



Delivering Responsibly

SUSTAINABILITY REPORT

HIGHLIGHTS

Our Business

A True Backbone of the North American Economy

CN is the only transcontinental railway in North America with a 19,600-mile network spanning eight Canadian provinces and sixteen U.S. states and connecting three coasts: the Atlantic, the Pacific and the Gulf of Mexico. Our extensive network, and efficient connections to all Class I railroads, provide CN customers access to all three North American Free Trade Agreement (NAFTA) nations and beyond.

We offer fully integrated rail and other transportation services, including intermodal, trucking, freight forwarding, warehousing and distribution, with rail representing 94% of our business. 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 positions CN to weather economic fluctuations and enhances our potential for future growth.

2014 Revenues by Commodity % of revenues



- 23 Intermodal
- 19 Petroleum and chemicals
- 16 Grain and fertilizers
- 13 Forest products
- 12 Metals and minerals
- 6 Coal
- 5 Automotive
- 6 Other revenues



Value Creation 2014

Customers

\$250B

in goods handled by our unique three-coast North American network

Suppliers

\$6B

for goods and services

Employees

\$3B

of salaries and wages, including stock-based compensation, health and welfare and pension benefits

Communities

\$18.3M

of direct contributions in sponsorships and donations

Governments

\$722M

of income tax payments

Shareholders

\$2.3B

returned to shareholders through dividends and share repurchases

Message from the President and CEO

CN has been intensifying its commitment to a sustainable operation for many years. I am proud to say sustainability is an integral part of our business strategy, touching all aspects of our operations.



Welcome to the summary version of CN's fifth Delivering Responsibly Report, providing a snapshot of some of the many ways we are working to build a more sustainable future.

Safety First

Safety is the key to outstanding railroading and building a strong safety culture is an absolute priority at CN. We are making significant investments in our core infrastructure, in new preventative technologies, and in our people. I'm particularly proud of our efforts to expand our peer engagement programs which encourage employees to step in, speak up, and help keep our employees, customers' goods and communities safe. CN is also committed to engaging with communities in order to enhance rail safety.

We continue to reach out to municipal officials and emergency responders along our North American network to review our safety programs, share relevant information on dangerous goods traffic, and discuss emergency response planning and training.

Focusing on Engagement: EcoConnexions

CN launched EcoConnexions in 2011 with the goal of creating a grassroots employee commitment to conserving energy, reducing waste and improving housekeeping at CN yards and offices across North America. The program's success, driven by employees, has been tremendous and EcoConnexions has expanded to also help CN customers and communities contribute towards a more sustainable future with programs that promote energy efficiency and reforestation.

As we pass our 20th year anniversary since privatization, our entire team is focused on building the CN of the future with the understanding that our long-term success depends on running a safe, sustainable railroad.



Claude Mongeau
President and Chief Executive Officer

AWARDS AND RECOGNITION:

MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM

Leader in the Transportation and
Transportation Infrastructure Sector,
World Index (2013-2014)

 **ROBECOSAM**
Sustainability Award
Silver Class 2015

Sustainability Yearbook,
Silver Class distinction
(2015)

 **CDP**
CLIMATE
PERFORMANCE
LEADER 2014

Global Climate Performance Leader – The A List,
Canada 200 Climate Disclosure Leader and
Supplier Climate Performance Leader (2014)

 **randstad
award**

One of Canada's Most Attractive
Employers (2010-2014)

 **BEST 50**
CORPORATE CITIZENS

One of the Best 50 Corporate
Citizens in Canada (2009-2014)



Building for an Environmentally Sustainable Future



Distributed power train, Northern Quebec

Like you, we're thinking about tomorrow, today. For us, an environmentally sustainable future means thinking and acting in the interest of generations to come. We recognize the important responsibility we have to do all we can to minimize the impacts of our operations, while providing cleaner, more sustainable transportation services to our customers.

