What CN Stands For 2015

BUILDING FOR the future
CN is North America’s Railroad

In business for nearly 100 years, CN is a world-class transportation leader. Spanning Canada and Middle-America, we’re the only transcontinental rail network in North America. We’re at the core of supply chains directly serving about 75 percent of the U.S. population and all major Canadian markets. Extending from the Atlantic and Pacific oceans to the Gulf of Mexico, we offer fully integrated rail service to ports on all three coasts as well as to key cities with connections to all points in North America and beyond.

What CN Stands For

At CN, we take pride in how we do our jobs to move customers’ goods safely and efficiently. We are also proud of what our company stands for: a set of five core beliefs that drive how we conduct our business every day and support our commitment to be the best railway in North America.
Delivering Operational and Service Excellence

For the past 20 years, CN has operated with a mindset to drive productivity through disciplined execution in all aspects of running our railroad. We work hard to run more efficient trains, reduce dwell times at terminals and improve overall network velocity. We operate the railroad based on a model we call Precision Railroading, which requires accurate measurement and continuous improvement in all aspects of our operations.

At the same time, CN’s broad-based service innovations benefit customers. For us, service excellence means expanding our perspective, working closely with customers and providing quality end-to-end service, to help them win in their own markets.

With a clear strategic agenda driven by our commitment to service and productivity, CN creates value for our customers and shareholders.

Port Metro Vancouver: the largest port served by CN

The Port of Vancouver is Canada’s largest and busiest port. A dynamic gateway for international trade, this port is located in proximity to many of our transload facilities, making shipping that much easier.

The port:
- Handles over 140 million tonnes of cargo
- Trades with more than 160 world economies annually
- Is the fourth largest port in North America by tonnage, servicing 28 marine cargo terminals and three Class 1 railroads

EXECUTING WITH PRECISION TO DELIVER EXCELLENT SERVICE

For Justin Waldeck, being a supply chain enabler means being a problem solver. Justin is the CN Manager at the busy Port of Vancouver, working to move goods through to destination, safely and efficiently. It’s a job for which he was aptly prepared, having spent four years in the U.S. military as a logistics officer, connecting troops to supplies during overseas missions.

Justin says his work at CN presents familiar challenges: “You’ve got a clear mission and you need to determine your role in supporting it and how to execute with precision. I need to move quickly and collaborate with other CN employees and supply chain partners to get the job done.”
Creating Value for Customers

CN has raised its game through a mindset that looks at the entire movement of goods through the complete supply chain; not just how CN handles its portion of the process. We are increasingly involved in every step of the way, galvanizing all supply chain players to improve how products and material get from point A to point B.

This approach is driving solid results. With some of the best transit times in the industry and a strong focus on first mile/last mile service, CN is helping our customers win in their marketplace.

We are also sharpening our focus through a portfolio of initiatives called Customer FIRST.

We are moving to address key customer pinch points, especially in the first and last miles of a shipment. iAdvise, our latest initiative to communicate better with customers, provides merchandise customers a suite of electronic tools to easily order or release equipment, input documentation and track shipments en route. CN automatically forecasts car deliveries 24 hours in advance and advises customers of any service exceptions in a timely manner to help them manage their inventories and adjust their work schedules. Customers benefit from instant, up-to-date information, 24 hours a day.

About CN Aquatrain

In operation for over 50 years, Aquatrain is a unique rail-marine barge service that provides a vital link between Alaska and the rest of North America:

- Fast service - four days from Prince Rupert, BC, to Whittier, AK
- Shortest water route to Alaska by 600 miles
- Shipment stays on the railcar from origin to destination
- Operates year round, making more than 30 round trips each year
- One of the world’s largest railcar barges carrying 45 railcars on eight tracks

GREAT TEAM EFFORT DELIVERS QUICK SOLUTION

About 20 days. That’s how quickly CN delivered a new supply chain solution in July 2014. It was all thanks to the close collaboration of several CN departments and the work of committed employees like Tristan Jenkin, Supply Chain Solutions Manager.

