

HUMAN RESOURCES AND COMPENSATION COMMITTEE

1. Membership

- a minimum of five directors appointed by the Board;
- only Independent directors shall be appointed;
- no more than one in three members shall be a sitting CEO of another company;
- at least one director shall be experienced in executive compensation;
- the President and CEO shall be excluded from the member selection process;
- quorum of a majority of members.

2. Frequency and Timing of Meetings

- normally one day prior to CN Board meetings;
- at least four 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 HR and Compensation Committee include the following:

A. Monitoring executive management's performance assessment, succession planning and compensation

- ensuring that appropriate mechanisms are in place regarding succession planning for the position of President and CEO;
- ensuring that the President and CEO has put into place, and monitoring, succession planning systems and policies for management, including processes to identify, develop and retain the talent of outstanding executives;
- recommending appointment of executive management, and approving the terms and conditions of their appointment and termination or retirement;
- reviewing corporate goals and objectives relevant to the President and CEO, evaluating the President and CEO's performance based on those goals and objectives and such other factors as the HR and Compensation Committee deems appropriate and in the best interest of CN, and recommending the President and CEO's compensation based on this evaluation, for approval by Independent Board members;
- reviewing the evaluation of executive management's performance and recommending to the Board executive management's compensation;

- examining each element of executive remuneration and reporting annually on compensation practices;
- producing for review and approval by the Board a report on executive compensation for inclusion in CN's Information Circular.

B. Reviewing Human Resources practices

- ensuring that appropriate human resources systems, such as hiring policies, training and development policies and compensation structures are in place so that CN can attract, motivate and retain the quality of personnel required to meet its business objectives;
- developing a compensation philosophy and policy that rewards the creation of shareholder value and reflects an appropriate balance between the short and longer-term performance of CN;
- recommending pension plan design to the Board;
- making recommendations to the Board with respect to the design of incentive-compensation plans and equity-based plans;
- monitoring pension, strategic labour and social issues, such as bilingualism, employment opportunity and employment assistance programs.

C. Evaluating the performance of the HR and Compensation Committee

- ensuring that processes are in place to annually evaluate the performance of the HR and Compensation Committee.

As appropriate, the Compensation 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 chair of the HR and Compensation Committee shall pre-approve all non-compensation services provided by the consultants retained by the committee to perform compensation-related services. The fees paid to such consultants, regarding compensation and non-compensation services, shall be disclosed separately in CN's Information Circular.

The HR and Compensation Committee chair or another member of the HR and Compensation Committee will attend annual shareholder meetings in order to respond directly to any questions shareholders may have on executive compensation.

The HR and Compensation 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 HR and Compensation Committee the Board 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 HR and Compensation Committee.