



2020 Sustainability Report

DELIVERING RESPONSIBLY



Delivering Responsibly

At CN, our vision is to be the safest and most carbon-efficient, operationally effective, and customer-centric railroad in North America. That is our business – an essential business.



PICTURED (ABOVE):
Canoe River, BC.
Photo by CN Employee,
Tim Stevens

PICTURED (COVER):
Hope Patrick
Engine Hostler, Moving Units Yard
Winnipeg, MB

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NOTE: SOME PHOTOS USED IN OUR REPORT WERE TAKEN BEFORE COVID-19 RESTRICTIONS.

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Building on a Strong Foundation

Despite the extraordinary challenges of 2020, our relentless focus on safety, operational efficiency and customer service enabled us to deliver a solid performance as a safe and sustainable business for the long term.

Embedding Emerging Best Practices

CN's Board, the company's executive team and our employees view CN's commitment to sustainable business practices as essential to our long-term competitiveness and our ability to continue to flourish together with our customers, communities, Indigenous partners, shareholders and many other important stakeholders. We spent the last year working hard to strengthen our environmental, social and governance (ESG) commitments.

Building on the foundation of the CN Aboriginal Vision we created an Indigenous Advisory Council (IAC) – an independent body made up of Indigenous leaders from across Canada. The IAC has a mandate to provide advice and guidance to CN's Board and to the company's President and Chief Executive Officer on deepening its relationship with Indigenous peoples.

Another key element of our new ESG commitments is an advisory vote by shareholders on the company's Climate Action Plan, to take place each year at our Annual General Meeting. We believe this provides a strong measure of accountability and a mandate to continue making progress in this vital endeavour.

Over the 25 years since privatization, our Board has continued to strive to implement governance policies that reflect evolving best-in-class practices. Our new measures include a commitment to Board diversity whereby at least 50% of the independent directors come from diverse

groups, including gender parity. Further, we updated CN's corporate governance policies to reduce the board size, the age limit and tenure of directors, and the number of public boards on which directors can serve.

In 2021, we also announced the creation of a new Governance, Sustainability and Safety (GSS) Committee. The GSS Committee of the Board of Directors will assist the Board in fulfilling its oversight responsibilities with respect to governance, safety and sustainability of the company's operations, which include overseeing policies and practices relating to ESG matters.

Earning a Place Among the World's Best

In 2021, CN was recognized for leadership in corporate governance, ranking first in the *Globe and Mail's Report on Business*' annual comprehensive assessment of 220 S&P/TSX Composite Index Members. The Company was listed on the Dow Jones Sustainability World Index for the 10th consecutive year and was also honoured to be one of only three Canadian companies listed on CDP's global Climate A List recognizing leadership on carbon disclosure. CN also ranked 10th in the world on the Corporate Knights 2021 Global 100 Index of the most sustainable companies.

We are proud of the global recognition we have received for our industry-leading sustainability practices, but they are only marking progress on a long journey ahead.



"As we look forward to the next great chapter in our company's history, we are committed to implementing new ESG initiatives that reflect best-in-class practices and reinforce our status as a leader among North American Class I railroads and across the entire transportation sector."

ROBERT PACE
Chair of the Board

Awards and Recognition

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Listed on the Dow Jones Sustainability World Index for the 10th consecutive year and on the DJSI North American Index for the 13th consecutive year.

Listed on the CDP's 2021 prestigious A List for our actions to cut emissions, mitigate climate risks and develop the low-carbon economy.

Ranked 10th on the Corporate Knights 2021 Global 100 Index of the most sustainable corporations in the world.

Signatory to the Catalyst Accord 2022, which promotes gender diversity on boards and executive management.



From 2014 to 2021, CN has been recognized as one of Canada's Top 100 Employers for providing exceptional employee programs and workplace policies.

Recognized for leadership in corporate governance, ranking first in the Globe and Mail's Report on Business' annual comprehensive assessment of 220 S&P/TSX Composite Index Members.

Progressive Aboriginal Relations (PAR) Bronze Certification for CN's ongoing relationships and partnerships with Aboriginal communities and businesses.

Ranked among the Best 50 Corporate Citizens in Canada by Corporate Knights for the 13th consecutive year in a row. Evaluated on up to 21 ESG indicators.



Listed member (2009–2021)
FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong ESG practices.

Listed member (2010–2021)
The GCX is comprised of 50 international companies, which are promoting sustainable development.

Listed member (2009–2021)
The JSI is a socially screened index consisting of 50 Canadian companies that pass a broad set of ESG criteria.

Listed member (2015–2021)
MSCI ESG Ratings measure a company's resilience to long-term, industry material ESG risks.

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Driving Sustainability Forward

In a year of global adjustment, CN continued to invest, grow, and deploy innovative technologies to ensure the safe and effective movement of goods to market. Our 2020 Delivering Responsibly report outlines our ESG performance and our commitment to continue building for a sustainable future.

Embracing Diversity and Inclusion

We are focused on improving inclusion, increasing diversity, and ensuring career pay equity across our workforce. In 2020, CN created the position of Director, Diversity, Equity and Inclusion, to provide a more focused and disciplined approach in delivering on our diversity and inclusion strategy. CN has set a gender diversity target of 30% for executive management, by the end of 2022, aligned with the Catalyst Accord 2022, to which CN is a signatory.

Strengthening Our Safety Culture

CN continued to strengthen its commitment to safeguard our employees, the communities and environments in which we operate, our supply chain partners and our customers. Sadly, in early 2021, we experienced the heart-breaking loss of one of our colleagues. We must continue to work relentlessly to prevent such tragic incidents.

CN recently established a new conductor training curriculum with a strong emphasis on personal commitment to safety. The new curriculum reinforces our commitment to a values-based safety culture and was complemented by a year-long safety leadership program, delivered to over 300 of our Operations leaders. Our Life Critical Rules program continues to embed safety further throughout the organization and at our customers' facilities by addressing the day-to-day activities that have the potential to cause serious harm or loss of life.

New technologies are playing a critical role. We have deployed fully automated track inspection cars that use the latest sensor and AI technology to test and monitor real-time geometric track parameters. We have also expanded our Automated Train Inspection Portal program, developing more algorithms to enhance inspection of our rolling stock. These technologies are part of modern Digital Scheduled Railroading (DSR), enabling increased inspection frequency and enhanced inspection quality, driving preventative maintenance and improved safety outcomes.

Tackling Climate Change

In 2021, we announced our commitment to setting a target in line with a 1.5°C scenario and to net-zero carbon emissions. CN is the first North American railroad to formally commit to setting a net-zero target by joining the Business Ambition for 1.5°C and the United Nations' Race To Zero campaign. We have also announced important partnerships related to renewable fuels testing and the purchase of a battery-electric locomotive for a joint pilot. In 2020, we became a supporter of the Task Force on Climate-related Financial Disclosures (TCFD) and issued our first stand-alone TCFD report, a first in the North American rail sector.



"I would like to thank all our employees for their deep dedication throughout the pandemic, as well as our customers and stakeholders for their steadfast support. I am optimistic about CN's future, about our ability to leverage change and come out stronger, and about the entire team's determination to succeed, innovate and lead for many years to come."

JJ RUEST
President and CEO

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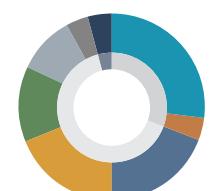
OUR REPORTING

CN is a leading North American transportation and logistics company, and our 19,500-mile network spans Canada and Mid-America, connecting ports on three coasts. We offer fully integrated rail and other transportation services, including intermodal, trucking, freight forwarding, warehousing and distribution. Serving exporters, importers, retailers and manufacturers, we move raw materials, intermediate goods and finished products to market, fostering the prosperity of the markets we serve.



BALANCED AND DIVERSE PORTFOLIO

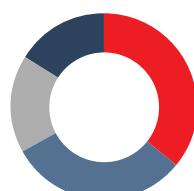
2020 REVENUES BY COMMODITY GROUP (% of total revenues)



- | CONSUMER PRODUCT SUPPLY CHAIN | RAIL-CENTRIC SUPPLY CHAIN |
|-------------------------------|-----------------------------|
| 27% Intermodal | 19% Petroleum and chemicals |
| 4% Automotive | 19% Grain and fertilizers |
| 4% Other | 13% Forest products |
| | 10% Metals and minerals |
| | 4% Coal |
| | 4% Other revenues |

BROAD GEOGRAPHIC EXPOSURE

2020 REVENUES BY GEOGRAPHIC FLOW (% of freight revenues)



2020 KEY STATISTICS

ROUTE MILES	TONS OF CARGO MOVED	PORTS SERVED
19,500	>300M	9
CAPITAL INVESTMENTS	REVENUES	EMPLOYEES (as at December 31)
\$2.9B	\$13.8B	24,381

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Supporting the Transition to a Sustainable Economy

Rail shipping as an environmental, efficient, and cost-effective mode of transport is especially compelling as we move towards a clean economy and bring cleaner, more environmentally sustainable products to the marketplace.



CONNECTING THE WORLD TO BIOMASS-BASED FUELS: Shipments of biomass-based fuels and energy sources from North American plants are in growing demand for customers looking for a more sustainable renewable fuel solution for personal and commercial use.



BRINGING ELECTRIC VEHICLES (EVs) TO MARKET: As the global electric vehicle market grows, we are extending our reach through additional automotive distribution centres in major markets. The EV market has the potential to create high-end, knowledge-based jobs, reduce emissions and improve urban air quality.



LEVERAGING OUR REACH TO POWER THE FUTURE: Our network reaches into the lithium-rich regions to offer supply chain solutions for concentrate producers. Lithium-ion batteries are broadly applied, from home electronics to EVs, and even energy storage systems for solar and wind energy.



DELIVERING CLEANER ENERGY ALTERNATIVES: Due to the innovation of our customers, we are moving cleaner energy alternatives, including methanol, solar panels and wind turbines – strengthening North America's position in cleaner energy markets across Canada and the U.S. and export to Asia.



ENABLING OUR CUSTOMERS TO FEED THE WORLD: Thanks to our expansive network, we are playing a key role in supporting our customers to bring food to tables in North America and all over the world. Our Grain Plan is focused on supporting end-to-end supply chain reliability.



MOVING SCRAP FOR REUSE AND RECYCLING: Items within this industry are recycled repetitively without degradation or loss of their properties. For years, CN has been moving scrap metal for customers as well as recycling scrap metal, largely from our shops and yards including rail, railcars, and locomotive parts.



PICTURED:
Transporting wind turbine components to producers and users of renewable electricity around the world. Georgetown, ON.

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Responding to COVID-19

The COVID-19 pandemic is unlike anything we have experienced. From the start, we have been taking all necessary steps to protect the health and safety of our employees, customers, vendors and communities in which we operate. CN has played an essential role in keeping the North American supply chain running and remained nimble in the face of volume fluctuations.

**PICTURED:**

Pierre Brillant Mvondo
Electrician Apprentice, Diesel Shop,
Montreal, QC

KEEPING PEOPLE SAFE, KEEPING GOODS MOVING

Keeping People Safe

Safety is a core value at CN. As such, our medical team and occupational health department play a pivotal role in our pandemic planning. They are fully aligned and take direction from the World Health Organization as well as provincial, state and federal authorities. CN is also a member of the Association of American Railroad Health Committee where best practices are shared amongst North American railroads.

In early March 2020, we deployed our multi-phase Pandemic Plan and implemented preventative measures to ensure the safety of our employees, customers and communities. These included restricting employee travel, increasing social distancing, offering work from home for employees not required on site, and amplifying cleaning regimens on trains, in terminals, in bunkhouses and in our offices. We also took the important step

of segregating our rail traffic control functions and spreading these mission-critical employees over five highly secure sites where they are better protected from contamination. Among other measures, CN employees and their managers have access to a dedicated COVID-19 team to report any symptoms or to query on situations associated with COVID-19.

Ensuring Rail Shipments Across the Border

When Canada and the United States announced that the border between the two countries would be temporarily closed to non-essential travel for tourists and visitors, CN worked with authorities on both sides of the border to ensure this temporary closure would not affect our customers' rail shipments between the two countries. Authorities acknowledged that rail is essential to the delivery of the goods our society requires.

Moving the Economy

We remain in close contact with governments and our supply chain partners to ensure goods continue to move without interruption. We take our role in the global supply chain very seriously. Our intermodal service continues to move key consumer goods to keep stock on store shelves and our temperature-controlled service continues to play an important role in the food and beverage sector.

At this time, we continue to operate very efficiently and our network is extremely fluid. Our unique geography creates an enduring structural advantage that we are putting to work to help our customers pivot back to growth.

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Ensuring Customer Service and Satisfaction

We believe good customer service and customer satisfaction are essential. CN is committed to working closely with our customers to build strong, lasting relationships.

We recognize the importance of responding to our customers' evolving needs and expectations. We work closely with them to understand their needs and objectives, improve the customer experience, and help them achieve greater competitiveness in their own markets.

In 2020, we reached out with a survey to our rail freight revenue customers across all segments of the business. Our overall customer satisfaction score was 68%; for 2021, our customer satisfaction target is 75%. The following are some of the ways we are responding to feedback and continuing to improve our services.

Boosting Capacity

Through our Capital Program, we continue to invest in order to boost capacity, improve network resiliency, and meet the growing traffic and demand on our corridors. Over the last three years, we have invested over \$10 billion in capital expenditures. These include expansion projects that add track in yards to handle growing traffic, new sidings that improve reach and resiliency, as well as continued investments in multi-year initiatives that increase capacity.

Expanding Our Products and Services

We are continually working to improve the products and services available at CN, such as our updates in 2021 to the CN ONE eCommerce transactional site. CN's major push in first-mile/last-mile service is focused on improving the quality of customer interactions by developing a sharper outside-in perspective, better monitoring of traffic forecasts, higher and more responsive car order fulfillment, and proactive customer communication at the local level. We are also expanding our service offerings through the opening of new intermodal terminals in Regina, SK, and New Richmond, WI and planned future expansions of facilities in Milton and at the Port of Mobile.

Investing in Technology

CN is investing in exciting and scalable innovations that enhance safety and efficiency, as well as create value for our customers. As the deployment of our key technology projects ramp up over the years, our new cutting-edge systems will increase safety and reliability, improve inspection efficiency, provide rich data analytics, generate predictive modelling, and drive capacity enhancements. Some of the projects included in this initiative are the Automated Train Inspection Portals, the Autonomous Track Inspection Program, and CN's Mobile Reporting services.



Enabling Real-Time Track and Trace

In 2020, CN launched an ever-expanding suite of digital application programming interfaces (APIs), that allow CN customers to seamlessly connect with CN to track and trace their shipments using real-time GPS technology, signalling a new era of innovation and supply chain visibility aimed at helping our customers win in their markets.

Our goal is to provide an optimal digital experience for CN customers and supply chain partners – regardless of how they connect to and consume data. CN's APIs offer robust supply chain visibility tools, which demonstrate our commitment to managing customer supply chains through system integration and innovative data.

 [READ MORE](#)
CN's API Marketplace

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We are building on our industry leadership for fast and reliable hub-to-hub service by continuing to improve across a range of customer touchpoints.

Aligning to Customer Needs

At CN, we are committed to partnering with our customers to help them grow their businesses. To do this, it is imperative that we maintain ongoing conversations with them. We offer multiple touchpoints in order to encourage the free flow of information so that we can continue to better understand our customers' market as well as their key drivers.

We also work in partnership with our customers to systematically develop growth strategies. We continue to review train and railcar requirements so that we can align capacity with current as well as future customer demand. By monitoring market conditions and anticipating changes, our goal is also to be able to proactively adjust our services according to customers' changing needs.

Collaborating to Keep Grain Moving

Every year we put out a comprehensive Grain Plan that outlines the details of how we will meet the anticipated volume of grain expected to be moved in the crop year. The objective is the safe, effective, efficient, and timely movement of grain throughout the coming crop year.

To develop our plan, we collaborate with key stakeholders, including producers, seeking their views and input. The measures reflect extensive consultations with grain producers, grain-handling companies, customers and government officials. The foundation for the measures is Agriculture and Agri-Food Canada's projections for the crop year. Read more in the [CN Grain Plan](#).

Planning for the Winter

The objective of our annual Winter Plan is to ensure that our people and equipment are ready to face winter. It outlines the measures and investments we have undertaken, and will continue to make, to meet the requirements of our customers safely and efficiently during the harsh weather ahead. Additionally, a prudent and well-executed winter plan enhances Canada's reputation as a reliable and quality supplier to international markets. CN's Winter Plan keeps everyone focused on moving freight and maintaining the integrity and smooth flow of supply chains even during the challenges of winter in Canada and the northern United States. Read more in our most recent [CN Winter Plan](#).

**Partnering with Customers for Climate Action**

In December 2020, CN joined with our customer Maple Leaf Foods Inc. as well as Celestica Inc. in creating a coalition of leading Canadian companies committed to meaningful action on climate change. We share in the Paris Climate Accords-aligned commitments that cover four key areas: reducing carbon emissions, setting science-based targets, resource stewardship, and sustainability reporting.

"We are proud to be a leader in sustainability and urge Canadian organizations to join us in our ambitious goal and take meaningful action to decrease greenhouse gas emissions and nurture a Better Planet for all."

— MICHAEL McCAIN, President and CEO at Maple Leaf Foods

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Sowing a Sustainable Future with Our Customers and Supply Chain Partners



"The Port of Prince Rupert is located in some of the most pristine Pacific coastal ecosystems in the world.... Through the EcoConnexions Partner Program, CN's recognition reaffirms our organization's commitment to and achievement of our ambitious sustainability goals and carbon reduction targets."

JASON SCHERR
Manager of Environmental Sustainability,
Prince Rupert Port Authority

Through our EcoConnexions Partnership Program, we continue to deepen our customer relationships, as well as collaborate and learn from each other as we move together towards a more sustainable future.

