

# A message from Claude Mongeau



## MAKING THE RIGHT CONNECTIONS

**Dear fellow shareholders** One of CN's hallmarks has been the ability to accommodate growth with low incremental cost. With the economic slowdown and the first drop in CN volumes in many years, we faced a different kind of challenge in 2015, one we reacted to with great agility and effectiveness.

As the slowdown became apparent, we recognized the need to adjust, and we quickly gained traction in realigning our resources in line with a lower volume environment. To see an organization of our size and magnitude be this nimble is a testament to our teamwork and the result of a common understanding of our business agenda.

We worked diligently to contain costs, and that included making some tough decisions. We adjusted our hiring activities and our train starts, and as a result, we implemented some layoffs in areas where the volume of traffic had declined more significantly. In as many cases as we could, we offered affected employees opportunities to work in other functions.

Our efforts allowed us to deliver solid results in difficult circumstances. CN's full-year 2015 adjusted diluted EPS increased 18 per cent, with reported 2015 net income of \$3,538 million versus \$3,167 million in 2014. We continued to balance Operational and Service Excellence, driving operating metrics up by a significant margin while improving key service metrics at the same time. The operating ratio was 58.2 per cent in 2015, an improvement of 3.7 points over the 2014 level of 61.9 per cent.

"To see an organization of our size and magnitude be this nimble is a testament to our teamwork and the result of a common understanding of our business agenda."

In terms of improved performance, there is no area more important to us than safety. Our commitment to a safe and fluid network and to a culture that promotes safety is unrelenting. Connecting with our employees on safety remains a top priority. During the year, we further embedded our Looking Out For Each Other initiative, based on peer-to-peer safety communications, with modern field training for the majority of our work force. Our safety results in 2015 showed major improvements in terms of both accidents and injuries.

In 2015, CN commemorated the 20th anniversary of its privatization, a key milestone in our remarkable transformation journey to a leadership position in the industry. This moment of true pride was an opportunity to celebrate, but also a call to reflect on what lies ahead as we continue to build for the future.

In tackling the challenge of staying at the top of an industry where we have been a long-time leader, CN realized that an opportunity to raise our game could be found in how we connect amongst ourselves and with external stakeholders. Our success in these efforts was brought home to me in a personal way during my recovery from surgery and radiation therapy. In addition to being touched by the thousands of messages I received from employees who reached out to me with kind words of support, I was energized to see the tremendous teamwork of our railroaders pulling together to serve customers safely and efficiently. I realized that something special unites us in our desire to ensure CN fully plays its role, and that renewed my deep pride and my determination to continue leading this great company.

Indeed, as we prepare for the future, I note the important initiatives we took in 2015 to best position us for the challenges, including stepping up our efforts to connect with supply chain partners, customers, and communities. For example, CN strengthened its connections with ports and Intermodal terminal operators by signing supply chain agreements with the Port of Mobile, Alabama State Port Authority, and APM Terminals, as well as with the Port of New Orleans. These collaboration commitments are expected to drive container traffic through the Ports and across CN's network, further reinforcing CN as a key player on the U.S. Gulf Coast.

A significant step in connecting with communities in 2015 was the introduction by the rail industry and by CN of the AskRail mobile app, allowing first responders to access real-time information about the contents of rail cars located in their jurisdictions. By the end of the year, over 1,500 first responders along CN's network had downloaded the AskRail app.

We are making great strides in our employee engagement programs as well, including promoting sustainability in areas such as energy conservation and waste reduction. CN's *From the Ground Up* program supports the greening of municipal properties in communities along our rail lines. With over 1.2 million trees and shrubs planted in Canada and the U.S., CN is the leading private non-forestry company tree planter in Canada.

Our connection with customers is at the core of our strategic agenda. One at a time, across our network, we know that if our customers win, we win as well. A common pursuit of sustainable and profitable business growth in a market-driven environment brings benefits to all and drives economic prosperity.

All of these CN connections are intertwined. Understanding and improving how they all work together helps the Company continue to provide value that distinguishes us from our competitors and helps us retain our position as an industry leader.



**Claude Mongeau**  
President and CEO

*"In 2015, CN commemorated the 20th anniversary of its privatization, a key milestone in our remarkable transformation journey to a leadership position in the industry."*