



# Creating Strategic Value Through Sustainability

Wolfe Research ESG Conference

August 26, 2021

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# Forward-looking statements



Certain statements included in this presentation constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995 and under Canadian securities laws, including statements based on management’s assessment and assumptions and publicly available information with respect to CN and KCS, regarding the proposed transaction between CN and KCS, the expected benefits of the proposed transaction and future opportunities for the combined company. By their nature, forward-looking statements involve risks, uncertainties and assumptions. CN cautions that its assumptions may not materialize and that current economic conditions render such assumptions, although reasonable at the time they were made, subject to greater uncertainty. Forward-looking statements may be identified by the use of terminology such as “believes,” “expects,” “anticipates,” “assumes,” “outlook,” “plans,” “targets,” or other similar words.

## **2021 Key Assumptions**

CN has made a number of economic and market assumptions in preparing its 2021 outlook. The Company assumes that North American industrial production for the year will increase in the high single-digit range, and assumes U.S. housing starts of approximately 1.45 million units and U.S. motor vehicle sales of approximately 16 million units. For the 2020/2021 crop year, the grain crop in Canada was above its three-year average and the U.S. grain crop was in line with its three-year average. The Company assumes that the 2021/2022 grain crops in both Canada and the U.S. will be in line with their respective three-year averages. CN assumes total RTMs in 2021 will increase in the high single-digit range versus 2020. CN assumes continued pricing above rail inflation. CN assumes that in 2021, the value of the Canadian dollar in U.S. currency will be approximately \$0.80, and that in 2021 the average price of crude oil (West Texas Intermediate) will be approximately US\$60 per barrel. In 2021, CN plans to invest approximately C\$3.0 billion in its capital program, of which C\$1.6 billion is targeted toward track and railway infrastructure maintenance.

Forward-looking statements are not guarantees of future performance and involve risks, uncertainties and other factors which may cause actual results, performance or achievements of CN, or the combined company, to be materially different from the outlook or any future results, performance or achievements implied by such statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements. Important risk factors that could affect the forward-looking statements in this presentation include, but are not limited to: the outcome of the proposed transaction between CN and KCS; the parties’ ability to consummate the proposed transaction; the conditions to the completion of the proposed transaction; that the regulatory approvals required for the proposed transaction may not be obtained on the terms expected or on the anticipated schedule or at all; CN’s indebtedness, including the substantial indebtedness CN expects to incur and assume in connection with the proposed transaction and the need to generate sufficient cash flows to service and repay such debt; CN’s ability to meet expectations regarding the timing, completion and accounting and tax treatments of the proposed transaction; the possibility that CN may be unable to achieve expected synergies and operating efficiencies within the expected time-frames or at all and to successfully integrate KCS’ operations with those of CN; that such integration may be more difficult, time-consuming or costly than expected; that operating costs, customer loss and business disruption (including, without limitation, difficulties in maintaining relationships with employees, customers or suppliers) may be greater than expected following the proposed transaction or the public announcement of the proposed transaction; the retention of certain key employees of KCS may be difficult; the duration and effects of the COVID-19 pandemic, general economic and business conditions, particularly in the context of the COVID-19 pandemic; 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; the adverse impact of any termination or revocation by the Mexican government of KCS de México, S.A. de C.V.’s Concession; increases in maintenance and operating costs; security threats; reliance on technology and related cybersecurity risk; trade restrictions or other changes to international trade arrangements; transportation of hazardous materials; various events which could disrupt operations, including illegal blockades of rail networks, and natural events such as severe weather, droughts, fires, floods and earthquakes; climate change; labor negotiations and disruptions; environmental claims; uncertainties of investigations, proceedings or other types of claims and litigation; risks and liabilities arising from derailments; timing and completion of capital programs; and other risks detailed from time to time in reports filed by CN with securities regulators in Canada and the United States. Reference should also be made to Management’s Discussion and Analysis in CN’s annual and interim reports, Annual Information Form and Form 40-F, filed with Canadian and U.S. securities regulators and available on CN’s website, for a description of major risk factors relating to CN.

