



# Delivering Responsibly

SUSTAINABILITY REPORT





# Building for a Sustainable Future

Delivering Responsibly is at the heart of how CN is building for a sustainable future. It means moving customer goods safely and efficiently, being environmentally responsible, attracting and developing the best railroaders, helping build safer, stronger communities, while adhering to the highest ethical standards. We are proud of our Delivering Responsibly philosophy – it drives how we conduct our business and supports our continuing transformational journey.

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ABOVE:  
Leezah Fredericks  
Trainmaster, MacMillan Yard  
Concord, Ontario

# Message from the Chairman

**Delivering Responsibly is one of the pillars of What CN Stands For. It determines how we conduct our business every day – moving customers' goods safely and efficiently, protecting the environment, building a solid team of railroaders, adhering to the highest standards of governance and helping to build vibrant and safe communities.**



2015 marks 20 years since CN became a publicly traded company – a significant milestone in our extraordinary journey. CN has made huge strides over the last two decades, transforming from industry laggard to industry leader. In doing so, CN has always strived to deliver responsibly, with an unwavering commitment to safety and sustainable business practices.

## Recognition at the Highest Levels

Our sustainability practices continue to earn us accolades. CN has once again earned a place on the Dow Jones Sustainability World and North American Indexes, for the fourth and seventh consecutive year respectively.

The recognition is based on a thorough analysis of our economic, environmental and social performance, assessing issues such as corporate governance, risk management, climate change mitigation, supply chain standards, stakeholder engagement and labour practices.

CN has also earned a position in CDP's Canada 200 Climate Disclosure Leadership Index and is a proud member of the FTSE4Good Index, Global Challenges Index, and Jantzi Social Index.

## A Mindset of Innovation and Continuous Improvement

In my years as a Member of the Board and now as Chairman, I have been struck by the many ways we continue to innovate. CN's entire team of railroaders is focused on raising the bar, challenging ourselves to do better and to go further. Take CN's remarkable fuel efficiency for example, where we're striving for incremental improvement despite the fact that we're already 15% more fuel efficient than the average of our rail industry peers.

At the Board level, we also seek to innovate and continuously improve, whether it's through the onboarding of new directors, the introduction of chair term limits, or the strengthening of our approach to diversity.

The Board and CN's team of railroaders are focused on ensuring sustainability continues to be anchored in everything we do.

A handwritten signature in black ink that reads "Robert Pace". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

**Robert Pace, D.COMM**  
Chairman of the Board

# Awards and Recognition



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



Sustainability Yearbook, Silver Class distinction (2015)



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



One of Canada's Top 100 Employers (2014)



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



Best Corporate Governance Award (2014)



Listed on the Global 100 Most Sustainable Companies in the World (2012-2013)



Listed member (2009-2014)



Listed member (2010-2014)



Listed member (2009-2014)



One of the Top 50 Socially Responsible Corporations (2011-2014)



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

ORGANIZATION	AWARD/RECOGNITION	RECOGNIZED FOR
American Chemistry Council	2012 to 2014 TRANSCAER® National Achievement Award 2013 and 2014 TRANSCAER® Individual Achievement Certificates	Assisting communities prepare for dangerous goods incidents Dangerous Goods Team for HazMat transportation safety
BC Hydro	2014 Power Smart Excellence Award Finalist	Outstanding Conservation Awareness category for the EcoConnexions Program
Call2Recycle	2013 and 2014 Leader in the Industry	Reclaiming and recycling batteries and cellphones
Delta Management Group	2014 Clean15 Projects (part of Clean50 Award)	Two of the top 15 sustainability projects
ECPI	2014 Listed on ECPI Indices	Constituent of EPCI indices
Evergreen Shipping Agency (America) Corporation	2014 Railroad Company of the Year	Consistent high level of performance
Investor Relations (IR) Magazine	2014 Global Top 50 Silver Award 2014 Best Investment Community Meetings 2013 and 2014 Best Investor Relations in the Industrial Sector 2013 Best Investor Relations by a Canadian company in the U.S. market	Excellence in investor relations around the world Best investment community meetings Best investor relations in the transportation sector Best investor relations by a Canadian company in the U.S. market
New Brunswick Export Awards	2014 Collaborative Partnership Award	Key role in collaborative partnership agreements
Railway Association of Canada	2013 and 2014 Safety Award	Outstanding contributions to rail safety
Stoxx	2013 Listed on Stoxx Sustainability Indices	Component of the STOXX Global ESG Leaders indices



# Message from the President and CEO

## A SAFE AND SUSTAINABLE RAILROAD

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.



Building on our commitment to Operational and Service Excellence, supply chain enabling and continuous improvement, we are focused on creating the CN of the future. We are determined to strengthen our role as a backbone of the economy while ensuring sustainability remains a core part of What CN Stands For.

### 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 through a deepening of our Looking Out for Each Other mindset which encourages 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. For example, we have achieved 15% overall energy savings in our large yards, diverted 90% of operational waste from landfills, and undertaken close to 1,000 projects to improve housekeeping.

Thanks to the engagement of our employees, EcoConnexions has expanded to 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. I encourage you to read through our latest Delivering Responsibly report which documents our strategy, programs and achievements in the areas of environment, safety, people, community and governance. CN is proud to be delivering safely and responsibly for a sustainable future for us all.

A handwritten signature in black ink, reading 'Claude Mongeau'.

**Claude Mongeau**

President and Chief Executive Officer

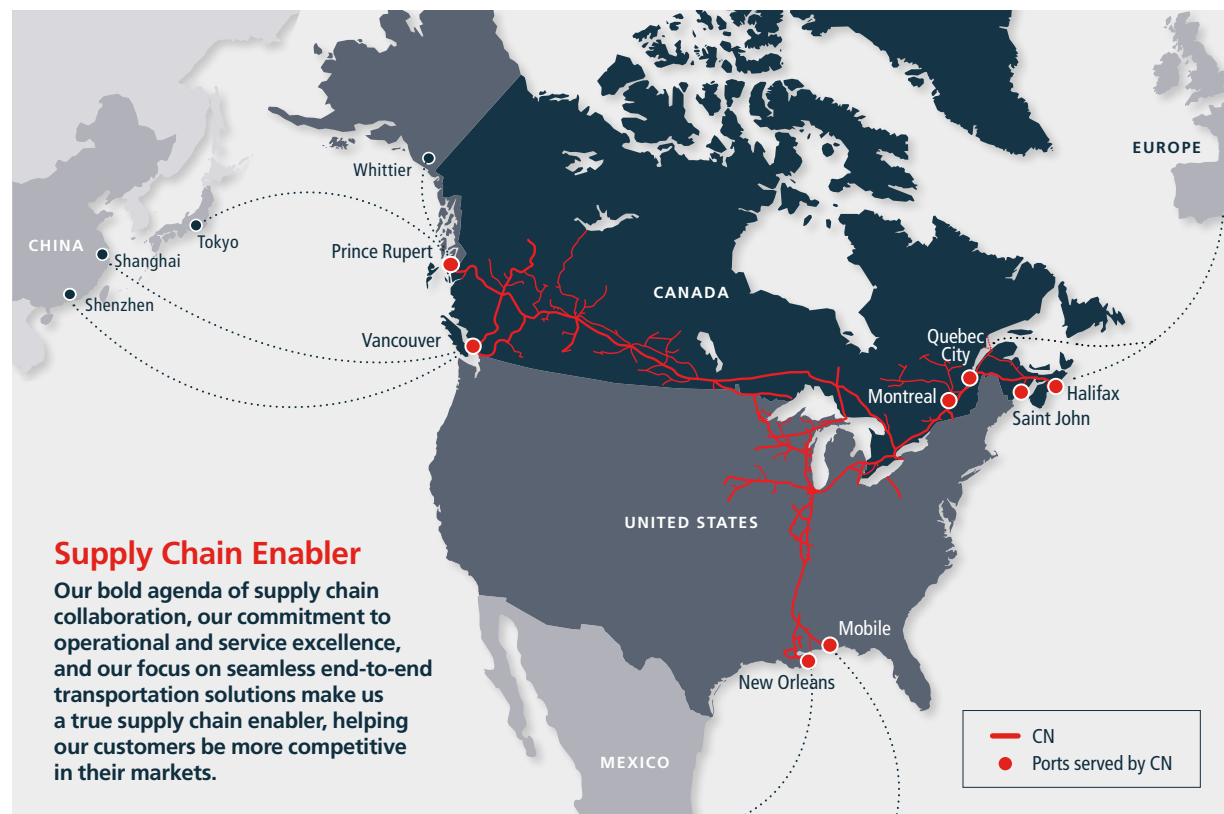
# Our Business

CN is a world-class transportation leader. Our goal is to deliver valuable transportation services for our customers, safely, efficiently and responsibly and to create value for all our stakeholders.

## An Extensive Network and Diversified Franchise

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.

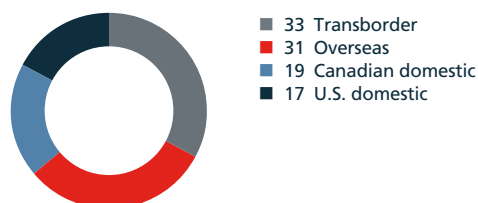
We offer fully integrated rail and other transportation services, including intermodal, trucking, freight forwarding, warehousing and distribution, with rail representing 94% of our business. CN's freight revenues are derived from seven commodity groups representing a diversified and balanced portfolio 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.



## Broad Geographic Exposure

### 2014 Revenues by Region

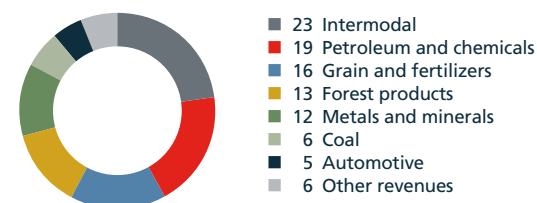
% of freight revenues



## Balanced and Diverse Portfolio

### 2014 Revenues by Commodity

% of revenues





# Creating Value

## A True Backbone of the North American Economy

As a world-class transportation leader, we handle over \$250 billion worth of goods annually and carry more than 300 million tons of cargo, serving exporters, importers, retailers, farmers and manufacturers, while touching the lives of millions of people every day. If you eat it, drive it or use it, chances are we moved it.

We generate value for our shareholders by striving for sustainable financial performance, by paying dividends, and through share re-purchase programs. We generate revenue from our customers by providing quality service and sustainable transportation options, while helping to make them more competitive. Our investments in track infrastructure, rolling stock, technology, and equipment are also helping to ensure the safety, efficiency and reliability of our service.

We are also a major employer in North America, providing wages and benefits to our 25,000 employees and local employment for our 15,000 suppliers. We spend well over \$2 billion in capital investments annually, pay millions of dollars in taxes, and contribute to community and infrastructure projects that enable social and economic progress.

Delivering transportation services safely, efficiently and responsibly underpins how we create value for our stakeholders.



### 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

## Value Creation 2014



### 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

# Innovating for Our Customers

The customer is at the forefront of our innovations in the marketplace. For years we have operated with an unwavering commitment to safety and a mindset of balancing operational and service excellence.

## Balancing Operational and Service Excellence

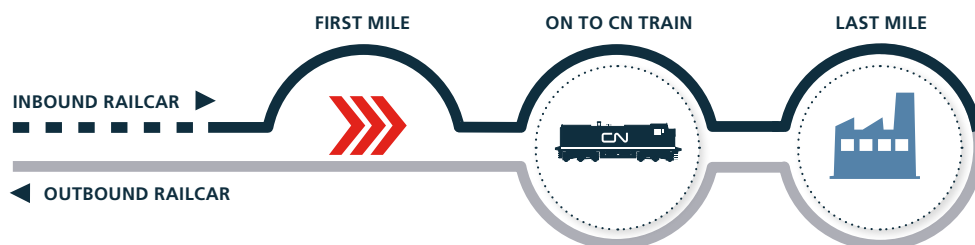
CN's objective of delivering operational excellence focuses on improving every process that affects the shipment of our customers' goods. With this philosophy, fewer rail cars and locomotives are needed to ship the same amount of freight in a tight, reliable, safe and efficient operation and we continue to strengthen our commitment to operational excellence through a wide range of innovations.

For CN, service excellence means expanding our perspective, working closely with customers and supply chain partners to deliver quality end-to-end service. Our goal is to provide broad-based service innovations that benefit customers. To that end, we collaborate with customers and other players to become a true supply chain enabler. We encourage all links in the supply chain to move away from a silo mentality towards daily engagement, information sharing, problem solving

and execution. We work closely with our partners on solutions that will help our customers win in their marketplace. Supply Chain Collaboration Agreements with ports, terminal operators and customers leverage key performance metrics that drive efficiencies across the entire supply chain.

## Developing Innovative Tools

CN is moving to address key customer pinch points, especially in the first and last miles of a shipment, through a portfolio of initiatives called CustomerFIRST. The program has become one of CN's key strategic pillars and has played an important part in continuously improving service to customers. Through CustomerFIRST, we have improved our empty railcar management and invoice accuracy. CN is also leveraging technology to connect supply chain partners and expand our e-Business capabilities.



### STAKEHOLDERS ASK:

#### Q. How is CN becoming more customer-centric?

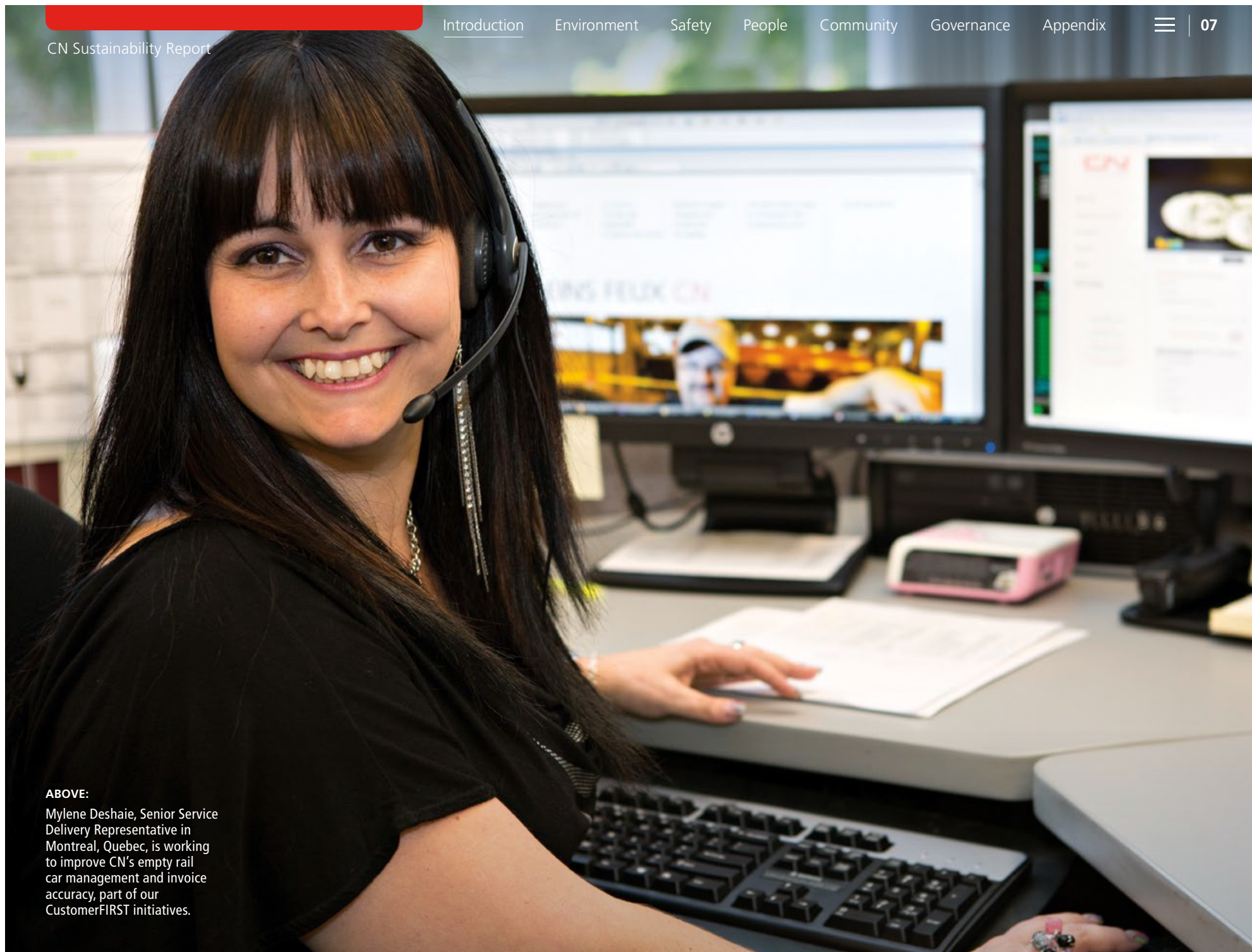
**A.** We strive to provide cost effective, efficient and high-quality service to our customers by being the best operator and service innovator in the business.