Launched in 2014 in collaboration with Tree Canada, the EcoConnexions Partnership Program celebrates companies that pledge to work to reduce their emissions, increase energy efficiency, and drive sustainable business practices throughout the supply chain.

In 2021, 55 customers and supply chain partners were recognized for their sustainability practices and 100,000 trees will be planted as part of four different reforestation projects.

Since this program began, we have planted over 600,000 trees in Canada and the U.S., helping to reforest after a natural disaster or fire, re-establish valuable wildlife forested habitat, provide watershed protection, and rehabilitate agricultural land.

Our Results Since 2014

OVER

600,000

TREES PLANTED THROUGH
REFORESTATION PROJECTS

55

CUSTOMERS AND SUPPLY CHAIN
PARTNERS IN THE PROGRAM

Our Collaboration

CN
EcoConnexions
PARTNERSHIP PROGRAM

 TreeCanada



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Our strategic long-term approach to investments, together with our continued focus on efficiency and deployment of innovative technology, as well as our commitment to enabling trade, position us to keep delivering long-term value to our stakeholders.

We create value for our shareholders by striving for sustainable financial performance through profitable top-line growth, strong free cash flow generation and return on invested capital well above our cost of capital. We are confident that the investments we have made in safety, technology and capacity over the past three years will support CN in continuing to create shareholder value.

Demonstrating Resiliency During Unprecedented Economic Times

2020 was a year like no other, but thanks to our railroaders, who are essential workers, we kept the economy moving while setting impressive new volume records in key markets. By being adaptable, we were able to swiftly right-size our resources and continue to provide our essential transportation services to our customers, the economy, and the communities we serve. In the fourth quarter, our nimble approach allowed us to meet the increased demand while maintaining industry-leading fuel efficiency.

Despite the financial impacts of the global pandemic, we maintained our \$2.9 billion capital investment plan in 2020, and announced the purchase of approximately 1,500 new, efficient, high-capacity, covered hopper cars to expand our grain export business for delivery starting in January of 2021.

Leading the Industry in ESG

In March 2021, we backed our commitment to a sustainable future by announcing the largest sustainability-linked loan (SLL) in Canadian history. The \$2.5 billion SLL ties our cost of capital to our environmental improvement targets, which include GHG emission reductions and increased fuel efficiency.

We have a long-standing history of efficiency focus and track record for decoupling our growth from carbon emissions. CN is a North American rail industry leader, consuming roughly 15% less locomotive fuel per gross ton mile than the average of our industry peers. Our leadership in carbon and fuel efficiency is largely driven by our Precision Scheduled Railroading (PSR) operating model, which allows us to move more freight with less assets, in a much more fuel-efficient way. We will continue working to achieve our reduction targets by replacing old locomotives, implementing new technologies, optimizing the use of data, and increasing the use of renewable fuels.



Reporting conformance to the GRI Standards: Core Option

Adopting the TCFD recommendations in our reporting

Reporting conformance to the SASB, Rail Transportation Standards

Listed member since 2014

Listed member since 2017

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CHANTALE DESPRÉS
Assistant Vice-President, Sustainability

Supporting the Global Goals

The Sustainable Development Goals (SDGs), also known as the Global Goals, were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people are able to enjoy peace and prosperity.

While CN contributes directly and indirectly to each of the 17 SDGs, a detailed consideration of the indicators and metrics that comprise the UN's SDG framework has helped us to identify eight SDGs, which we believe we can have the greatest impact and align with CN's five pillars of Delivering Responsibly.

The selection of these SDGs is also based on the principles of materiality and stakeholder inclusiveness, to prioritize the topics that matter most to our business and our stakeholders.

FOCUSED ON WHERE WE CAN MAKE A DIFFERENCE

SDG	UN Goal	Our Ambition	Progress
3 GOOD HEALTH AND WELL-BEING	Ensure healthy lives and promote well-being for all at all ages	We put health and safety at the centre of our operations, with training and programs designed to reduce accidents and engage employees at all levels.	+ Safety
5 GENDER EQUALITY	Achieve gender equality and empower all women and girls	We develop strategies to attract, retain and provide opportunities for women in leadership roles in the rail transportation sector.	+ People + Governance
8 DECENT WORK AND ECONOMIC GROWTH	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	CN invests in transportation education and skills development while providing a safe, secure and inclusive working environment for all employees.	+ People + Governance
9 INDUSTRY INNOVATION AND INFRASTRUCTURE	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	We build, maintain and operate safe, efficient and resilient rail infrastructure across North America supported by innovative technology.	+ Safety
11 SUSTAINABLE CITIES AND COMMUNITIES	Make cities and human settlements inclusive, safe, resilient and sustainable	CN collaborates with stakeholders to support the development of inclusive, safe, sustainable and disaster resilient cities.	+ Community
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Ensure sustainable consumption and production patterns	We work collaboratively across the value chain to support sustainable production and consumption, and continually look for ways to optimize materials and minimize waste.	+ Environment
13 CLIMATE ACTION	Take urgent action to combat climate change and its impacts	We invest in efficient, low-carbon and climate-resilient rail transportation infrastructure and technology and engage for deeper decarbonization.	+ Environment
15 LIFE ON LAND	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss	Protecting biodiversity and managing the lands near our rail network is essential to operating a responsible railroad. Our goal is to minimize environmental disturbance, while incorporating positive enhancements.	+ Community

Our Sustainability Commitments

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Delivering Responsibly is at the heart of how CN is building for a sustainable future. At CN, our vision is to be the safest and most carbon-efficient, operationally effective, and customer-centric railroad in North America.



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Environment

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



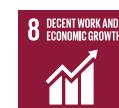
Safety

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.



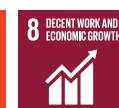
Community

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.



Setting Strategic Goals

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We are raising our level of ambition to deliver for a sustainable future, to make a meaningful difference for our people, our customers and the many communities where we operate.

OUR SUSTAINABILITY TARGETS AND LONG-TERM GOALS

Area	Topic	Mid-Term Target	Long-Term Goal
Environment Safeguarding our environment	GHG Emissions	43% intensity reduction by 2030 based on 2019	We have committed to setting a net-zero 2050 target by signing the "Business Ambition for 1.5°C".
	Air Emissions	6% intensity reduction by 2022 based on 2017	In line with our commitment to net-zero carbon emissions, we aim to also reduce our locomotive air emissions to zero by 2050.
	Waste	95% diverted from landfill by 2030	We aim to play an important role for greater resource efficiency and the creation of regenerative economic systems and to achieve zero waste by 2050.
	Biodiversity	3 million trees planted by 2030	We aim to have a positive impact by protecting and investing in reforestation projects that generate benefits for nature and society.
Social Building an inclusive, safe and resilient society	Personal Safety	55% reduction in personal injury frequency rate (per 200,000 person hours) by 2030 based on 2019	Our goal is to create a values-based safety culture and to reduce serious injuries and fatalities to zero.
	Operational Safety	45% reduction in accident rate (per million train miles) by 2030 based on 2019	Our goal is to be the safest railroad in North America by establishing an unwavering safety culture and investing in technology and infrastructure.
	Executive Diversity	30% female representation at executive level by 2022	We aspire to build an inclusive society and have a workforce that reflects the diversity of the stakeholders we serve.
Governance Upholding the highest standards of governance	Board Diversity	50% non-management Board members from diverse groups, including gender parity by 2022	Our longer-term goal is to be at the leading edge of ESG best practices across North America and globally.

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Environment

PICTURED:
Edmunston, NB
Photo by CN Employee
Maxime Larouche

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JANET DRYSDALE
Vice-President, Sustainability

Progress on the Global Goals



In support of keeping the global temperature increase well below 2 degrees Celsius compared to pre-industrial temperatures, we have revised our science-based target to reduce our carbon emission intensity by 43% by 2030 based on 2019 levels.



We strive to substantially reduce waste generation. We are committed to advancing circular economy principles in all aspects of our operations. Each year, by engaging employees, customers and suppliers, we continue to divert approximately 90% of our waste from landfills through our reduce-reuse-recycle-renew programs.

Safeguarding Our Environment

We are committed to building a sustainable future by continuously minimizing our impact on the environment and providing cleaner, more sustainable transportation services to our customers.

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.

We aim to play a substantive role in the transition to a lower-carbon economy, conserving resources, protecting and restoring natural ecosystems, and advancing the circular economy. Our environmental strategy is guided by our Environmental Policy and focuses 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.

Climate Change

Operating efficiently has been the hallmark of our success. We are an industry leader in carbon and fuel efficiency, and the only Class I railroad in the Dow Jones Sustainability World Index. 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. In 2020, we delivered

our best locomotive fuel efficiency ever – 4% better than the previous record set in 2019 – avoiding approximately 275,000 tonnes of CO₂ emissions.

Waste Management

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.

Biodiversity and Remediation

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.

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Climate Change

Increasing Our Level of Ambition

We recognize that our climate is changing, and that businesses must not merely adapt, but be part of the solution. As a mover of the economy, CN is committed to playing a key role in the transition to a lower-carbon economy.

OUR CLIMATE CHANGE STRATEGY

Our strategy provides a foundation for our long-term response to climate change, and identifies actions to mitigate risk and leverage climate-related opportunities.

Decarbonize Our Business

We are working to reduce the carbon footprint of both our rail and non-rail activities. We are also focused on reducing the emissions across our entire value chain. CN was the first Class I railroad and among the first 100 companies globally to set an approved science-based carbon emission intensity reduction target in 2017. In 2021, we were the first North American railroad to formally commit to setting a net-zero target by joining the "Business Ambition for 1.5°C" and the United Nations' "Race To Zero" campaign.

**Enable the Transition to a Low-Carbon Future**

We believe this transition also presents significant opportunities for our company. Rail has a tremendous potential to reduce the environmental impact of transportation. We have been making a positive contribution by offering carbon-efficient transportation solutions to our customers. We are also working with our partners to reduce emissions by maximizing efficiency in the supply chain. And we're moving new products, from electric vehicles to solar panels, supporting growth in sustainable products and markets.

**Build Resiliency and Biodiversity**

As an enabler of trade, we recognize the importance of ensuring the resiliency of our rail network. We are adapting to the physical impacts of climate change and undertaking climate change scenario analysis to explore climate vulnerabilities to enhance our resilience to climate-related risks. We also recognize the importance of biodiversity and protecting natural capital. Through our tree-planting and mass reforestation initiatives, we are helping to improve air quality, support biodiversity, and create resilient and sustainable communities.

**Collaborate with Stakeholders**

We recognize the importance of collaborating with governments, supply chain partners, customers, suppliers, academics and cleantech to accelerate the fight against climate change. Through the Railway Association of Canada, we have been actively working with our industry peers and the Government of Canada since 1995 to address the impacts of rail activities on the environment. In 2021, we announced important partnerships with our suppliers regarding renewable fuels testing and the purchase of a battery-electric locomotive for joint pilot projects.



Reducing Our Rail Carbon Footprint and Air Emissions

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Enhancing Rail Efficiency

With approximately 85% of our GHG emissions generated from rail operations, we believe the best way to reduce our carbon footprint is by continuously improving our rail efficiency. For over two decades, CN has pioneered the now industry-standard Precision Scheduled Railroading (PSR). Today, we are taking PSR to the next level by layering advanced technology and automation onto every aspect of our operations to continuously improve the safety and efficiency of our operations. We are calling this next generation "Digital Scheduled Railroading" (DSR).

The renewable fuel market presents another opportunity to reduce our emissions, and we have set a short-term year-on-year rolling target of 2% sustainable renewable fuel consumption for our Canadian locomotive fleet. In 2020, the use of sustainable renewable fuels in our locomotives saved approximately 77,000 tCO₂e.

Improving Air Quality

CN's fuel efficiency improvements not only reduce GHG emissions, they also help reduce criteria air contaminants (CACs). More commonly known as air pollutants, CACs get into the air when we burn fossil fuels. They produce smog and acid rain, which have an impact on our health and the environment.

In addition to our commitment to a 6% intensity-based reduction in GHG emissions, measured against a 2017 baseline and over a five-year period ending in 2022, we have proactively set a target to reduce our Criteria Air Contaminants intensity by 6% over the same period. In 2020, CN progressed 90% towards this target.

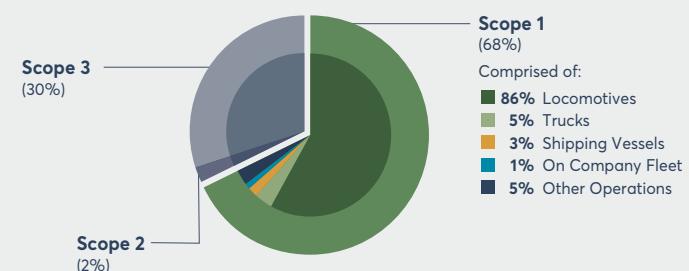
The new locomotives we procure meet emissions standards aligned with U.S. and Canadian regulations. Reducing air emissions is good for the health and quality of life of everyone in the communities in which we operate.

TRACKING PROGRESS ON CARBON REDUCTIONS

Since 1993, we have reduced our rail locomotive GHG intensity by 43%, avoiding nearly 48 million tonnes of CO₂e, and we remain the leader in the North American rail industry, consuming approximately 15% less locomotive fuel per gross ton mile than the industry average.

Our Carbon Footprint

2020 SCOPE 1, 2 AND 3 GHG EMISSIONS
(% of Total Tonnes CO₂e)



Decoupling Growth from Carbon Emissions

LOCOMOTIVE GHG INTENSITY vs. GROSS TON MILES (GTM)
(Tonnes CO₂e/Million GTM vs. Traffic Billion GTM)



SINCE 1993:

↓43%

REDUCTION IN LOCOMOTIVE GHG INTENSITY

↓48 million

TONNES OF CARBON AVOIDED WHILE CONTINUING TO GROW IN THE VOLUME OF FREIGHT WE MOVE

LOW-CARBON TRANSITION PLAN

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Mitigating and Adapting to Climate Risks and Opportunities

In 2020, CN became an official supporter of the Task Force on Climate-related Financial Disclosures (TCFD). Our actions to reduce emissions, mitigate climate risks and develop the low-carbon economy resulted in CN being one of only three Canadian companies listed on the prestigious CDP Climate A List 2020 and 2021.

GOVERNANCE: The Governance, Sustainability and Safety (GSS) Committee of the Board has the highest level of responsibility for climate-related issues, with executive oversight from our Chief Operating Officer and Vice-President of Sustainability, who has direct oversight for sustainability at CN. In February 2021, CN announced an annual advisory vote on our Climate Action Plan, and the first one took place at the April 2021 Annual General Meeting.

LONG-TERM SCIENCE-BASED TARGET: In April 2021, the Science Based Target initiative (SBTi) approved CN's new commitment, in alignment with a well-below 2°C scenario, to reduce Scope 1 and 2 GHG emissions by 43% per million gross ton miles by 2030 from a 2019 base year, and to reduce Scope 3 GHG emissions from fuel- and energy-related activities by 40% per million gross ton miles by 2030 from a 2019 base year. In November, we announced our commitment to setting a target in line with a 1.5°C scenario and to achieving net-zero carbon emissions by 2050.

STRATEGY: To achieve our 43% science-based reduction target, we are focused on locomotive carbon efficiencies from renewing our fleet, implementing innovative technologies, optimizing the use of data, promoting best practice initiatives for fuel and energy conservation, and increasing renewable fuel blends.

RISK MANAGEMENT: Climate change is integrated into our risk assessment processes, which consider both physical and transition risks, including temperature extremes, flooding, hurricanes, and tornadoes, as well as legal, policy and market impacts.

Carbon Target	Date	Description	Progress	2030 Science-based Target
↓ 43% Long-term (Scope 1 & 2)	2030	Reduce Scope 1 and 2 GHG emission intensity (tCO ₂ e/million GTM) by 43% by 2030 based on 2019 levels.	In 2020, total Scope 1 and 2 emissions combined were 5,397,665 tonnes of CO ₂ e. On a GTM basis, it was approximately 3% less emission intensity than our base year of 2019, achieving 7.4% of the target.	EMISSIONS TRAJECTORY IN A WELL-BELOW 2°C SCENARIO (Tonnes CO ₂ e/Million GTMs)
↓ 40% Long-term (Scope 3)	2030	Reduce Scope 3 GHG emissions from fuel- and energy-related activities by 40% per million gross ton miles by 2030 from a 2019 base year.	In 2020, Scope 3 GHG emissions from fuel- and energy-related activities were 1,573,268 tonnes of CO ₂ e. On a GTM basis, it was approximately 9% less emission intensity than our base year of 2019, achieving 23% of the target.	↓ 7.4% ↓ 43%
↓ 6% Mid-term (Scope 1 & 2)	2022	Reduce Scope 1 and 2 GHG emission intensity (tCO ₂ e/million tonne kilometres) by 6% by 2022 based on 2017 levels.	In 2020, total Scope 1 locomotive emissions were 4,475,588 tonnes of CO ₂ e. On a kg-RTK basis, it was approximately 4% less emission intensity than our base year of 2017, achieving 89% of the target.	2020 Progress 2030 Target TOWARDS NET ZERO

Decarbonizing Our Business

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CLIMATE ACTION PLAN

Advancing Our Carbon Reduction Initiatives

Our target informs our low-carbon transition plan and business strategy. To achieve our science-based target to reduce our GHG emission intensity by 43% by 2030 based on 2019 levels, we are focused on five key strategic areas:



FLEET RENEWAL: Cleaner, more fuel-efficient equipment enables us to decouple our business growth from GHG emissions. We continue to purchase more fuel-efficient locomotives and in 2020, we acquired 41 of the most fuel-efficient, high-horsepower locomotives available.

INNOVATIVE TECHNOLOGY: We continue to explore and invest in innovative technologies. We equip our locomotives with energy management and data telemetry systems as well as distributed power functionality to help us maximize locomotive operating effectiveness and efficiency. These innovative technologies will allow us to continuously improve train handling, braking performance, and overall fuel efficiency, therefore improving our carbon efficiency in the years to come.