Forward-looking statements reflect information as of the date on which they are made. CN assumes no obligation to update or revise forward-looking statements to reflect future events, changes in circumstances, or changes in beliefs, unless required by applicable securities laws. In the event CN does update any forward-looking statement, no inference should be made that CN will make additional updates with respect to that statement, related matters, or any other forward-looking statement.

# Delivering Responsibly: CN's Approach to a More Sustainable Future

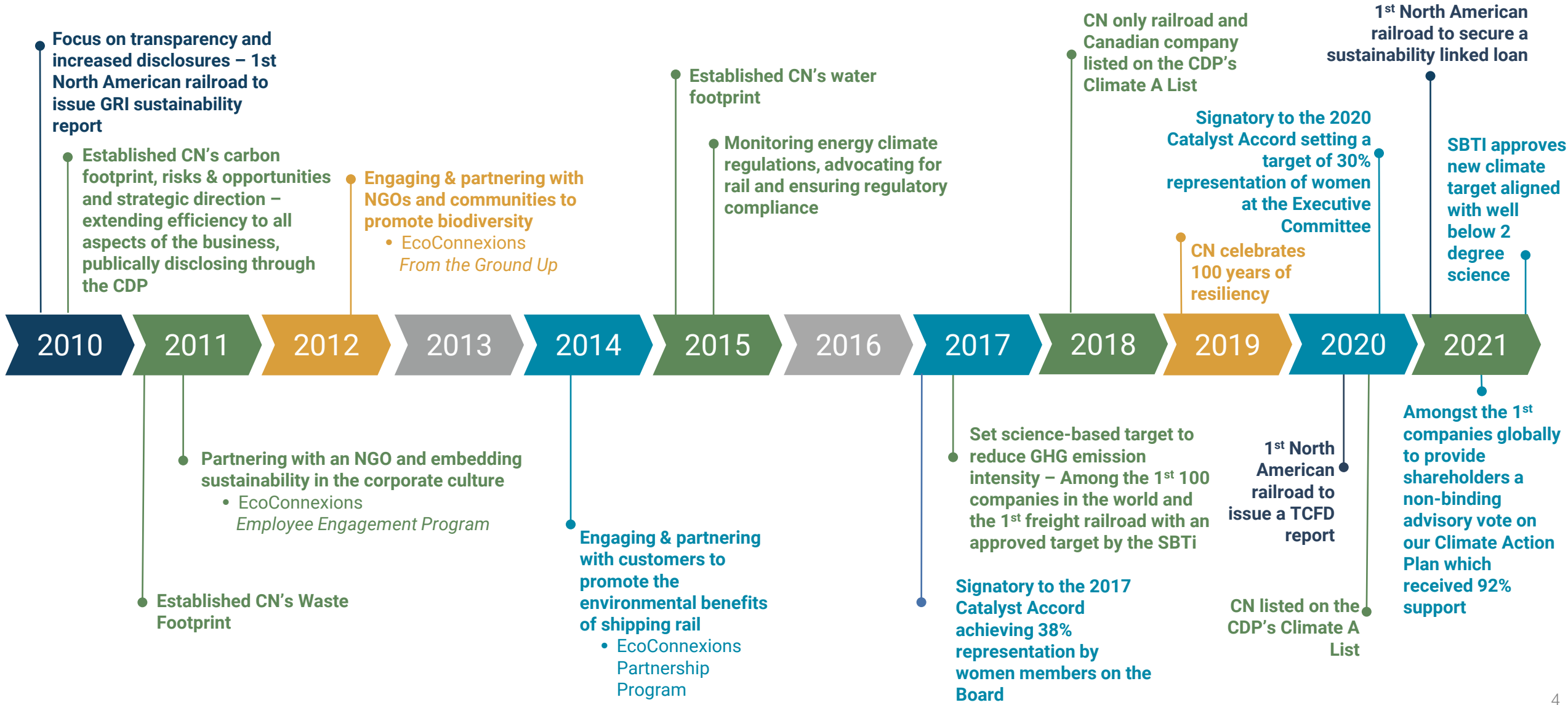


Aligned to United Nations' sustainable development goals





# Focused on Creating Value: Our Sustainability Journey



# Key ESG Targets



## Environmental Protection

Improve fuel efficiency over 2020	1.5%
Reduce GHG emissions intensity by 2022, based on 2017 levels	6%
Reduce GHG emission intensity by 2030, based on 2019 levels	43%
Reduce criteria air contaminants intensity by 2022, based on 2017 levels	6%
Divert operational waste from landfills	90%

**43%**

Science-based target of 43% carbon emission intensity reduction by 2030 based on 2019 levels

## Social Responsibility

Serious injuries and fatalities (SIF)	Zero
Employee Safety: Personal Injury Ratio in 2021	1.40
by 2030	0.90
Operational Safety: Train Accident Ratio in 2021	1.80
by 2030	1.20
Diversity: women on the executive management team by 2022	30%

**Zero**

Goal to reduce serious injuries and fatalities to zero at CN

## Strong Governance

**Executive compensation aligned with ESG objectives**  
including safety, fuel/carbon efficiency, employee engagement, and customer satisfaction

### Board Governance

Reduced Board size to 10 independent directors plus the CEO, all directors subject to a 14-year tenure limit, mandatory retirement age set at 72 years, Board members permitted to serve on a maximum of 3 public boards including CN, creation of an Indigenous Advisory Council

**50%**

Target of at least 50% of non-management directors coming from diverse groups; gender parity achieved in 2021