Improving Our Emissions and Energy Efficiency

Operating efficiently has been the hallmark of our success. Today, we lead the North American rail industry, consuming 15% less fuel per gross ton mile overall than the industry average. Building on our success, we broadened our commitment to excellence in fuel efficiency to all aspects of our business, including rail, non-rail, buildings and yard operations.

Minimizing Our Waste

Preventing and minimizing waste plays a critical role in sustainable resource management and conservation for our organization. Our waste management strategy is focused on reducing waste at source by pursuing greener procurement options and improving waste management at our facilities and across our network through comprehensive reuse and recycling programs.

Protecting Land and Biodiversity

With operations and a network that passes through a wide range of habitats, we are committed to taking measures to minimize our impact. This mindset extends beyond our operations to the communities we serve, where we are sponsoring a mass reforestation program with approximately one million trees being planted in strategic locations adjacent to our main lines.

Leading the Industry in Rail Fuel Efficiency

15%

less fuel per gross ton mile than the industry average



Environmental Benefits of Rail

As one of the most efficient and environmentally friendly ways to move goods, rail has a tremendous potential to reduce the environmental impact of transportation by offering sustainable transportation solutions today and into the future.

Leveraging Intermodal Transportation

Intermodal freight shipping combines the resources of different transportation modes, such as trucking and rail and helps lower transportation costs by allowing each mode to be used for the portion of the trip to which it is best suited and also helps reduce emissions, traffic congestion, accidents, and the burden on overstressed transportation infrastructure.

If just five percent of the freight that moves by truck in the U.S. moved by rail instead, fuel savings would be approximately 800 million gallons per year and GHG would fall by approximately 9 million tons.⁽²⁾

CN – The Most Efficient Railroad

For us, a sustainable future means thinking and acting in the interest of future generations. We believe that because of its environmental and economic advantages, rail transportation will be an integral part of the sustainable solution. Since 2005, we've reduced our rail locomotive GHG emission intensity by 17%, and continue to lead the rail industry in fuel efficiency, consuming 15% less fuel per gross ton mile (GTM) than the industry average.

BENEFITS:

75%



Moving freight by rail instead of truck lowers GHG emissions by 75%⁽²⁾

4X



Railroads are approximately four times more fuel efficient than trucks⁽²⁾

479 miles



One train can move a ton of freight over 479 miles on a single gallon of fuel⁽²⁾

280 trucks



A single freight train can replace 280 big trucks⁽¹⁾

(1) The Railway Association of Canada
(2) The Association of American Railroads



New fuel efficient locomotive
Photo taken by CN employee Darren Doss



Trip Optimizer, energy management system

◀◀
EMERGING AHEAD:
We continue to upgrade our fleet. Our newest locomotives are 20% more fuel efficient than the ones they replace.

◀
REDUCING EMISSIONS WITH TECHNOLOGY:
Our new technology applications and enhanced analytical capabilities are helping improve the fuel efficiency of our freight operations.

Emissions and Energy Efficiency

We believe an integral part of our success depends on our ability to mitigate the impact of, and adapt our business to changing climatic conditions.

Reducing Our Rail Carbon Footprint

With 85% of our GHG emissions generated from rail operations, we believe the single best way we can positively impact the environment is by continuously improving our locomotive operating efficiency and reducing our carbon footprint.

Over the years, the pursuit of efficiency has been the hallmark of our success. With Precision Railroad, fuel efficient locomotives, leading edge technology and numerous other programs, we achieved a fuel and carbon efficiency improvement of 35% over the past 20 years. Today, we lead the North American rail industry, consuming 15% less fuel per gross ton mile overall than the industry average.

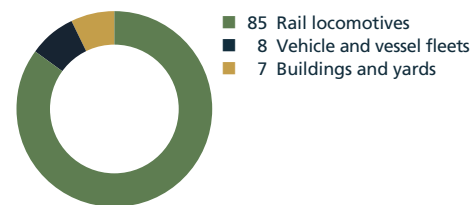
Extending Our Efficiency Mindset

Building on our leading rail fuel efficiency programs, we have extended our efficiency mindset to our non-rail operations. We have implemented several projects such as new technology applications and training to improve the efficiency of our intermodal equipment and trucking fleets, On Company Service (OCS) vehicles and our

Great Lakes shipping vessel fleet. We have also taken steps to improve energy efficiency at our buildings and yards, focusing mainly on natural gas and electricity consumption. Projects include equipment upgrades, new sustainable building design specifications, IT system enhancements and employee training.