BIG DATA: Through our locomotive telemetry systems, we collect large amounts of data to improve performance and fuel conservation. In addition, Horsepower Tonnage Analyzer uses the data from the systems to optimize a locomotive's horsepower-to-tonnage ratio, further minimizing fuel consumption. Investments in information technology enable deeper analysis to continue to identify, through big data analytics, additional opportunities for fuel conservation that will present opportunities for us to further reduce our emissions in the coming years.

OPERATING PRACTICES: CN is moving from Precision Scheduled Railroading (PSR) to Digital Scheduled Railroading (DSR) with advanced information technologies and automation to further improve operations, safety and ease of doing business. Real-time information enables on-the-job training on practices that promote fuel conservation. Capitalizing on our locomotive telemetry systems and advanced data analytics will help us identify additional opportunities for fuel conservation operating practices in the coming years.

CLEANER FUELS: Driven by regulatory requirements, the growth of the renewable fuel market presents an immediate opportunity to further reduce our emissions by using sustainable renewable fuel blends in our fleets. In the medium term, the proposed Canadian Federal Clean Fuel Standard and other existing renewable and clean fuel standards in jurisdictions where CN operates, will continue to present an important opportunity for us to further reduce our emissions.

[READ MORE](#)

[2021 CDP Report](#)

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Advancing Sustainability Efforts by Piloting a Battery-Electric Locomotive

We recognize the need for new locomotive propulsion technology to meet the deep decarbonization required to achieve net-zero emissions by 2050.

As part of our sustainability strategy to reduce freight transportation emissions through innovation, we plan to continue to lead the sector by deploying low- and no-carbon technologies. We recently announced the purchase of Wabtec's FLXdrive battery-electric freight locomotive, the first 100% battery heavy-haul locomotive in support of our ambitious long-term goals.

The anticipated efficiencies and emission reductions from the technology will be significant, reducing locomotive consist fuel consumption and emissions by up to 30%, and will help open the door to new alternatives beyond the diesel-powered locomotives used today. This new technology is a key component in achieving an effective transition to a lower-carbon future.

"The FLXdrive is a defining moment for the freight rail industry, and Wabtec is proud to partner with CN to accelerate the industry toward low- to zero-emission locomotives," says Rafael Santana, Wabtec President and Chief Executive Officer.

~30%

ESTIMATED REDUCTION IN LOCOMOTIVE CONSIST FUEL CONSUMPTION AND EMISSIONS



Reducing Our Non-Rail Carbon Footprint

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Operating an efficient railroad extends to our non-rail operations, enabling further carbon reductions in our ground and vessel fleets, buildings and yards. The carbon footprint of our non-rail operations comprises approximately 17% of our total (Scope 1 and 2) GHG emissions. We continue to implement best practice initiatives, including new equipment and technologies, to further reduce energy consumption.

Driving Ground Fleet Upgrades

Our non-rail ground fleet, comprising intermodal equipment, trucking, On Company Service (OCS) vehicles and CNTL and TransX trucks, makes up roughly 7% of our Scope 1 and 2 emissions. Over the past few years, we have been focused on improving the fuel efficiency of these fleets while also increasing our use of renewable fuels.

We have also purchased electric vehicles in our OCS fleet, and recently announced a partnership with Lion Electric to pilot the use of electric trucks to further decarbonize our intermodal services. Our teams continue to be trained on fuel efficiency, from the use of aerodynamic components on trucks to innovative routing optimization initiatives.

Reducing Energy at Key Facilities

30%

REDUCTION IN CARBON EMISSIONS AT KEY FACILITIES SINCE 2011



In 2020, we installed a new driver-centric fleet management system to improve hours of service management, enable a paperless workflow, and to drive further gains with respect to accident prevention and fuel efficiency.

Improving Yards and Buildings

Our \$5-million annual CN EcoFund, combined with government and utility incentives and subsidies, has enabled us to implement energy-efficient upgrades in our buildings and yards. We continue to invest in retrofits to boilers, air compressors, HVAC systems, and LED lighting, enabling us to improve our carbon efficiency and save costs. Since 2011, we achieved a 30% reduction in electricity consumption at key yards, avoiding more than 171,000 tonnes of carbon.

Decarbonizing the Vessel Fleet

Our marine services extend beyond where track and trucks stop, with a fleet of marine vessels operating on the Great Lakes. Our shipping fleet offers safe, highly fuel-efficient fleet transportation services and is continually upgraded to meet strict emission requirements. In 2019, we installed new skewed propeller blades on one of these vessels. These new blades reduce engine vibration, which will extend their life, and the fuel efficiency of the vessel, contributing to reduced carbon emissions from its operation. Overall, our marine emissions intensity in 2020 decreased vs. 2019 due to the layup of the two least fuel-efficient steamships during the economic downturn.



Plugging in to Lower Emissions

The Mechanical team in southern British Columbia needed to solve a chronic challenge. Many of their employees require regular transportation to and from three yards in the Greater Vancouver area to handle workload fluctuations such as train inspections, to transport material or to perform inventory counts.

After some research, an all-electric 2019 Chevy Bolt was acquired for the Surrey Car Shop. In the first six months, the team put in over 8,000 km on the Bolt, cutting their use of taxis in half and saving an estimated \$15,000, and significantly reducing their carbon footprint.

Through their leadership they boosted morale by finding a more economical and environmentally friendly solution.

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Advancing the Electrification of Freight Transportation

By investing in innovative solutions for our trucking and intermodal services, we are working to advance the decarbonization of the entire transportation supply chain.

In 2020, we signed a Memorandum of Understanding with Lion Electric to acquire 50 zero-emission trucks as part of our fleet for use in our intermodal terminals in urban areas.

The trucks are part of a pilot program, announced in 2019, to test the use of custom-built electric trucks engineered by the Quebec-based company. These zero-emission trucks, will be tested in a variety of situations and environments

across our network, from urban delivery, container shuttle service, to port operations. The Lion trucks will not produce any noise pollution and will remove 100 tons of greenhouse gas emissions annually.

"CN is showing leadership by acquiring 50 all-electric Lion trucks. This order, the largest for Lion Electric Co. yet, is a sign of confidence in our company and that now is the time for the electrification of heavy transportation. I hope this deal inspires

everyone who is looking for an economical, sustainable and environmental transportation solution to switch to electric vehicles," says Marc Bédard, President and Founder of The Lion Electric Co.

COMMITTED TO ACQUIRING

50 zero-emission

LION ELECTRIC TRUCKS FOR INTERMODAL USE IN URBAN AREAS



PICTURED:
Rendering of CN's new custom-built, Class 8, electric truck.

Enabling the Transition to a Low-Carbon Future

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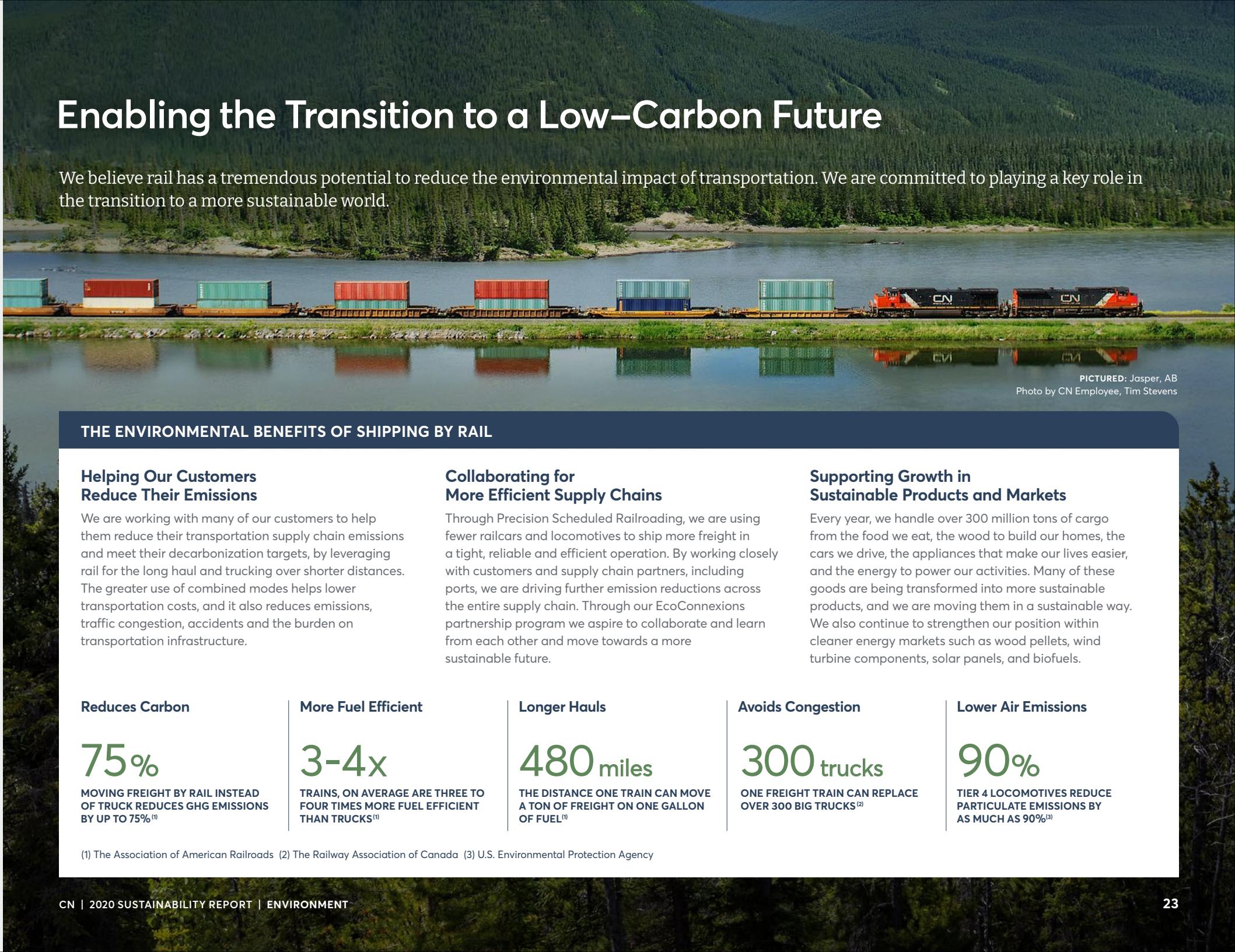
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THE ENVIRONMENTAL BENEFITS OF SHIPPING BY RAIL

Helping Our Customers Reduce Their Emissions

We are working with many of our customers to help them reduce their transportation supply chain emissions and meet their decarbonization targets, by leveraging rail for the long haul and trucking over shorter distances. The greater use of combined modes helps lower transportation costs, and it also reduces emissions, traffic congestion, accidents and the burden on transportation infrastructure.

Collaborating for More Efficient Supply Chains

Through Precision Scheduled Railroading, we are using fewer railcars and locomotives to ship more freight in a tight, reliable and efficient operation. By working closely with customers and supply chain partners, including ports, we are driving further emission reductions across the entire supply chain. Through our EcoConnexions partnership program we aspire to collaborate and learn from each other and move towards a more sustainable future.

Supporting Growth in Sustainable Products and Markets

Every year, we handle over 300 million tons of cargo from the food we eat, the wood to build our homes, the cars we drive, the appliances that make our lives easier, and the energy to power our activities. Many of these goods are being transformed into more sustainable products, and we are moving them in a sustainable way. We also continue to strengthen our position within cleaner energy markets such as wood pellets, wind turbine components, solar panels, and biofuels.

Reduces Carbon

75%

MOVING FREIGHT BY RAIL INSTEAD OF TRUCK REDUCES GHG EMISSIONS BY UP TO 75%⁽¹⁾

More Fuel Efficient

3-4x

TRAINS, ON AVERAGE ARE THREE TO FOUR TIMES MORE FUEL EFFICIENT THAN TRUCKS⁽¹⁾

Longer Hauls

480 miles

THE DISTANCE ONE TRAIN CAN MOVE A TON OF FREIGHT ON ONE GALLON OF FUEL⁽¹⁾

Avoids Congestion

300 trucks

ONE FREIGHT TRAIN CAN REPLACE OVER 300 BIG TRUCKS⁽²⁾

Lower Air Emissions

90%

TIER 4 LOCOMOTIVES REDUCE PARTICULATE EMISSIONS BY AS MUCH AS 90%⁽³⁾

(1) The Association of American Railroads (2) The Railway Association of Canada (3) U.S. Environmental Protection Agency

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Building Resiliency and Biodiversity

As an enabler of trade, we recognize the importance of ensuring the resiliency of our rail network. We also understand the value of biodiversity and protecting natural capital.

Climate-related Scenario Analysis

In alignment with our climate risk process, we have undertaken qualitative and quantitative climate change scenario analysis to explore climate vulnerabilities to enhance our resilience to climate-related risks. We plan to consolidate learnings from these to expand the analysis to other risk types in order to identify potential material financial risks and to inform our business strategy related to climate change.

In 2020, we expanded our scenario analysis work, evaluating key physical and transition risks in detail. Going forward, we will continue to improve our capabilities to conduct climate change scenario analysis.

Transition and Physical Risk Scenario Analysis

With respect to transition risk, we assessed the financial impact of carbon prices in North America up to 2030 related to our locomotive fuel emissions, which represent approximately 85% of our Scope 1 emissions. The results of the carbon price scenario analysis have informed and reinforced our commitment to achieving our climate science target and climate strategy.

The physical risk analysis focused on the impact of extreme cold temperatures on our rail network in Canada, taking into consideration a time horizon of 2026 to 2030. The extreme cold weather scenario analysis continues to be discussed in the context of influencing our winter readiness plans, particularly in areas of extreme cold exposures. These strategies can include reducing train lengths, modifying train schedules as well as adapting and right-sizing the fleet.

Investing in Nature

We recognize that nature-based solutions have the potential to play a major role in addressing the twin and interlinked environmental crises humanity faces of climate change and nature loss. We aim to have a positive impact beyond climate by investing in projects that generate broader benefits for nature and society. Through our partnerships, we are enhancing efforts to protect biodiversity and contribute to the well-being of nature and people.

 **READ MORE**[2021 CDP Response](#)

Increasing the Resiliency and Recoverability of Our Rail Network

We have programs in place to respond to the physical impacts of climate change, including extreme weather readiness plans, an emergency response planning program and inspection programs.

We have established rapid-deployment teams to quickly take action when a service disruption occurs. These teams include staff to rework train schedules, as well as develop work and contingency recovery plans. For example, our Winter Plan aims to ensure that our people and equipment remain ready to face winter. It outlines the measures we continue to take to meet the requirements of our customers safely and efficiently during the harsh weather ahead.

Value of Trees

Leveraging Natural Capital

CN recognizes that planting trees is important to tackle the twin crises of climate change and biodiversity loss. Our current goal is to plant 3 million trees by 2030.

We believe trees are key to the transition to a net-zero economy, to protect and conserve ecosystems, to secure urban resilience to extreme weather events, to improve public health and to build a nature-positive future.

Improving Air Quality and Offsetting Carbon

Trees can absorb air pollutants and offset carbon emissions. By planting trees, we are contributing to cleaner air and increased quality of life in the communities where we operate. Two million trees can absorb more than 96 million pounds of carbon dioxide a year, and can produce oxygen daily for up to 8 million people.

Supporting Healthy Soils and Biodiversity

We also plant trees to help restore and protect the ecosystems along our network. In some areas, they help rehabilitate agricultural land or provide wind barriers and soil mitigation. They also provide food and shelter to an abundance of wildlife, enabling us to support and enhance biodiversity.

Creating Resilient and Sustainable Communities

Trees selected for the plantings have been carefully chosen to thrive in their regions, so they will be part of the community for years to come. In cities, urban forests can reduce heating and cooling costs for homes and buildings, lessen water runoff, prevent soil erosion, and secure resilience to extreme weather events.



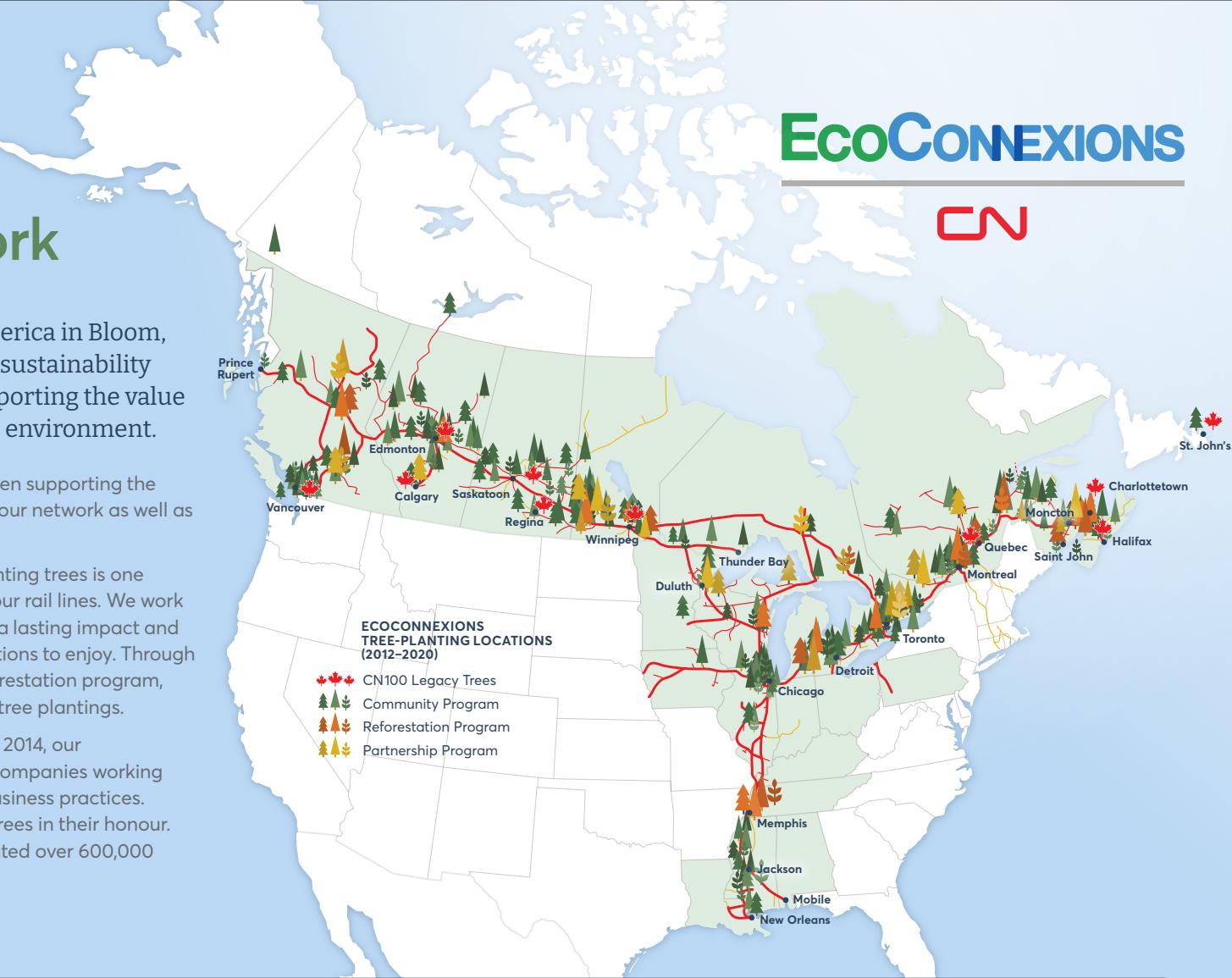
Reforesting Along Our Network

With our partners, Tree Canada and America in Bloom, we have been creating a living legacy of sustainability for present and future generations, supporting the value of trees for our well-being as well as the environment.

