vice-President of General Motors Corporation. Ms. Kempston Darkes is Lead Director and chair of the audit committee of Irving Oil Co. Ltd (private company) and serves on the board of directors of Brookfield Asset Management Inc., Enbridge Inc. and Balfour Beatty Plc. Ms. Kempston Darkes also serves as director and is chair of the audit committee of Schlumberger Limited. Ms. Kempston Darkes holds a B.A. in history and political science from Victoria University and the University of Toronto and an LL.B. from the University of Toronto Faculty of Law.

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

Mr. Phillips is the President of R.L. Phillips Investments Inc. and was previously President and Chief Executive Officer and director of British Columbia Railway Company Limited from 2001-2004. Mr. Phillips was Executive Vice-President, Business Development and Strategy for MacMillan Bloedel Ltd. and, before that, held the position of Chief Executive Officer at PTI Group and Dreco Energy Services Limited. He also enjoyed a prestigious career as a corporate lawyer. Mr. Phillips is currently the chairman of the board of directors and member of the Audit Committee of the Canadian Western Bank, Precision Drilling Corporation and MacDonald Dettwiler & Associates Ltd. He is also Lead Director of West Fraser Timber Co. Ltd. Mr. Phillips received his Bachelor of Laws (Gold Medalist), and Bachelor of Science, Chemical Engineering (Hons) from the University of Alberta.

Ms. Stein is the Executive Vice-President – General Counsel & Corporate Affairs of The Clorox Company, where she serves on the executive committee. From 2000-2005, Ms. Stein was Senior Vice-President, General Counsel of the H.J. Heinz Company. She was also previously a corporate lawyer with Morrison & Foerster in San Francisco and Hong Kong. Ms. Stein is a director and member of the audit committee of Franklin Resources, Inc. Ms. Stein received her J.D. from Harvard Law School, and is a graduate of Dartmouth College where she earned an undergraduate and master's degrees.

Auditors' Fees

KPMG LLP has served as the Company's auditors since 1992. For the years ended December 31, 2016 and 2015, the fees for audit, audit related, tax and other services provided to the Company by KPMG LLP were the following:

Fees (1)	2016	2015
Audit	$2,723,000	$2,708,000
Audit-related	$1,070,000	$1,039,000
Tax	$1,349,000	$913,000
All Other	$12,000	$17,000
Total Fees	**$5,154,000**	**$4,677,000**

(1) Fees rounded to the nearest thousand.

Pursuant to the terms of its charter, the Audit Committee approves all audit and audit-related services, audit engagement fees and terms and all non-audit engagements with the independent auditor. The Audit Committee pre-approved all the services performed by CN's independent auditors for audit-related and non-audit related services for the years ended December 31, 2016 and 2015.

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

Audit fees

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

Audit-related fees

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

Tax fees

Consists of fees incurred for consultations on cross-border tax implications for employees, for assistance related to the Canadian Scientific Research and Experimental Development (SR&ED) tax credit and for tax compliance.

All Other fees

Consists of fees related to data analytics assistance.

Non-Audit Services

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

9.3 *EXECUTIVE OFFICERS*

The following table lists the senior executive officers of the Company as of the date hereof:

Name and Province or State of Residence	Current Principal Occupation	Past Principal Occupations held in the Preceding Five Years
Luc Jobin Quebec, Canada	President and Chief Executive Officer	Executive Vice-President and Chief Financial Officer, CN
Matthew Barker Alberta, Canada	Senior Vice-President, Network Operations and Planning	Vice-President, Network Operations and Planning; Vice-President, Network Transportation
Mike Cory Quebec, Canada	Executive Vice-President and Chief Operating Officer	Senior Vice-President, Western Region
Scott Daniels Ontario, Canada	Senior Vice-President, Strategy and Innovation	Senior Partner, Monitor Deloitte; Senior Partner, Monitor Group
Janet Drysdale Quebec, Canada	Vice-President, Corporate Development	Vice-President, Investor Relations; Director, Economics and Strategy
Michael Farkouh Quebec, Canada	Vice-President, Eastern Region	General Manager, British Columbia South; Assistant Vice-President, British Columbia South; Vice-President, Safety and Sustainability
Sean Finn Quebec, Canada	Executive Vice-President Corporate Services and Chief Legal Officer	
Russell Hiscock Quebec, Canada	President and Chief Executive Officer, CN Investment Division	
Ghislain Houle Quebec, Canada	Executive Vice-President and Chief Financial Officer	Vice-President and Corporate Comptroller; Vice-President, Financial Planning
Serge Leduc Quebec, Canada	Senior Vice-President, Chief Information and Technology Officer	Vice-President and Chief Information Officer; Senior Director, Information Technology

Name and Province or State of Residence	Current Principal Occupation	Past Principal Occupations held in the Preceding Five Years
Kimberly A. Madigan Quebec, Canada	Vice-President, Human Resources	
John Orr Illinois, U.S.A.	Senior Vice-President, Southern Region	Vice-President, Eastern Region; Vice-President, Chief Safety and Sustainability Officer; Assistant Vice-President, British Columbia South
Jean-Jacques Ruest Quebec, Canada	Executive Vice-President and Chief Marketing Officer	
Doug Ryhorchuk Alberta, Canada	Vice-President, Western Region	General Manager

The senior executive officers are appointed by the Board of Directors and hold office until their successors are appointed subject to resignation, retirement or removal by the Board of Directors.