One of our objectives is to become a more customer-centric company by ensuring more regular and proactive communication. iAdvise is a key initiative in our first mile/last mile strategy. It ensures we advise customers of service plans and exceptions ahead of time so they in turn can adjust their facility's work plan.

#### FIONA MURRAY

Vice-President Corporate Marketing





**ABOVE:**

Mylene Deshaie, Senior Service Delivery Representative in Montreal, Quebec, is working to improve CN's empty rail car management and invoice accuracy, part of our CustomerFIRST initiatives.

# 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.

## The Efficiency of Rail

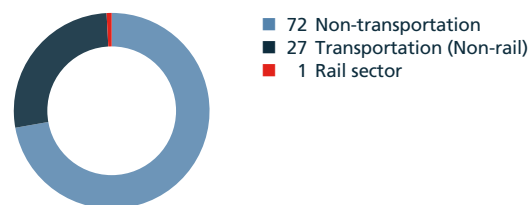
On average, trains are approximately four times more fuel efficient than trucks. They also reduce highway congestion, lower greenhouse gas (GHG) emissions, and reduce air pollution. Through the use of greener and cleaner technologies and more efficient operating practices, railroads are constantly improving and committed to even greater environmental excellence in the years to come.

Canada's transportation sector generates 28% of the country's GHG, however, railways produce just five percent of that total, and one percent of the country's overall GHG emissions.<sup>(1)</sup>

## Railroads Account for only 1% of Canada's GHG Emissions<sup>(1)</sup>

### 2014 GHG Emissions by Sector

% of Canadian total emissions



(1) The Railway Association of Canada

(2) The Association of American Railroads

## Leveraging Intermodal Transportation

Intermodal freight shipping combines the resources of different transportation modes, such as trucking and rail, to move products from the manufacturing site to their final destination. Intermodal 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 emissions would fall by approximately 9 million tons.<sup>(2)</sup>

## 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.



### STAKEHOLDERS ASK:

#### Q. How does CN help customers reduce their GHG emissions?

**A.** Intermodal shipping can help companies support sustainable initiatives and comply with environmental standards. The greater use of combined transport will allow each mode to use its strengths best – particularly over long distances, where the use of truck and rail can complement each other.

We work with many of our customers to measure and help them reduce their transportation supply chain GHG emissions by leveraging rail for the long haul and trucking over shorter distances.

#### KEITH REARDON

Vice-President Intermodal



## RAIL – THE SUSTAINABLE CHOICE



75%

Moving freight by rail instead of truck lowers GHG emissions by 75%<sup>(2)</sup>



4X

Railroads are approximately four times more fuel efficient than trucks<sup>(2)</sup>



479 miles

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



280 trucks

A single freight train can replace 280 big trucks<sup>(1)</sup>



(1) The Railway Association of Canada

(2) The Association of American Railroads

# Stakeholder Engagement

We value our stakeholders and consider their views and opinions to be crucial to our business success. We are focused on building mutually beneficial and lasting relationships with all our stakeholders.

## Building Confidence and Trust

We believe that the quality of our decision-making depends on the insights of our stakeholders, including the social, environmental, ethical and economic issues that are important to them.

Given the nature and scope of our business, we are highly visible throughout North America making engagement a key component of our responsible governance approach. As good neighbours in the communities we serve, we value our stakeholders and consider their views and opinions to be crucial to our business success.

## Our Initiatives

We actively engage with stakeholders who affect, or are directly affected by, the impacts of our business and we are committed to understanding their issues and finding mutually acceptable solutions.

Our strategy is to focus on maintaining open dialogue and building lasting relationships with shareholders, employees, governments, industry partners, customers, suppliers, communities and Aboriginal people.

Our engagement efforts take place on an ongoing and proactive basis through various mechanisms. In 2014, we continued our engagement activities, including:

- investments in community outreach;
- supply chain partner collaborations;
- structured community engagement;
- open dialogue with Aboriginal people;
- open dialogue with existing and potential investors;
- engaging suppliers at supplier councils and through our Sustainable Procurement Excellence Program;
- engaging with employees through two-way communications; and
- participating on advisory councils, review boards and regulatory proceedings with governments.

In response to our engagements over the past year, we strengthened our dialogue with communities on dangerous goods shipments, enhanced the disclosure and credibility of our carbon efficiency data, provided our people with training on Aboriginal matters, and extended our CN EcoConnexions Program to engage more employees, more communities, and our customers.

### STAKEHOLDER ENGAGEMENT APPROACH



Through our stakeholder engagement approach, we systematically identify a diverse range of stakeholders. We consult with them through open dialogue on issues of mutual interest. The information is used to inform program development and implementation, and to communicate with them on our performance.

# Our Priorities

## Focusing on What Matters

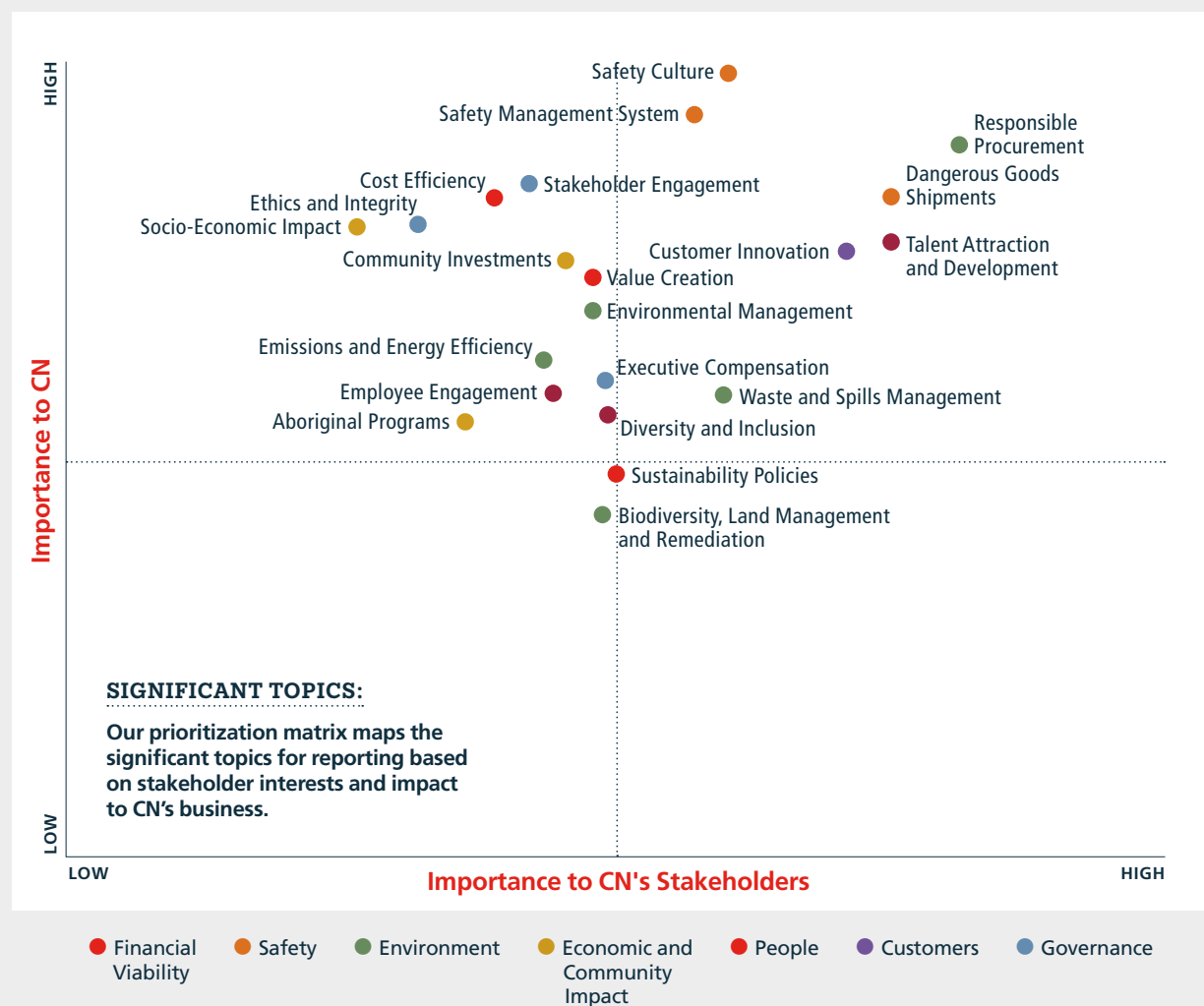
In 2015, we conducted a stakeholder engagement exercise to re-assess our sustainability priorities and inform the content of this Report.

We engaged with approximately 200 stakeholders using an electronic survey to understand the sustainability topics that most influence their decisions or perspectives of CN. Diverse groups were engaged, including employees, suppliers, governments, railway associations, customers, investors, unions, Aboriginal people, community groups, and NGOs. The selection and identification of stakeholders considered their geographic representation and their influence and interest in our business, including those who had already requested information on our sustainability performance.

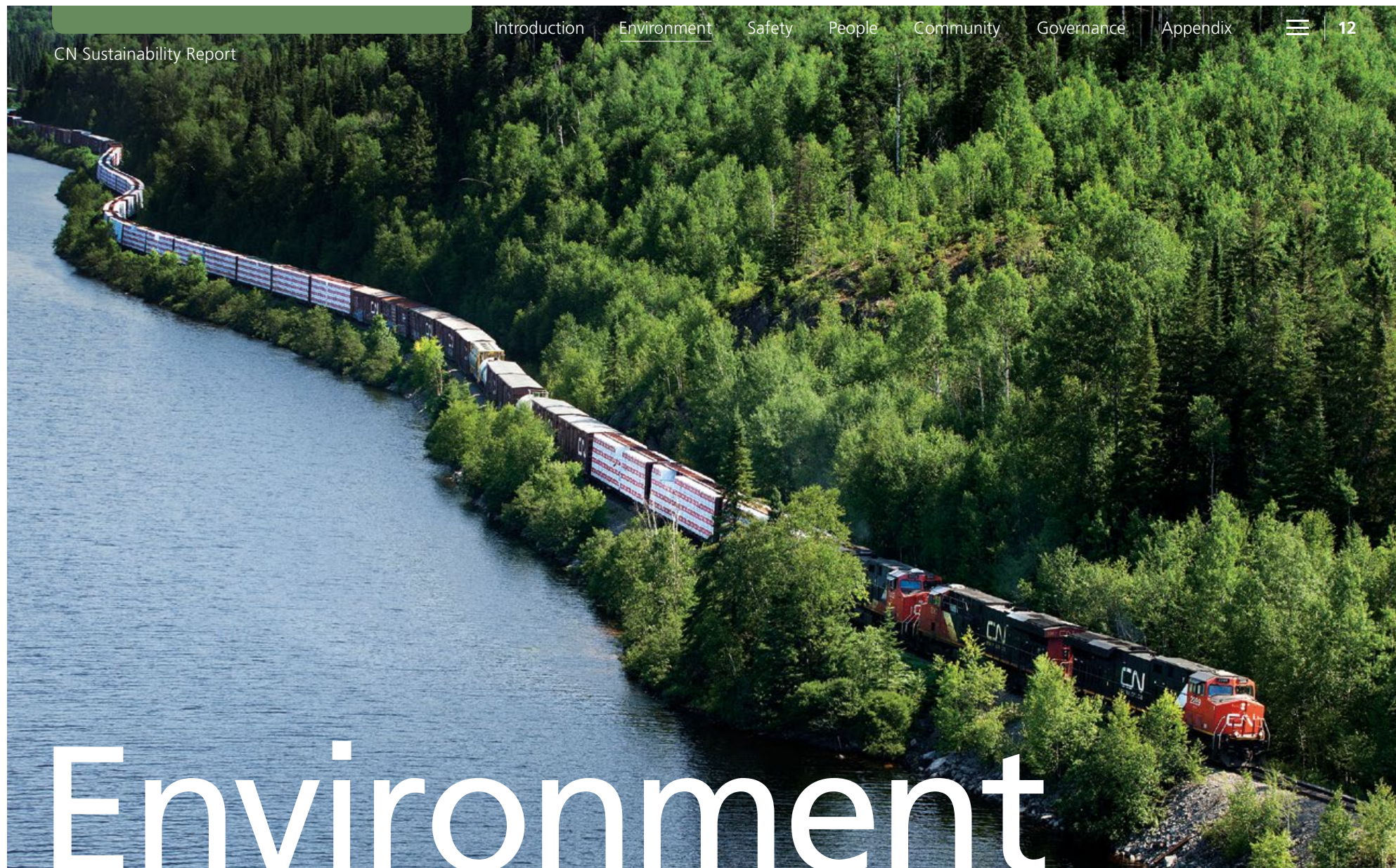
We also conducted 22 additional internal and external one-on-one interviews to further enrich our understanding of why the topics were important.

The most important topics are plotted on our prioritization matrix and are covered in-depth within this report.

The process of identifying the topics that matter most to our business and our stakeholders helps us focus our strategic priorities, refine our reporting, and inform the evolution of our sustainability programs.







# Environment

**ABOVE:**

Our unique asset-lean business model allows us to use fewer railcars and locomotives to ship more freight, more efficiently. Distributed power train, Northern Quebec



# Building for an Environmentally Sustainable Future



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.

## Our Approach

Environmental sustainability is an integral part of our approach to Delivering Responsibly. Our strategy is focused on emissions and energy efficiency, waste management, and biodiversity and land management. To execute our strategy, we've developed a Sustainability Action Plan, comprising multiple projects across our organization, overseen by our executive team and supported by our Sustainability Committee.

Our EcoConnexions program is the engine that drives our success towards achieving our environmental objectives. What started as an employee engagement program in 2011, has expanded to programs that also connect with our customers and communities, to build a more sustainable future.

## 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.

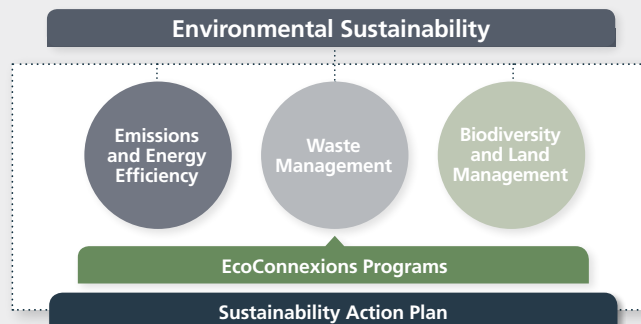
## Minimizing Our Waste

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.

### ENVIRONMENTAL SUSTAINABILITY STRATEGY



Our environmental strategy is focused on emissions and energy efficiency, waste management, and biodiversity and land management. Our EcoConnexions Programs are the core platform that engages our employees, communities and customers to help us make a difference and achieve our goals.

