



## BOARD OF DIRECTORS

### 1. PURPOSE

The Board has *oversight responsibility* for the stewardship of CN and its business and is accountable to shareholders for the performance of CN. The Board has clearly delineated its role and the role of management. The role of the Board is to supervise the management of CN's business and affairs, with the objective of creating value for shareholders and taking into account the interests of other stakeholders. Management's role is to conduct the day-to-day operations in a way that will meet this objective.

The Board, in consultation with management, establishes and is responsible for the company's strategic direction and its overall policies. In doing so, the Board provides governance and stewardship to CN which consists of reviewing corporate strategy, assigning responsibility to management for achievement of that strategy, establishing limitations on the authority delegated to management and overseeing performance against approved objectives. The Board regularly reviews CN's strategic plan to ensure that it continues to be responsive to the changing business environment in which CN operates.

The Board has *decision making responsibility* and approves all matters expressly required herein, under the *Canada Business Corporations Act* and other applicable legislation and CN's Articles of Continuance and By-laws. The Board may assign to Board committees the prior review of any issues it is responsible for, or as required by applicable laws. The Board can delegate approval of matters to a committee or seek a recommendation from a committee for approval by the Board. The Board has delegated the approval of certain matters to management pursuant to its Standing Resolutions on Delegation of Authority, as amended from time to time.

As the Board has overall plenary power, this mandate is intended not to limit the powers of the Board but to assist the Board in the exercise of its powers and the fulfillment of its duties.

### 2. MEETINGS

- **Meetings.** The Board shall meet at least seven times a year and as necessary.
- **Additional Sessions.** The non-executive Board members shall meet at or after every Board meeting without the presence of management and under the chairmanship of the Board Chair. If such group includes directors who are not independent, an executive session including only independent directors shall be held at every Board meeting.
- **Expectations of the Board.** Board members are expected to demonstrate a high level of professionalism in discharging their responsibilities. They are expected to attend the meetings of the Board and of the Board committees on which they sit and to rigorously prepare for and actively participate in such meetings. They should review all meeting materials in advance. They are also expected to be available to provide advice and counsel to the President and CEO or other executive management of CN upon request.

### 3. RESPONSIBILITIES

In fulfilling its oversight and decision-making responsibilities, the Board shall have unrestricted access to management and authority to select, retain, terminate, and approve the fees of any independent legal, accounting, or other advisor to assist it in fulfilling its responsibilities.

Among its activities that derive from its stewardship and decision-making responsibilities, are the following responsibilities:

#### A. STRATEGIC PLANNING

- **Strategic Planning.** The Board will, in consultation with management, establish and approve CN's strategic direction and objectives. In this regard, the Board will:
  - adopt a strategic planning process and oversee the formulation of CN's strategic direction;
  - review and approve, on at least an annual basis, CN's strategic plan and framework which take into account, among other things, the opportunities and risks of the business, emerging trends, and the competitive environment in the industry;
  - develop an in-depth knowledge of the business, understand and question the assumptions underlying CN's strategic and business plans and framework and reach an independent judgment as to the probability that the strategic plan and framework can be realized;
  - review and approve all major initiatives, corporate decisions and transactions, as well as applicable funding transactions;
  - approve strategic and business plans and policies within which management will operate in relation to capital expenditures, acquisitions and dispositions; and
  - monitor the implementation and effectiveness of the execution and fulfillment of CN's approved strategic and business plans and policies.
- **Corporate Performance Evaluation.** Having regard to CN's broad strategic objectives, the Board will review and, if advisable, approve goals or metrics against which corporate performance will be measured. In this regard, the Board will:
  - determine, from time to time, the appropriate criteria, targets and budgets against which to evaluate corporate and executive performance;
  - monitor and evaluate performance against such criteria; and
  - review and approve management's operational plans so that they are consistent with CN's long-term goals.

## B. EXECUTIVE OVERSIGHT

- **Succession Planning.** The Board shall oversee the succession planning processes of CN and shall choose the President and Chief Executive Officer (the “**President and CEO**”) and oversee the process for the selection of the President and CEO and each of the executive officers and their development. The Board shall monitor and review the performance of the President and CEO and of the executive officers who report directly to the President and CEO taking into consideration Board expectations and fixed objectives and is kept informed of the performance of all other executive officers. The Board shall approve the President and CEO’s corporate strategic goals and objectives and approve annually the compensation of the President and CEO and each of the executive officers who report directly to the President and CEO.
- **Appointment of Officers.** The Board shall appoint as officers of the Company all the executive officers as well as, pursuant to CN’s By-Laws, the Treasurer and Corporate Secretary and, from time to time, such other executive management, as it deems appropriate.
- **Management Incentives.** The Board shall, through the HRC Committee, ensure that an appropriate portion of the President and CEO and executive management compensation is tied to both the short and longer-term performance of CN and aligned to the Company’s strategic goals and objectives.
- **Training and Retention.** The Board shall take all reasonable steps to ensure that processes are in place for the recruitment, training, development and retention of executives who exhibit the highest standards of competence and integrity.