As at December 31, 2016, the directors and the members of the executive committee, including the senior executive officers mentioned above, of the Company, as a group, beneficially owned, directly or indirectly, or exercised control or direction over an aggregate of approximately 961.5 thousand Common Shares of the Company, representing approximately 0.13% of the outstanding Common Shares.

9.4 *CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS*

To the knowledge of the Company and based upon information provided to it by the Company's directors and executive officers, none of such directors or executive officers is or has been, in the last 10 years, a director or executive officer of any company that, while such person was acting in that capacity: (a) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; (b) was subject to an event that resulted, after that person ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or (c) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, except for the following:

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

(ii) Mr. Giffin, a director of the Company, was a director of AbitibiBowater Inc. until January 22, 2009. AbitibiBowater Inc. and certain of its U.S. and Canadian subsidiaries filed voluntary petitions in the U.S. under Chapter 11 of the U.S. Bankruptcy Code on April 16, 2009. AbitibiBowater Inc. and certain of its Canadian subsidiaries filed for creditor protection under the CCAA in Canada on April 17, 2009. Mr. Giffin resigned as a director of AbitibiBowater Inc. on January 22, 2009; and

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

ITEM 10 INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the knowledge of the Company and based upon information provided to it by the Company's directors and executive officers, there were no (i) directors or executive officers, (ii) persons that beneficially own, or control or direct, directly or indirectly, more than 10% of CN common shares, or (iii) any associate or affiliate of persons referred to in (i) and (ii), with a material interest in any transaction within the three most recently completed financial years that has materially affected the Company or is reasonably expected to materially affect the Company.

ITEM 11 INTEREST OF EXPERTS

KPMG LLP is the external auditor who prepared the Reports of Independent Registered Public Accounting Firm to the Board of Directors and shareholders of CN relating to the effectiveness of internal controls over financial reporting and relating to the audit of the 2016 Annual Consolidated Financial Statements and Notes thereto prepared under U.S. generally accepted accounting principles. We are advised that, as at the date hereof, KPMG LLP is independent with respect to the Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.

ITEM 12 ADDITIONAL INFORMATION

Additional information regarding CN can be found on SEDAR at www.sedar.com. Additional financial information is provided in CN's Annual Consolidated Financial Statements and MD&A for its most recently completed financial year. Additional information, including directors' and officers' remuneration and securities authorized for issuance under equity compensation plans, is contained in the Company's Management Information Circular prepared in respect of its annual meeting of shareholders to be held on April 25, 2017 (Circular). The Circular will become available on SEDAR at www.sedar.com and on EDGAR at www.sec.gov on or about March 22, 2017.

SCHEDULE A - CHARTER OF THE AUDIT COMMITTEE

1. Membership and Quorum

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

2. Frequency and Timing of Meetings

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

3. Mandate

The responsibilities of the Audit Committee include the following:

A. *Overseeing financial reporting*

- monitoring the quality and integrity of CN's accounting and financial reporting process through discussions with management, the external auditors and the internal auditors;
- reviewing with management and the external auditors, the annual audited financial statements to be included in the annual report of CN, including CN's MD&A disclosure and earnings press releases prior to their release, filing and distribution;
- reviewing with management and the external auditors, quarterly consolidated financial statements of CN and accompanying information, including CN's MD&A disclosure and earnings press releases prior to their release, filing and distribution, and reviewing the level and type of financial information provided, from time to time, to financial markets;
- reviewing the financial information contained in the annual information form and other reports or documents, financial or otherwise, requiring Board approval;
- reviewing the procedures in place for the review of CN's disclosure of financial information extracted or derived from CN's financial statements and periodically assessing the adequacy of those procedures;
- reviewing with the external auditors and management, the quality, appropriateness and disclosure of CN's accounting principles and policies, underlying assumptions and reporting practices, and any proposed changes thereto;
- reviewing any analysis or other written communications prepared by management, the internal auditors or external auditors setting forth significant financial reporting issues and judgments made in connection with

the preparation of the financial statements, including analyses of the effect of alternative generally accepted accounting principles methods;

- reviewing the external auditors' report on the consolidated financial statements and internal controls over financial reporting of CN and on the financial statements of CN's Pension Trust Funds;
- reviewing the external auditors' quarterly review engagement report;
- reviewing the compliance of management certification of financial reports with applicable legislation;
- reviewing any litigation, claim or other contingency and any regulatory or accounting initiatives that could have a material effect upon the financial position or operating results of CN and the appropriateness of the disclosure thereof in the documents reviewed by the Committee;
- reviewing the results of the external audit, any significant problems encountered in performing the audit, and management's response and/or action plan related to any Management Letter issued by the external auditors and any significant recommendations contained therein.