Since 2012, our EcoConnexions programs have been supporting the greening of communities and First Nations along our network as well as mass reforestation projects.

SUPPORTING THE GREENING OF COMMUNITIES: Planting trees is one way we can give back to the communities along our rail lines. We work with our partners and local organizations to have a lasting impact and improve the national landscape for future generations to enjoy. Through our EcoConnexions From the Ground Up and reforestation program, we help communities establish green spaces and tree plantings.

COLLABORATING FOR MASS REFORESTATION: Since 2014, our EcoConnexions Partnership Program celebrates companies working to reduce their emissions and drive sustainable business practices. Each year, we recognize our winners by planting trees in their honour. Since the beginning of the program, we have planted over 600,000 trees in Canada and the U.S.



GROWING A LIVING LEGACY SINCE 2012

Trees Planted

2.3 million

TREES PLANTED ACROSS NORTH AMERICA

Communities Engaged

328

COMMUNITIES HELPED ESTABLISH GREEN SPACES AND TREE PLANTINGS

Our Partners



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We recognize the importance of collaborating with governments, supply chain partners, customers, suppliers, academics and cleantech to accelerate the fight against climate change.

Our goals are ambitious and will require the support and collaboration of several stakeholders – starting internally with our employees, supported by our Board and executive leadership team, as well as external partners who will play a key role as we collaborate to transition to a zero carbon future.

EMPLOYEES: The implementation of our climate strategy is supported through the leadership of the Board and our executive team as well as multiple functions. Through our EcoConnexions engagement program, our nearly 23,000 employees are provided with practical knowledge and tools to reduce energy consumption, minimize waste and improve good housekeeping practices in our yards.

SUPPLIERS: Achieving our target is dependent in part on the continuing successful development and availability of innovative technologies and the availability of sufficient volumes of cost-competitive sustainable renewable fuels in the years to come, which will require collaboration between locomotive manufacturers and fuel producers. This ecosystem of collaboration will be key to enabling our success. CN's value chain will be essential in achieving our net-zero targets.

CUSTOMERS: Our goal is to provide cleaner, more sustainable transportation services to our customers. Shipping heavy goods by rail over long distances is three to four times more fuel efficient than trucks and has tremendous potential to reduce the environmental

impact of transportation and help the fight against climate change. We are working with many of our customers to help them reduce their transportation supply chain emissions and meet their climate targets. We are also supporting the growth in sustainable markets by transporting sustainable products.

SUPPLY CHAIN PARTNERS: As we look to 2030 and beyond, we believe decarbonizing transportation will require designing innovative low-emission supply chain solutions through investments and collaboration. Our experience as operators of rail, truck and vessel fleets as well as our position in the supply chain will enable us to lead a step change towards decarbonizing North America's freight sector.



Working with Governments to Decarbonize the Rail Sector

Through the Railway Association of Canada and in collaboration with our peers, we have been actively working with the Government of Canada since 1995 to address the impacts of rail activities on the environment, through a Memorandum of Understanding (MOU). The 2018–2022 MOU supports the Government of Canada's commitments under the Pan-Canadian Framework on Clean Growth and Climate Change, and its vision for green and innovative transportation. It includes the development of a comprehensive pathway for aligning government and industry efforts to reduce emissions produced by the railway sector, identifying opportunities to advance clean technology, clean fuels, and innovation in the sector through research, policy or programs.

We also work with governments in the U.S. In 2021, we received a grant from the Pennsylvania Department of Environmental Protection to help with the purchase of a new innovative Wabtec battery-electric locomotive.

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Waste Management

Advancing the Circular Economy

Growing demand for products and services is placing considerable strain on resources, as well as the land space to accommodate waste accumulation. We are committed to advancing circular economy principles in all aspects of our operations.

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.

Sourcing Sustainably

We are committed to sourcing more environmentally friendly products and services, working together with our suppliers to consider better alternatives across the entire product life cycle. We continue to use biodegradable degreasers at our maintenance centres, worked with suppliers to advance the use of renewable fuels in our rail and non-rail fleets, and collaborated on packaging optimization such as boomerang boxes, pallets and bulk packaging.

Diverting Operational Waste



Extending Resource Life

Over the past few years, we have extended our efforts to establish a more robust waste inventory, so as to target resource materials that generate significant quantities of waste. We also keep focusing on the reuse of materials from our buildings and yards, including used oil, concrete ties, engine coolants, and wastewater from treatment plants to wash locomotives. Working with our supplier of locomotive lead acid batteries, we continue to re-qualify and put them back into service.

Diverting Waste from Landfill

Working with our partners, we are exploring innovative ways to optimize resource use and divert waste from landfills. For example, our partnership with Kruger, a North American leader in paper and paperboard recycling and a long-standing CN customer, has enabled us to ensure used rail ties are transformed into renewable energy instead of being sent to landfill. In 2020 alone, through our partnership we diverted over 751,000 of CN's rail ties and generated approximately 186 GWh of clean energy at Kruger facilities. Through our EcoConnexions program, we continue to engage our employees to recycle paper and cardboard, plastic, batteries, electronic waste and scrap metals.



Leveraging Technology to Minimize Paper

By digitizing processes, we are improving productivity, reducing costs, more accurately capturing revenues and minimizing the use of paper. To date, we have deployed over 10,000 handheld devices to train crews and 850 more to car and locomotive mechanics. In 2020, we focused on digitizing reports and documentation for crews, customers and mechanical work.

These digitized processes also enhanced safety by allowing us to deploy applications early in the pandemic, communicate information virtually, and keep frontline workers out of shared spaces. Since July 2020, we have saved over 18 million pages of paper with these devices.

PICTURED: Employees can now access the rules book – previously only available in paper form – using their handheld device.

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Engaging Employees to Take Action for the Environment



"We are thrilled to partner with CN to build on their innovative EcoConnexions program. It is our shared commitment to creating a lasting legacy of sustainability for present and future generations that will drive this partnership. Together, we can expand the impact of EcoConnexions to the next generation."

TOVAH BAROCAS
President, Earth Rangers

EcoConnexions



Since 2011, our EcoConnexions program has empowered employees to work collaboratively to reduce energy consumption, minimize waste and improve housekeeping practices. In 2021, CN entered a new partnership with Earth Rangers, a youth-focused Canadian environmental charity, to continue to engage employees to make a difference. Following are a few examples:

CONSERVING ENERGY AT AUTOPORT IN HALIFAX, NS: Together with Efficiency Nova Scotia, Jeff Wood, Port Manager, Autoport Eastern Passage and a cross-functional team completed a multi-year project to replace all the exterior lighting in the parking areas of the Eastern Passage Autoport. Financed by the EcoFund, this project will save 500,000 kWh and \$220,000 a year.

MINIMIZING WASTE WITH BULK PURCHASING: Clerk Laura-Lee Blackmore, Garage Supervisor Trent Hiscock and Robin Pawlowich, Lead Hand Mechanic at our Edmonton garage worked with vendors to switch from one-gallon (4-litre) jars of gear oil to five-gallon (18.9-litre) buckets, which reduces plastic waste and saves \$34,000 annually.

IMPROVING HOUSEKEEPING: By installing shelving to move products off the ground, the Mechanical team and Richard Briggs, Manager Service Alignment, Network Operations, created enough extra space at the COVID Supply Distribution Centre in Edmonton, Alberta, to bring heavy equipment inside during winter. This reduces the need for warm-up idling, saving \$15,000 in diesel a year and avoiding 36 tonnes of CO₂.



Jeff Wood, Port Manager, Autoport Halifax, NS, with recently installed energy-efficient exterior lighting.

Our Results Since 2011

~30%

CARBON REDUCTION ACHIEVED
AT KEY YARDS (170,000 TONNES)

200,000

TONS OF WASTE DIVERSION
FROM LANDFILL

1,500+

HOUSEKEEPING PROJECTS
COMPLETED

~\$60M

COST SAVINGS ACHIEVED

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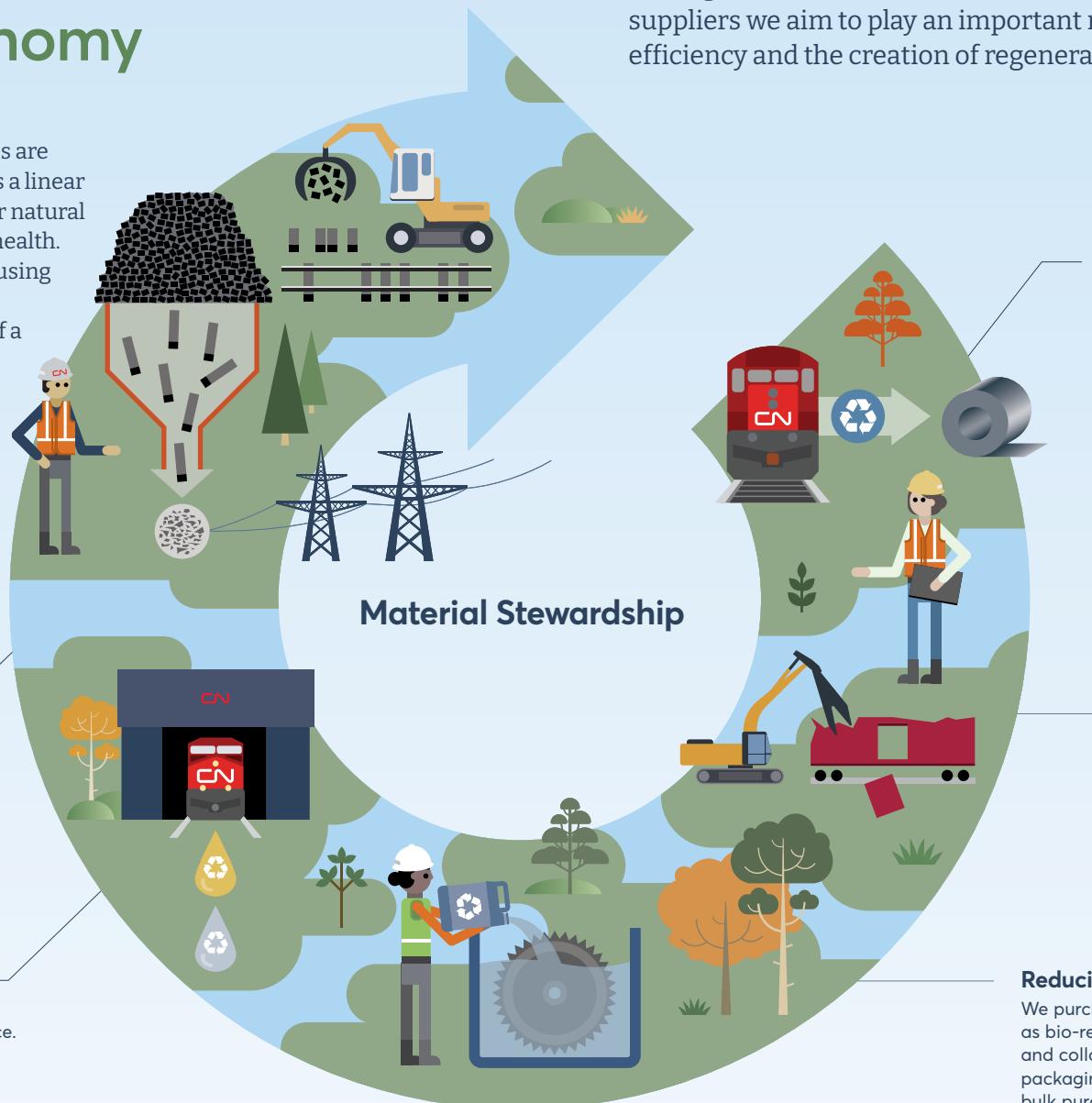
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Supporting the Shift to a Circular Economy

We recognize that the way resources are extracted, used, then disposed of, as a linear economy, is putting pressure on our natural systems, communities, and public health. For us, a circular economy is about using valuable resources wisely, thinking about waste as a resource instead of a cost, and recovering as much value as possible from resources by reusing, repairing, refurbishing, remanufacturing, repurposing, or recycling products and materials.



Through innovative collaboration with industry partners and suppliers we aim to play an important role for greater resource efficiency and the creation of regenerative economic systems.

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Biodiversity and Remediation

Preserving Habitats and Restoring Balance to Ecosystems

Protecting natural ecosystems and managing the land around our rail network remains a constant priority for us. We recognize the importance of environmental remediation in preserving biodiversity.

Our network passes through a wide range of habitats such as 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 conducting our activities in a way that minimizes our disturbance of these ecosystems and working to improve the environment where we operate.

Proactively Assessing Impacts

Before starting construction projects, we conduct environmental and social impact assessments to understand potential ecosystem and biodiversity risks and identify mitigation measures. We work with key stakeholders to identify opportunities to apply the mitigation hierarchy: avoidance, minimization, restoration, and compensation where appropriate.

Our systematic approach ensures that we consider the specific environmental and regulatory context, and the needs of local communities.

Protecting Biodiversity and Preserving Habitats

Because protecting biodiversity is an important part of CN's corporate culture, we support and invest in a number of national and community-based organizations that protect the natural environment. We have a broad range of programs in place to preserve and restore habitat and ecosystems, including programs that involve building fish culverts close to railway tracks, wildlife management programs, and other sensitive habitat protection programs. Through our EcoConnexions programs, we are playing a significant role in promoting biodiversity through tree-planting programs along our network. Today, we have become the leading private non-forestry tree planter company in Canada, and have planted over 2.3 million trees across North America.

Responding to Incidents Promptly

We focus on preventative maintenance, spill prevention and emergency preparedness to reduce incidents and limit potential impacts. Our emergency response plans ensure that any spills or releases are attended to promptly. We investigate incidents and complete a comprehensive environmental cleanup and remediation of affected areas.



Cleaning Up and Remediating Sites

"We are committed to conducting our operations in a manner that protects and minimizes our disturbance to the surrounding natural ecosystems. When spills and releases do occur, we have robust emergency response plans to clean up and remediate sites, and to restore them back to pre-existing conditions."

"We are focused on cleanup and remediation related to present and past ownership, operation or control of real property and continue to proactively manage and reduce our risks."

STELLA KARNIS

Senior Manager, Environmental Affairs

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Safety

PICTURED:

Benjamin Dunn, Carman,
Montreal, QC, holds one of over
10,000 mobile devices deployed
to employees for increased
safety and efficiency.

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ROB REILLY Executive Vice-President
and Chief Operating Officer

Progress on the Global Goals

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



In 2020, CN invested approximately \$2.9 billion in its capital program to support safety, increase capacity, enable growth and drive operational efficiencies. About \$1.6 billion was targeted toward track and railway infrastructure maintenance. This included the replacement of rail and ties, bridge improvements, as well as other general track maintenance.

3 GOOD HEALTH AND WELL-BEING



Throughout the COVID-19 pandemic, we have been taking all necessary steps to protect the health and safety of our employees, customers, vendors and communities in which we operate. 2020 also saw increased emphasis on our new *Life Critical Rules* program, designed to make the workplace safer.

Driven to Keep Safe in All that We Do

We strive to safeguard our employees, assets, customers' goods, neighbouring communities, and the environment – always. Our goal is to be the safest railroad in North America by establishing an unwavering safety culture and investing in technology and infrastructure.

Safety Culture and Management

Our safety culture is embedded across our organization through ongoing safety training, coaching, leadership, and employee involvement initiatives. In 2020, in addition to our longstanding *Looking Out for Each Other* training program for all railroaders, we offered a year-long safety leadership program to over 300 leaders, further helping to instill a strong safety culture. This year, we are increasing our focus on *Life Critical Rules*, introduced in 2019, which are designed to further mitigate risks and eliminate serious injuries and fatalities.

Workplace Health and Safety

Ensuring a healthy and safe workplace means putting safety at the centre of our day-to-day operations. Our Safety Management System (SMS) governs all employees and contractors working on our site, and encompasses a set of rigorous policies, processes and procedures designed to minimize risk and reduce accidents and injuries. We have numerous preventative safety programs, including our joint union-management committees in Canada that work at a local level to identify and mitigate risks and exposures.