**IN FOCUS:**

## EcoConnexions

### Living Our Environmental Values

**OBJECTIVE:**

Our EcoConnexions 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 into new capital projects that generate energy conservation and waste reduction.

Thanks to the success of the employee program, EcoConnexions has expanded to help CN communities and customers build a sustainable future.

**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



FROM LEFT:  
Team Members: Fernando Vecchio, Dave Szerencsei,  
Presenter: Fiona Murray, EcoChampion: David Wilson

**Turning Garbage into Gold**

The ingenuity of CN EcoChampion David Wilson and his team gave new life to concrete rail ties that previously weren't reusable. After having been in use for about 30 years, about 200,000 of them had accumulated along our right-of-way and in our yards – until this team found a solution. Working with a contractor, they came up with the use of an epoxy resin to repair the ties and extend their life by approximately 30 additional years.

In 2013 and 2014, over 70,000 repaired ties were reused for a variety of our track needs, and those that could not be salvaged were crushed and used for road base repair projects in our yards.

On top of the positive environmental impact – approximately 10,000 metric tons of waste diverted from landfill – the team's solution has delivered substantial cost savings for the company, proving that what is good for the environment is good for business. The team won CN's President's Award for Excellence.

## EcoCONEXIONS





### 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.

### Trees Planted through EcoConnexions

# 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

### Our Partners



TreeCanada



EcoConnexions – From the Ground Up Program  
Tree Planting Ceremony, Moose Jaw, Saskatchewan



EcoConnexions – Partnership Program  
2014 Winners Event, Brampton, Ontario  
John O'Hara, Kruger Products

“At Kruger Products, our ecological footprint is linked with our corporate strategy. CN’s leadership in sustainable practices, like the EcoConnexions program, allows us to partner with CN to reduce our carbon footprint and eliminate waste in our supply chains. As a result, our partnership has grown dramatically over the last five years.”

### JOHN O’HARA

Vice President – Business Planning and Logistics  
Kruger Products

# Managing Our Environmental Impacts

## Why It Matters

We recognize the important responsibility we have to manage the environmental impacts of our day-to-day operations in a systematic manner. Having in place an Environmental Management System (EMS) helps us prioritize risks, develop the right processes and practices, measure performance and identify opportunities for continuous improvement.

## Our Initiatives

### Assigning Responsibility

Responsibility for our EMS is assigned to the Assistant Vice-President for Environment and Sustainability. Progress on our performance is communicated to the Environment, Safety, and Security Committee of the Board on a regular basis. We have a diverse team of environmental professionals to support our management activities from biologists and engineers to experts in site assessments.

### Setting Clear Expectations

A formal policy anchors our environmental philosophy and sets clear expectation on how we manage our environmental impacts. It articulates our commitment to comply with applicable laws and regulations, take a preventative risk-based approach to environmental management, set targets, and maintain a continuous improvement mindset in our performance.

### Implementing Robust Environmental Programs

Our environmental programs are focused on emissions and energy efficiency, waste management, and biodiversity and land management. Our environmental management system is supported by procedures and controls, emergency response plans (ERPs) as well as training and audit programs. When an incident occurs, our comprehensive ERPs and reporting procedures enable us to deal quickly with the situation to minimize the impacts.



**REDUCING RISK:** As part of our EMS, we conduct corridor risk assessments to determine what technologies and processes could be used to mitigate risk. We consider proximity to communities, environmentally sensitive areas and the volume of dangerous goods transported.



### STAKEHOLDERS ASK:

## Q. What is CN's public policy position on sustainability issues?

**A.** We are actively involved with various governments and industry associations to promote regulatory and policy changes that support economic, environmental and social progress. For example, through our membership with the Railway Association of Canada, we participate in a memorandum of understanding that sets emission reduction targets within the rail sector. We also engage with provincial governments and the Western Climate Initiative on their cap and trade regulatory regimes. We are focused on positioning our modal shift protocol with our customers to quantify the carbon credits from switching freight from truck to rail.

### NORMAND PELLERIN

*Assistant Vice-President  
Environment and Sustainability*

# Emissions and Energy Efficiency

## Why It Matters

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. Our carbon footprint covers our rail locomotive fleet, non-rail vehicle and vessel fleets, and buildings and yards. With 85% of our GHG emissions generated from rail operations, emissions reduction in this area is an ongoing priority.

## Our Initiatives

### Reducing Our Rail Carbon Footprint

Our rail efficiency initiatives take place on several levels, from our Precision Railroading initiatives to our Fuel Management Excellence (FMX) program, which includes fleet acquisitions, new technology applications, efficient train handling techniques, yard locomotive operations and other collaborations across our value chain.

### Reducing Our Non-Rail Carbon Footprint

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.

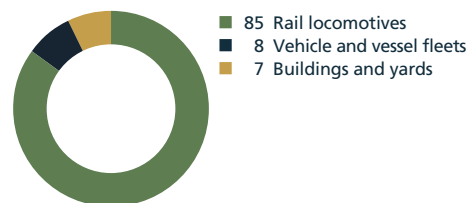
### Extending Our Efficiency Mindset to Our Building and Yard Operations

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

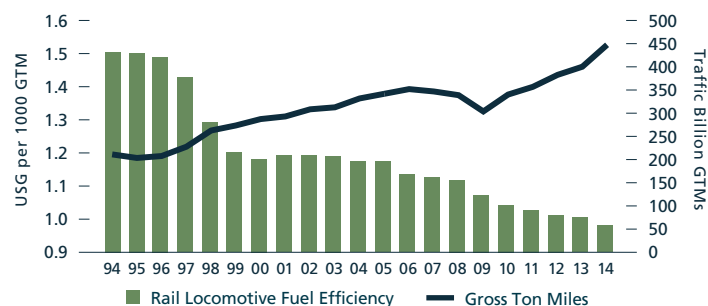
### 2014 Carbon Footprint

% 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)



### STAKEHOLDERS ASK:

**Q. How is CN the industry leader on fuel and carbon efficiency?**

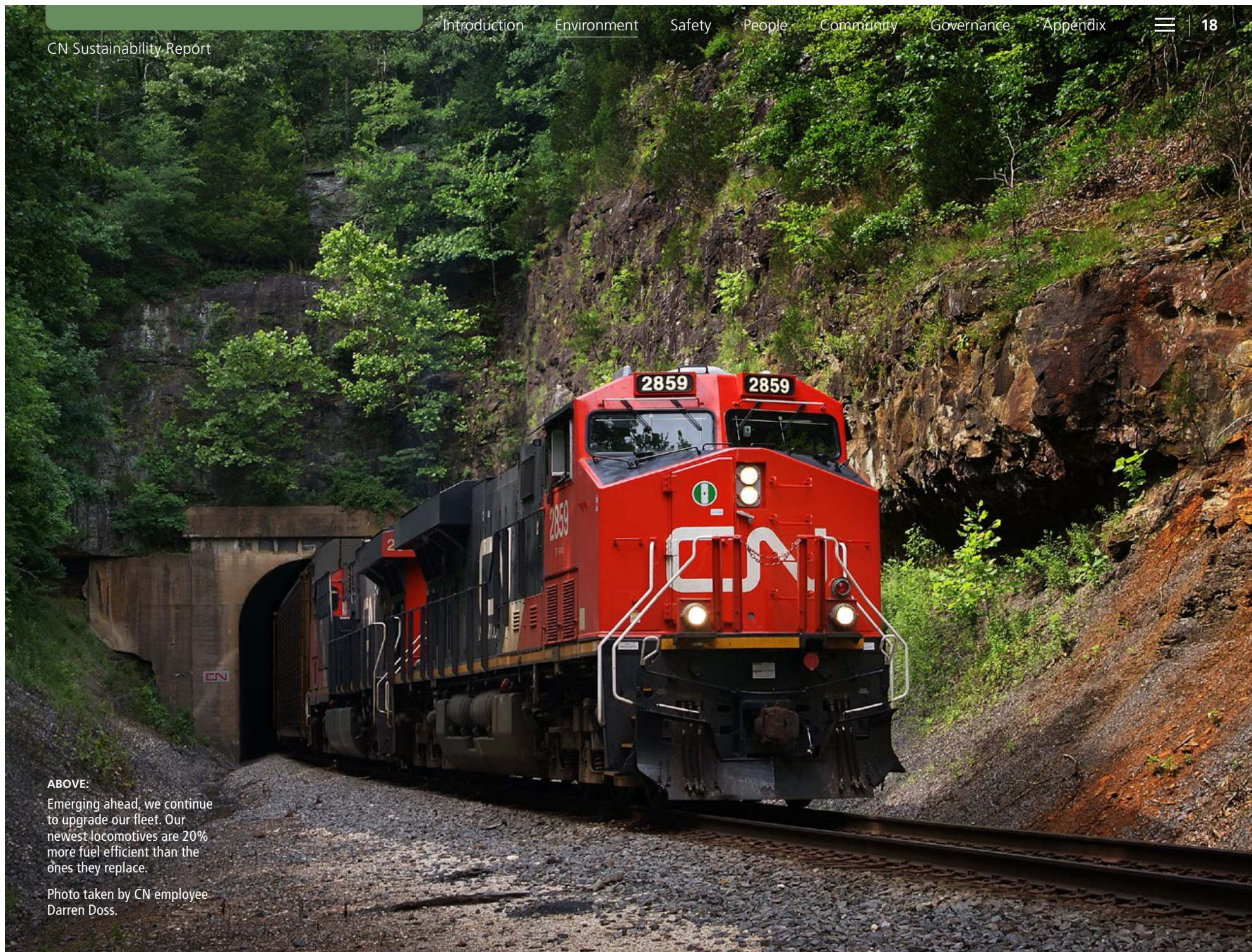
**A.** Over the years, the pursuit of efficiency has been the hallmark of our success. With Precision Railroading, fuel efficient locomotives, leading edge technology and numerous other programs, we achieved a fuel and carbon efficiency improvement of 35% over the past 20 years. Today, we lead the North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

We are committed to doing all we can to continuously improve our efficiency.

### CARLO PAGANO

Director Supply Management  
Transportation/Technology Services





**ABOVE:**

Emerging ahead, we continue to upgrade our fleet. Our newest locomotives are 20% more fuel efficient than the ones they replace.

Photo taken by CN employee Darren Doss.



# 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.

## Our Initiatives

### Using Fewer Rail Cars and Locomotives to Ship More Freight

For many years, we have operated with a mindset that drives efficiency and asset utilization, enabling us to become the most fuel and carbon efficient railroad in North America. Our asset-lean Precision Railroad model allows us to use fewer railcars and locomotives to ship more freight in a tight, reliable and efficient operation.

Our continued search for efficiency is best captured in our performance according to key operating metrics such as car velocity, train speed and locomotive productivity. All are at the centre of a highly productive and fluid railroad operation, enabling us to run even more fuel and carbon efficient trains despite increasing volumes in freight.

### Leading the Industry in Rail Fuel Efficiency

15%

less fuel per gross ton mile than the industry average



### Operating through Efficient Routing Protocols

Our routing protocols ensure we move traffic in the most efficient way, regardless of track ownership. We currently have routing protocol agreements with all Class I railroads.

### Driving Efficiency Across the Supply Chain

In addition to routing protocols and co-production arrangements, we are collaborating from end to end with ports and terminal operators, through agreements that focus on improving dwell times and driving efficiency, further enabling us to reduce GHGs and ensure better service for our customers.

### Upgrading Our Locomotive Fleet

We continue to acquire new, fuel efficient locomotives and upgrade our existing fleet. These new locomotives enable us to meet Tier 3 and 4 regulatory obligations, are up to 20 percent more fuel efficient than the ones they replace and produce at least 40 percent less nitrogen oxides. In order to tap into the opportunities related to alternative fuels, we are working with manufacturers and research centers to support the development of cleaner fuel alternatives, including natural gas.

For example, in 2014 we successfully retrofitted two high-horsepower mainline locomotives to run on a mix of liquefied natural gas (LNG) and diesel. Four special tender cars were also constructed for the trains to carry the LNG.



STAKEHOLDERS ASK:

## Q. How is CN responding to changing weather conditions?

**A.** Severe weather conditions, such as extreme cold or heat, flooding, drought, and hurricanes, can disrupt our operations, damage infrastructure, and affect the performance of our locomotives and rolling stock.

Year over year, we invest significantly towards the maintenance of our track infrastructure to protect our assets. In 2014, for example, we invested approximately \$1.25 billion. We also allocate operating expenditures towards proactive inspections, maintenance, emergency response and readiness plans, which include procedures for train speed, train length and weight, rail replacements, de-stressing and fire prevention and response.

**DAVID FERRYMAN**

Vice-President System Engineering

### Deploying Leading Edge Technologies

We maintain a longstanding commitment to reducing emissions by investing in innovative fuel efficiency technologies such as Trip Optimizer and locomotive telemetry systems. Trip Optimizer works like an advanced auto-pilot for locomotives, calculating the locomotive's ideal speed to minimize braking and increase fuel efficiency.

Locomotive telemetry systems wirelessly collect operational and performance data on locomotives, and distribute this information to a central location where real-time decisions and data analysis can be completed to assess a train's operations and fuel efficiency. This technology's data feeds our HPTA (Horse Power Tonnage Analyzer) system which works to optimize a locomotive's horsepower to tonnage ratio.

For example, if a train is overpowered, the crew would receive instructions to shut down one of the units or reduce the notch at which it is operating so that it can conserve fuel and as a result produce fewer emissions.

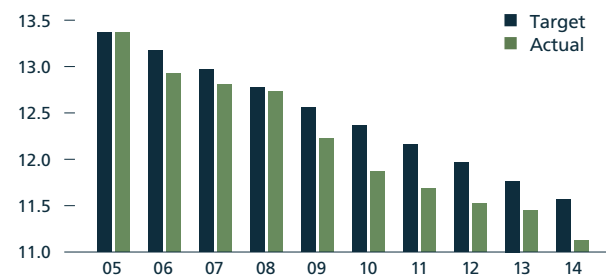


**IMPROVING FUEL EFFICIENCY WITH DISTRIBUTED POWER:** Locomotives equipped with distributed power allow CN to run longer, more fuel efficient trains, particularly in cold weather conditions, while improving train handling and the overall safety of operations.

**17%** reduction since 2005,  
exceeding our target of 15%

### Rail Locomotive GHG Emissions Intensity

tCO<sub>2</sub>e per million gross ton miles (GTM)



### Promoting Fuel Conservation Practices

Our train crews and rail traffic controllers are continuously being schooled on best practices for fuel conservation. At the start of their careers with us, our new conductors, engineers, and rail traffic controllers are trained on fuel efficiency as part of our new hire programs through CN Campus. Fuel conservation practices include locomotive shutdowns in our yards, streamlined railcar handling, train pacing, coasting and braking strategies.

### Optimizing Yard Performance

Our innovative SmartYard optimization system makes traditional switching practices at our largest yards more flexible and efficient. The system uses the best sequence for processing cars and makes yard inventory adjustments to reduce dwell time, increase train speed and improve fuel efficiency.



**IN FOCUS:**

## Innovative Technologies Reducing Fuel Consumption and Emissions

**OBJECTIVE:**

We are committed to investing in new technology applications and providing training to improve our fuel efficiency and reduce our emissions.

Our new technology applications and enhanced analytical capabilities are helping improve the fuel efficiency of our freight operations:

- **RTBI** CN's Real Time Business Intelligence locomotive telemetry system provides real time information on locomotive and train performance. The information is being used to support fuel conservation, safety monitoring, locomotive health monitoring and incident investigation.
- **HPTA (Horse Power Tonnage Analyzer)** uses the data collected by the locomotive telemetry database to optimize a locomotive's horsepower to tonnage ratio.
- **Trip Optimizer** is an energy management system that processes real-time information on train characteristics, performance and terrain, and continuously computes the most efficient manner in which to handle the train.