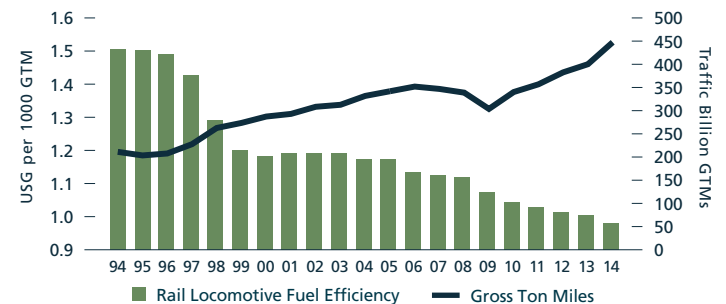
85% of GHG emissions from rail locomotives

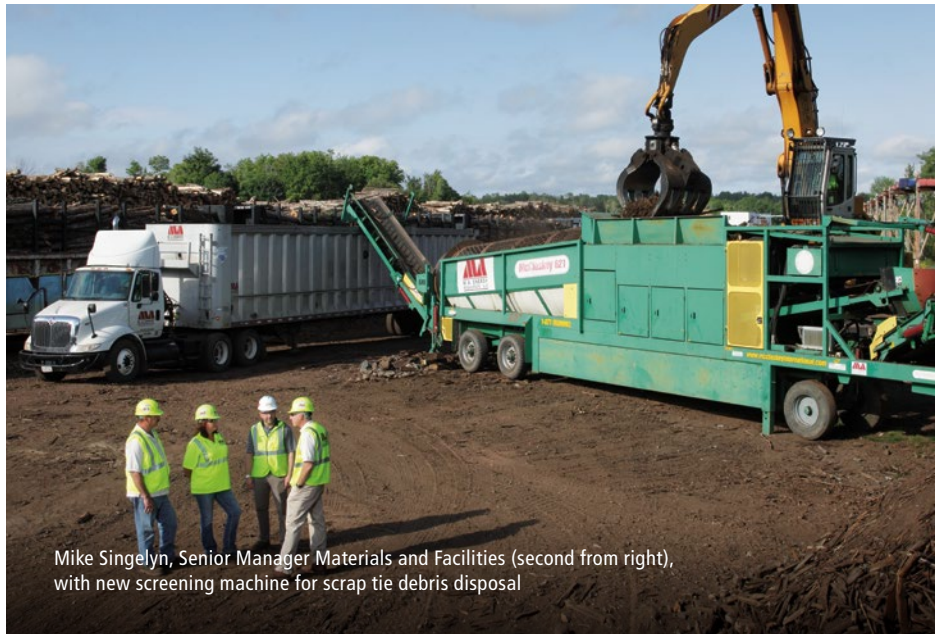
2014 Carbon Footprint
% of total GHG emissions (scope 1 and 2)



35% improvement in fuel efficiency since 1994 while achieving record traffic growth

Rail Locomotive Fuel Efficiency vs. Gross Ton Miles (GTM)





Mike Singelyn, Senior Manager Materials and Facilities (second from right), with new screening machine for scrap tie debris disposal



Kari Harris, Manager, Environmental Impact Assessments, Kirk Yard, Gary, Indiana



RECYCLING WASTE: We generate over two million scrap rail ties every year and send them to power plants to create electricity (co-generation), and we have also found an innovative solution to send tie debris to co-generation plants.



ENVIRONMENTAL IMPACT ASSESSMENTS: As part of our project approval process, we conduct detailed environmental and social impact assessments to understand risks and to identify mitigation measures.