Tristan knew of a customer in Alaska who wanted to bring frac sand up from Wisconsin.

“There were several links in the supply chain that needed to come together,” recalls Tristan, “and so many CN employees open and willing to help out.”

Tristan moved quickly to put together a cross-functional team to work out the shipping schedule and logistics, including the group that operates the CN Aquatrain from BC to Alaska. “CN delivered the first boxcars of frac sand when we said we would and the customer is very happy,” concludes Tristan.
Creating Value for Shareholders

In 2015, CN is celebrating the 20th anniversary of the company’s Initial Public Offering (IPO). We have made huge strides since privatizing in 1995. Once considered an industry laggard and largely a Canada-only enterprise, CN today leads the North American rail industry in terms of efficiency and service. We span eight Canadian provinces and 16 U.S. states, transporting freight traffic seamlessly over a 19,600-mile network that reflects more than $8 billion of acquisitions since 1998.

If you were lucky enough to have purchased $1,000 in CN shares during our IPO, those same shares would be worth over $35,000 today — a remarkable return on investment. Furthermore, CN has increased its dividend 19 consecutive times since 1995 at an average compound annual growth rate of 17 percent, and has created significant value for shareholders through regular share repurchases since its first buyback program in 2000.

CN has split its stock on four occasions since the IPO, most recently with a two-for-one stock split in 2013.

CN’S STOCK PERFORMANCE


CNR vs TSX (2005-2015)

Today’s investor knows that CN’s long-term success is closely linked to our contributions to a sustainable future.
When we say CN is a true backbone of the North American economy, it is a reflection of the key role we play in fostering the prosperity of the markets we serve. With annual revenues of $12 billion, we transport over 300 million tonnes of cargo worth more than $250 billion each year. Serving exporters, importers, retailers and manufacturers, we move raw materials, intermediate goods and finished products to market, touching the lives of millions of people every day.

CN has long been known as an indispensable link in the supply chain for natural resources like grain, coal and forest products. But CN is also a prime mover of consumer goods and industrial products. We move over two million intermodal containers a year, full of everything people use daily: clothes, furniture, food, toys, wine, and much more. From lumber and aluminum to electronics and cars, we transport many of the goods that help keep the North American economy moving.

Beyond the services we provide, CN makes a significant positive economic impact. We employ over 25,500 people, spend about $2.7 billion in capital infrastructure and $9 billion on goods and services from some 15,000 suppliers worldwide. We also paid $722 million in cash income taxes last year.
CN’s Presence in Key Markets Fosters Prosperity

• During the 2013-14 crop year, CN helped Canada to move its largest-ever crop – at 77 million tonnes. CN’s strong performance in 2014-15 is helping Canada’s grain supply chain to be on track for another banner year.

• Intermodal growth has been fueled by CN’s increasing share of trade with Asia, where our end-to-end service from the west coast has resulted in record-high shipment volumes.

• The U.S. housing recovery is driving not only growth in forest products such as lumber, but also in housing consumables like furniture as well as metals and roofing materials.

• Despite the recent plunge in crude oil prices, CN continues to see potential for growth in energy-related commodities.

• Potash demand continues to grow and Canada has a strong competitive position in world markets.

THE COOLEST TREND IN TRANSBORDER SERVICE

Working with rail and trucking partners, CN launched CargoCool, the first Canada-U.S.-Mexico transborder refrigerated container (reefer) service for fresh and frozen foods. “CargoCool offers a solution that combines long-haul rail efficiencies with local pick-up and delivery,” says Norm Ficker, Market Manager, Intermodal in Toronto, ON.

Norm attributes CargoCool’s success to an extensive team effort. The Fleet Acquisitions team in Montreal, QC, helped secure state-of-the-art containers that enable CN to ensure complete food integrity with 24/7 remote monitoring and temperature control capabilities. Our dedicated Reefer Logistics team in Memphis, TN, offers one-stop customer service by handling booking, dispatching, monitoring, tracking and billing. CN’s Customs and Border Operations teams as well as the CN Operations and Intermodal teams also play key roles.