B. *Monitoring risk management and internal controls*

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

C. *Monitoring internal auditors*

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

D. *Monitoring external auditors*

- recommending to the Board and CN's shareholders the retention and, if appropriate, the removal of external auditors, evaluating and remunerating them, and monitoring their qualifications, performance and independence;
- approving and overseeing the disclosure of all audit, review and attest services provided by the external auditors, determining which non-audit services the external auditors are prohibited from providing, and pre-approving and overseeing the disclosure of permitted non-audit services by the external auditors to CN or any of its subsidiaries, in accordance with applicable laws and regulations;

- reviewing recommendations to shareholders on the continued engagement or replacement of external auditors, for CN and CN's Pension Trust Funds;

- ensuring that the external auditors are accountable to the Audit Committee and to the Board;

- discussing with the external auditors the quality and not just the acceptability of CN's accounting principles, including (i) all critical accounting policies and practices used, (ii) any alternative treatments of financial information that have been discussed with management, the ramification of their use and the treatment preferred by the external auditors, as well as (iii) any other material written communications between CN and the external auditors (including a disagreement, if any, with management and any audit problems or difficulties and management's response);

- reviewing at least annually, a report by the external auditors describing their internal quality-control procedures; any material issues raised by their most recent internal quality-control review of their firm, or peer review, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more audits carried out by them, to the extent available, and any steps taken to deal with any such issues;

- reviewing at least annually, the formal written statement from the external auditors stating all relationships the external auditors have with CN and confirming their independence, and holding discussions with the external auditors as to any relationship or services that may impact their objectivity or independence;

- reviewing hiring policies for employees or former employees of CN's firm of external auditors;

- ensuring the rotation of lead, concurring and other audit partners, to the extent required by Canadian Corporate Governance Standards and U.S. Corporate Governance Standards.

E. *Evaluating the performance of the Audit Committee*

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

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

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

As appropriate, the Audit Committee may retain independent advisors to help it carry out its responsibilities, including fixing such advisors' fees and retention terms, subject to advising the Board chair; the Audit Committee makes arrangements for the appropriate funding for payment of the external auditors and any advisors retained by it. The Board also provides appropriate funding for all administrative expenses necessary or appropriate to allow the Audit Committee to carry out its duties.

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

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

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

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

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

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

CANADIAN NATIONAL RAILWAY COMPANY

/s/ Sean Finn

Name:	Sean Finn
Title:	Executive Vice-President Corporate Services and Chief Legal Officer
Date:	February 1, 2017

EXHIBIT INDEX

Exhibit No.	Description
99.1	Management’s Discussion and Analysis for the year ended December 31, 2016*
99.2	Audited Annual Consolidated Financial Statements for the year ended December 31, 2016*
99.3	Consent of KPMG LLP
99.4	CEO Section 302 Certification
99.5	CFO Section 302 Certification
99.6	CEO and CFO Section 906 Certification
101	Interactive Data File*

*Incorporated by reference from the Registrant’s Form 6-K dated February 1, 2017.

Exhibit 99.3

KPMG LLP
600 de Maisonneuve Blvd. West
Suite 1500
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Montréal (Québec) H3A 0A3

Telephone (514) 840-2100
Fax (514) 840-2187
Internet www.kpmg.ca

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Canadian National Railway Company

We consent to the incorporation by reference of our Reports of Independent Registered Public Accounting Firm both dated February 1, 2017 with respect to the consolidated balance sheets of Canadian National Railway Company (the "Company") as of December 31, 2016 and 2015 and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2016, and the effectiveness of internal control over financial reporting as of December 31, 2016, in this annual report on Form 40-F of the Company for the year ended December 31, 2016.

We also consent to the incorporation by reference of such reports in the registration statements (No. 333-5258, No. 333-197799 and No. 333-204974) on Form S-8 of the Company and in the registration statement (No. 333-208547) on Form F-10 of the Company.

KPMG LLP*

February 1, 2017

Montréal, Canada

*CPA auditor, CA, public accountancy permit No. A123145

Exhibit 99.4

CEO SECTION 302 CERTIFICATION

I, Luc Jobin, certify that:

(1) I have reviewed this annual report on Form 40-F of Canadian National Railway Company;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

(4) The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

(5) The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: February 1, 2017

/s/ Luc Jobin
Luc Jobin
President and Chief Executive Officer

Exhibit 99.5

CFO SECTION 302 CERTIFICATION

I, Ghislain Houle, certify that:

(1) I have reviewed this annual report on Form 40-F of Canadian National Railway Company;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

(4) The issuer’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the issuer’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the issuer’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer’s internal control over financial reporting; and

(5) The issuer’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer’s auditors and the audit committee of the issuer’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer’s internal control over financial reporting.

Date: February 1, 2017

/s/ Ghislain Houle
Ghislain Houle
Executive Vice-President and Chief Financial Officer