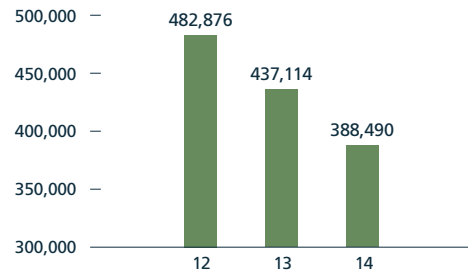
Waste Management

Responsible material stewardship and better waste management strategies enable us to realize cost efficiencies, lessen our environmental impact, increase productivity, and give our employees a sense of pride for being part of a company that cares about the future.

20% reduction since 2012

Total Operational Waste Generated⁽¹⁾

Metric tonnes



(1) Including all operational waste streams.

Over the past few years, we continued to establish a more robust waste inventory. The new waste inventory has enabled us to target resource materials that generate significant quantities of waste. With a clearer focus, we partner with our suppliers to promote more sustainable materials, reduce packaging and increase recycling and reuse. Through our EcoConnexions Program, we are engaging our employees and strengthening our culture of waste management.

Biodiversity and Land Management

As our network extends to three North American coasts, it passes through a wide range of habitats, including national parks, forests, prairies and wetlands. These habitats are home to rich and diverse species that provide essential ecosystem and social benefits to the surrounding communities. We are committed to improving the environment where we operate and conducting our activities in a way that minimizes our disturbance of these ecosystems.

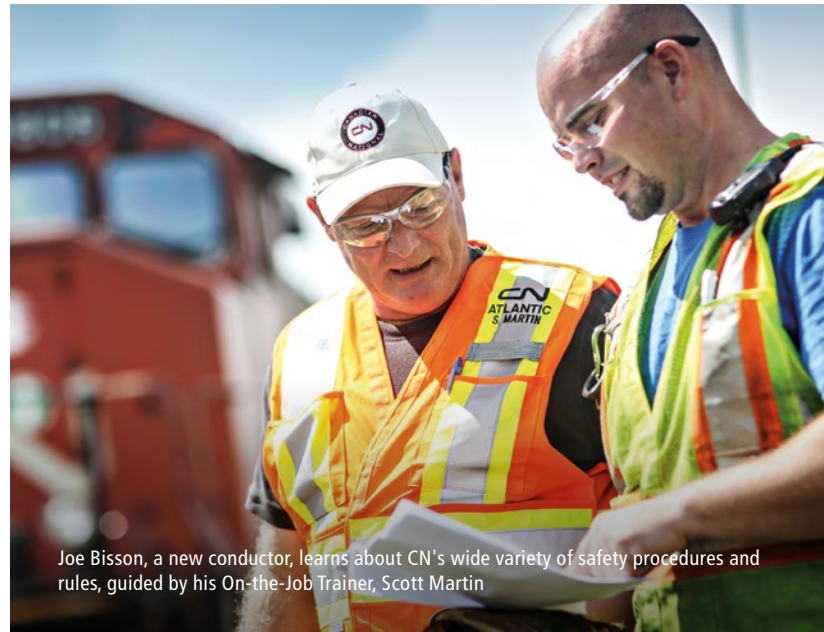


Gogama site clean-up

▲ COLLABORATING TO RESTORE GOGAMA: Clean-up and remediation of Gogama is an absolute priority for us. CN and Mattagami First Nation teams are now collaborating on the restoration phase, bringing in clean soil and re-establishing lost vegetation on approximately 10 acres.



Building Safety Into All We Do



Joe Bisson, a new conductor, learns about CN's wide variety of safety procedures and rules, guided by his On-the-Job Trainer, Scott Martin

◀ **TRAINING NEW HIRES ON SAFETY:** Supervisors and coaches connect regularly with our new hires to provide feedback and coaching. Our On-the-Job Trainers (OJTs), acting as mentors, coach new hires on safety.