# Capitalizing on a Strong Track Record of Fuel and Carbon Efficiency

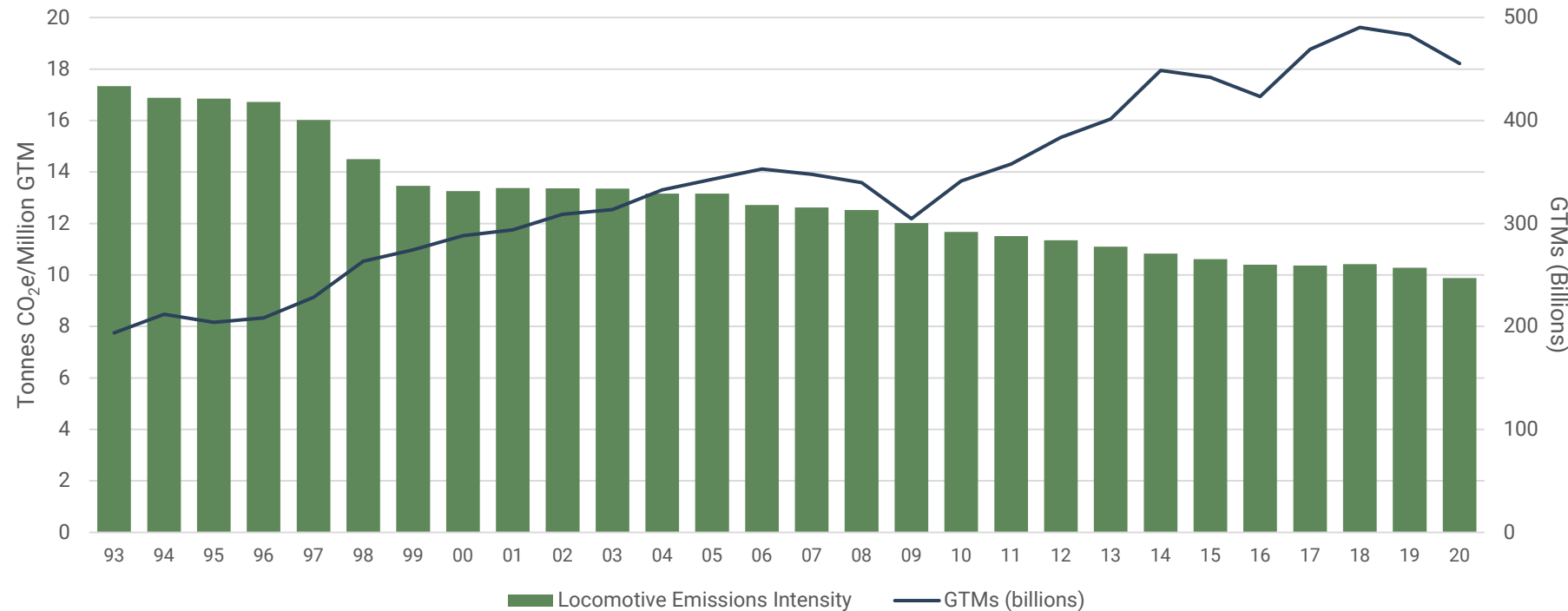


*We recognize the importance of mitigating and adapting our business to changing climate conditions*

*Since 1993, we have reduced our rail locomotive greenhouse gas emissions intensity by 43%, avoiding 46 million tonnes of carbon dioxide equivalents (tCO<sub>2</sub>e), and we continue to lead the North American rail industry, consuming approximately 15% less locomotive fuel per gross ton-mile than the industry average*

## Decoupling growth from carbon emissions intensity

(Tonnes CO<sub>2</sub>e/Million GTM vs. Traffic Billion GTM)



**43%**  
Locomotive emissions intensity improvement since 1993

**46 million**  
Tonnes of carbon avoided

**Targeting 43%**  
Reduction in emissions per million GTMs by 2030 vs 2019

# Advancing Our Carbon Reduction Initiatives



*Leveraging innovations in locomotives, rail technology, and data analytics, combined with enhanced operating practices and cleaner fuels*

Investing in  
and Upgrading  
Our Fleets

**Fleet Renewal:** cleaner, more fuel-efficient rail and non-rail equipment

Increasing  
Fuel-efficient  
Technologies

**Innovative Technology:** locomotive telemetry systems, distributed power, energy management systems to support improvements in train handling, braking performance, and overall fuel efficiency

Leveraging  
the Use of  
Big Data

**Big Data:** leveraging locomotive telemetry systems to collect data to improve performance and fuel conservation; our in-house Horsepower Tonnage Analyzer (HPTA) optimizes a locomotive's horsepower-to-tonnage ratio

Enhancing  
Operating  
Practices

**Operating Practices:** building on PSR, focused on training on practices to optimize fuel efficiency; providing information on performance in real time to enable fuel conservation through notch limiting, idling reduction and horsepower optimization