Early in the COVID-19 pandemic, we put in place measures to protect the health and safety of our employees. We established a dedicated COVID-19 team, are leveraging the knowledge and experience of our occupational health team, and we are continuing to provide employees with access to health and wellness resources.

Operational Safety and Technology

We have been investing significantly in our infrastructure, technology and digitization to drive safety performance and operational efficiency. The past two years have seen significant investments in track and railway infrastructure to ensure a safe and reliable network. As part of our overall strategy, we are moving from Precision Scheduled Railroading (PSR) to Digital Scheduled Railroading (DSR), layering advanced technology and automation onto every aspect of our operations. Powerful sensor and AI technology are changing how we inspect and maintain our track infrastructure and our railcar fleet.

READ MORE

Safety section of our website

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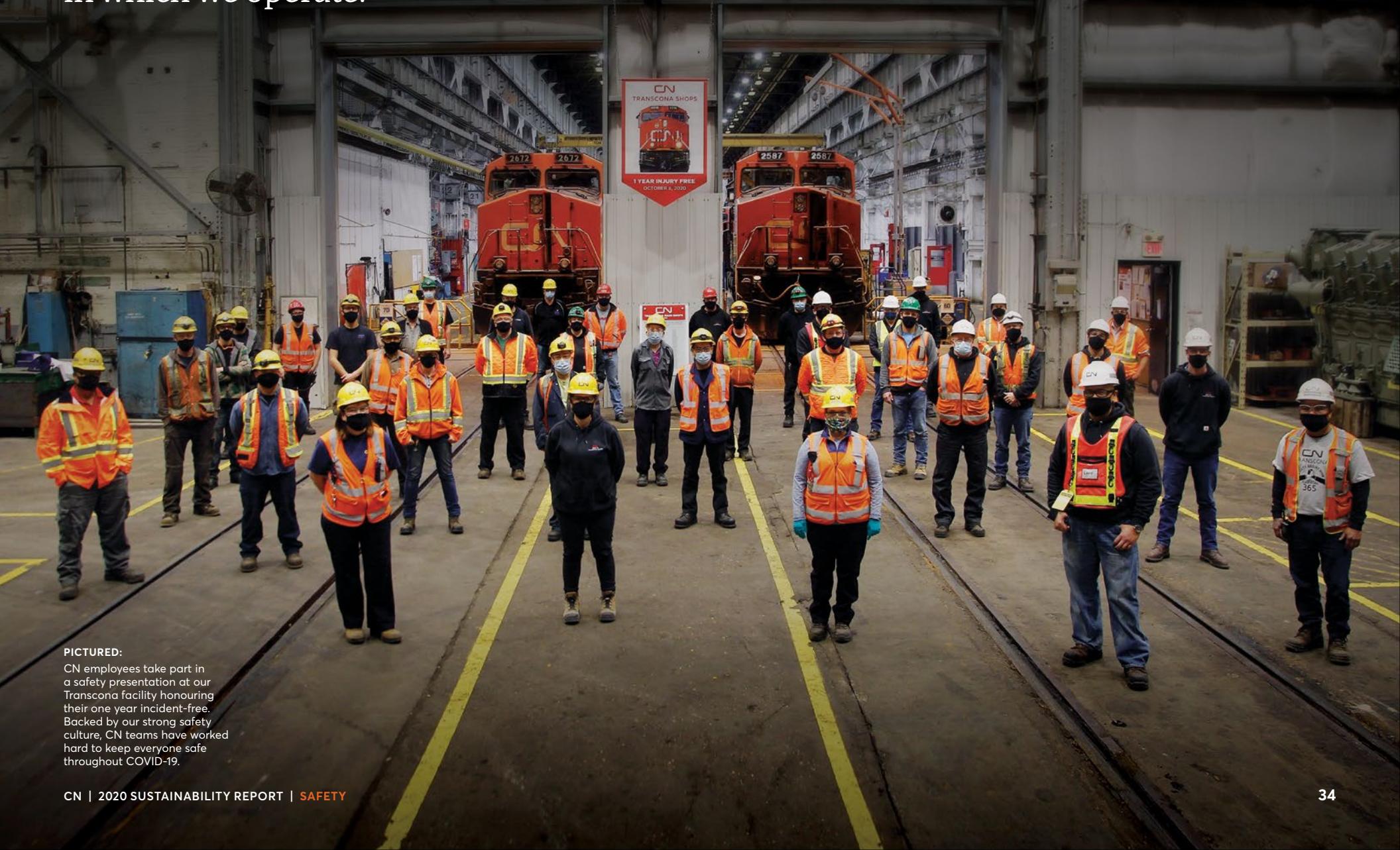
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CN triggered its pandemic response early, putting in place measures to protect the health and safety of our employees, customers, vendors, and the communities in which we operate.

**PICTURED:**

CN employees take part in a safety presentation at our Transcona facility honouring their one year incident-free. Backed by our strong safety culture, CN teams have worked hard to keep everyone safe throughout COVID-19.

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Safety Culture and Management

Focusing on Continuous Prevention

Safety is a core value that guides our actions at all times. We continue to strengthen our safety culture by investing significantly in training, coaching, leadership, recognition and employee involvement initiatives.

Developing a Safety Mindset

Our extensive ongoing safety training program, *Looking Out for Each Other*, is an integral part of our safety culture. It is a vital mindset that employees are taught and encouraged to integrate into daily practice to ensure everyone goes home safely at the end of the day.

It is a peer-to-peer program that focuses on raising awareness among all employees on the top causes of incidents and injuries, and on identifying and reviewing safe work procedures, training employees to be aware of their surroundings and recognize potential at-risk work practices and exposures, and teaching employees how to provide constructive feedback to peers.

Strengthening Our Commitment to Keep Our People Safe

Zero

GOAL TO REDUCE SERIOUS INJURIES AND FATALITIES TO ZERO



Applying Life Critical Rules

Our *Life Critical Rules*, launched in 2019, aim to embed safety further throughout the organization by addressing the day-to-day activities that have the potential to cause serious harm or loss of life. They are designed based on learnings from past incidents, to ensure such incidents don't happen again. Every employee is trained to understand and follow these rules, and to ensure their peers do the same.

In 2020 and early 2021, new educational materials and training specific to the different functions were developed and implemented to increase employee understanding of, and compliance with, *Life Critical Rules*.

Recognizing Safety Excellence

Every three months, we recognize up to 50 employees from across the company who have gone above and beyond to improve the safety of our employees, customers and communities. Award winners receive a gift card for addressing a safety hazard or intervening to ensure the use of safe work practices. Any employee at any level of the company can nominate a colleague for an award. Nominees are also considered for the CN People Awards for Excellence.



Promoting Safety Leadership

In September 2020, we established a new conductor training curriculum with a strong emphasis on safety. Additionally, in 2020, we provided a year-long safety leadership program to over 300 of our leaders in operating functions, and plan to provide training to another 350 plus in 2021.

The new safety leadership program teaches the employees of the importance of controlling exposures to risk, understanding that those closest to the exposure should have the most to say, and the importance of aligning attitudes and behaviours with our goal to create a values-based safety culture – *Safety is Who We Are*.

PICTURED: Julian Yhap, Conductor, inspecting cars at MacMillan Yard, Concord, ON

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Life Critical Rules: So That Everyone Goes Home Safely

Our goal is to eliminate serious injuries and fatalities from our workplace. To prevent the most serious injuries, we have a set of safety rules for the most crucial aspects of employees' jobs. These are CN's *Life Critical Rules*.

These rules address the day-to-day activities that have the highest potential to cause serious harm. They're based on past incidents and are designed to ensure such incidents don't happen again. Because each area of operation at CN is unique and faces different risks, a specific set of *Life Critical Rules* has been developed for each group: transportation, engineering, mechanical, dangerous goods, intermodal, automotive, dock operations, warehousing, transborder, and COGEMA (rail-ferry).

Training our workforce on *Life Critical Rules* is a top priority so we all go home safely, every single day. Over the last two years, we have been developing and integrating *Life Critical Rules* materials into annual training, coaching and certification programs for employees in the different functions.

CN has also introduced yard audits that focus solely on compliance with *Life Critical Rules*. Along with CN's Integrated Environment Safety and Health audits on regulatory compliance, these assessments serve to support and reinforce *Life Critical Rules* knowledge as well as to improve overall safety to reduce accidents and injuries.



Learn more about *Life Critical Rules*
www.cn.ca/lifecriticalrules

**PICTURED:**

Executive Vice-President and Chief Operating Officer Rob Reilly reviews *Life Critical Rules* during a safety briefing with CN employees at Taschereau Yard's Diesel Shop in Montreal, QC.

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Workplace Health and Safety

Embedding Safety into Daily Practices

Ensuring a healthy and safe workplace means putting safety at the centre of our day-to-day operations. Our programs aim to minimize risk, drive continuous improvement in the reduction of accidents and injuries, and engage employees at all levels of the organization.

We have a wide variety of processes and initiatives in place to maintain a safe workplace. These include our Safety Management System (SMS), a formal framework for integrating safety into day-to-day railway operations, which applies to all company employees and also governs CN's relationship with contractors and other stakeholders while on CN property.

Identifying and Assessing Risks

Through our SMS, we continue to focus on top causes of accidents and how to prevent them through risk assessments and safety audit improvement plans. We conduct risk assessments in a structured and systematic

way prior to changes in operations and address activities that may pose a significant risk. These enable our people to understand the potential safety hazards of their job, and to ensure mitigations are undertaken in order to minimize the risk of an injury or accident.

Engaging Employees

We have 82 Joint Union-Management Health and Safety Committees across the system that are helping to address the main causes of accidents and injuries and improve our safety culture. These committees review safety issues or incidents at a local level to better understand trends and connect with our people in the field to get ideas on where to improve.

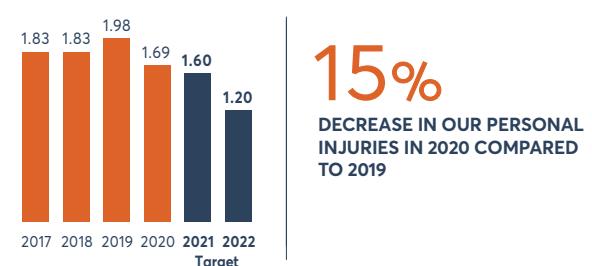
Enhancing Contractor Safety

To further enhance safety and security at CN, we recently enhanced our contractor screening process in Canada with eRailsafe, a program specifically designed for contractors and sub-contractors. eRailsafe consists of a three-step process: a criminal background check (managed through CN Police), safety and security training, and the issuance of a credential in the form of a photo ID badge. It ensures that contractors performing work for CN have the necessary credentials and training to work on our property, and that work is performed in accordance with our expectations and safety requirements.

Reducing Personal Injuries

FRA PERSONAL INJURY RATIO

(Injuries per 200,000 person-hours)



* The 2019 and 2018 Federal Railroad Administration (FRA) personal injury ratios have been restated to reflect new information.



Staying Attentive: Slow Brain vs. Fast Brain

'One aspect we discuss in coaching and safety briefing sessions is how to engage our 'slow brain' versus our 'fast brain.'

Our slow brain is the part we use to pause and think through important tasks. The fast brain is the part that is automatic and does not require any effort. We use it when we perform routine tasks that we do repeatedly each day. When we operate in fast brain mode, we often don't notice small changes in our environment until it's too late. That's when many preventable injuries occur. When we pause and take a deep breath, we shift into slow brain mode. We can better evaluate the situation and stay safe.'

TOM BROWN
Assistant Vice-President, Safety

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Health and Safety Committees Take Safety to the Next Level

Across the company, our Health and Safety committees are focused on engaging employees, addressing safety issues and making concrete improvements.

TASCHEREAU YARD ENCOURAGES COMMUNICATION: To encourage employees to talk about their safety concerns, Montreal's Auto Ramp Health and Safety Committee has introduced a Safe Zone, an office where the door is always open, no names or blame involved. Thanks to the committee's revamped training program and daily safety briefings, employees have become more aware of safety and don't hesitate to point out risks and to find ways to mitigate them.

SOUTHWEST ENGINEERING SHOWS INNOVATION: The BC committee received CN Engineering's Carson Award for its new safety tag line system. Used when working in live multitrack locations, the line attaches to the back of a truck and acts as a physical reminder against stepping onto live track.

GARNEAU COMMITTEE MAKES POSITIVE CHANGES: This experienced committee has actively engaged to reduce exposures in their region, including safety enhancements to buildings, bridges and yards.

PICTURED:
At Taschereau Montreal Auto Ramp, the Health and Safety Committee attributes its success to a very engaged team and open communication at all levels.



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Operational Safety and Technology

Investing for a Safe and Efficient Network

Each year, we make significant investments in our infrastructure to ensure that our operations run safely and smoothly. We are also leveraging new technology and advances in digitalization to drive improved safety performance.

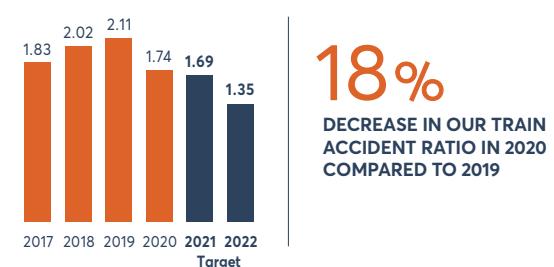
Building and Maintaining Resilient Infrastructure

We continually invest in our infrastructure to support the safety and fluidity of our network. In 2019, we completed a record capital expenditure program, investing approximately \$3.9 billion, with \$1.6 billion invested to maintain the safety and integrity of the network, particularly track infrastructure. In 2020, CN invested approximately \$2.9 billion in its capital program to support safety, increase capacity, enable growth and drive operational efficiencies. Approximately \$1.6 billion was targeted toward track and railway infrastructure maintenance, which includes the replacement of rail and ties, bridge improvements, as well as other general track maintenance.

Reducing Train Accidents

FRA TRAIN ACCIDENT RATIO

(Accidents per million train miles)



* The Federal Railroad Administration (FRA) ratio includes only accidents with a cost in excess of US\$10,700/C\$14,100.

For example, in 2020 the Engineering team continued with a blitz to eliminate rail joints on our network. Over 4,500 rail joints were removed from core routes. Replacing jointed track with continuously welded rail provides for stronger and safer track, which reduces risk exposure and the potential for accidents to occur.

In 2021, an additional \$1.6 billion is targeted toward track and railway infrastructure maintenance.

Moving to Digital Scheduled Railroading

More than 20 years ago, we pioneered the now industry standard Precision Scheduled Railroading (PSR). Today, we are taking PSR to the next level. "Digital Scheduled Railroading" (DSR) builds on the principles established by PSR by integrating advanced technology to further improve operations and safety, and to enable better coordination and collaboration with customers and supply chain partners.

Implementing Positive Train Control

On December 31, 2020, Positive Train Control (PTC) became fully operational on our U.S. network, as mandated by the Federal Railroad Administration. PTC is the largest and most complex technology program in CN history, modernizing the U.S. infrastructure and adding a critical safety layer to our network. PTC is a safety overlay designed to prevent certain accidents resulting from



human error, such as overspeed derailments. The system can initiate a full-service brake application to stop a train in instances where the crew fails to act.

Leveraging Data and AI

Through our DSR strategy, we are leveraging a new generation of advanced technologies to drive improved safety performance. For example, we have begun installing powerful sensor and artificial intelligence (AI) tech into automated track inspection cars positioned in regular trains, enabling track inspections at normal track speed. AI is also changing how CN inspects its railcar fleet, with new automated inspection portals. Both these innovations in automation are increasing inspection frequency and quality, and play an essential role in preventing incidents. The goal is to eventually eliminate the risk of human error and use our skilled employees to repair defects rather than search for them.

Other initiatives include using predictive analytics to detect railcar or track problems before they occur; incorporating web-based simulated training into the Engineering rules recertification course; as well as digitizing processes and deploying handheld devices to improve productivity, efficiency and safety, particularly during the COVID-19 pandemic.

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Enhancing Safety and Efficiency with Innovative Technologies and Data Analytics

Technology is critical to the evolution of the rail industry, and we aim to play a leadership role. We're layering advanced innovations into all aspects of our operations to drive our safety performance.

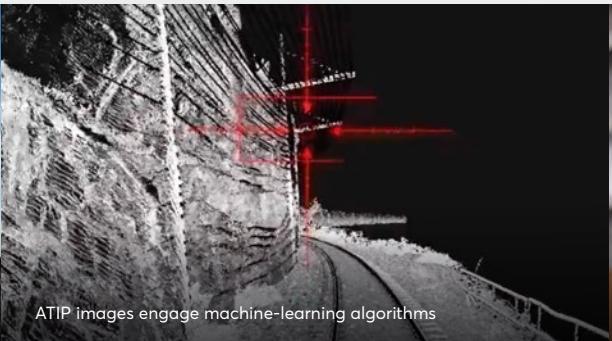
Automated Inspection Portals to Improve Fleet Inspection

Our new automated inspection portals, equipped with ultra-high-definition cameras and infrared lighting, capture a 360° view of the train as it travels through at normal track speed. This method of railcar maintenance, using machine learning algorithms, improves inspection quality, frequency, and railcar reliability. In 2020, we built on our 2019 field trial by extending algorithm development. Once completed, these algorithms will locate defects with zero human interaction, and produce automatically generated work orders for car repair.



Investing in Predictive Data Analytics

Layering data collection and analytics into all aspects of our operations can help drive our safety performance. For example, data collected through our new ATIP cars (see next page) will allow us to engage machine-learning algorithms to predictably maintain our track. Already, our Engineering and Mechanical teams draw on data from our industry-leading network of detectors and inspection technologies to enhance safety. Mechanical Analytics for Rail Safety (MARS) is used to prevent railcar failures, while Engineering Reliability and Analytics (ERA) helps to assess track health.