We believe safety is of the utmost importance. Whether moving dangerous goods or any other freight on our network – what we all want most is to keep our employees, our communities, and our customers' goods safe. Our goal is to be the safest railroad in North America.

Strengthening Our Safety Culture

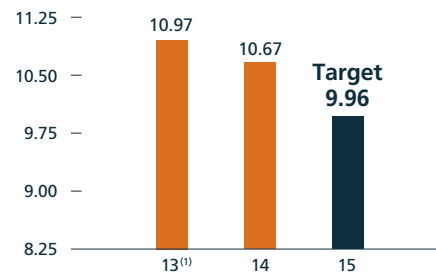
Building a strong safety culture is an absolute priority for us. We believe providing a workplace that fosters a culture of safety awareness is key to achieving our goal to be the safest railroad in North America. It means demonstrating leadership and commitment to safety, investing significantly in training and coaching, and engaging our people to reduce injuries.

Improving Our Safety Processes

Our Safety Management System (SMS) is the framework for putting safety at the centre of our day-to-day operations. Safety processes, including our Safety Policy, risk assessments, safety plans, safety audits and community outreach ensure we focus on the top causes of accidents and injuries. An important part of our strategy is to make significant investments to maintain safe operations through our top-notch training and technology infrastructure improvements.

TSB (Canada) Accident Ratio

Accidents per million train miles



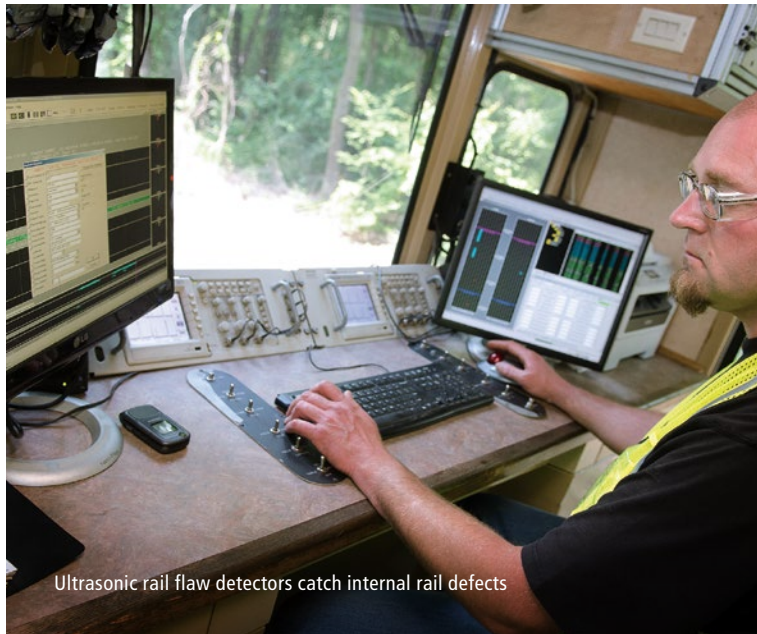
(1) The 2013 ratio has been restated due to a change in TSB reporting regulations in 2014.

New Hires Trained on Safety

3,700

new hires in 2014 have been trained on our safety culture





Ultrasonic rail flaw detectors catch internal rail defects



CN Dangerous Goods Team TransCAER® Event, London, Ontario

◀◀
INVESTING IN TECHNOLOGY TO OPERATE A SAFE RAILWAY: We invest in a wide range of technologies to monitor the condition of track and rolling stock and enhance our strong technological base for the early detection of defects.

▶
STRUCTURED COMMUNITY ENGAGEMENT: We engage first responders and civic officials, sharing information about our safety programs, notification and response protocols, and the training we can offer in our mutual goal to protect public safety.

Investing in Infrastructure and Technology to Operate a Safe Railway

We invest heavily in technology and capital programs to maintain the safety and integrity of our network. This includes the replacement of rail, ties, and other track materials and bridge improvements. We also invest in a wide range of technologies to monitor the condition of track and rolling stock and enhance our strong technological base for the early detection of defects.