**RESULTS:****Fuel Efficiency Improvement**

# 2.5%

improvement in fuel efficiency achieved in 2014

**Carbon Emissions Avoided**

# 142,012

tonnes of CO<sub>2</sub>e avoided in 2014

In 2014, trainees in our Locomotive Engineering Program began using a modernized training curriculum that included updated training materials and new simulation scenarios with these new technology applications. Students are evaluated on Rules, CN's Train Handling Policy, efficiency and fuel usage.

**ABOVE (FROM TOP):**

Trip Optimizer provides the potential for fuel saving through its cruise control features.

RTBI supplies real-time information on locomotive and train performance while optimizing fuel use by continuously scanning train operations.

Eric Kallin, Signalman at our modern training center in Homewood, Illinois, getting training on train handling and fuel efficiency.

# Reducing Our Non-Rail Carbon Footprint

Building on our industry leading rail fuel efficiency programs, we continue to extend the same efficiency mindset to our non-rail fleet including our intermodal equipment and trucking fleet, On Company Service (OCS) vehicles and our Great Lakes shipping vessels. Together, they represent 8% of our total carbon footprint.

## Our Initiatives

### Using Fuel Efficient Intermodal Equipment

We continue to use fuel efficient intermodal equipment including EcoTherm insulated containers and the Miller EnPack truck integrated hydraulic pumps and generators. We are also using Compressed Natural Gas (CNG) in shunt trucks at our Taschereau and Brampton Intermodal yards. CNG produces less particulate and nitrogen oxide emissions as well as 20% less GHG emissions.



**DRIVING CLEAN INNOVATION:** Switching from diesel to compressed natural gas shunt trucks in our Montreal and Brampton intermodal terminals has helped increase fuel efficiency by 17%, and reduce costs and our emissions.

In addition, we ensure containers are stacked to reduce gaps, which improves intermodal train aerodynamics and reduces fuel consumption and GHG emissions.

### Promoting Fuel Efficiency in Owner-Operated Trucks

CNTL is one of Canada's largest full-loading trucking companies made up of an owner-operated fleet. We promote a broad range of fuel efficient initiatives, including a preventive maintenance detection program, route optimization initiatives, and aerodynamic components and trucks. Truck drivers are also continuously trained on fuel efficient driving practices.

### Updating Our On Company Service (OCS) Vehicles

The OCS fleet consists of on-road and on-rail vehicles used to carry out day-to-day business operations, which we continue to update with more fuel efficient vehicles, including hybrids. We are also leveraging efficiency technologies such as GPS and training our employees to reduce idling and speeding.

### Maintaining Fuel Efficient Ship Engines

We operate an eight-vessel shipping fleet, consisting of four motor and four steam vessels. Our ships maintain fuel efficient engines and ship operators are trained on practices to reduce fuel consumption, including speed protocols and operating parameters.



#### STAKEHOLDERS ASK:

### Q. How is CN promoting more fuel efficient driver behaviours?

**A.** We believe that a big factor in fuel economy is the driver behind the wheel. As part of our EcoConnexions program, we introduced a training program for all drivers on fuel efficient driving practices such as tractor maintenance, route optimization and gear and wheel selection, speed control and idling and fuel levels. We also provide regular scorecards to drivers on their progress and give out annual awards to the most fuel efficient drivers.

Our CNTL truck drivers are finding that more aerodynamic vehicles coupled with decelerated speeds are making a difference.

#### MARTYN PETERSON

Manager, Truck Operations





**ABOVE (FROM LEFT):**  
Martyn Peterson  
Manager, Truck Operations  
Mario Descheneaux  
Supervisor, Truck Operations  
Rick Smollet  
Owner-Operator Truck Driver

## Improving Fuel Efficiency Through Aerodynamic Specifications and Driver Training

Truck Operations Manager and EcoChampion Martyn Peterson introduced aerodynamic specifications for CNTL new trucks about six years ago as a means of reducing fuel consumption, making CN one of the first to encourage their adoption. Coupled with a training program for drivers, led by Mario Descheneaux, Supervisor of Truck Operations in Mississauga, the team has been delivering results.

Rick Smollet, one of our owner-operators, purchased a new, more aerodynamic vehicle and saw immediate improvements in fuel efficiency. He is also a veteran in fuel-saving driving techniques: "I control my speed, keep a steady pace and maintain good distance from the next vehicle."

Our CNTL truck drivers are proving that more aerodynamic vehicles and fuel efficient driving techniques are making a difference. We've recorded about a 2% decrease in fuel consumption year-over-year.



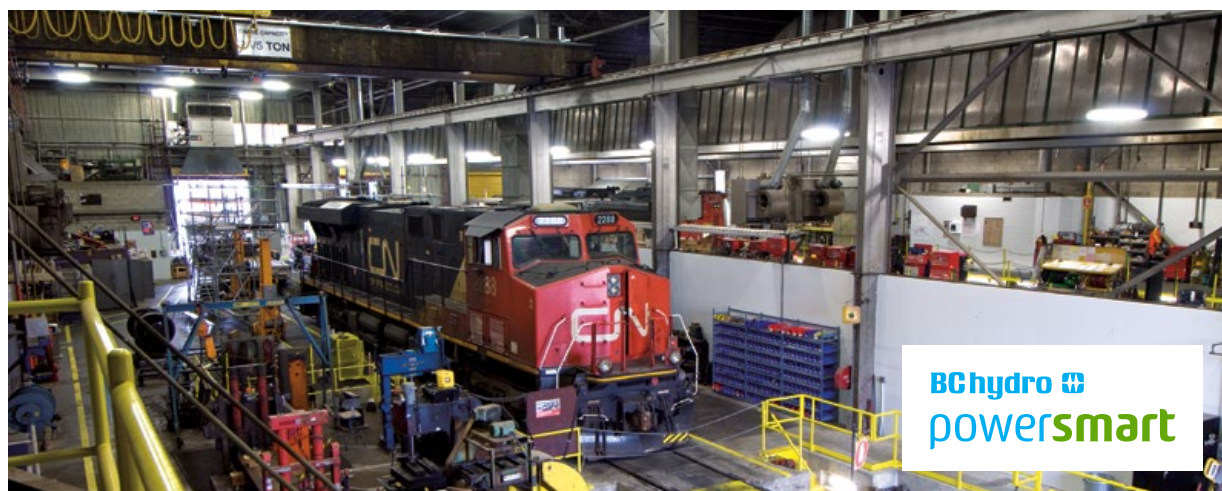
## Improving Efficiency at Our Buildings and Yards

Our buildings and yards account for approximately 7% of our GHG emissions, comprising electricity, natural gas and miscellaneous fuel consumption. We are committed to improving the use of energy in our existing buildings and yards, while integrating more sustainable designs into new buildings.

### Our Initiatives

#### Monitoring and Measuring Energy Consumption

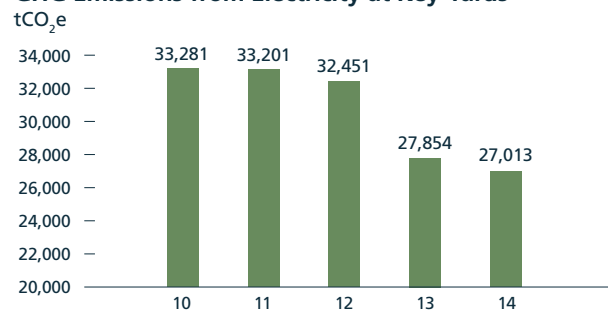
In 2014, we strengthened our management systems that measure and monitor how energy is consumed across North America. Building on our energy monitoring system, we launched a new Energy Operation (EO) system to capture energy data from smart meters, which we installed in major buildings, yards, and on key equipment at CN facilities.



**THORNTON YARD ENERGY INITIATIVES:** Our energy partnership with B.C. Hydro, coupled with energy conservation awareness as a result of EcoConnexions, has resulted in a 20 percent reduction in energy use in Thornton Yard in Surrey, B.C. Our investments into new lighting systems and equipment upgrades are made possible by our \$5-million CN EcoFund, which reinvests the significant cost savings generated by EcoChampion initiatives into new capital projects that support energy conservation and waste reduction.

**19%** reduction since 2010,  
exceeding our target of 15%

#### GHG Emissions from Electricity at Key Yards



The data includes how energy is being consumed in administrative buildings, at car shops and locomotive repair centres, as well as how it is consumed by energy intensive equipment such as air compressors, lighting fixtures, and boilers. System users can easily track their energy use, compare to other CN locations, set goals, get early detection of poor energy performance and make better energy decisions. The EO system is helping groups in our major yards across CN monitor and reduce their energy consumption and GHG emissions.

#### Upgrading Our Buildings and Yards

Over the past few years, we have continued to upgrade our buildings and yards with more energy efficient products, including boilers, air compressors, HVAC systems and lighting. For example, LED lighting retrofits have been installed at some of our largest yards, including Symington Locomotive Repair Centre. The Calgary Logistics Terminal installed an innovation that enables crews on trains to turn on yard lights from their locomotive cab, resulting in further energy savings.

# Waste Management

## Why It Matters

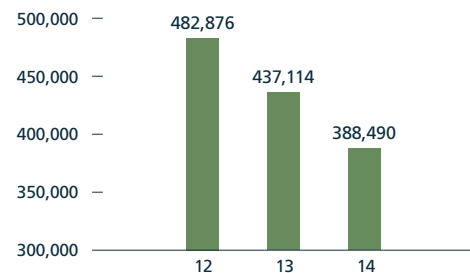
Reducing the environmental impacts associated with resource consumption is an important part of our environmental stewardship responsibilities. The growing demand for products and services is placing considerable strain on resources, as well as the land space to accommodate waste accumulation. This is why we are focused on doing more with less, while preventing and reducing our waste consumption.

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<sup>(1)</sup>

Metric tonnes



(1) Including all operational waste streams.

## Our Initiatives

### Reducing Waste at Source

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.

### Reusing Materials

We continue to reuse materials from our buildings and yards, including used oil, concrete ties, engine coolants, and wastewater from treatment plants to wash locomotives.

### Recycling Waste

Through our EcoConnexions Program, we are engaging our employees and strengthening our culture of waste management. We continue to increase awareness of waste sorting and recycling opportunities, while sharing best practices across the network. Our recycling initiatives include paper and cardboard, plastic, batteries, electronic waste, scrap metals, rail, railcars and rail ties.



### STAKEHOLDERS ASK:

### Q. What is CN doing to prevent and address waste from accidental spills?

**A.** Our environmental management program provides procedures to prevent and minimize spills, including direction on shipping and receiving dangerous goods, storage tank management and truck to locomotive fuelling.

When incidents do occur, we have in place robust emergency response plans to minimize the impact of spills and releases of hazardous materials in surrounding communities and the natural environment. We continue to track our environmental liability performance, and are proactively managing and reducing our risks.

### STELLA KARNIS

Senior Manager, Environmental Affairs

**IN FOCUS:**

## Sustainable Procurement

### Promoting Cleaner Products and Services

**OBJECTIVE:**

We are committed to engaging with our suppliers to promote and encourage sustainable procurement options that consider the entire life cycle of the products and services we use.

We integrate environmental, social and governance considerations during the selection and assessment of our suppliers and subcontractors. All our third-party business partners are required to comply with the law, adopt the strongest ethical standards and are encouraged to adhere to our Code of Business Conduct.

We encourage initiatives that prevent the generation of waste at source, and collaborate with our suppliers to promote sustainable procurement options that consider the entire product life cycle. We've introduced environmental product innovations such as Bio-Circle, collaborated on packaging optimization such as boomerang boxes and pallets, and encouraged bulk packaging.

In 2014, we signed a contract with a new waste service provider with an innovative waste reduction service agreement, which will enable us to better track our waste volumes and meet our waste reduction targets.

**RESULTS:**
**Approximate Boxes  
Avoided**

# 5,200

one-time-use boxes avoided at CN headquarters

**Hazardous Waste  
Eliminated**

# 30,000

estimated litres of hazardous chemical waste eliminated by using a solvent-free parts cleaning system

**ABOVE (FROM TOP):**

Mike Barsby and Alain Theriault, heavy duty mechanics and EcoChampions, using bulk 200-L drums, eliminating the use and need to recycle an estimated 781 small 4-L oil jugs annually.

Brigitte Michaud, Senior Agent, Supply Management and EcoChampion, using a reinforced, reusable cardboard box that is bar coded and tracked for return to the supplier – for reuse up to 12 times.

Matthew Van Severen, Work Equipment Supervisor and EcoChampion, using Bio-Circle, a safe, solvent-free parts cleaning system that eliminates hazardous waste.



**ABOVE:**

Mike Singelyn, Senior Manager Materials and Facilities (second from right), with M.A. Associates employees and screening machine in the background.

## Recycling Waste Our New Solution for Scrap Tie Debris Disposal

We generate over two million scrap rail ties every year and send them to power plants, which burn the chips to create electricity (co-generation). However, one of the challenges is that badly deteriorated rail ties break down and often mix with debris, making them unusable for co-generation.

Mike Singelyn, Senior Manager Materials and Facilities, together with Reid Bodley, Manager Waste and Resource Conservation, and Heritage Interactive, CN's waste service provider, collaborated on an innovative solution to reduce waste from rail tie debris at our rail tie disposal hub in L'Anse, Michigan. "We worked with local main vendor M.A. Associates to implement a screening solution to capture wood fragments and send them for co-generation – we expect to reduce waste to landfill by over 1,000 tons this year," says Mike Singelyn.

# Biodiversity and Land Management

## Why It Matters

Protecting natural ecosystems remains a constant priority for us. 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 and operations in a way that minimizes our disturbance of these ecosystems.



**COLLABORATING TO RESTORE GOGAMA:** 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.

## Our Initiatives

### Conducting 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. These assessments typically involve studies of ecosystems and habitat at risk, as well as stakeholder engagement activities to better understand impacts on local communities. For example, as part of our Voluntary Mitigation Agreements with 28 communities in the Elgin, Joliet and Eastern (EJ&E) network that encircles Chicago, we spent roughly U.S.\$80 million on environmental and safety mitigation.

### Preserving and Restoring Ecosystems

We have in place a broad range of programs to protect sensitive habitats and prevent and correct ecosystem impacts, particularly on aquatic life and wildlife. We continue to build fish culvert passages where railway track projects are located near water courses, and also have a wildlife management program, which includes mapping areas of high wildlife collision and strategies to prevent them.

### Cleaning Up and Remediating Sites

Contaminated sites can result from railroad activities or accidental spills and releases. We are committed to clean-up and remediation related to present and past ownership, operation or control of real property and continue to proactively manage and reduce our risks.



### STAKEHOLDERS ASK:

## Q. What is CN doing to clean up and remediate Gogama?

**A.** In early March 2015, one of our trains carrying crude oil derailed near Gogama, Ontario. Immediately following the derailment, we activated our emergency response plan and an incident command system engaging the Mattagami First Nation, the Gogama Local Services Board and our Dangerous Goods and Public Affairs teams to handle issues, including safety and communication.

Within hours we installed containment booms to capture floating oil and started to remediate the site soon after. Clean-up and remediation of Gogama is an absolute priority for us.

### FRÉDÉRIC GAUTHIER

*Regional Manager, Environment*



## Environmental Impact Assessments – Protecting the Environment at Kirk Yard

Prior to starting construction projects, we routinely conduct environmental and social impact assessments to help us understand potential ecosystem and biodiversity risks and identify measures to mitigate those risks. The infrastructure project at Kirk Yard in Gary, Indiana, is a good example of how we are successfully balancing environmental considerations with infrastructure upgrades.

Prior to construction of new tracks, bridges and facilities at Kirk Yard, we conducted an impact assessment that showed the yard would impact seven acres, including some valuable wetland. To compensate, we created seven acres of high quality wetland, providing habitat for plants and wildlife. We are also enhancing several Kirk Yard properties and 15 acres of the Pine Station Nature Preserve in Gary, Indiana.