About CN CargoCool

CN’s CargoCool service provides a fast, convenient, cost-competitive and eco-friendly approach to moving temperature-sensitive goods like fresh produce and frozen meat:

• Some of the fastest transit times in the industry, along with an on-time arrival rate of at least 90 percent

• Recently purchased over 200 next-generation 53’ reefer containers

• State-of-the-art monitoring system and dedicated team

• One engine can power up to 17 reefer units. Talk about improvements in fuel economy and emissions!
Delivering Safely and Responsibly

Leadership in Safety
We believe that safety is the key to outstanding railroading. Our vision is to be the safest railroad in North America by focusing on the four pillars of our Safety Management System (SMS). This federally mandated program formally addresses safety goals and performance targets, risk assessments, responsibilities and authorities, rules and procedures as well as monitoring and evaluation processes.

Our SMS is a proactive, comprehensive program designed to minimize risk and continually reduce injuries and accidents. The SMS is CN’s roadmap to managing and improving safety across the network. We work closely with the regulator and will continue to enhance our SMS in 2015.

Our Safety Management System focuses our efforts on the key areas of our operation that strengthen our safety performance.

Building a Strong Culture of Safety
Building a strong safety culture is an absolute priority. That’s why CN invests significantly in training, coaching, recognition and employee involvement initiatives. Safety Summits, Peer-to-Peer Communications, Intensive Field Training and the dedicated work of our over 100 joint union-management Health and Safety Committees across CN are just a few of the initiatives that are taking safety to new heights.

We also invest in industry-leading flaw detection capabilities with the densest network of wayside technology in the North American industry, and we have strengthened our already robust train securement practices. CN along with our rail industry peers favour tougher tank car standards for new builds and CN has supported the regulatory initiatives in Canada and the U.S. to retrofit or phase out legacy DOT-111 tank cars for combustible liquid service.

We believe that the rail industry can enhance safety by working more closely with communities. Toward that end, we have been reaching out to a large number of municipal officials and their emergency responders all along our rail network to review our comprehensive safety programs, share information on dangerous goods traffic, and discuss emergency response planning and training. This outreach program has involved almost 1,100 communities in Canada and some 870 communities and counties in the U.S.

Investing to Support our SAFETY Agenda
In 2014, CN invested $2.3 billion in capital programs and $1.25 billion of this amount went towards track infrastructure to maintain a safe and fluid railway network. CN plans to up its capital investment program to $2.7 billion in 2015.
Developing and Engaging the Next Generation of Railroaders

We are committed to our people’s ongoing development. This is why we offer them a wide variety of programs and opportunities to help foster engagement and growth. Initiatives like the following provide our railroaders with opportunities to be active drivers of their own success:

- **CN Campus**, a $55-million investment in two state-of-the-art training facilities in Winnipeg, MB, and Homewood, IL
- **Training and educational financial assistance** to help our people develop into safe, productive and accomplished railroaders
- The **CN Ambassador** program engages employees to help us recruit promising new railroaders
- **CN’s Share Ownership** program, which offers employees a financial stake in CN’s success

Embracing Diversity in the Workplace

Having a workforce with unique talents that reflects the diversity of the communities in which we operate is a key contributor to CN’s success. We invest significant efforts in attracting and hiring a diverse workforce. In 2014, close to 40 percent of our candidates voluntarily self-declared as belonging to a designated diversity group allowing us to continuously strengthen our workforce diversity.

We extend our philosophy on diversity to many other facets of our business through, for example:

- **CN’s sponsorship**, **scholarship** and **internship** programs help promote and develop diverse talent
- **Our Women in Operations** program offers women at CN career opportunities in non-traditional roles
- Aboriginal engagement training introduces CN employees to Aboriginal culture and history, and strengthens our ties with their communities
- Celebration of key events such as Black History Month, International Women’s Day, Aboriginal Day, and the International Day for Persons with Disabilities