Moving Dangerous Goods Safely

Whether moving dangerous goods or any other freight on our network, we know that safe operations are the first priority. While we cannot refuse goods from customers, under our common carrier obligations, we recognize the important role we have to ensure the safety of communities when transporting dangerous goods, and we believe the rail industry can enhance safety by working more closely with communities. We engage first responders and civic officials, sharing information about our safety programs, notification and response protocols, and the training we can offer in our mutual goal to protect public safety.



St. Mary's University

▲ **PREVENTING INJURIES AND ACCIDENTS:** We have in place a unique collaboration with Saint Mary's University in Halifax, Nova Scotia, where we founded the CN Centre for Occupational Health and Safety. On October 1-2, 2014, CN and Saint Mary's University co-hosted the first Safety Culture Symposium to discuss and share information about the emerging field of safety culture.

Invested in Network Safety

\$1.25B

invested in 2014 to maintain the safety and integrity of the network



First Responders Reached

83,000

first responders reached since 1988 through our participation in 3,700 TransCAER® events





Building a Solid Team of Railroaders



François Oigny, On-the-Job Trainer (left), coaching newly certified Conductor, Vito Enrico

◀ **ONBOARDING NEW HIRES:** Over the first 24 months of their careers, new hires receive ongoing training to instill our strong safety culture, set our expectations, provide job aids, and make them familiar with fellow railroaders and CN's high operating standards.

We are committed to being a top-of-mind employer, recruiting and developing the best railroaders in the industry. Our 25,000 employees are the foundation of our success. Their commitment, motivation and talent make us financially strong and resilient, and help sustain our leadership position.

We recognize that what differentiates us from our competition isn't our locomotives or our tracks, but rather our people. As our workforce undergoes a major renewal that will span multiple years, we are preparing the next generation of railroaders.

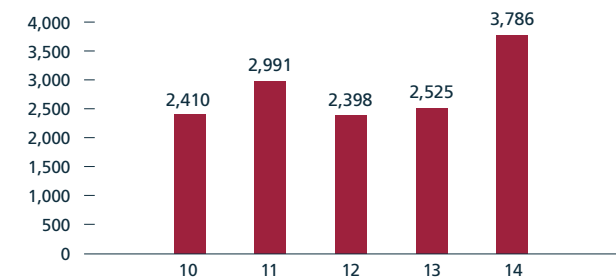
Attracting and Retaining Talent

We continue to refine our recruitment efforts with a focus on becoming a top-of-mind employer. Between 2015 and 2020, we expect a turnover of close to 50 percent of our current workforce from retiring or departing employees.

We integrate newly hired railroaders, by equipping them with the tools and knowledge to work safely and efficiently and to feel connected to the business. In 2014 alone, we onboarded more than 3,700 employees. Today, Millennials – people in their 20s and 30s – account for 40 percent of our workforce, and are now the largest segment of our employee population.

14,000 new hires since 2010

Number of New Hires





Chad Richardson, Rules Instructor, providing training at CN Campus in Winnipeg, Manitoba



CN Campus, Winnipeg, Manitoba



CN Campus, Homewood, Illinois

◀ **CN CAMPUS – INVESTING IN STATE-OF-THE-ART TRAINING:** Our two new state-of-the art training centres in Winnipeg, Manitoba, and Homewood, Illinois, are the cornerstones of CN's workforce renewal, where more than 3,000 employees per year will be trained. The training centres are part of a new revitalized training program aimed at preparing our railroaders to be highly skilled, safety conscious, and confident in their work environment.

Developing the Best Railroaders

Developing the best railroaders in the industry is a priority for us. Our people are our strength and training is critical to having a skilled, safe and engaged workforce. This is especially important in light of the major workforce renewal currently underway at CN. In 2014, we opened two new state-of-the art training centres located in Winnipeg, Manitoba, and Homewood, Illinois. The training centres are part of a new revitalized training program aimed at preparing our railroaders to be highly skilled, safety conscious, and confident in their work environment.