“For the seven acres that we impact, the overall acreage we are creating or enhancing totals 56 acres. It’s a great example of CN’s environmental stewardship and our efforts to protect natural ecosystems,” says Kari Harris, Environmental Impact Assessments Manager.

**ABOVE:**

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





# Safety

**ABOVE:**

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

# Building Safety Into All We Do



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.

## Our Approach

Our Safety Policy, signed by our President and CEO, reflects our goal to be the safest Class I railroad in North America. Formal executive accountability for safety is assigned to the Vice-President Safety and Sustainability, who reports to the Chief Operating Officer. CN's executive leadership team meets regularly with the Environment, Safety and Security Committee of the Board.

We work hard to develop preventive action plans to minimize risks and continually reduce injuries and accidents. Through our Safety Management System (SMS), we incorporate safety into our daily operations in the areas of: People, Process, Technology and Investment. These are our best lines of defense to reduce risk.

## Strengthening our Safety Culture

Building a strong safety culture is an absolute priority for us. Our aim is to strengthen our safety culture through significant investments in training, coaching, recognition and engagement activities that empower employees to look out for each other. This means having a continuous dialogue with employees about what's

working well and what's not to reduce injuries and help each other stay safe.

## Improving Safety Processes

Our safety process aims to make safety a systematic part of every railroading activity we conduct, focusing on the top causes of accidents and how to prevent them. It includes our Safety Policy, risk assessments, safety integration plans, audits and community outreach.

## Investing in Infrastructure and Technology

We continue to invest in infrastructure and technology to enhance safety and maintain a fluid rail network. We make significant investments every year to maintain a safe operation, through our top-notch training, technology and infrastructure improvements.

### SAFETY MANAGEMENT SYSTEM (SMS)



**Our Safety Management System (SMS) is a proactive, comprehensive program designed to minimize risk and drive continuous improvement in our day-to-day operations, focusing on: People, Process, Technology and Investment.**



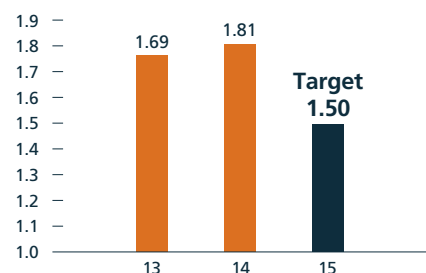
# Strengthening Our Safety Culture

## Why It Matters

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. As we welcome thousands of new hires to CN, the continued strengthening of our safety culture will be even more important.

### FRA Personal Injury Ratio

Injuries per 200,000 person hours



The most severe winter in generations brought challenges in 2014. Action plans were developed to address top injury causes.

## Our Initiatives

### Providing Intensive Safety Training

All our employees are required to take a variety of safety training specific to their job function to ensure our safety procedures, guidelines and rules are followed. Our courses for seasoned and new railroaders have been revitalized and modernized through CN Campus, providing employees with hands-on training in ultra-modern indoor labs and dedicated rolling stock and field training equipment.

### Onboarding New Hires on Safety

Our Onboarding Program ensures the new generation of railroaders are equipped with the resources and knowledge to work safely and efficiently. 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.

### Helping Each Other Stay Safe

We engage our employees to participate in a number of safety-related initiatives, including SaFE programs, Safety Summits, annual Safety Management System conferences, weekly safety leadership calls and through our 106 Health and Safety Committees. Our new Looking Out for Each Other program teaches employees how to observe tasks and give feedback about safety to each other, reducing injuries and helping each other stay safe.



### STAKEHOLDERS ASK:

#### Q. How is CN embedding its safety culture?

**A.** We were a leader in measuring safety culture and we continue this effort on an ongoing basis through our integrated system audit and employee safety surveys.

In 2014, almost 85 percent of respondents to our employee survey felt they have the right tools, equipment and coaching to do their jobs safely. Respondents also felt that in-person discussions, safety briefings and peer-to-peer communications support safe behaviours. Listening to that feedback, we expanded our Looking Out for Each Other peer engagement program and created our confidential telephone hotline PREVENT, enabling all employees to report near misses and safety hazards.

#### SAM BERRADA

Vice-President, Safety and Sustainability

**IN FOCUS:**

## Onboarding New Hires to Work Safely and Efficiently

**OBJECTIVE:**

**Our Onboarding Program is aimed at preparing our newly hired employees to be highly skilled, safety conscious and confident in their work environment.**

The opening of the new CN training centres in Winnipeg, Manitoba, and Homewood, Illinois, has significantly enhanced our railroader training programs. Our revitalized training instills a strong safety culture in our new hires, while reinforcing it among current employees who are learning new skills or upgrading existing ones.

In 2014, we hired over 3,700 employees. Our Onboarding Program ensures these new employees are equipped with the resources and knowledge to work safely and efficiently, and to feel connected to the business.

Our program also promotes peer-to-peer communications between a trainer and trainee by outlining the safety expectations for the new hire and evaluating his/her level of proficiency for all the required skills or activities for qualification. We also hold safety summits to engage employees in two-way communications and share best safety practices.

**RESULTS:**

### New Hires Trained on Safety

# 3,700

new hires in 2014 have been trained on our safety culture

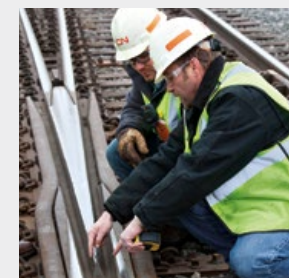
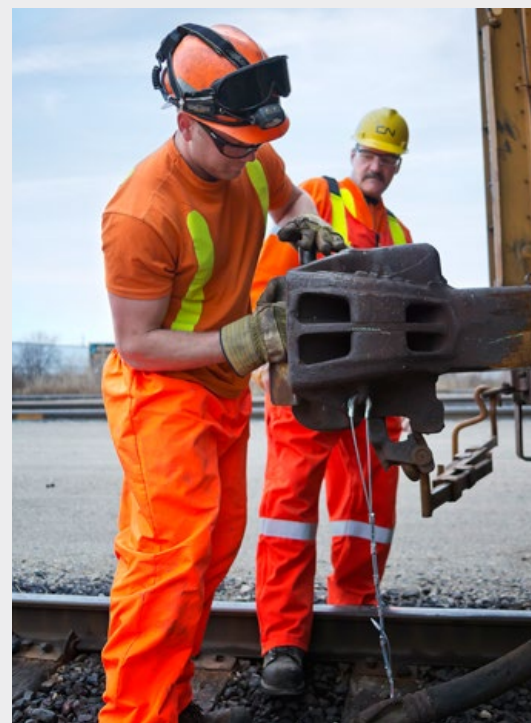
### Safety Summits

# 80

safety summits led by local management in 2014



ON BOARD 

**ABOVE (FROM TOP):**

Jon Marrese, Officer Training and Development, provides on-the-job training to new hires on safely securing the hand brake.

Joey Brown, car mechanic apprentice, learning the ropes and working alongside a more experienced colleague.

Tony Sharrow, Track Patrol, shows Bill Freese, Trackman, how to safely lay rail.



## Preventing Injuries and Accidents – An Innovative Partnership with Saint Mary's University

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. This centre of research excellence is a world-class facility, focused on better understanding and addressing occupational health and safety across the globe.

On October 1-2, 2014, CN and Saint Mary's University co-hosted the first Safety Culture Symposium. The unique and innovative event attracted Canadian and international experts from a wide variety of organizations. The list of some 175 participants included academics from different universities and representatives from governments, regulators, unions, private and public companies as well as a number of railroads, to discuss and share information about the emerging field of safety culture. The groundbreaking learning opportunity provided stimulating ideas on how to keep improving safety today and tomorrow.



ABOVE:  
St. Mary's University  
Halifax, Nova Scotia

# Improving our Safety Processes

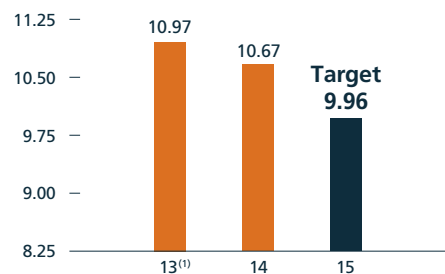
## Why It Matters

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. Improving our safety processes is integral to our safety approach – it helps us minimize risk, reduce injuries and accidents, and engage employees at all levels of the organization.

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.

## Our Initiatives

### Conducting Risk Assessments

Risk assessments allow our employees to understand the potential safety hazards of railroad activities and take action to reduce risks. In addition, we conduct field level risk assessments during specific activities in the field, such as the installation of track and ties. We are also examining the key corridors on our network to assess and mitigate risks – including the proximity of communities along our right-of-way, environmentally sensitive areas, and the volume of dangerous goods transported along those corridors.

### Developing Annual Safety Action Plans

The information from our SMS, including risk assessments, incidents, non-conformities and audit results are used by our regional/functional leaders to develop annual detailed action plans for their operations. Action plans are built in compliance with a system standard entitled Expectations for Safety Leaders, which is driven by thorough root cause analysis.

### Monitoring SMS Effectiveness

Safety audits monitor the effectiveness of our SMS and identify opportunities for us to get even better. We developed an integral audit process which assesses compliance with the SMS, operating rules, and our safety culture. We also assess compliance with safety action plans and rules compliance through efficiency testing and observations.



#### STAKEHOLDERS ASK:

### Q. How is CN engaging with unions on safety?

**A.** We value the input of our employees and labour representatives in running a safe operation. In 2014, at our tenth annual conference, we engaged with senior labour representatives in our Policy Health and Safety Committee to review the key findings of the employee Safety Culture survey, and initiated discussions on our peer engagement programs, promotion of the PREVENT safety hotline and safety communications.

Many key recommendations from the conference are being followed through and progress is being monitored by our Health and Safety Committees.

#### RICK BAKER

General Manager Safety and Regulatory Affairs



**IN FOCUS:**

## Investing in Infrastructure and Technology to Operate a Safe Railway

**OBJECTIVE:**

**We are committed to making significant investments to continue to operate a safe railway and to improve the productivity and fluidity of the network.**

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.

In 2014, we established a Special Capital Technology Fund to leverage leading-edge technologies and enhance our secondary main track in Western Canada. The Fund is also investing in new Wayside Inspection System units to detect hot bearings and hot wheels, Hi-Rail Vehicles for track geometry testing, new Dragging Equipment Detectors to protect key structures and waterways, new Vertical Track Interaction units to reduce the risk of main track accidents, and new Signalled Sidings to detect broken rails.

We have assembled an innovative technology working group. The goal of the group is to reduce risk with leading-edge technologies and data analytics.

**RESULTS:****Invested in Network Safety**

# \$1.25B

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

**Invested in Safety Technology**

# \$25M

in a Special Capital Technology Fund for the acquisition of equipment for early detection of defects

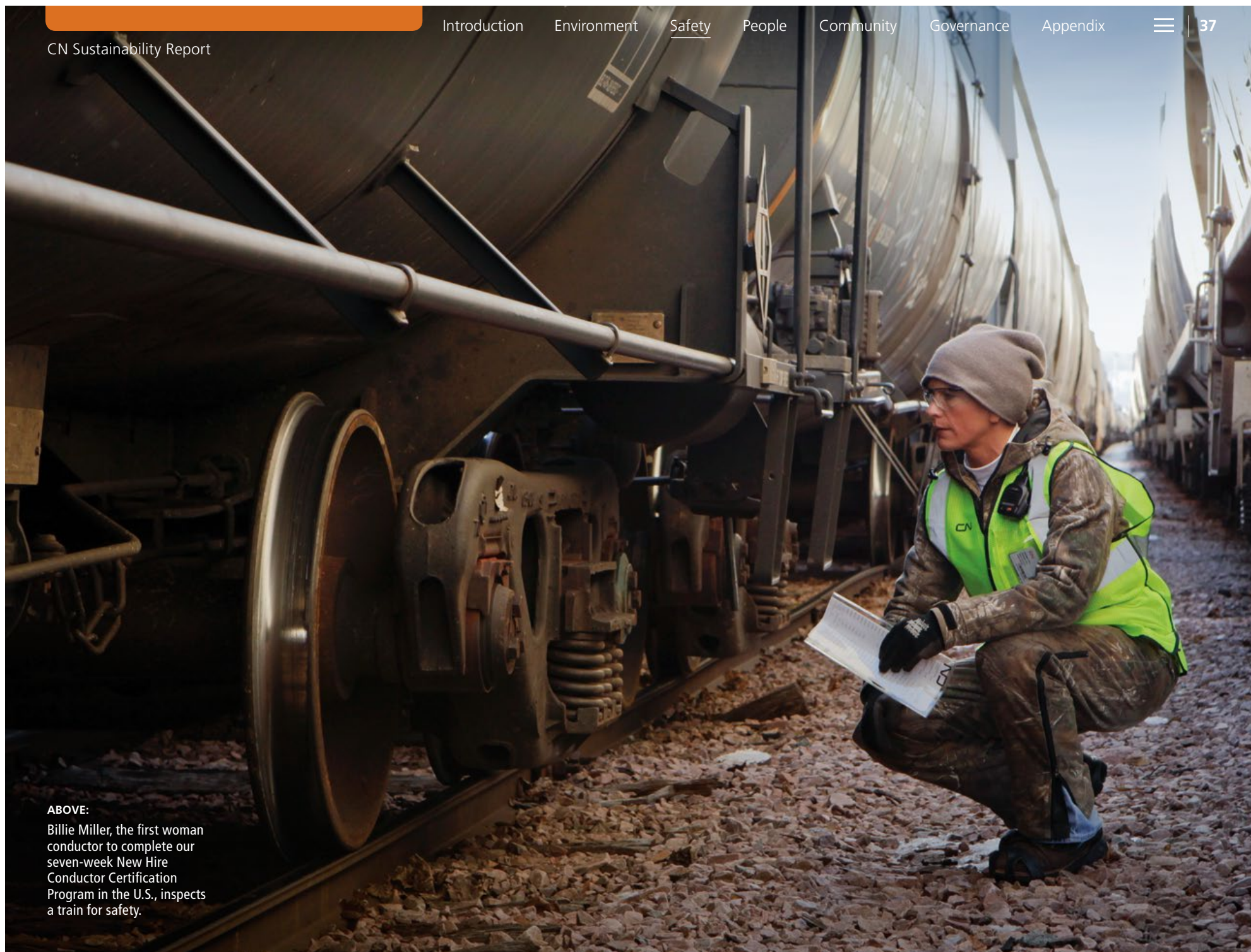
**ABOVE (FROM TOP):**

Ultrasonic rail flaw detectors catch internal rail defects that could potentially lead to broken rails.

Track infrastructure maintenance to operate a safe, productive and fluid rail network.

CN has the densest and most advanced wayside detection technology in North America for monitoring and detection of unsafe operating conditions.





**ABOVE:**

Billie Miller, the first woman conductor to complete our seven-week New Hire Conductor Certification Program in the U.S., inspects a train for safety.



# Moving Dangerous Goods Safely

## Why It Matters

We have an unwavering commitment to safety. Whether moving dangerous goods or any other freight on our network, we know that safe operations are the first priority and are critical to all stakeholders: employees, customers and the communities through which our trains travel.

As a rail transportation company in North America, we are legally required to service all customers, under our common carrier obligations. While we cannot refuse goods from customers, we recognize the important role we have to ensure the safety of communities when transporting dangerous goods.

Working closely with government agencies to meet or exceed regulatory requirements is important to us. We also continue to strengthen our safety practices and communication protocols to reduce the impact of potential accidents.

## First Responders Reached

# 83,000

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



## Our Initiatives

### Enhancing Safety Practices

Although CN was not involved in the Lac-Mégantic accident in 2013, we took additional steps to further reduce the potential for, and impact of, accidents on our network. We strengthened our robust train securement practices and restricted the speeds of trains hauling highly-flammable liquids. We invested in our flaw detection capabilities and conducted corridor risk assessments to assess risk factors such as population, waterways, and volumes of dangerous goods along key corridors on our network.