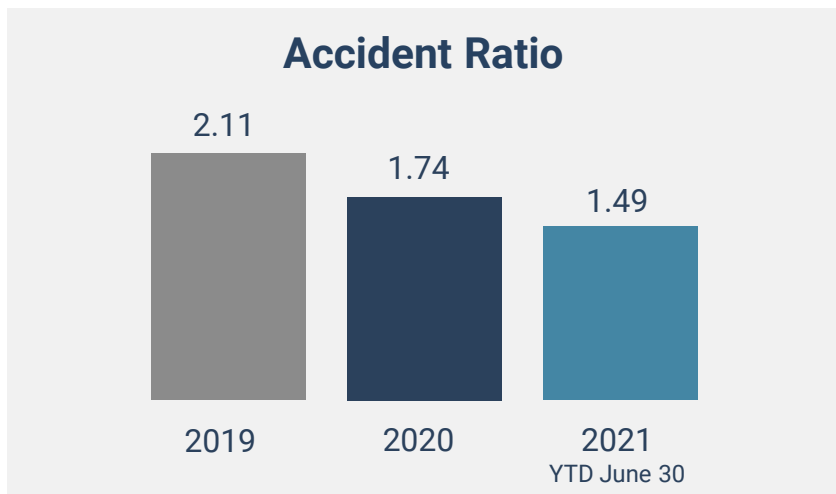
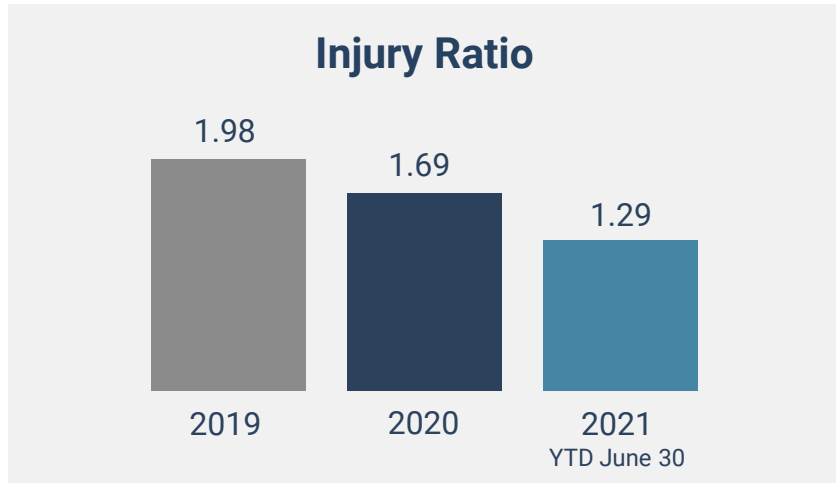
Expanding  
the Use of  
Cleaner Fuels

**Cleaner Fuels:** driven by regulatory requirements, clean fuels present an opportunity to further reduce emissions; need to focus on testing and exploring the greater use of renewable fuel blends in our locomotives to meet efficiency objectives and compliance obligations

# Safety is a Core Value



An uncompromising commitment to the health and safety of our employees, the customers we serve, and the communities and environment in which we operate



*Injury and accident ratios based on FRA reporting criteria. Based on estimated data available at such time and subject to change as more comprehensive information becomes available.*

## Employee Health & Safety – Focusing on prevention

- Putting safety at the center of our day-to-day operations with prevention and training programs designed to minimize risk, reduce injuries and accidents, and engage employees at all levels of the organization
- Thorough and systematic approach to safety, safety culture, risk management programs (including emergency preparedness and response), and operational integrity at all levels

## Accident & Safety Management – Minimizing accidents and spills

- On-going investments in infrastructure and innovative technology, including: a 3D tie rating technology system, unmanned aerial vehicles, automated track inspection, automated railcar inspection portals and predictive data analytics
- Structured community engagement program to share information on crossing safety, corridor risk assessments, proximity guidelines, dangerous goods traffic and emergency response training



# Increasing Focus on Diversity, Equity and Inclusion

*As we prepare the next generation of railroaders, our focus is to attract diverse top talent, onboard and coach them successfully, and to create an environment in which our employees can grow to their full potential and be recognized for their contributions to our success*



Establishing Metrics and Tracking Accountability

Educating and Training (unconscious bias, inclusive leadership, cultural awareness training on Indigenous issues)

Expanding Employee Resource Groups

Increasing Communication

Equal Remuneration

Leveraging Sustainability for Greater Employee Engagement

# CN's Sustainability Performance has Earned us a Place Among the Worlds' Best



Member of the World Index (2012-2020)



Sustainability Yearbook (2014-2021), Bronze Class distinction (2018)



Member of the 30% Club since 2017



Climate Change Action Leader Climate A List and Supplier Climate A List (2020)



Most Sustainable Corporations in the World



One of the Best 50 Corporate Citizens in Canada (2009-2020)



Listed member (2010-2020)



Listed member (2009-2020)



Euronext Vigeo Index: World 120 (2017-2020)



Listed member (2009-2020)



Listed member (2014-2020)



One of Canada's Top 100 Employers (2014-2021)



Canadian Council for Aboriginal Business  
Bronze level certification (2018)



Exceptional workplace diversity and inclusiveness programs (2017-2020)



Listed member (2015-2020)



(2018-2020)



Responder (2017-2020)