Ensuring Diversity and Inclusivity

In an increasingly complex global marketplace, we recognize the importance of diversity at all levels of our Company. Increasing diversity to reflect the customers and communities we serve is essential to maintaining our competitive focus and contributes to enhanced performance. Our Diversity Leadership Council is responsible for enhancing diversity and CN's cultural competence, while providing oversight on targeted diversity outreach programs covering Aboriginal people, women, persons with disabilities and visible minorities.



Josie Maxwell
Dispatcher Relief, New Orleans

▲ **ENGAGING EMPLOYEES TO STAY ACTIVE:** Our health and wellness program – CN Traction – supports good health habits and active living. The program is supported by Wellness Champions – volunteers who help get the word out on good health by encouraging their fellow railroaders to participate in wellness activities at work and at home.

Investment in Training

\$55M

investment in two new training facilities in Winnipeg, Manitoba, and Homewood, Illinois



CN Women Promoted in Canada

19%

of promotions in Canada were filled by women and the number of women hired in skilled trade positions has more than doubled on a year-over-year basis in 2014





Building Safer, Stronger Communities



David Chiu, Assistant Track Supervisor, Engineering
CN Railroader in the Community



SUPPORTING CN RAILROADERS IN THE COMMUNITY:

The CN Railroaders in the Community program provides grants to the community-based charitable organizations our employees choose to support through their volunteer efforts.

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. As your neighbours, we are committed to be engaged in the communities we serve, investing in community development, creating positive socio-economic benefits and ensuring open lines of communication.

Investing in Communities

We believe that one of the best ways to build stronger communities is to actively contribute through our community investment efforts to organizations, programs and initiatives consistent with our expertise, business strengths and resources. Investing in our communities helps us attract and retain employees, reinforces our values, and enhances our corporate reputation.

Our spirit of caring is expressed through the CN Stronger Communities Fund – a community investment program focused on five core areas: safety, environmental sustainability, diversity, transportation education and caring and solidarity. Our Public and Government Affairs Department ensures we select worthy causes, organizations, projects and events where we can share our knowledge and experience to really make a difference.

Beyond the impact of our business and operations, we continue to work together to engage communities to create positive social, economic and environmental benefits. The positive impacts we create within the communities where we operate takes a variety of forms. From the communities we engage on our safety programs to the students we reach and the hundreds of thousands of trees we are planting, we believe we can make a real and lasting difference in our communities.

Invested in Communities

\$18.3M

to support safety and sustainability, diversity, transport education, CN Railroaders in the Community, and Caring and Solidarity/United Way Initiatives





Pulling Together Canoe Journey, Nanoose Bay, BC



CN Freight Train, Chicago, Illinois
Photo taken by CN employee Martin Simane

◀◀
FOSTERING RESPECTFUL RELATIONSHIPS WITH ABORIGINAL COMMUNITIES: We are committed to developing respectful and mutually beneficial relationships with all Aboriginal people, while ensuring service to our customers.

▲
ADDRESSING COMMUNITY ISSUES: Our goal is to work collaboratively with communities to prevent and resolve issues that may arise when people live and work in close proximity to railway operations.

Creating Positive Socio-Economic Impacts

As a true backbone of the economy, we remain committed to providing positive economic benefits to the customers we serve and the communities where we operate, from contributing to local economic spin-offs and ensuring safety and security to consulting communities and mitigating our impacts. Our goal is to leave our communities and economies better for our being there.

Opening Lines of Communication

We strive for open and positive communication in our communities, ensuring we address the issues that matter most to you. To keep the lines of communication open and ensure we deliver accurate, consistent information to the general public, we have established a Public Inquiry Line to respond to the questions or issues of interest.



Dean Solowan
CN Police Constable

▲ **PROTECTING PUBLIC SAFETY:** Our dedicated constables and inspectors play an important role in protecting not only our assets, but also our neighbours through anti-trespassing and crossing safety education.