### Replacing Tank Cars

We support the retrofitting or phase-out of older model tank cars used to transport flammable liquids, and a reinforced standard for new tank cars built in the future.

### Working with Communities

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. The communities we go through are also informed about our dangerous goods to help them better prepare for potential incidents.



## STAKEHOLDERS ASK:

### Q. How is CN ensuring the safe transportation of crude-by-rail?

**A.** We conduct comprehensive preventative testing procedures to ensure the safe transportation of crude-by-rail. This includes wheel detection, roll-by inspections, and overload/imbalance detection.

Although we do not own the rail cars used to transport dangerous goods, we continue to educate our customers on rail car safety. In 2014, we structured our freight rates to incentivize customers to acquire tank cars that meet higher safety standards when transporting crude oil.

### JIM VENA

Executive Vice-President and  
Chief Operating Officer

**ABOVE:**

CN Dangerous Goods Team  
TransCAER® (Transportation  
Community Awareness and  
Emergency Response) Event  
London, Ontario

## Structured Community Engagement Dangerous Goods and Emergency Response

Our Structured Community Engagement Program is focused on engaging the communities where we operate across our network to help them better prepare for potential incidents. In 2013, in the wake of the Lac-Mégantic disaster, our Dangerous Goods team, met face to face with 2,000 municipal officials and their emergency responders across North America to review our safety programs, share in confidence relevant information on dangerous goods traffic, and to discuss emergency response planning and training.

Training sessions for emergency responders are ongoing, including a one-week CN-sponsored Tank Car Specialist training course for firefighters, a one-week course for emergency response contractors, and a Crude-By-Rail course for firefighters.

In 2014, we brought critical training on dangerous goods handling to over 6,800 community emergency personnel through CN-supported TransCAER® (Transportation Community Awareness and Emergency Response).





# People

**ABOVE:**

Rules Instructor Chad Richardson provides hands-on training to seasoned and new Railroaders at our CN Campus in Winnipeg, Manitoba.

# Building a Solid Team of Railroaders



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.

## Our Approach

We recognize that what differentiates us from our competition, isn't our locomotives nor 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. Our focus is on hiring the right people, onboarding them successfully, helping them build positive relationships with their colleagues, and providing opportunities for all our employees to grow and develop.

Our Talent Management Strategy is an integrated approach composed of four main elements: Attract, Onboard, Connect and Develop. Progress is communicated to the Executives by the Human Resources Department, who in turn report quarterly to the Board.

## Attracting the Right People

Our recruitment strategy is focused on workforce planning to replace normal attrition from retiring or departing employees and to accommodate the growth in freight volumes. We strive to attract and retain a diverse workforce that reflects the many communities where we operate.

## Onboarding New Hires

We want to make sure our newcomers are brought on board in a structured fashion. 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.

## Developing the Best Railroaders

Our ability to develop the best railroaders in the industry is a top priority for us. Our strategy focuses

on enhancing the capabilities of our people through training excellence, peer mentoring, and structured talent development approaches.

## Strengthening Connections

We are focused on strengthening our connection with our entire workforce by encouraging two-way communication, fostering collaborative relationships with our union partners, and celebrating our people's achievements.

### TALENT MANAGEMENT STRATEGY



People are the foundation on which all our guiding principles are built. Talent management at CN is focused on attracting the right people, bringing new hires onboard efficiently, developing the best railroaders with the right skills and strengthening connections. Engaging employees in our ongoing transformation journey is at the heart of our strategy.



**ABOVE:**

Vito Enrico – a newly certified conductor – completed five weeks of classroom training combined with two weeks of Field Intensified Training (FIT). His On-the-Job Trainer (OJT), François Oligny, coached Vito during his practice trips on the road and evaluated his progress throughout his training.

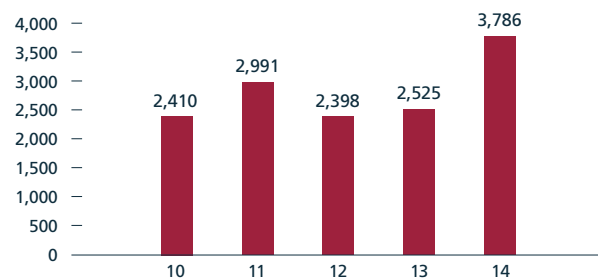
# Attracting and Retaining Talent

## Why It Matters

To continue to be a world-class leader in the transportation industry, we recognize that attracting a diverse workforce that reflects the communities where we operate and with whom we work will be critical to our success. Between 2015 and 2020, we expect a turnover of close to 50 percent of our current workforce from retiring or departing employees. That is why we are devoting significant resources to hiring the right people, onboarding them successfully, and helping them build positive relationships with their colleagues.

**14,000** new hires since 2010

Number of New Hires



## Our Initiatives

Our workforce planning provides us with a solid forecast of our employment needs, enabling us to hire in advance of attrition and stay ahead of changing demographics. We continue to refine our recruitment efforts with a focus on becoming a top-of-mind employer of all designated groups.

### Recruiting Top Talent

Our targeted recruitment campaigns include online assessments and CN-exclusive job fairs that offer candidates in even the most remote locations the chance to learn about career opportunities and get on-the-spot interviews.

Our prominent presence on social media extends our reach to potential candidates. We also maintain hundreds of partnerships with academic, professional and diversity associations to help us find ideal candidates.

### Onboarding New Hires

We continue to 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.



### STAKEHOLDERS ASK:

#### Q. How are CN employees helping to recruit new talent?

**A.** Our CN Ambassador Program engages our employees to recruit diverse candidates. In 2014, approximately 360 Canadian employees volunteered to participate in the program, which included answering questions from candidates on our Facebook series Ask a Conductor and celebrating International Women's Day.

One of our employees, Lorenzo Perez, is a shining example of a CN Ambassador who has been mentoring, tutoring and encouraging high school and college students through the Society of Hispanic Professional Engineers.

#### KIM MADIGAN

Vice-President Human Resources



# Ensuring Diversity and Inclusivity

## Why It Matters

In an increasingly complex global marketplace, we recognize the importance of diversity at all levels of our Company. Diversity enables us to better understand and respond to the needs of our stakeholders, access a larger talent pool, and increase the effectiveness of our decision-making through a wider range of perspectives, experiences, concerns and sensibilities. Increasing diversity to reflect the customers and communities we serve is essential to maintaining our competitive focus and contributes to enhanced performance.

## Our Initiatives

Company-wide diversity objectives and programs have been established across our business.

At the Board level, our Diversity Policy articulates our commitment to select qualified and diverse Board candidates. In 2015, we adopted a target to have at a minimum one-third of the Board represented by women. We also ensure our talent review succession planning for senior management positions meet our diversity goals.

### 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 a Diverse Team of Railroaders

Hiring Aboriginal people is key to executing our Aboriginal Vision. In 2014, we reached out to over 30 band offices across Canada, developed partnerships with diverse Aboriginal groups, hosted targeted CN career fairs and participated in the Canadian Aboriginal and Minority Supplier Council.

Gender is an important attribute of diversity that we are addressing across our entire Company. In 2014, we launched the Women in Operations Council, with strong executive level support. We developed and implemented a number of innovative initiatives to assist our female employees to understand performance and professional growth opportunities, develop their confidence in our operations, and build strong partnerships with fellow employees.

Enabling people with disabilities to have full access to our recruitment and career opportunities is also important to us. We partner with university student networks and new graduate associations that support employment for students with disabilities. In 2014, we recognized the International Day of Persons with Disabilities.

Additionally, we have targeted programs to increase our outreach to visible minorities. In 2014, 143 CN Ambassadors reached out to visible minorities.



### STAKEHOLDERS ASK:

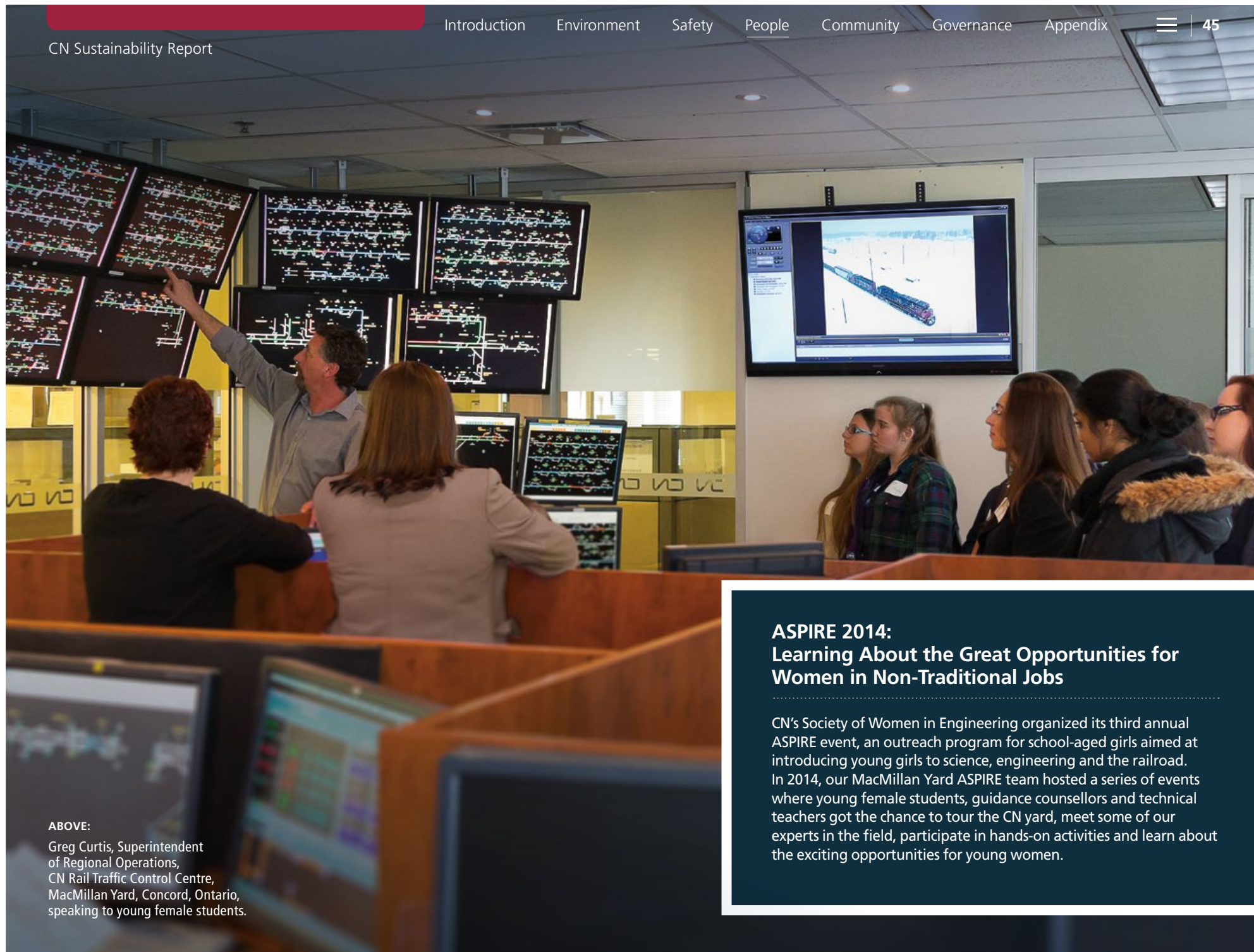
**Q. How is CN embedding a diversity culture across its business?**

**A.** 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.

We established three-year hiring goals (2014-2016) for each of the four designated groups, along with targeted outreach initiatives. In 2014, we achieved 61% of our overall three-year goals. We also sensitize our employees on cultural diversity, which in 2014 included celebrating International Women's Day, Black History Month, Hispanic Heritage Month, and celebrating Aboriginal Day at three CN locations.

**VIRGINIE BRONSARD**

Senior Director, Human Resources

**ABOVE:**

Greg Curtis, Superintendent of Regional Operations, CN Rail Traffic Control Centre, MacMillan Yard, Concord, Ontario, speaking to young female students.

### **ASPIRE 2014: Learning About the Great Opportunities for Women in Non-Traditional Jobs**

CN's Society of Women in Engineering organized its third annual ASPIRE event, an outreach program for school-aged girls aimed at introducing young girls to science, engineering and the railroad. In 2014, our MacMillan Yard ASPIRE team hosted a series of events where young female students, guidance counsellors and technical teachers got the chance to tour the CN yard, meet some of our experts in the field, participate in hands-on activities and learn about the exciting opportunities for young women.



# Developing People

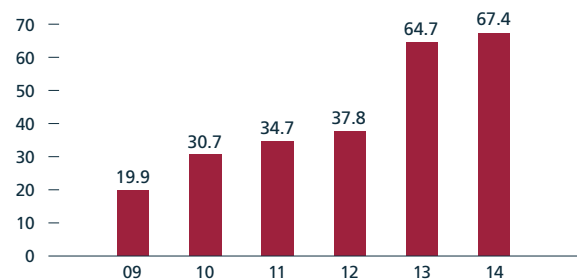
## Why It Matters

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.

Replenishing our workforce and planning for the development needs of both new and existing employees is essential for the success of our business. Our focus is on teaching our railroaders what is required to do their jobs and to carry out their responsibilities safely and efficiently.

**239%** increase since 2009

### Average Hours of Training per Employee



## Our Initiatives

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. We modernized our teaching, improved the quality of training, expanded the onboarding experience, and instilled an even stronger safety culture.

### Providing Technical Training

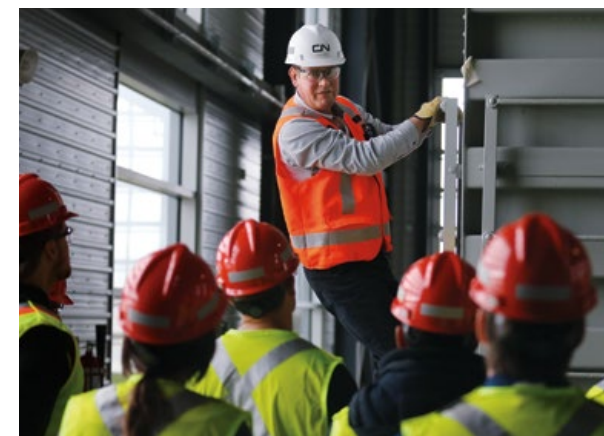
We offer skilled instructors and a modern curriculum for jobs ranging from conductor to car mechanic, from track supervisor to signal maintainer. In 2014, we continued our Future Leader Program for Trainmasters, the Assistant Track Supervisors Program and the Railroader Certification Program.

Employees receive hands-on training in indoor laboratories with equipment such as locomotive simulators and dispatcher stations. Outdoor labs with dedicated rolling stock and other equipment for field training are also used.

Employees also learn about the valuable role peer-to-peer communications, coaching and mentoring play in safe railroading, and benefit from the transfer of technical and management skills from seasoned railroaders.

### Developing Leaders

Our LEAD program helps build managers' skill sets to better lead, develop and coach their team members. Since launching LEAD in 2013, over 1,000 First Line Supervisors, Middle Managers and Senior Leaders participated in the program. LINK is our advanced



**REVITALIZED TRAINING:** Dave Jeffrey, Mechanical Instructor, providing practical training at CN's ultra-modern indoor lab in the Winnipeg Centre.

program to help accelerate knowledge transfer and business leadership skills to high-potential managers. In 2014, the LINK program included presentations by senior leaders, facility tours, and development activities.

We also launched a new Transportation Internship Program (TIP) for our unionized Transportation employees to learn about other areas of the business through a four-month internship in a non-unionized or management position.