SHINING A LIGHT ON EXCITING RAILROADING OPPORTUNITIES

For the past few years, Lorenzo Perez has been telling high school and college students about the terrific opportunities available in the railroading industry and at CN. “A lot of students don’t know about how great the rail industry is,” says Lorenzo, a Track Standards Engineer who joined CN in 2011 right after graduating as a civil engineer from the Illinois Institute of Technology. At job fairs and networking events all over Chicago – through the Society of Hispanic Professional Engineers whose mandate it is to empower the Hispanic community to realize its full potential – Lorenzo talks about his experiences as an engineer working in railroading, and shares information about CN’s **Internship Program** and employment opportunities. “Being a **CN Ambassador** is a great way to discuss CN’s core values while educating students about our industry,” he says.
Taking Action to Protect the Environment

At CN, we recognize that minimizing our environmental footprint is fundamental to achieving sustainable business success. First and foremost, it is important for us to think and act in the interest of future generations. We believe that because of its environmental and economic advantages, rail is the transportation mode of choice, and an integral part of the sustainability solution.

At CN, we are focused on conducting our operations in a manner that protects the natural environment. We are committed to respecting applicable laws and regulations and we take the necessary measures to prevent pollution, reduce our greenhouse gas (GHG) emissions, conserve natural resources and protect ecosystems. Since 2005, we have reduced our rail locomotive GHG emission intensity by 16 percent, and continue to lead the rail industry in fuel efficiency, consuming close to 15 percent less fuel per gross ton mile than the industry average.

EcoConnexions

CN's EcoConnexions program encourages environmental values and initiatives among CN employees across North America, with a focus on conserving energy, reducing waste and improving housekeeping.

In 2012, CN extended EcoConnexions with its From the Ground Up partnership with Communities in Bloom and Tree Canada, to promote the greening of municipal properties in communities where it operates. In addition, CN is sponsoring mass reforestation programs. To date, over 500,000 trees have been planted in Canada and the U.S.

In 2014, the EcoConnexions-Customer Partnership Program was launched to help customers reduce carbon emissions and increase energy efficiency. In the spring of 2015, we will plant 100,000 trees to recognize 10 of our intermodal customers for their commitment to sustainable business practices.
We Are Your Neighbours

Communities and neighbourhoods are the roots that anchor society. At CN, we are proud to be part of the fabric of the many cities, towns and villages across our entire 19,600-mile North American network. We also recognize our responsibility to our communities – not only in our commitment to safety, but also in making communities better places to live and work. This spirit of caring is expressed through the CN Stronger Communities Fund, CN’s community investment program that focuses on five core areas:

- Caring and Solidarity/United Way
- Safety and Sustainability
- Diversity
- Transportation Education
- CN Railroaders in the Community

FEEDING A NEED

In some low-income Canadian communities, nearly 50 percent of children arrive at school with an empty belly. CN Railroader in the Community Fiona Veening is doing her part to change that. For the past four years, Fiona has volunteered at her daughters’ school in Markham, ON, preparing snacks and assisting with fundraising activities that benefit the snack program.

“Our school is in a low-income area, so the students receive snacks twice a week provided by York Region’s Food for Learning initiative,” says Fiona, an Optional Services Agent for Intermodal who joined CN 17 years ago.

Fiona was delighted that Food for Learning recently received its third CN Railroaders in the Community grant, which provides funding and resources to develop breakfast and snack programs in local schools. “I see children coming in without having had any breakfast, so this program is really important,” notes Fiona.

About the CN Employees’ and Pensioners’ Community Fund

The CN Employees’ and Pensioners’ Community Fund organizes fundraising activities and annual campaigns in support of various charities across Canada. Over the past ten years, the Fund has raised more than $12.3 million to help a range of non-profit organizations provide assistance to the less fortunate in society.

About the CN Railroaders in the Community Program

CN has a long and proud tradition of community involvement. Every year, CN railroaders throughout our network contribute thousands of hours of personal time to make their communities better places to live and work. The CN Railroaders in the Community program recognizes the many acts of kindness by providing grants to the charitable organizations they choose to support.
Except where otherwise indicated, all financial information reflected in this document is expressed in Canadian dollars.