## C. CORPORATE GOVERNANCE

- **Governance.** The Board shall monitor and review CN’s corporate governance policies and practices. In this regard, the Board will:
  - annually review and approve its mandate;
  - monitor the size and composition of the Board to favour effective decision-making;
  - ensure that a majority of CN’s directors have no direct or indirect material relationship with CN and determine who, in the reasonable opinion of the Board, are independent pursuant to applicable legislation, regulation and listing requirements;
  - develop appropriate qualifications and criteria for the selection of Board members, including criteria for determining director independence;
  - approve the list of Board nominees for election by shareholders and fill Board vacancies, as applicable;
  - adopt and review orientation and continuing education programs for directors;
  - oversee the disclosure of a method for interested parties to communicate directly with the Board Chair or with the non-executive directors as a group;
  - ensure a Board succession and renewal plan is in place;
  - take all reasonable measures to satisfy itself as to the integrity of management and that management creates a culture of integrity throughout CN;

- monitor and review, as appropriate, CN's approach to governance issues and monitor and review, as appropriate, CN's Corporate Governance Manual and policies and measures for receiving shareholder feedback; and
- take all reasonable steps to ensure the highest quality of ethical standards, including reviewing, on a regular basis, the Code of Business Conduct applicable to CN's directors, its President and CEO, senior financial officers, other executives and employees, monitoring compliance with such code, approving any waiver from compliance with the code for directors and executive officers and ensuring appropriate disclosure of any such waiver, including transactions involving CN and related parties.
- **Committees.** The Board shall establish such committees as it deems necessary or desirable, to assist it in the fulfillment of its duties and responsibilities. In this regard, the Board will:
  - develop and review as appropriate such mandates as the Board may determine and delegate from time to time to such committees or other persons any of the Board's responsibilities that lawfully may be delegated;
  - appoint the Chair from among the independent directors;
  - appoint members of each committee of the Board, in consultation with the relevant committee chair; and
  - consider recommendations of the GSS Committee from time to time regarding the composition and mandates of the committees of the Board.
- **Position Descriptions.** The Board shall develop, adopt and regularly review position descriptions for the Chair of the Board and committee chairs.
- **Director Evaluation.** The Board shall develop appropriate qualifications and criteria for the regular performance assessment of the Board, Board committees, Board and committee chairs and individual directors and determine their remuneration.

#### D. RISK MANAGEMENT, FINANCIAL MATTERS, INTERNAL CONTROLS

- **Risk Management.** The Board shall, through the AFR Committee, ensure that an appropriate risk assessment process is in place to identify, assess and manage the principal risks of CN's business and strategy, including climate change and other environmental, social and governance risks. The Board shall satisfy itself as to the effective oversight of risk management of individual risks, through the receipt of periodic reporting from the Chair of the AFR Committee and the Chairs of such other Committees of the Board which have been delegated responsibilities for specific risks.
- **Financial Reporting and Internal Controls.** The Board shall, through the AFR Committee, monitor the quality and integrity of CN's accounting and financial reporting systems, disclosure controls and procedures, internal controls and management information systems, including by overseeing:
  - the integrity and quality of CN's financial statements and other financial information and the appropriateness of their disclosure;
  - the review of the AFR Committee on external auditors' independence and qualifications;

- the performance of CN's internal audit function and of CN's external auditors; and
- CN's compliance with applicable legal and regulatory requirements (including those related to environment, safety and security).
- **Communications.** The Board shall adopt communications and disclosure policies and monitor CN's investor relations programs.

E. SUSTAINABILITY, SAFETY AND SECURITY

- **Sustainability, Safety and Security Policies and Practices.** The Board shall, through the GSS Committee, monitor and review CN's sustainability, safety and security policies and practices. In this regard, the Board will:
  - evaluate on an ongoing basis, the Company's sustainability strategy, targets, and performance against targets, and whether CN's resources are being managed in a manner consistent with ethical considerations and stakeholder's interests and in order to enhance shareholder value;
  - assess and monitor CN's overall sustainability and environmental, safety and security policies and practices, including CN's Climate Action Plan and the company's progress against its set targets under such plan; and
  - as part of the strategic planning process, evaluate and review public issues of significance that may affect CN's business, operations and stakeholders, including social, political and environmental trends and both the opportunities and risks to CN's business that each presents.
- **Reports and Recommendations.** The Board shall receive periodic reports and recommendations from management and the GSS Committee with respect to CN's overall sustainability and environmental, safety and security policies and procedures and any related issues and management's response thereto.

F. PENSION FUND MATTERS

- **Pension Policies and Practices.** The Board shall, through the Pension and Investment Committee (the "**PI Committee**"), monitor and review, as appropriate, CN's pension fund policies and practices, including the investment policies of the Canadian National Railway Pension Trust Funds or any other pension trust fund established in connection with a new pension plan or any other pension plan offered or administered by CN ("**CN's Pension Trust Funds**").
- **Budget.** The Board shall, through the PI Committee, approve the annual budget of the Investment Division of CN's Pension Trust Funds.