**IN FOCUS:**

## Investing in State-of-the-Art Training CN Campus

**OBJECTIVE:**

**Our investment in the training centres is part of our continuous effort to instill a stronger safety culture, improve the quality of training, expand the onboarding experience, and accelerate productivity.**

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.

These centres of learning are revitalizing and modernizing the way we teach, providing a consistent level of training across our network and bringing people together. The Winnipeg Centre hosts an average of 350 students per week from across Canada, while the facility in suburban Chicago accommodates an average of 250 students from all over our U.S. network.

**RESULTS:****Investment in Training**

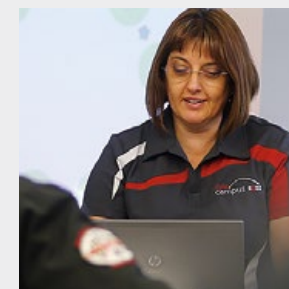
# \$55M

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

**Employees Trained**

# 3,722

employees trained at the Winnipeg CN Campus since its doors opened on April 7, 2014

**ABOVE (FROM TOP):**

Both centres were built using LEED guiding principles and are energy efficient, sustainable buildings.

Margaret Baker, Training and Development Officer, teaching Trainmasters and Assistant Track Supervisors.

James Tyler, seasoned Track Supervisor, taking re-certification training with instructor Rene Fitzpatrick.



## Engaging Employees to Stay Active Every Day

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. In 2014, the program was centred on exercise and nutrition.

Josie decided to take on the company-wide health challenge. “Now my pedometer is practically a part of my body,” she says smiling. “Every day, I walk and put it on. Exercise has a very calming effect on me, especially after a hard day’s work.”

**ABOVE:**  
Josie Maxwell  
Dispatcher Relief  
New Orleans

# Connecting with and Engaging Employees

## Why It Matters

We are committed to engaging our employees on our values and the progress we are making as a company, while providing them with opportunities to feel more connected to our business. We believe that the more our people feel engaged and connected to our business and goals, the more likely they will be invested in our shared success. Engaging employees in this way also reinforces our trust and appreciation for their talents and contributions.

## Our Initiatives

We invest in diverse programs to continue to engage with our employees – whether it is CN Ambassadors helping to recruit the next generation of railroaders, EcoChampions supporting our sustainability efforts, Wellness Champions promoting healthy life habits, Union Representatives encouraging two-way communication, or Railroaders in the Community engaged in the communities where we operate. Approximately 80% of our employees are shareholders of CN – a testament to their engagement in the company's success.

## Making Connections

Our employees are encouraged to engage and collaborate with each other to build their networks. In 2014, we launched a pilot initiative called Let's Connect to provide opportunities for employees to get to know each other, learn what their colleagues do, and discuss collaboration opportunities.

## Championing Key Programs

Our EcoConnexions – Employee Engagement program is led by EcoChampions across our network, working towards our goals of conserving energy, reducing waste and improving housekeeping at our yards and offices across North America. Since 2011, we have trained more than 700 EcoChampions. Through their efforts, we achieved 15% energy savings in our large yards, implemented recycling programs at 100 locations and completed over 1,000 projects to improve housekeeping.

Our wellness champions support the spirit of the CN Wellness Program. They play an active role engaging our employees, serving as advocates in the workplace and encouraging others to get involved in the wellness program.

## Collaborating with Union Partners

We continue to foster collaborative relationships with our union partners and employees. Through meetings with our unions, including the United Steelworkers, the Teamsters Canada Rail Conference, and Unifor union leaders and employees, we seek alternate solutions to improve work-life balance while fostering employee engagement.

## Recognizing the Best Railroaders

We recognize our best railroaders by rewarding employees who contribute to our success. CN's President's Awards for Excellence recognize outstanding achievements in several categories, including safety and sustainability.



### STAKEHOLDERS ASK:

## Q. How does CN engage with its employees?

**A.** At CN, we are dedicated to cultivating an open and respectful work environment. We want to foster a workplace culture that ensures employees feel comfortable – and know they are being heard – when raising an issue or giving feedback.

We provide a number of tools to facilitate dialogue. Our ground-breaking Grievance Tracking System enables real-time tracking of issues and improves the manner in which grievances are handled, favouring early resolution of these grievances. We also communicate with our employees through annual company-wide surveys. This feedback gives us a pulse on the issues that impact our people, while informing our continuous improvement efforts.

### DOUG FISHER

Senior Director, Labour Relations





# Community

**ABOVE:**

David Chiu, Assistant Track Supervisor, Engineering, is a proud CN Railroader in the Community volunteering to coach hockey at the Maple Leaf Athletic Club in Edmonton, Alberta.

# Building Safer, Stronger Communities



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.

## Our Approach

We believe that the best way to build stronger communities is to contribute through community investment programs, economic development and open and positive community outreach programs.

Our Public and Government Affairs staff play an integral role in keeping the lines of communication open and connected to regional issues, ensuring we participate in impactful community investment programs that align with What CN Stands For, our business strengths and expertise and create a positive economic impact.

Our community engagement programs are reviewed three times a year with the Sponsorship and Donations Committee of the Board.

## Investing in Communities

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.

## 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, ensuring safe and secure communities, consulting communities and mitigating our impacts.

## 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.

### OUR COMMUNITY ENGAGEMENT PROGRAM



We believe that the best way to build safer, stronger communities is to contribute through community investment programs, economic development and open and positive community outreach programs.



# Investing in Our Communities

## Why It Matters

We recognize our responsibility to the communities in which we operate not only in our commitment to safety, but also in making our communities better places to live and work.

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 Initiatives

### Building Safer Communities

The safety of all our communities remains, as always, our top priority. We engage with children using our safety train – Little Obie – and host safety blitzes and Rail Safety Week in Canada and the U.S. We are also involved in several partnerships with like-minded community groups such as Operation Lifesaver and Parachute.

### 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



### Promoting Environmental Sustainability

We invest in initiatives that protect the natural environment, in line with our environment sustainability strategy. We engage with various organizations, including Ducks Unlimited Canada, Trans Canada Trail, Calgary Greenway, Tree Canada and Communities in Bloom. We also encourage environmental values through our EcoConnexions programs.

### Supporting Diversity

In alignment with our policy of inclusion, diversity and tolerance, we support organizations that promote the advancement of women, Aboriginal communities, and other groups through the CN Stronger Community Fund and other programs.

### Investing in Transportation Education

We promote and support transportation-related education through trade and apprenticeships, college and university programs, and scholarship and bursary programs. Our goal is to provide funding for education in sustainable and cleaner transportation modes, railroad engineering and mechanics, and transportation policy.

### Supporting CN Railroaders in the Community

We are proud of our employees, their families and retired employees who volunteer their time to make their communities stronger and better places to live and work. The CN Railroaders in the Community program provides grants to the community-based charitable organizations our employees choose to support through their volunteer efforts.



### STAKEHOLDERS ASK:

#### Q. How is CN engaging communities to reduce accidents?

**A.** All Aboard for Safety is our flagship community education program to help prevent accidents on or near railroad property. We conduct mock train-vehicle collisions, promote safety to children using our safety train, Obie, and his website, and host safety blitzes and Rail Safety Week.

In 2014, our CN Police officers conducted more than 245 safety blitzes, and over 26,600 Rail Safety Week pamphlets were distributed to the public in Canada and the U.S. These events engage CN Police and our employees, and involve partnerships with like-minded community groups.

#### SEAN FINN

Executive Vice-President Corporate Services and Chief Legal Officer

**IN FOCUS:**

## Fostering Respectful Relationships with Aboriginal Communities

**OBJECTIVE:**

**We are committed to developing respectful and mutually beneficial relationships with all Aboriginal people, while ensuring service to our customers.**

Engaging Aboriginal people is integral to our Delivering Responsibly approach. We engage with Aboriginal people through various programs, including employment outreach opportunities, donations and sponsorship programs, consultations on land access and memorandums of understanding, and collaborations on environmental stewardship activities.

In 2014, we held training sessions with our employees who connect with Aboriginal people through their work, to enhance our understanding of the unique traditions, culture, values and social structure of Aboriginal communities. We also celebrated Aboriginal Day at three CN locations simultaneously – Edmonton, Vancouver and Prince George.

To further enhance understanding between Aboriginal people, communities, law enforcement agencies, and other groups, we continued to support a five-year sponsorship of an annual week-long canoe event. In 2014, the theme of the event was “Nete Mot – Pulling Together with One Mind,” which drew 400 participants.

**RESULTS:****CN Volunteer Ambassadors**

# 93

CN Ambassadors helped us reach out to Aboriginal people and attract candidates to CN

**Aboriginal Athletes Supported**

# 5,000

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

**ABOVE (FROM TOP):**

CN employees, along with guests from the Gitksan-Gitsegukla First Nation, set out on a weeklong trek from Nanoose Bay, BC, for the Pulling Together Canoe Journey.

Doug Devlin, Manager  
Aboriginal Relations, Aboriginal  
Day in Thornton Yard 2014.



## Addressing Community Issues – Our Proximity Initiative

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.

In 2013, CN worked with the Federation of Canadian Municipalities (FCM) and the Railway Association of Canada (RAC) to create the FCM-RAC Proximity Initiative. The Initiative published Guidelines for New Development in Proximity to Railway Operations for use by municipalities, provincial governments, railways, developers and property owners when new developments close to rail operations are proposed.

In January 2015, Montreal, Quebec, became the first major city in Canada to adopt the guidelines into its long-term development plan. The plan identifies requirements – such as setback distances, acoustic studies and mitigation – which must be met if sensitive land uses are proposed in proximity to a railway line or yard.



ABOVE:  
CN Freight Train  
Chicago, Illinois

Photo taken by CN employee Martin Simane.



# Creating Socio-Economic Benefits

## Why It Matters

Through our network and operations, we touch people living in hundreds of communities across North America transporting millions of goods annually for a wide range of business sectors.

We believe we have an important responsibility to deliver positive socio-economic benefits to the communities where we operate, and to manage our impacts on, and relationships with, local communities and the governments that serve them. Our goal is to leave our communities and economies better for our being there.



**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.

## Our Initiatives

### Contributing to Local Economic Spin-offs

Our business provides positive economic benefits to the communities where we operate. We transport over 300 millions of tonnes of goods annually for a wide range of business sectors. Beyond our services, we have a positive economic impact by employing over 25,000 people, spending well over \$2 billion in capital investments annually, \$6 billion on goods and services from some tens of thousands of suppliers, making \$18.3 million in donations and sponsorships and \$722 million in income tax payments. We also promote diverse, local suppliers including a partnering with the Canadian Aboriginal and Minority Supplier Council.

### Ensuring Safe and Secure Communities

The safety of all our communities remains, as always, our top priority. We continue to provide information to first responders and civic leaders across our network about dangerous goods traffic and help them train on how to safely and effectively respond to incidents. We share information about our safety programs and emergency response protocols to protect public safety.

### Conducting Impact Assessments

We conduct detailed environmental, social and economic impact assessments on infrastructure projects to ensure risks are identified and mitigation measures are in place. For example, as part of the Elgin, Joliet & Eastern (EJ&E) acquisition, we engaged 33 communities and reached voluntary agreements with 28 of those communities.



**STAKEHOLDERS ASK:**

## Q. How is CN communicating with communities?

**A.** We have various mechanisms that communities can use to raise concerns confidentially and anonymously, including our Public Inquiry Line. Our local Public and Government Affairs Managers receive comprehensive training on methods of engagement, rail capacity building, and communication. Depending on the issue, we ensure stakeholders are informed about our remediation process. Our CN in Your Community Report gives you an idea of how we manage communications with external audiences, track concerns raised by our neighbours and find mutually acceptable solutions.

**PAUL DEEGAN**

*Vice-President Public and Government Affairs*



## The Greening of Municipalities

Our popular EcoConnexions – From the Ground Up program provides funding of up to \$25,000 for the greening of municipal properties across Canada and the United States, especially in communities along our rail lines. Our partnership with Tree Canada, Communities in Bloom and America in Bloom, is helping the greening of municipalities in communities where we operate.

We are also sponsoring mass reforestation programs in Canada and the United States to improve biodiversity and build stronger community relationships.



To date, over one million trees have been planted since 2012 because of these programs.



ABOVE:  
Tree Planting Ceremony  
Saskatoon, Saskatchewan



**IN FOCUS:**

## Building Sustainable Communities

### Creating Positive Impacts

**OBJECTIVE:**

As your neighbours, we are committed to creating positive socio-economic benefits. Our goal is to leave our communities and economies better for our being there.

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, the students we reach, and hundreds of thousands of trees we are planting – we believe we can make a real and lasting difference in our communities.

**RESULTS:****Scholarships Offered**

61

scholarships given in 2014 across North America through our training and education programs

**EJ&E Community Agreements**

85%

of engaged communities along the arc of the EJ&E line surrounding the Chicago area have voluntary Mitigation Agreements to mitigate social and environmental impacts

**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.

**Female Students Reached**

418

female high school students in 2014 in Canada and the U.S. reached through ASPIRE – an innovative program to encourage female students to explore non-traditional careers

**Trees Planted**

1,000,000

trees planted through our EcoConnexions From the Ground Up, mass reforestation and Customer Partnership programs since 2012





# Governance

**ABOVE:**

Our governance policies and practices are overseen from our corporate headquarters in Montreal, Quebec.

# Building for the Highest Standards in Governance



Responsible governance is a fundamental part of our business practices and culture. Having in place a strong governance structure is the foundation of an effective framework to support and embed our Delivering Responsibly philosophy and provide clear guidance on how authority is exercised within the company.

## Our Approach

As one of North America's leading railroads, we know that we are held to the highest standards, a responsibility we take very seriously. For us, Delivering Responsibly represents a core belief of what we stand for – it's an important business philosophy critical to achieving sustainable business success, while building our integrity and trust with our stakeholders.

## Governing Responsibly

Our Board represents our shareholders and is the decision-making body for all matters deemed material to the business. It comprises a non-executive and independent Chairman, the President and Chief Executive Officer, and nine non-executive independent Directors. The Environment, Safety and Security (ESS) Committee of the Board has direct responsibility for overseeing and approving our safety and sustainability policies, programs, performance and reporting.

Executive accountability for safety and sustainability is delegated by the Board to the Vice-President Safety and Sustainability and to the Assistant Vice-President Environment and Sustainability. Together, they monitor our performance and report to the Chief Executive

Officer and Chief Operating Officer regularly. Reports are also made to the ESS Committee of the Board on strategic initiatives. To support our efforts, our cross-functional Sustainability Committee meets quarterly to ensure the effective implementation of our sustainability priorities and projects.

## Embedding our Values and Commitments

Our five guiding principles, Code of Business Conduct, core beliefs, and environmental, health and safety policies frame our values and commitments to Delivering Responsibly. While 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.

To extend our Delivering Responsibly philosophy across the business, our sustainability committee monitors the progress we are making against our Sustainability Action Plan. The EcoConnexions program is the core platform that enables us to engage our employees in sharing and fulfilling our commitments.

## 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.



## Ensuring Responsible Business Practices

We believe that an ethical business is a sustainable business. Our objective is to develop and maintain long-term, fair, mutually beneficial relationships with our suppliers, customers, and business partners.

We are committed to ensuring only ethical and legal business practices. We have a zero tolerance policy on bribery. Our Anti-Corruption Policy and the Code of Business Conduct underline this zero tolerance policy. We have strict rules for our employees, contractors or agents against offering or accepting bribes or facilitation payments. We are particularly mindful of our obligations when making payments related to business development and marketing, mergers and acquisitions, customs brokerage, dealings with government officials, seeking issuance or renewal of permits, operations in foreign countries, and supply management operations.

For more information, please refer to the Code of Business Conduct available on our website:  
[www.cn.ca/delivering-responsibly/governance](http://www.cn.ca/delivering-responsibly/governance).

# Reinforcing Ethics and Integrity

## Why It Matters

We recognize that a good reputation takes years to earn but can be lost very quickly. Acting responsibly has always been a core tenet of our business approach.