Web-based Training on Electronic Track Occupancy Permits

Two one-hour training modules to teach employees how to use the electronic track occupancy permits (eTOP) program have been incorporated into the Engineering rules recertification course. Through web-based simulations, the modules are designed to provide employees with a basic understanding of how employees receive track occupancy permits electronically so that all employees on the work site better understand their track protection. This helps ensure employees always stay safe and within the limits of their work group's authority.



Digitizing Processes for Efficiency and Safety

CN is also digitizing processes to improve productivity, better capture data and heighten safety. To date, we've deployed over 10,000 handheld devices to train crews and 850 more to car and locomotive mechanics. In 2020, we focused on digitizing reports and documentation to eliminate repetitive tasks. In addition to increased efficiencies, these digitized processes enhanced safety by allowing us to deploy applications early in the pandemic, communicate information virtually, and keep frontline workers out of shared spaces.

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Automating Track Inspection for a Safer and More Reliable Network



The real power of the ATIP program comes from the data we collect. It allows us to engage machine-learning algorithms and use AI to predictively maintain our track. This allows our workforce to focus in a preventative manner. We truly are transforming our workforce from finders to fixers.

RAHIM KARMALI

Chief Engineer, Engineering Technology and Supply Chain

We are continuing to improve our track inspection program, using powerful sensor and AI technology to provide a safer and more reliable network.

CN's Autonomous Track Inspection Program (ATIP) cars are fully automated boxcars equipped with multiple measurement systems. Because they operate in revenue service, at normal track speed, there's no interruption of railroad operations.

The railcars use advanced electronics and sophisticated sensing technology to capture a digital profile of the surrounding environment. They allow for measurement of track geometry and rail wear, and assess the condition of our ties, fasteners and right-of-way. Advanced algorithms on board the cars assess the captured data and communicate any areas of concern.

The program is expected to increase inspection frequency and quality, and provide more accurate preventative maintenance data to help reduce accidents related to track condition. In 2020, using this new autonomous technology, we inspected nearly 375,000 miles of track, with some of our key corridors receiving up to 20 times more inspections than with previous methodologies.



Learn more about our Autonomous Track Inspection Program
<https://vimeo.com/441039711>



PICTURED:
Autonomous track inspection railcar operating on a regular revenue train inspects track near Yale, BC.

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PICTURED (FROM LEFT):

Amin Abdulle, Alyssa Harder,
Autumn Lane, and Chris Silzer
are all part of our solid team of
railroaders at Chappell Yard,
Saskatoon, SK.

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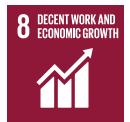
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DOROTHEA KLEIN Senior Vice-President
and Chief Human Resources Officer

Progress on the Global Goals



We aim to provide a safe and inclusive working environment for all employees, and work collaboratively with our union partners. We are conducting regular reviews of pay equity and defining a roadmap to address identified gaps. In 2020, we continued to align our human capital strategies with business objectives.



We believe that gender equality is essential to increasing the effectiveness of our organization. In 2020, in addition to setting a diversity target of at least 50% at the Board level, we continued to advance gender diversity across the organization by setting a target for executive management of at least 30% women by the end of 2022.

Developing a Diverse Workforce of Highly Skilled Railroaders

CN's people are our greatest asset. They power our success. We aim to offer a collaborative culture of inclusion, growth and innovation, supported by a rewarding experience to help our employees thrive.

Our focus is on attracting diverse talent, onboarding them successfully, developing the best railroaders with the right skills, and engaging our employees. We strive to provide an inclusive workplace where employees feel valued.

Talent Development

We regularly hone our career development programs to provide targeted training and practical work experience that will support the development of talent. In 2020, we continued to leverage our integrated My360 human resources information system, our state-of-the-art training facilities and our Railroader Certification Program. We also tested the delivery of several courses via virtual platforms to ensure training over the course of the pandemic.

Diversity, Equity and Inclusion

In an increasingly complex global marketplace, we feel the ability to draw on a wide range of viewpoints, backgrounds, skills, and experience is critical to our ability to deliver value. We aspire to have a workforce that reflects the diversity of the stakeholders we serve. In 2021, we appointed a Director of Diversity, Equity and Inclusion, and set new gender diversity targets for our Board and executive management. We also created Employee Resource Groups (ERGs) that bring together employees and their supporters of similar backgrounds and interests.

Employee Engagement

We have various initiatives in place to engage our people and recognize employees' efforts. We work collaboratively with our union partners, seek feedback through onboarding and engagement surveys, and take a holistic view to supporting our people's health and wellness through numerous programs. During the pandemic we increased our communications with employees, leveraged technology to stay connected and ensured they had access to the resources needed to continue to work safely.



[READ MORE](#)

People section of our website

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Workforce Planning and Talent Development

Building a Solid Team

Continuing to build a solid team of railroaders is a key component of CN's strategic agenda and takes many forms, across all our talent practices.

We continue to focus on hiring the right people, onboarding them successfully, helping them build positive relationships with their colleagues, and supporting all employees to grow and develop, while deepening our commitment to develop talent and plan for the future.

Our workforce fluctuated in 2020 due to volume variations resulting from the economic downturn caused by the pandemic. The majority of employees who were on layoff during 2020 have returned to work.

Supporting Employee Learning

We offer training programs for various levels and are committed to keeping current and relevant. My360, CN's integrated human resources information system, allows employees to build their own development plan and provides access to all the resources and tools related to their career, including courses to develop their business, leadership and technical skills. It also offers managers a consolidated dashboard to view their team's development and performance. In January 2020, we launched mobile access to employee information through My360 to simplify supervisors' daily activities.

Leveraging State-of-the-Art Facilities

As part of our strategy to build a solid team of railroaders, we leverage state-of-the-art training facilities in preparing employees to be highly skilled, safety conscious, and confident in their work environment. CN Campus is an ultra-modern training facility with two locations: Winnipeg, Canada, and Homewood, U.S. In 2020, we deployed online training programs to ensure the safety of our employees.

Developing Our Talent

Throughout their career at CN, employees are provided with valuable opportunities to build and hone their leadership skills. As well, a comprehensive framework, focusing on the identification, assessment, and development of talent is used to ensure that we have an appropriate pipeline of potential diverse successors at the executive and management levels. In 2020, we piloted and tested delivery of several courses through virtual platforms allowing us to reach employees in all regions of our network. These courses included training on communication and were targeted to all levels of management.



Planning for the Future

We recognize that no matter how good a service plan or business model a company may have, without the right people, it cannot be fully carried out.

We're taking steps to further align our business and talent strategies by placing a greater emphasis on the identification of specific roles across all functions that drive the greatest impact to our company's strategy and ensuring the right talent are in these critical roles.

Our technical and leadership programs and initiatives provide a solid platform for the assessment and development of our talent pool, and are tightly integrated with our business strategy. We prepare talent for broader and more complex roles by differentiating development needs and providing meaningful and, where possible, cross-functional experiences.

PICTURED: Students at CN Campus, Winnipeg. Training curricula have been designed to meet the learning needs of CN railroaders – current and future.

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Carrie Ann Crozier, CN's General Manager Operations, Edmonton, and Jay Roberts, Director Service Design, acquiring hands-on experience at CN's grain customer in Vegreville, AB.

Giving Managers Hands-on Experience

Our Railroader Certification Program (RRCP) is part of a long-term initiative to bring managers closer to our core operations and to help them understand how we meet our service commitments to our customers.

In 2020, 258 management employees in Canada obtained or maintained their conductor or locomotive engineer qualifications under the RRCP, where 21% represented one or more designated groups, compared to 19% in 2019. Also in 2020, we maintained the Railroad Familiarization Program, which offers management employees the opportunity to acquire fundamental operations knowledge and hands-on experience.

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Diversity, Equity and Inclusion

Fostering an Inclusive Culture

We recognize the importance of creating a work environment that welcomes the contribution and uniqueness of every employee. We are therefore committed to creating a workforce of top talent that reflects the diversity of the population and stakeholders we serve.

Our commitment is anchored by our Diversity and Inclusion Plan, which focuses on increasing the representation of women, Black, Indigenous and People of Colour (BIPOC), persons with disabilities, and veterans, and on developing a more inclusive workplace. The plan applies at all levels of the organization and includes strategies on sourcing (including scholarships and internships), selection, hiring, training and development of diverse candidates.

Providing Dedicated Resources

Our Director of Diversity, Equity and Inclusion is dedicated to overseeing the implementation of our diversity, equity and inclusion strategy. This involves an integrated approach to sensitizing, recognizing, and building awareness on diversity and inclusion in the workplace.

Elevating Diversity at Executive Level

30%

TARGET FOR GENDER
DIVERSITY AMONG CN
EXECUTIVES BY 2022



Among our current initiatives, we are conducting regular reviews of pay equity and defining a roadmap to address identified gaps; we are also assessing hiring practices to leverage diversity-focused recruitment agencies and requiring diverse candidate slates for all recruitment mandates.

Increasing Diversity at the Highest Levels

In addition to our new diversity targets at the Board level, we have elected to set a gender diversity target for executive management (comprising all vice-presidents and more senior positions), whereby at the end of 2022, at least 30% of this group will be women. This aligns with the targets as set out in the Catalyst Accord 2022, to which CN is a signatory. At present, of the 34 current executive roles, six (18%) are held by women. We have not yet adopted specific targets for diversity representation in executive management other than gender.



Broadening Our Perspectives

"Diversity increases the effectiveness of our decision-making processes and fosters innovation by including a wider range of perspectives. Having a workforce that truly reflects the communities in which we operate also helps us attract and retain a mix of well-qualified people and helps us better understand and respond to the needs of our stakeholders."

We continuously look for ways to build a culture that is welcoming to all. To this end, our new ERGs offer a safe space for their members to learn, discuss and share thoughts, sentiments and ideas."

LESLIE-ANNE LEWIS
Director Diversity, Equity and Inclusion

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We believe that building a respectful, inclusive, and supportive culture is integral to our ability to innovate, make better decisions, and serve our customers, communities, and the North American economy well.

Advancing Women in the Rail Industry

We are committed to the advancement of women in the industry. We have a number of programs and initiatives under way, such as ensuring that all our job titles are neutral, focusing on pay equity, running a campaign to further attract women to information and technology, and working closely with several organizations to promote opportunities for women in non-traditional roles. In 2020, CN became a platinum sponsor of the League of Railway Women (LRW), an organization dedicated to advancing the representation of women in the railroad industry.

Raising Cultural Awareness for Employees

We continue to communicate our commitment to inclusion and diversity in the workplace through numerous programs and initiatives across our network. For example, since 2019, our online training entitled "Practical Approaches to Aboriginal Community Engagement" has become mandatory for all CN management employees working in Canada. As at December 31, 2020, a total of 13,587 employees had completed this training in Canada since it was launched in January 2015.

Our annual communication campaigns aim to highlight key diversity celebrations and increase engagement through awareness and recognition. In 2020, we promoted diversity celebrations across our network for International Women's Day, National Indigenous Peoples Day,



Recognized as one of Canada's Best Diversity Employers for the fourth consecutive year demonstrating CN's best-in-class diversity and inclusiveness programs

Pride Month, Hispanic/Latin American Heritage Month, Black History Month, Remembrance Day and Veterans' Day, and International Day of Persons with Disabilities.

**Developing Inclusive Leaders**

We are continuing to develop inclusive leaders through targeted training and education, as they will play a critical role in creating and sustaining an inclusive environment. In 2020, in partnership with Catalyst, CN launched several workshops on "Unconscious Bias to Inclusive Leadership," which provided tools on how we can manage and even interrupt our unconscious biases. These workshops were targeted to senior management and HR employees. In 2020, 105 employees in Canada received this training.

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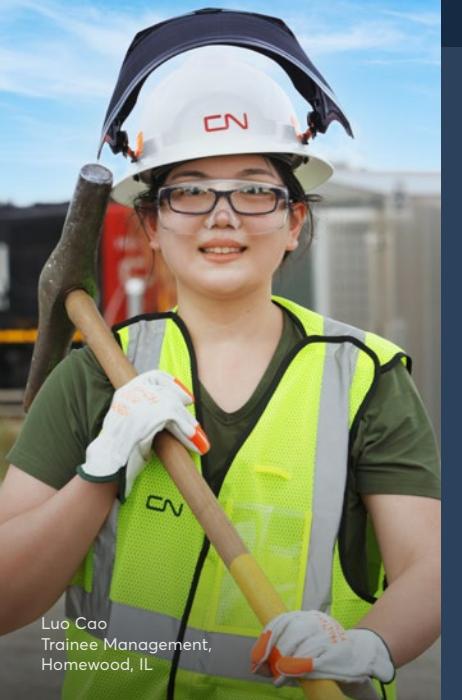
Charles Brown
Car Mechanic,
Prince Rupert, BC



Anwar Azzah
Conductor,
Toronto, ON



Melanie Pouliot
Car Mechanic Lead Hand,
Montreal, QC



Luo Cao
Trainee Management,
Homewood, IL

Creating a Culture of Belonging

We remain committed to welcoming and celebrating diversity, and to fostering a culture of belonging where everyone feels included and valued.

Employee Resource Groups (ERGs) were started by determined employees who share a common identity, experiences, and interests. We currently have seven ERGs: Indigenous, Latinos CN, Pride, P.A.C.E. (Pan-Asian Community Engagement), R.I.S.E. Network (Railroaders who Influence, Support and Empower Black Colleagues), Veterans at CN, and the Women's Employee (WE) Resource Group.

CN's ERGs create a culture of inclusion by providing open forums and safe spaces for employees to meet, advise on opportunities, reach out to communities, and be their authentic selves. Employees are invited to become members of any number of CN's growing list of ERGs, and to recommend new resource groups from which they or their colleagues could benefit.

[READ MORE:](#) [Diversity, Equity and Inclusion](#) section of our website.



Raising the Progress flag
for Pride Month, CN Headquarters
Montreal, QC



Tyesha Gibson
Transportation Clerk,
Gary, IN



Wilfredo Villavicencio
Heavy Duty Mechanic,
Winnipeg, MB



Jeremiah Thomas
Assistant Chief Mechanical Officer
and Veteran, Homewood, IL

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Employee Engagement

Supporting a Spirit of Excellence

At CN, we are creating the railroad of the future by pulling together as ONE TEAM. We believe in empowering people to make decisions and listening to their viewpoints.

Beyond offering competitive compensation and benefits programs, we are working to increase employee engagement through more frequent dialogue with both management and unionized employees to gain important insights on key topics like manager effectiveness, growth and development, communication, recognition, trust, and involvement and belonging.

Collaborating for an Engaging Workplace

In response to feedback in our 2020 Employee Engagement Survey, CN's Operations team has created a Council of First-Line Supervisors to explore issues and their potential solutions. As well, more frequent meetings are taking place with CN's leaders to dialogue and listen to employees. We continue to collaborate with our union partners on a

regular basis to address accommodation of employees who have restrictions related to disability, religion or family status, and to jointly resolve complaints and grievances filed by employees from designated groups.

Fostering Health and Wellness

With the additional stresses caused by COVID-19, supporting our people's health and wellbeing was particularly important. Our promotional campaigns focused on self-care, resiliency, understanding the various impacts of the pandemic on our physical and mental health and how to cope with them. We also continued to promote our Employee and Family Assistance Program (EFAP), which offers various counselling options and work-life services. In 2020, 2,225 employees and nearly 590 family members used EFAP services to obtain assistance.

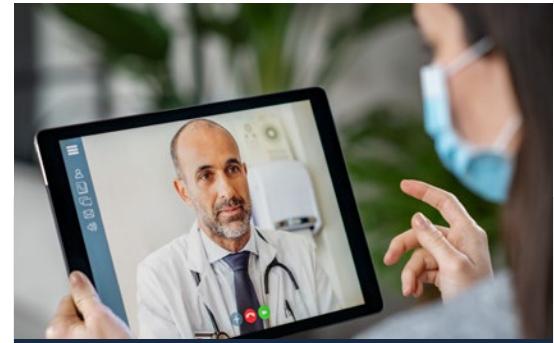
Recognizing Our People

Each year, our CN People Awards for Excellence recognize and celebrate outstanding work. A People Award is the highest form of recognition at CN and is designed to reward teams who have made a real difference with their innovation, dedication and results-driven performance. Employees are also recognized for their efforts through the CN EcoConnexions program and other internal communications such as Spotlight magazine.

Celebrating Outstanding Work



CN'S ANNUAL PEOPLE AWARDS FOR EXCELLENCE RECOGNIZE OUTSTANDING ACHIEVEMENTS OF OUR PEOPLE



Keeping Our People Connected

During the COVID-19 pandemic, we increased our communications to employees and took steps to ensure they have access to appropriate health and wellness resources, including telemedicine, CN's Employee and Family Assistance Program, and mental health resources. Through our telemedicine provider, employees have 24/7 access to free, professional and confidential health care.

In 2020, we invested in technology and tools to support our global talent with remote working options. Under our Flexible Work Policy, employees may take advantage of flexible work conditions. We believe this allows them to better contribute to innovation, collaboration and achieve better work-life balance and greater productivity.

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PICTURED:
Angelique Cope, Contract
Compliance Officer in
Homewood, IL, helps out a
fellow mom. She volunteers
with the American Association
of Single Parents, recipient
of a CN Railroaders in the
Community grant.

Community

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CYRUS REPORTER Vice-President, Public,
Government and Regulatory Affairs

Progress on the Global Goals



We are helping to build resilient communities by investing in our infrastructure to support growing demand and enable supply chains.

In 2020, capital expenditures totalled \$2.9 billion to increase the safety, capacity and resiliency of our network.



Protecting biodiversity and managing the land in the various habitats through which our network runs are important aspects of CN's corporate culture. In 2019 and 2020, we continued our partnership with Tree Canada, engaging in tree plantings and mass reforestation projects across the country. Since 2012, through our EcoConnexions programs, CN has planted more than two million trees.