Aboriginal Athletes Supported

5,000



Aboriginal athletes were supported through our sponsorship of the 2014 North American Indigenous Games

Communities Engaged on Safety

1,970



communities engaged in 2014 on CN safety programs, dangerous goods traffic, and emergency response in Canada and the U.S.



Building for the Highest Standards in Governance



CN Corporate Headquarters, Montreal, Quebec

As one of North America's leading railroads, we know that we are held to the highest standards, a responsibility we take very seriously. Responsible governance is a fundamental part of our business practices and culture.

Embedding Our Values and Commitments

CN's five guiding principles, Code of Business Conduct, core beliefs, and environmental, health and safety policies frame our values and commitments to Delivering Responsibly. While CN is not a signatory to the United Nations Global Compact (UNGC), our approach to Delivering Responsibly is aligned with the 10 UNGC principles in the areas of human rights, labour, environment, and anti-corruption.

Our commitment to business ethics and integrity is reflected in our focus on continuously improving our governance policies and practices, and establishing clear systems to ensure accountability, risk management and control are embedded across our business.

The Code of Business Conduct (the Code) establishes the values and expectations that underpin our approach to Delivering Responsibly. It reflects our commitment to engage with our stakeholders with trust and integrity and the importance of maintaining a positive reputation.

Tying Executive Compensation to Sustainability Performance

Our executive compensation is designed to ensure there is a strong link between our long-term strategy, business plans and executive rewards. Supporting safe and reliable operations and ensuring environmentally and socially responsible practices are tied to our executive compensation packages as part of individual performance.

Linking Compensation to Performance



EcoConnexions

Living Our Environmental Values

EcoConnexions is the engine that drives our success towards achieving our environmental objectives. The programs encourage and support our environmental values and initiatives with key stakeholders, including employees, communities and customers.

Three Dynamic Stakeholder Programs

EcoConnexions – Employee Engagement Program

We launched the employee program in 2011, through a five-year partnership with Earth Day Canada, with the goals of conserving energy, reducing waste and improving housekeeping at CN yards and offices across North America. Investments for these initiatives are supported by our \$5-million CN EcoFund, which reinvests the significant cost savings generated by our EcoChampion initiatives.

EcoConnexions – From the Ground Up Program

Our community program provides funding of up to \$25,000 for the greening of municipal properties across Canada and the United States, especially communities along our rail lines. With our partners, Tree Canada, Communities in Bloom and America in Bloom, we have helped 131 municipalities establish tree planting initiatives in a sustainable, environmentally responsible manner since 2012. In combination with a mass reforestation program, over one million trees have been planted across Canada and the U.S.

EcoConnexions – Partnership Program

Under the program, CN customers pledge to work to reduce their carbon emissions and increase energy efficiency. In May 2014, we recognized 10 of our top intermodal customers for their commitment to sustainable business practices and planted 110,000 trees for these customers in the spring of 2015.

Our Partners



RESULTS:

CN EcoConnexions
Employees Trained

700

EcoChampions have been trained at 100 CN yard locations across North America since 2011

Energy Savings in
Key Yards

15%

overall energy savings achieved in key yards since 2011

Waste Diverted from
Landfills

~ 90%

of operational waste diverted from landfills since 2011

Trees Planted

1,000,000

trees planted to date and 131 communities funded, including 110,000 trees planted in 2015 in recognition of our intermodal customers' commitment to sustainable practices



We welcome comments, questions and feedback on this report. Please contact:

Chantale Després
CN Sustainability Director
chantale.despres@cn.ca

Canadian National Railway Company
935 de La Gauchetière Street West
Montreal, Quebec H3B 2M9

P.O. Box 8100
Montreal, Quebec H3C 3N4

1-888-888-5909



Please visit www.cn.ca/deliveringresponsibly to read our complete sustainability report.

www.cn.ca



ABOVE:

Devona, Illinois
Photo taken by CN employee Kieth Biernacki

ON THE COVER:

Leezah Fredericks, Trainmaster,
MacMillan Yard, Concord, Ontario