In our daily activities, we face a variety of issues. Establishing clear, consistent and simple models of behaviour on ethics and integrity helps us deal professionally with the issues as they arise, ensure we do the right thing, maintain a positive image in all aspects of our business, while encouraging an innovative spirit among employees and enhancing shareholder value.

## Our Initiatives

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.

## Compliance with the Code

# 98%

of management employees signed off on having read and complied with CN's Code of Business Conduct



## Applying the Code of Business Conduct

Our 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.

The Code applies to our employees, directors and officers. We expect everyone working on our Company's behalf, including consultants, agents, suppliers and business partners, to obey the law and adhere to the highest ethical standards.

The Board reviews and approves our Code to ensure that it remains consistent with current industry best practices and standards, clearly communicates our mission, values and principles, and serves as a guide for employees to support everyday decision-making. On an annual basis, management reports to the Board on the implementation of the Code and any material contraventions. In 2014, no material contraventions to the Code were reported.

## Reporting Violations

We provide various mechanisms to report violations to the Code and address issues, including internal representatives, a confidential hotline, a legal assistance helpline, Human Resource Centre, the confidential Employee and Family Assistance Program, the CN Ombudsman's office, CN Police, and the CN Public Inquiry Line.



## STAKEHOLDERS ASK:

### Q. How does CN ensure confidentiality when reporting violations or concerns?

**A.** We have a strict policy that ensures all requests, concerns and reports of violations to our Code are handled promptly. The CN Ombudsman's role is to provide a confidential, objective and informal avenue to communicate and report concerns or violations. It is important that individuals have an independent office to go to that facilitates fair and equitable resolutions of concerns of any nature that arise in the organization or in the community.

### CRISTINA CIRCELLI

Deputy Corporate Secretary and  
General Counsel



# Linking Executive Compensation to Value Creation

## Why It Matters

We recognize that executive compensation is an important topic for our stakeholders. We are committed to ensuring transparency in our executive compensation disclosure.

At CN, executive compensation is driven by our goal to deliver sustainable and solid returns to shareholders. Our executive compensation is designed to attract and retain the most qualified people to serve on our Board and its committees, and within executive and senior management.

## Our Initiatives

### Providing Disciplined Compensation

We exercise a disciplined approach to executive compensation. Our executive compensation policy aims to position total direct compensation between the median and the 60th percentile of the executives' respective comparator group.

### Linking Compensation to Performance



of named executive officers' target total direct compensation is variable and linked to CN's performance

## Rewarding Performance

Long-term growth and value creation remain central to our pay strategy and targets. A significant part of our executive remuneration is tied to key corporate objectives that play a pivotal role in driving our short- and long-term profitability and return to shareholders.

Our executive compensation program – comprising base salary, annual incentive bonus, long-term incentives, pension benefits, and executive perquisites – relates to both corporate financial and individual performance objectives.

Corporate financial performance metrics include: revenues, operating income, diluted earnings per share, free cash flow and one-year return on invested capital. Individual performance metrics consider the strategic and operational priorities related to each executive's function, with a strong overall focus on: balancing operational and service excellence, delivering superior growth, opening new markets with breakthrough opportunities, deepening employee engagement and stakeholder engagement.

Executive compensation is reviewed annually and includes assessments from independent compensation consultants, which includes comparator group practices, economic outlook, leadership abilities, retention considerations and succession plans.



STAKEHOLDERS ASK:

## Q. How is CN's executive compensation tied to sustainability performance?

**A.** 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. It includes: instilling a strong safety culture and reducing injuries and accidents, improving fuel and carbon operating efficiencies, deepening employee engagement through the workforce, and ensuring solid relationships with key stakeholders.

### GORDON GIFFIN

Chair – Human Resources and Compensation Committee of the Board



**ABOVE:**

One of CN's efficient intermodal trains moving freight during the winter season. We continuously strive to deliver responsibly with an unwavering commitment to safety and, at the same time, strong sustainability practices – all year, all seasons, 365 days.

Clearwater, British Columbia

Photo taken by CN employee Merlin Miskie.



# Performance Data Summary

The following data is a summary of performance, for detailed performance see our Data Supplement at [www.cn.ca/delivering-responsibly](http://www.cn.ca/delivering-responsibly).

Data	Measurement	2014	2013	2012	2011
<b>ENVIRONMENT</b>					
<b>Emissions<sup>(a)</sup></b>					
Total GHG emissions (Scope 1 and 2) <sup>(b)</sup>	Metric tonnes of CO <sub>2</sub> e	5,876,584	5,404,326	5,227,079	4,975,373
Total direct GHG emissions (Scope 1)	Metric tonnes of CO <sub>2</sub> e	5,665,910	5,220,949	5,053,950	4,782,337
Indirect GHG emissions (Scope 2) – energy <sup>(c)</sup>	Metric tonnes of CO <sub>2</sub> e	210,674	183,378	173,129	193,036
Other indirect GHG emissions (Scope 3) <sup>(d)</sup>	Metric tonnes of CO <sub>2</sub> e	1,626,867	1,492,053	35,053	32,064
<b>GHG emissions intensity<sup>(e)</sup></b>					
Total GHG emissions (by rail freight revenue)	Metric tonnes of CO <sub>2</sub> e per thousand dollars of rail freight revenue	0.51	0.54	0.58	0.61
Total GHG emissions (by employee)	Metric tonnes of CO <sub>2</sub> e per full-time employee	239	228	223	216
Total direct and indirect energy consumed within the organization <sup>(f)</sup>	Megawatt hours	21,092,440	19,376,740	18,781,324	17,825,259
Total direct energy consumed	Megawatt hours	20,544,388	18,881,920	18,317,420	17,332,649
Total indirect energy consumed – electricity	Megawatt hours	548,052	494,820	463,904	492,610
Energy intensity <sup>(g)</sup>	Megawatt hours per thousand U.S. dollars of rail freight revenue	1.84	1.95	2.10	2.20
<b>Nitrous oxides (NO<sub>x</sub>)<sup>(h)</sup></b>					
Canada	Kilo tonnes	56.62	51.47	50.84	44.31
U.S.	Kilo tonnes	21.70	20.40	18.55	23.34
<b>Sulphur dioxide (SO<sub>2</sub>)<sup>(h)</sup></b>					
Canada	Kilo tonnes	0.08	0.08	0.08	0.16
U.S.	Kilo tonnes	0.03	0.03	0.03	0.08
<b>Particulate matter<sup>(h)</sup></b>					
Canada	Kilo tonnes	1.34	1.21	1.20	1.07
U.S.	Kilo tonnes	0.51	0.48	0.43	0.56
Total weight of waste generated <sup>(i)</sup>	Metric tonnes	49,006	45,433	50,234	51,291
Total hazardous waste generated	Metric tonnes	339	413	511	688
Total non-hazardous waste (excluding locomotive batteries, rail ties and scrap metal)	Metric tonnes	48,667	45,020	49,723	50,603
Spend on biodiversity site assessments and remediation	\$ million	19	18	24	15
<b>SAFETY</b>					
% of workforce represented in joint union-management H&S committees	%	95%	95%	95%	95%
Injury frequency rate – Federal Railroad Administration (FRA)	Ratio	1.81	1.69	1.42	1.55
Lost-time injury frequency rate – FRA	Ratio	1.29	1.20	0.93	0.97
FRA accidents	Per million train miles	2.73	2.11	2.10	2.25
Fatalities	Number	2	2	1	1

Data	Measurement	2014	2013	2012	2011
<b>PEOPLE</b>					
<b>Total number of full-time employees (end of year)<sup>(i)</sup></b>	Total number	<b>25,530</b>	23,721	23,430	23,230
Canada	Total number	<b>16,957</b>	15,953	15,615	15,525
U.S.	Total number	<b>7,174</b>	6,745	6,776	6,743
Female	Total number	<b>2,110</b>	1,989	1,980	1,929
Male	Total number	<b>22,021</b>	20,709	20,411	20,339
<b>Permanent contract</b>	Total number	<b>24,045</b>	22,623	22,283	22,123
<b>% of employees covered by collective bargaining agreements</b>	% of total employees	<b>80.72%</b>	79.65%	79.05%	79.01%
<b>Total employee new hires</b>	Total number	<b>3,786</b>	2,525	2,398	2,991
<b>% employee turnover number</b>	% of total employee turnover number	<b>10.2%</b>	10.1%	10.1%	10.0%
<b>Average employee training hours</b>	Average hours	<b>67.4</b>	64.7	37.8	34.7
<b>Females</b>	% of total employees	<b>8.74%</b>	8.76%	8.84%	8.66%
<b>Diversity in Canada<sup>(k)</sup></b>	% of total employees	<b>13.1%</b>	12.3%	12.0%	11.8%
<b>Diversity in the U.S.<sup>(l)</sup></b>	% of total employees	<b>17.1%</b>	16.9%	17.0%	17.0%
<b>COMMUNITY AND ECONOMY</b>					
<b>Direct economic value generated (revenue)</b>	\$ million	<b>12,134</b>	10,575	9,920	9,028
<b>Operating costs</b>	\$ million	<b>7,510</b>	6,702	6,235	5,732
<b>Payments to providers of capital – dividends</b>	\$ million	<b>818</b>	724	652	585
<b>Payments to Canadian tax authorities</b>	\$ million	<b>427</b>	610	138	360
<b>Payments to U.S. tax authorities</b>	\$ million	<b>295</b>	280	151	122
<b>Community investment</b>	\$ million	<b>18.3</b>	21.9	18.8	16.0

(a) Our Scope 1 and 2 GHG emissions are consolidated based on an operational control approach.

(b) Our GHG Scope 1 emissions include rail and non-rail emissions. The GHG Protocol was applied. We measured carbon dioxide, methane and nitrous oxides using emission factors and global warming potentials from the Environment Canada National Inventory report and the International Panel on Climate Change Second and Fifth Assessment reports, respectively.

(c) Our GHG Scope 2 emissions comprise electricity emissions only. The GHG Protocol was used to calculate the Scope 2 GHG emissions, covering: carbon dioxide, methane and nitrous oxide. We applied North American utility cost per MWh conversion factors and used Environment Canada's National Inventory conversion factors to convert MWh into tonnes of CO<sub>2</sub>e.

(d) Our GHG Scope 3 emissions for 2011 and 2012 relate to business travel only. For 2013 and 2014, our Scope 3 emissions also include emissions from diesel fuel production. The business travel emissions are provided from corporate travel service providers. The diesel fuel production emissions are calculated using the GHGenius tool.

(e) The calculations for GHG emission intensity cover Scope 1 and 2 emissions only.

(f) Energy consumption relates to non-renewable fuel and electricity consumed within the Company. Conversions to MWh from volumes of fuel or electricity consumed were based on Natural Resource Canada conversion factors. CN does not currently use fuel from renewable sources.

(g) Energy includes total direct and indirect energy, covering locomotive fuel, non-locomotive fuel, electricity, natural gas, and other fuels such as propane, gasoline, kerosene, stove oil, and furnace oil. The energy is used within the organization only.

(h) NO<sub>x</sub>, SO<sub>x</sub>, and other significant rail emissions were calculated using Canadian emissions factors published by the Railway Association of Canada (RAC). The most recent 2012 emission factors were used to calculate 2013 and 2014 emissions.

(i) Waste quantities are provided by our third party waste disposal contractor. Where data was not available, estimations were made based on extrapolations of the data. Definitions of hazardous and non-hazardous waste are based on provincial and state regulations, which we assess on a case-by-case basis depending on the condition of the waste.

(j) The total number of employees (end of year) is provided as reported in the 2014 CN Annual Report.

(k) The diversity % for Canada includes the following designated groups: visible minorities, persons with disabilities and Aboriginals.

(l) The diversity % for the U.S. includes the group called Minority.



# About this Report

**Transparent reporting is part of our commitment to be open about our business and to communicate our progress with focus, clarity and comparability.**

## Our Approach and Scope

This is our fifth Delivering Responsibly sustainability report, covering our strategy, programs and performance in the areas of environment, safety, people, community and governance.

The scope of information covered in this report relates to our operations in Canada and the U.S., both quantitative and qualitative information is presented for the 2013 and 2014 calendar years, unless otherwise noted.

We traditionally issue our sustainability report on a biennial basis, previous reports can be accessed at [www.cn.ca/delivering-responsibly](http://www.cn.ca/delivering-responsibly).

## Reporting Standards

Our report content was developed in accordance with the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines. The GRI is an independent institution that provides a standard framework for sustainability reporting across companies and industries. To inform the content of the report, we applied the principles of materiality and stakeholder inclusiveness to prioritize relevant topics.

In 2014, we conducted a formal stakeholder engagement survey followed by one-on-one internal and external stakeholder interviews. The results of the consultation were used to further inform the prioritization of relevant topics and the report content.

We also provide more detail on our website, which hosts numerous corporate disclosure reports as well as information on our policies, initiatives and culture, and via other publications and CN's social media platforms.

We also provide information to the CDP, the Dow Jones Sustainability Index and other organizations that assess our sustainability performance. An index of our conformance to the GRI G4 core reporting requirements and references to other relevant information sources is located at: [www.cn.ca/delivering-responsibly](http://www.cn.ca/delivering-responsibly).

## External Assurance

We are dedicated to continuously improving our sustainability reporting and believe that independent assurance leads to quality and process improvements. Over the past few years we enhanced our data management processes and systems. In 2013-2014 our environmental data related to GHG emissions from Scope 1 (locomotive emissions), Scope 2 (electricity consumption) and Scope 3 (fuel production) were verified by PricewaterhouseCoopers to a limited level of assurance in accordance with the ISO 14064-3: 2006 Specification with guidance for the validation and verification of greenhouse gas assertions.

For more information on our sustainability performance data, please refer to the Data Supplement available at: [www.cn.ca/delivering-responsibly](http://www.cn.ca/delivering-responsibly).



### STAKEHOLDERS ASK:

#### Q. How can CN enhance its reporting in the future?

**A.** We continue to evolve our disclosure to ensure that it focuses on the issues that are most relevant to our stakeholders and our business. We welcome any views on the topics described in this report or on the report itself.

Please send your comments, suggestions or questions on this report to my attention at:

[chantale.despres@cn.ca](mailto:chantale.despres@cn.ca)

Canadian National Railway Company  
P.O. Box 8100  
Montreal, Quebec H3C 3N4

**CHANTALE DESPRÉS**  
CN Sustainability Director



## About CN

CN was incorporated in 1922 as the Canadian National Railway Company (CN). We were privatized in 1995, transformed from a Crown corporation into an investor-owned company. Headquartered in Montreal, Quebec, our stock trades on the Toronto Stock Exchange (CNR) and the New York Stock Exchange (CNI). Except where otherwise indicated, all financial information reflected in this document is expressed in Canadian dollars and determined on the basis of United States generally accepted accounting principles (U.S. GAAP). For more information, please refer to our annual information form.

## Forward-looking Statements

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

ABOVE: Devona, Illinois. Photo taken by CN employee Kieth Biernacki.





# Our Sustainability **Commitment**

Delivering Responsibly is one of the pillars of What CN Stands For. It determines how we conduct our business every day and defines our contribution to building a more sustainable future. Five principles anchor our sustainability commitment:

## **ENVIRONMENT**

Conduct our operations with minimal environmental impact, while providing cleaner, more sustainable transportation services to our customers.

## **SAFETY**

Be the safest railroad in North America by establishing an uncompromising safety culture and implementing a management system designed to minimize risk and drive continuous improvement.

## **PEOPLE**

Provide a safe, supportive and diverse work environment where our employees can grow to their full potential and be recognized for their contributions to our success.

## **COMMUNITY**

Build safer, stronger communities by investing in community development, creating positive socio-economic benefits and ensuring open lines of communication.

## **GOVERNANCE**

Continuously improve our culture of integrity and ethical business, building trust and confidence with all our stakeholders.