

HUMAN RESOURCES AND COMPENSATION COMMITTEE

1. **Membership**

- a minimum of five directors appointed by the Board;
- only Independent directors, as determined by the Board and under Canadian and U.S. Corporate Governance Standards, may be appointed. Under US Corporate Governance Standards, when affirmatively determining the independence of any director who will serve on the HR and Compensation Committee, the Board must consider all factors specifically relevant to determining whether a director has a relationship to CN which is material to that director's ability to be independent from management in connection with the duties of a HR and Compensation Committee member, including, but not limited to:
 - the source of compensation of such director, including any consulting, advisory or other compensatory fee paid by the listed company to such director; and
 - whether such director is affiliated with the listed company, a subsidiary of the listed company or an affiliate of a subsidiary of the listed company;
- no more than one in three members shall be a sitting CEO of another company;
- one or more members of the HR and Compensation Committee shall have: i) direct experience in executive compensation matters; and ii) skills and experience that enable him or her to provide input on the suitability of CN's compensation policies and practices;
- the Chair of the Audit Committee shall be a member of the HR and Compensation Committee;
- the President and CEO shall be excluded from the member selection process;
- quorum of a majority of members.

2. **Frequency and Timing of Meetings**

- normally one day prior to CN Board meetings;
- at least four times a year and as necessary;
- committee members meet before or after every meeting without the presence of management.

3. **Mandate**

The responsibilities of the HR and Compensation Committee include the following:

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

- ensuring that appropriate mechanisms are in place regarding succession planning for the position of President and CEO;

- ensuring that the President and CEO has put into place, and monitoring, succession planning systems and policies for management, including processes to identify, develop and retain the talent of outstanding executives;
- recommending appointment of executive management, and approving the terms and conditions of appointment and termination or retirement of the President and CEO and his direct reports;
- reviewing corporate goals and objectives relevant to the President and CEO, evaluating the President and CEO's performance based on those goals and objectives and such other factors as the HR and Compensation Committee deems appropriate and in the best interest of CN, and recommending the President and CEO's compensation based on this evaluation, for approval by Independent Board members;
- reviewing the evaluation of the President and CEO's direct reports' performance and recommending to the Board their compensation;
- examining each element of executive remuneration and reporting annually on compensation practices;
- producing for review and approval by the Board a report on executive compensation for inclusion in CN's Information Circular;
- overseeing the identification and management of risks associated with CN's compensation policies and practices and reviewing disclosure on : (i) the role of the HR and Compensation Committee in that respect; (ii) any practices that CN uses to identify and mitigate such risks; and (iii) any identified risk arising from CN's compensation policies and practices that is reasonably likely to have a material adverse effect on CN;
- overseeing the selection of any benchmark group used in determining compensation or any element of compensation and reviewing disclosure on such group.

B. Reviewing Human Resources practices

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

C. Evaluating the performance of the HR and Compensation Committee

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

As appropriate, the HR and Compensation Committee may retain such outside advisors to assist it in the performance of its functions and responsibilities, including the sole authority to retain or obtain the advice of compensation consultants, independent legal counsel or other advisors, including fixing such advisors' fees and retention terms, subject to advising the Board Chair and overseeing their work. Before retaining or obtaining advice of any outside advisors, the HR and Compensation Committee will consider the independence of the advisor in accordance with applicable U.S. Corporate Governance Standards, or other applicable laws, rules and regulations, as the foregoing may be amended from time to time. The HR and Compensation Committee will make arrangements for the appropriate funding for payment of such consultants.

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

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

The HR and Compensation Committee shall report to the Board regularly on its deliberations and annually on the adequacy of its mandate.

Nothing contained in the above mandate is intended to assign to the HR and Compensation Committee the Board responsibility to ensure CN's compliance with applicable laws or regulations or to expand applicable standards of liability under statutory or regulatory requirements for the directors or the members of the HR and Compensation Committee.