Building Safer, Stronger Communities

We are thankful to be your neighbour and strive to power sustainable growth by openly and consistently engaging with stakeholders within communities we serve.

Great community relations are vital to the running of CN's transcontinental railroad. In a myriad of ways, we rely on communities to facilitate the smooth operation of our railroad. In return, we aim to be an essential neighbour to them.

Socio-Economic Benefits and Procurement

We are proud of our contribution to economic prosperity through job creation, investments and freight transportation services. Across our rail network, we reach people living in hundreds of communities throughout North America. Each year we transport millions of goods, from grain and forest products to consumer goods and automobiles. During the pandemic, we also delivered essential supplies of PPE, hand sanitizer, toilet paper and more. In 2020, goods moved represented over 300 million tons of cargo and we contributed approximately \$2.7 billion in wages and benefits to our nearly 23,000 employees, as well as \$10.6 billion in local spending.

READ MORE

[Community section of our website](#)
[Thankful to be Your Neighbour – CN in Your Community 2021](#)

Stakeholder Engagement and Indigenous Peoples

We are thankful to be good neighbours in the communities in which we operate, and are continually working to strengthen relationships with our stakeholders. Each year, we collaborate with first responders and engage with communities through multiple events to ensure the safety of citizens.

We are committed to building respectful and mutually beneficial relationships with Indigenous communities. In early 2021, we created an Indigenous Advisory Council, an independent body comprised of Indigenous peoples from across the country, to provide advice to CN's Board and the Company's President and Chief Executive Officer.

Community Investments

The CN spirit of giving back to local communities has long been a hallmark of our company's history. We believe in helping to build safer, stronger, more sustainable places to work and live. In 2020, we invested \$11.7 million in sponsorships, donations and contributions through our CN Stronger Communities Fund and our CN Railroaders in the Community program, supporting a variety of education, health, social and environmental initiatives.

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Thank You to Essential Workers

In 2020, we were proud that our transportation and logistics services were recognized as critical to keeping the economy moving, for our customers to reach their markets, for retailers to get the goods the public relies on every day, and for frontline workers to access necessary supplies. But we are also keenly aware that without frontline workers battling the pandemic, this past year would have been even more daunting. Essential workers, such as healthcare providers, retailers, delivery people, railroaders and many others are rooted in our communities. CN thanks them for their admirable courage, dedication and unflinching engagement.



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Socio–Economic Benefits and Procurement

Driving the Economy Forward

We are part of the very fabric of North America, contributing to economic prosperity, improving quality of life, and supporting the shift to a cleaner, more sustainable economy. Each year we move over 300 million tons of cargo, driving the economy forward and enabling trade.

Our customers, supply chain partners, and the public rely on us to deliver the critical goods they need every day. Throughout 2020, we worked hard to continue moving goods and materials while quickly adapting to strict pandemic protocols to keep everyone safe.

Enabling Trade and Growth

We carry a vast array of materials, from grain and forest products to petroleum and chemicals to consumer goods and automobiles, touching the lives of millions of people. In 2020, we moved over 300 million tons of cargo for our customers. To continue providing safe, resilient and efficient freight transportation services and increased

North American and global competitiveness, in 2020, despite financial impacts of the global pandemic, we invested \$2.9 billion across our network.

Supporting the Sustainable Economy

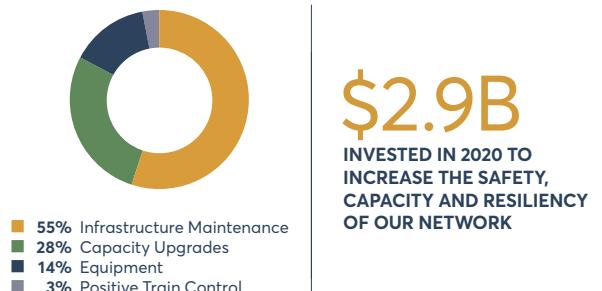
We continue to play a key role in the transition to a low-carbon economy by providing our customers with a safe, efficient and environmentally friendly way to move goods. Increasingly, we're supporting the sustainable economy by moving cleaner energy alternatives, including biofuels, solar panels and wind turbines, as well as electric vehicles.

Generating Economic Value

As a major employer of nearly 23,000 people in North America, we are helping to improve living standards and quality of life. We also contribute to the wealth and prosperity of the communities and regions where we operate through spending on goods and services, positive shareholder returns, tax contributions to the different levels of government, and community investments.

Continuing to Invest in the Business

2020 CAPITAL INVESTMENT BY CATEGORY



Helping Our Customers to Feed the World

We enable our customers to bring food to tables in North America and all over the world. Our Grain Plan is focused on strengthening the farm-to-global-market supply chain and enhancing Canada's reputation as a reliable and quality supplier to global grain markets.

Despite pandemic-related issues and challenges, in 2020–2021, CN's solid execution and increased end-to-end grain supply chain capacity, combined with high demand, allowed us to establish another record for grain movement. We continue to invest in modern grain hopper cars and network infrastructure so as to meet the growing needs of our customers.

PICTURED: Hillsport, ON
Photo by CN Employee Chris Wilson

Creating Value for More Resilient Communities

CN plays a leading role as an essential enabler of the North American economy. Delivering our transportation services safely, efficiently, and responsibly is vital to the running of our railroad and the value we create for society and all our stakeholders.



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Customers

We nurture close relationships with our customers to help them grow their businesses and win in their markets.

>300M

TONS OF CARGO MOVED

Suppliers

We source goods and services from over 20,000 suppliers, creating jobs and economic growth.

\$3.3B

IN GOODS AND SERVICES

Employees

We attract, develop and reward our people to maintain a skilled and motivated workforce.

\$2.7B

WAGES AND SALARIES PAID⁽¹⁾

Shareholders

We create long-term value for our shareholders, distributing dividend payouts and share repurchases.

\$2B

RETURNED TO SHAREHOLDERS

Governments

We contribute to the Canadian and U.S. economies and prosperity through the various taxes we pay.

\$353M

GOVERNMENT TAX PAYMENTS

Communities

We invest directly in communities to make them better places to live, work and play.

\$12M

COMMUNITY SPONSORSHIPS AND DONATIONS

* All figures as at December 31, 2020 (1) Includes stock-based compensation, health and welfare and pension benefits

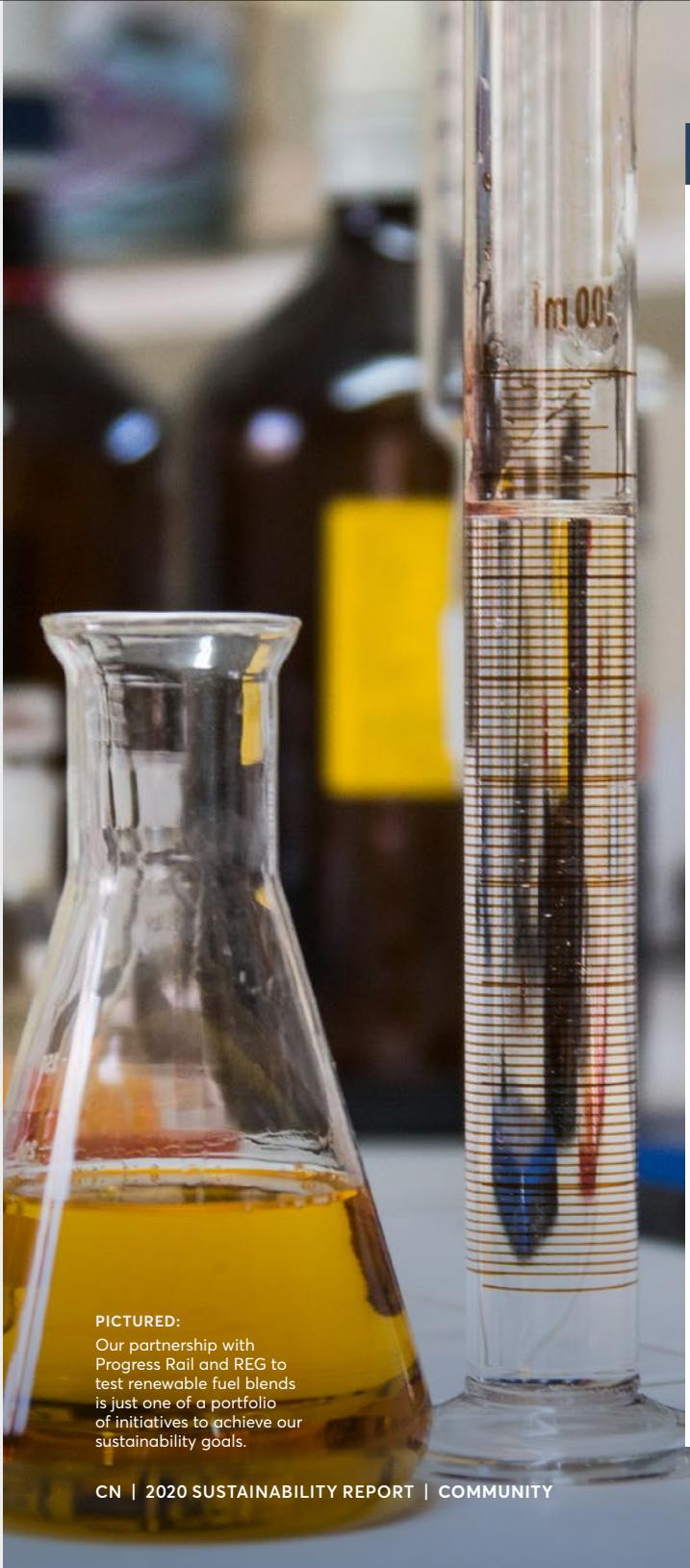
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Working with Local Suppliers Building Sustainable Relationships

We recognize that our suppliers play a pivotal role in creating value and a sustainable future for our customers, shareholders, employees and communities. As such we engage like-minded businesses who share our commitment to building a sustainable future.

Launching our Supplier Code of Conduct

We aim to work with suppliers who strive for sustainability in their supply chains, and we expect them to uphold the human rights, labour, health and safety, environmental and business ethics practices prescribed in our Supplier Code of Conduct, launched in 2020. They must also comply with our CN Human Rights Policy, Environment Policy, Prohibited Harassment, Discrimination and Anti-Retaliation Policy (US), Policy to Prevent Workplace Alcohol and Drug Problems (CA), Substance and Alcohol Free Environment Policy (US).

Integrating Sustainability and Collaborating with Suppliers

We are increasing our sustainability-focused information by integrating sustainability in our key procurement categories through our Request for Proposals, proposal evaluation, contract award recommendation and contract templates to include environmental stewardship, social responsibility (including Indigenous engagement and supplier diversity) and strong governance and ethical

practices. In 2021, we signed a new partnership with EcoVadis, a cloud-based platform enabling CN to help identify, manage and monitor high ESG risk and opportunity suppliers.

Focusing on Local and Diverse Sourcing

Our supplier relationships extend from local operators to international suppliers, providing the flexibility to match supplier solutions to specific operational requirements or project needs. Through local procurement, we can generate employment and provide economic benefits to the community.

We recognize the importance of contributing as partners in the communities where we operate. In 2020, we spent an estimated \$6 billion with suppliers. Increasing our spending with Indigenous businesses is another way that we can create greater social value impact. As part of our commitment to Progressive Aboriginal Relations (PAR), we have pledged to increase our procurement spend with Aboriginal-owned businesses to improve economic outcomes for those organizations and Indigenous peoples.

Creating Synergistic Partnerships

Our ability to fully deploy and implement new technologies to achieve our sustainability goals will require collaboration with locomotive manufacturers and fuel producers. For example, CN has partnered with Progress Rail, a Caterpillar company, and the Renewable Energy Group (REG) to test high-level renewable fuel blends including both biodiesel and renewable diesel. Read more about [Renewable Fuels Partnership](#).

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Cultivating Lasting Relationships

We are committed to building and maintaining strong, lasting relationships with all our stakeholders. Through our engagement activities, we seek to understand the concerns and interests of our stakeholders, participate in open dialogue, and build trust.

INVESTORS: Our Investor Relations department communicates with the investment community on behalf of CN and actively engages with shareholders, sell-side analysts, potential investors, and periodically with shareholder advocacy groups. Initiatives in 2020 included earnings calls, non-deal roadshows, sell-side-sponsored conferences, and investor meetings.

CUSTOMERS: We continually work to strengthen our relationships and improve our communication with customers. In 2019, CN created the Agricultural Advisory Council, a first for a Canadian railway. With members rooted in communities along our network, the Council is one of our main consultative bodies to provide insights and advice on the annual CN Grain Plan and the CN Winter Plan.

GOVERNMENTS: In 2020, we continued to engage with all levels of government as a participant on advisory councils, review boards and regulatory proceedings.

EMPLOYEES: We communicate regularly with employees through both formal and informal channels. Our latest Employee Engagement Survey, conducted in 2021, will provide us with insights on how to improve our performance.

SUPPLIERS: We work collaboratively with supply chain partners, engaging with suppliers at our annual supplier council and through our Sustainable Procurement Excellence program. We are also working actively with our suppliers on testing and exploring the greater use of sustainable renewable fuel blends.

COMMUNITIES: We regularly conduct community outreach, take part in structured community engagement, and participate in industry associations. As part of our commitment to help build safer, stronger communities, we are establishing community boards in all major cities across our network to guide the CN Stronger Communities Fund's decisions and strengthen community partnerships. So far, community boards have been established in five Canadian provinces.

INDIGENOUS PEOPLES: We are committed to developing respectful and mutually beneficial relationships with all Indigenous peoples by maintaining open dialogue, promoting opportunities to join our workforce, supporting community initiatives and participating in Indigenous organizations. Our new Indigenous Advisory Council will provide a modern, respectful forum in which to engage Indigenous people in Canada.



Elevating ESG in the Investment Community

"We have seen rising emphasis on ESG topics as our investors look for more transparency on corporate strategies and their impact on society."

"We continue to focus on robust sustainability disclosures. In 2019, in addition to GRI-aligned reporting, we reported to the Sustainability Accounting Standards Board (SASB) framework, which connects businesses and investors on the financial impacts of sustainability. In 2020, we launched our first Task Force on Climate-related Financial Disclosures (TCFD) Report, providing a comprehensive view into our climate strategies. Our goal is to communicate our progress with focus, clarity and comparability to our investors."

PAUL BUTCHER
Vice-President, Investor Relations

SPOTLIGHT

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Strengthening Relationships with Indigenous People and Communities



The Indigenous Advisory Council is an important forum for us to engage in an honest and constructive dialogue between the Company and Indigenous leaders so that we can all aspire to our full potential. Our society is changing rapidly and we must find ways to end discrimination and promote reconciliation while at the same time jointly addressing pressing issues such as economic inclusion and protection of our environment.

ROBERTA LOUISE JAMIESON AND THE HONOURABLE MURRAY SINCLAIR
Co-Chairs of CN's Indigenous Advisory Council

CN operates within or adjacent to nearly 200 reserve lands of more than 110 First Nations and Métis territories in eight provinces. Working alongside Indigenous communities across the CN network, we seek to strengthen our ties, cultivate mutually beneficial relationships and create economic opportunities to work toward Reconciliation.

CREATION OF AN INDIGENOUS ADVISORY COUNCIL:

In February 2021, CN announced the creation of an Indigenous Advisory Council (IAC). As an independent body, the Council comprises accomplished and respected representatives of Canada's First Nations, Inuit and Métis communities who will provide advice to CN's Board and the President and Chief Executive Officer on issues that are relevant to CN's relationship with the more than 200 Indigenous communities in which CN operates in Canada.

The appointment of these knowledgeable members is an important step in establishing an honest and constructive dialogue between CN and Indigenous communities across Canada. We are confident that we will have a significant impact on protecting our environment, achieving economic inclusion and promoting reconciliation. The goals of the IAC include reinforcing diversity and inclusion through policies and procedures that reflect these values, as well as fostering meaningful and long-lasting relationships between the railway and Indigenous peoples.

PROGRESSIVE ABORIGINAL RELATIONS (PAR) CERTIFICATION:

We are especially proud of our Progressive Aboriginal Relations Bronze Level certification from the Canadian Council for Aboriginal Business (CCAB) for our commitment to working with Indigenous communities and businesses.



PARTNERING WITH NATIONAL INDIGENOUS HIRING WEEK:

In 2019, CN was proud to partner with the Indigenous consulting firm AMIK to support National Indigenous Hiring Week (NIHW). As part of NIHW, CN welcomed students from the Employment and Training Service Centre of the First Nations Human Resources Development Commission of Quebec to our Montreal Yard to learn about CN's operations.

ENGAGING WITH COMMUNITIES AT MILTON LOGISTICS HUB:

As part of our community engagement for the new Milton Logistics Hub, we involved Indigenous groups in an effort to encourage a deep understanding of the proposed project and evaluate its effects on their communities. We assessed the archaeological and heritage impacts of the project and developed a mitigation plan with the assistance, input and engagement of Indigenous communities.

**Progressive
Aboriginal
RELATIONS** BRONZE
LEVEL

Canadian Council for
Aboriginal Business

PAR is a certification program that confirms corporate performance in Indigenous relations. The PAR logo signals that companies are good business partners, great places to work, and committed to prosperity in Indigenous communities.

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Working with Communities to Enhance Emergency Response

At CN, we safeguard our neighbours by reaching out to hundreds of communities along our network every year, remaining heavily engaged in our joint commitment to safety.

Every year, we take steps to enhance the emergency preparedness of communities along our network. For example, an important component of CN's work is supporting TRANSCAER® (Transportation Community Awareness and Emergency Response), an outreach effort to train community emergency personnel situated near rail lines where dangerous goods are transported. In 2020, despite limitations imposed by the COVID-19 pandemic, CN participated in nearly 130 TRANSCAER® events, bringing critical training to almost 2,100 participants. We also earned the prestigious TRANSCAER® National Achievement Award from the American Chemistry Council for the 12th consecutive year.

We work with Transport Canada and the Federation of Canadian Municipalities to provide detailed historical dangerous goods information to emergency response agencies that register through Transport Canada. Registered communities also receive an annual report that provides information on the type of dangerous goods moving through a jurisdiction, and information by province is available on our website.

CN also supports more effective emergency response with technology-based information. The AskRail™ mobile app lets emergency responders determine the contents of any railcar through a simple search, which helps

them make better informed decisions about how to respond to a rail emergency. The app has been downloaded by nearly 4,500 emergency responders, such as firefighters and police officers, across CN's North American network. In 2020, CN joined forces with Waze (a GPS navigation app and a subsidiary of Google), Operation Lifesaver and our industry peers to alert drivers when they are approaching a rail crossing.

2,100

EMERGENCY RESPONDERS RECEIVED TRAINING AT NEARLY 130 TRANSCAER® EVENTS IN 2020



PICTURED:
CN's specially trained Dangerous Goods Officers lead a hazmat training exercise with local first responders in Terrace, BC.

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Making a Meaningful Contribution

We are committed to making the communities we serve better places to live, work, and play. In 2020, CN continued to promote this spirit of giving through corporate donations, educational initiatives and collaboration.

We believe that one of the best ways to build stronger communities is to actively contribute to the organizations, programs and initiatives that matter most to our people and the communities we serve.

Giving Back to Communities

At the core of our community investment strategy is the CN Stronger Communities Fund, which embodies our commitment to help build safer, stronger communities. We continue to support initiatives in the areas of health and safety for young people, transportation research and education, environmental sustainability, diversity, CN Railroaders in the Community and United Way / Centraide.

June 6, 2020 marked the second annual CN in Your Community Day, an initiative created on CN's 100th birthday to encourage employees to give back to their communities.

Supporting Local Communities

Over

\$19M

RAISED OVER THE
PAST 10 YEARS TO
ASSIST MORE THAN
500 CHARITIES



The CN Employees' and Pensioners' Community Fund organizes fundraising activities and annual campaigns in support of various Canadian charities. Despite the pandemic, the 2020 campaign met with unprecedented success, raising over \$2 million. Over the past 10 years, the Fund has raised more than \$19 million in donations to assist more than 500 charities.

The CN Railroaders in the Community program recognizes employees, retirees and their families by providing grants to the community based not-for-profit organizations (NGO) they choose to support through their volunteer efforts.

Youth Health and Safety

We contribute to organizations, programs and initiatives that prevent childhood injuries and promote healthy lifestyles for our youth. We also support children's hospitals in order to fight childhood diseases and save lives. In addition to our own safety awareness programs such as All Aboard for Safety and Rail Safety Week, in 2020 we participated in International Level Crossing Awareness Day and partnered with Parachute Canada during National Teen Driver Safety Week.

Transportation Education

By supporting innovation through transportation education and research, CN is inspiring and helping today's youth become tomorrow's railroaders and community leaders. We support relevant trade



CN Railroader in the Community Scott Leslie, coaches children's soccer in Charlotte, MI.

and apprenticeship programs, transportation-related college and university programs, and scholarship and bursary programs.

Environmental Sustainability

In addition to investing in initiatives that promote more sustainable business practices, we support organizations that are actively engaged in protecting the natural environment by reducing waste and pollution. We also support organizations that promote innovative solutions to reduce the carbon footprint and conserve natural resources. In February 2021, CN entered into a new partnership with Earth Rangers, a youth-focused Canadian environmental charity, to continue engaging employees and their families to make a difference through the EcoConnexions program.

Diversity, Equity and Inclusion

As part of our commitment to diversity, we support organizations that work towards building a more equitable and inclusive society. We provide funding support to several LGBTQ2+ organizations such as GRIS Montreal, Gay Line (Interligne), and Fondation Émergence. CN has also become a platinum sponsor of the League of Railway Women, dedicated to advancing opportunities for women in the railroad industry.

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Working in Partnership to Promote Rail Safety

The cities, towns and Indigenous communities we serve are powerful allies in promoting rail safety in their communities. By working together, CN employees, retirees, stakeholders and community leaders focus on keeping our communities safe and preventing fatalities and injuries on or near railroad property.

All Aboard for Safety is our flagship community education program. Every year, CN employees make hundreds of presentations and talk to thousands of children and adults at schools and community events across North America about the importance of rail safety and the dangers of walking or playing on or near railway tracks. Throughout the pandemic, our employees continued to reach out to communities to reinforce the rail safety message, but virtually.

CN's multi-layered "BE RAIL SMART — Stop. Look. Listen. LIVE." campaign reached about 60,000 stakeholders at more than 350 events. The campaign generated more than 3,300 rail safety pledges, over 100 mentions in the news media and four-and-a-half times more web page views than in 2019.



Learn more about
Be Rail Smart <https://vimeo.com/459136057/>

The 2020 edition of Rail Safety Week took on a much different look because of the COVID-19 pandemic. In addition to holding physically distanced in-person community-based events focused on "hot spots" with a history of injuries and fatalities, CN police officers and other employees, in partnership with Operation Lifesaver®, participated in numerous virtual safety initiatives in Canada and the United States. By making increased use of social media and other media types — billboards, lawn signs, email, print, broadcast news, etc. — the "Stop Track Tragedies" campaign told the stories of people affected by railway crossing and trespassing incidents.

For a more hands-on experience, Little Obie is a scale model of a CN locomotive, with a flatcar and caboose that children and adults can ride. The brainchild of former employee Paul Rose, Little Obie helps educate kids about rail safety in a fun and informative way. While opportunities for Little Obie to meet with kids along our network were limited in 2020 due to the COVID-19 pandemic, he did get out whenever it was safe to do so.

PICTURED:
CN Police Constable
Samantha Falcao educates
the community and drivers
near level crossings about
the importance of rail safety
in Montreal, QC.



SPOTLIGHT

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Creating a Living Legacy for Greener, More Sustainable Communities

In honour of CN's 100th anniversary, CN and Tree Canada partnered with each of the CN100 A Moving Celebration host communities to develop green space initiatives.

With our partners, Tree Canada and America in Bloom, we have helped 328 municipalities establish tree-planting initiatives in a sustainable, environmentally responsible manner since 2012.

In 2019, to celebrate CN's 100th anniversary, we donated \$1.9 million to Tree Canada for tree plantings and CN100 Legacy Forests. The trees, carefully chosen to thrive in their regions, will become part of each community's urban canopy. In 2021, this program awarded 26 grants of \$25,000 for tree planting in municipalities and Indigenous communities along our network across Canada.

NORTH VANCOUVER, BC: A special Legacy Forest planting was held in the City of North Vancouver, in November 2019. The ceremony took place in Moodyville Park, where CN gifted 100 trees to Mayor Linda Buchanan and the city's residents, to support development of the tree canopy.

WINNIPEG, MB: In September 2019, CN announced its participation in Winnipeg Mayor Brian Bowman's Million Tree Challenge. Winnipeg is home to North America's largest urban elm forest, while Assiniboine Park is one of the largest urban nature parks of its kind in Canada.

HALIFAX, NS: Trees were donated to the city of Halifax in June 2019 to create a CN Legacy Forest of mature trees. The urban forest will be located at Fort Needham Memorial Park.

Our Partnerships



TreeCanada



Planting pride in our communities!
America
in Bloom



Winnipeg, MB

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Governance

PICTURED:

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

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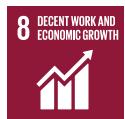
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SHAUNEE BRUDER *Chair of the Governance, Sustainability and Safety Committee*

Progress on the Global Goals



We believe diversity is a key attribute of a well-functioning board. In 2020, 43% of Board members were women. In early 2021, our Board set a new target of 50% gender diversity among its directors by 2022. As a signatory to the Catalyst Accord 2022, we are now working to increase the number of women among our executive officers and senior managers by focusing on training, development and mentorship opportunities.



Over the past few years, we have aligned our practices with the UN Global Compact and worked to make our processes more robust. We continue to conduct high-level due diligence assessments across our value chain to identify, address and mitigate potential human rights issues.

Upholding the Highest Standards of Governance

We are committed to the highest standards of corporate governance, with an emphasis on engagement and transparency. How we deliver success is just as important as what we achieve. Therefore, we work diligently to bring integrity and excellence into everything we do.

We are focused on continuously improving our governance policies and practices, and establishing clear systems to ensure that accountability, risk management and controls are embedded across our business.

Ethics and Compliance

We believe that ethical conduct goes beyond compliance and resides in a comprehensive governance culture. In addition to regular reviews of our Code of Business Conduct and onboarding integrity training, we publish and enforce our Corporate Governance Manual, Anti-Corruption Policy, Supplier Code of Conduct and Human Rights Policy. We also maintain several methods for employees and third parties to anonymously report any concerns.

Risk Management

Our long-term viability depends on our ability to anticipate and manage risks. The Board delegates responsibility for oversight of certain risk elements to its various committees in order to ensure appropriate expertise, attention and diligence. Our Enterprise Risk Management System provides a risk management approach to identify, assess, monitor, and mitigate key business risks.

Business Continuity

Our Business Continuity Management plan is designed to prevent potential threats to our business and recover quickly in the event of a disaster. In 2020, when the COVID-19 pandemic hit, our multi-phase Pandemic Plan ensured that we continued to serve our customers and keep the economy moving, while protecting the health and safety of our people, customers and communities.

Cybersecurity and Data Privacy

CN is highly dependent on technology for administrative and operational activities. We are subject to disruptions in our technology and disclosure of sensitive information from human error, flaws in software, natural disasters, and active attacks against our technology. We understand the significant operating risks as well as the importance of securing personal information. Accordingly, we have an extensive cybersecurity governance framework and processes in place to protect against such incidents.

[READ MORE](#)

[Governance section of our website](#)

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Ethics and Compliance

Underpinning All that We Do

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.

Establishing clear, consistent and uncompromising standards and adherence to integral and ethical behaviour ensures that we deal professionally with issues as they arise, always do the right thing, maintain a positive image in all aspects of our business, and encourage an innovative spirit among employees while enhancing shareholder value.

Aligning Executive Compensation

Our executive compensation program aims to appropriately incentivize sustainable performance. The annual bonus is tied to financial and ESG factors. In 2020, to further align compensation with the long-term strategic vision of the company, the Corporate Safety component was extended to all management employees.

Creating a Stronger Board

Best practices are evolving in Canada and the U.S. with respect to corporate boards. Reflecting these evolving trends, in February 2021, CN's Board of Directors updated its corporate governance policies to reduce the board size to 10 independent directors plus the CEO; ensure that all directors are subject to a 14-year tenure limit; lower the retirement age for directors; and change the policy

 **READ MORE**
[2021 Management's Information Circular](#)

on over-boarding to permit directors to serve on a maximum of three public boards, including CN. We have a strong and diverse Board of Directors that includes four new independent directors that have joined the Board since April 2020.

Adopting Best Practices

In 2021, CN announced improvements to the effectiveness, transparency and accountability of the Board, including the creation of a new Governance, Sustainability and Safety (GSS) Committee. The GSS Committee will assist the Board in fulfilling its oversight responsibilities with respect to governance, safety and sustainability of the Company's operations, which include overseeing policies and practices relating to ESG matters. Oversight responsibilities also include assessing and monitoring CN's environmental, safety and security policies and practices, including CN's Climate Action Plan.



In 2021, CN was recognized for leadership in corporate governance, ranking first in the *Globe and Mail's Report on Business' annual comprehensive assessment of 220 S&P/TSX Composite Index Members.*



Adhering to International Standards

"As a Canadian reporting issuer with securities listed on the Toronto Stock Exchange (TSX) and the New York Stock Exchange (NYSE), CN ensures its corporate governance practices comply with the highest standards and rules adopted by the Canadian Securities Administrators, applicable provisions of the U.S. Sarbanes-Oxley Act of 2002 and related rules of the U.S. Securities and Exchange Commission. CN is exempted from complying with many of the NYSE corporate governance rules, provided it complies with Canadian governance requirements. Except as summarized on our website at [www.cn.ca/governance](#), CN's governance practices comply with the NYSE corporate governance rules in all significant respects."

SEAN FINN

Executive Vice-President,
Corporate Services and Chief Legal Officer

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At CN, we recognize the fundamental importance of human dignity and equality. We believe that economic growth and social progress go hand in hand and as such, we strive to provide a workplace that reflects these values.

Upholding Human Rights

We are committed to managing human rights at risk of negative impact through our operations or business relationships. This commitment is anchored by our Human Rights Policy, which draws on international standards and best practices, including the Declaration on Fundamental Principles and Rights at Work by the International Labour Organization (ILO). Our Supplier Code of Conduct is an extension of our own Code of Conduct and Human Rights Policy and strives to ensure that our suppliers are guided by these same values and standards.

We support the Guiding Principles on Business and Human Rights endorsed by the United Nations Human Rights Council in 2011 and, while not a signatory, we have aligned our practices with the UN Global Compact – a voluntary global standard on human rights, labour, the environment and anti-corruption.

Conducting Due Diligence

We conduct high-level due diligence assessments across our value chain to proactively identify, address and mitigate potential human rights issues. Last year, our high-level review consisted of management-level interviews and a desktop review covering employees, suppliers, customers and community groups. Through the process, we identified nine areas where we are focusing our efforts: health and safety, diversity, Indigenous people, discrimination and harassment, forced labour and child labour, work hours, wages and benefits, freedom of association, and community engagement.

The management of human rights is embedded in our business, including through employment policies and standards; supplier standards and audits; community engagement practices; Indigenous People programs; and union agreements. In 2019 and 2020, no material human rights violations were reported.

Reporting Concerns

Employees, supply chain workers, or people in the community can make requests, report concerns, or disclose misconduct or potential wrongdoing through a variety of channels. These include our Law Department, Human Resources Centre, CN Police, and CN Ombudsperson, who plays an integral role in ensuring equitable resolutions of concerns. We also have a confidential general CN telephone hotline.

**READ MORE**[Human Rights Policy](#)[Anti-Corruption Policy](#)**HUMAN RIGHTS MITIGATION MEASURES**

We are focused on operating in a socially responsible way. The management of human rights is embedded in our business through a variety of measures.

Employment Policies and Standards

Cover topics related to diversity, equal opportunities, health and safety, labour conditions and discrimination and harassment

Supplier Standards and Audits

Ensure we promote human rights in our supply chain, which is part of the vendor management program

Community Engagement

Includes environmental and social impact assessments, when required, as well as ongoing outreach programs that create positive societal impacts

Indigenous People Programs

Aim to build positive and sustainable relationships and partnerships

Union Agreements

Focus on fair and respectful work conditions

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Renewing Our Code of Business Conduct and Extending it to Suppliers

Our Code of Business Conduct (Code) is regularly reviewed to ensure it reflects our core values of integrity and respect and remains consistent with industry trends and standards.

Each director, executive officer and management employee must certify annually their compliance, and employees are required to complete an online training course. An integrity training session is also part of every new employee's onboarding program, covering our core values, the importance of protecting CN's reputation, understanding what "Doing the Right Thing" means, and how to identify and avoid potential conflict of interest situations. We also train our human resources staff on their roles and responsibilities related to human rights and employment equity legislation, guidelines, and policies.

The Code is applicable to all directors, officers and employees of CN. We expect everyone working on our behalf, including consultants, agents, suppliers and business partners, to obey the law and adhere to high ethical standards. Specifically, the Code addresses matters such as conflicts of interest, protection and proper use of corporate assets and opportunities, confidentiality of corporate information, fair dealing, compliance with laws and reporting of any illegal or unethical behaviour. Both the Code and our Anti-Corruption Policy underline our zero-tolerance policy on bribery.

In 2020, we introduced a code adapted specifically to our suppliers. Our suppliers are key players in our business. We depend on them to be accountable and hold themselves to the same standard we expect of ourselves.

In 2019 and 2020, there were no material breaches to the Code.

[READ MORE](#)[Code of Business Conduct](#)[Supplier Code of Conduct](#)

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Risk Management

Protecting Our Stakeholders

Risk management is essential to protecting, enhancing and creating shareholder value, operating efficiently and providing a safe and healthy environment for employees, customers and other stakeholders.

Our identification and assessment of risk is based on the Chartered Professional Accountants of Canada's A Framework for Board Oversight of Enterprise Risk. The risk assessment covers internal and external trends impacting our business. Our approach covers four broad categories of risk: strategic, operational, reporting and external. In our assessments, we take a precautionary approach when considering the likelihood and severity of possible impacts from environmental and social risks.

Identifying and Assessing Risks

At CN, the Board is entrusted with the responsibility to oversee that management identifies and evaluates the significant business risks that the Company is exposed to and implements processes and programs to manage these risks. It performs this oversight through strategic overviews of significant risks and issues, and business updates with the President and Chief Executive Officer, and executives. The overviews may cover among others, risks related to general economic conditions; climate change; human capital; foreign currency; capital investments; information technology and cybersecurity; environment; ongoing operations, such as labour disputes and blockades; and developments in regulations.

The Board's Audit, Finance and Risk (AFR) Committee reviews risk management policies, practices and processes, and holds management accountable to ensure compliance with legal and regulatory requirements.

Updating Our Enterprise Risk Management System

Our Enterprise Risk Management (ERM) process provides a risk management approach to identify, assess, monitor, and mitigate key business risks. Management provides an annual ERM update to the AFR Committee. Risks are rated based on an assessment of residual risk, after considering mitigating processes and controls in place. Each risk is assigned to members of senior management who develop and implement controls to mitigate the risks. In addition, the AFR Committee requests that an independent review of the mitigating controls be performed on the identified risks on a rotational basis.

Encouraging the Right Behaviours

Our executive compensation program is made up of a base salary, annual incentive bonus, long-term incentives and pension benefits. Payout is linked to financial and ESG criteria. It has been designed to encourage the right behaviours, mitigate risks, and align with our long-term shareholder results. For example, risk mitigation strategies include capped incentive payout opportunities with no minimum guaranteed payout, a clawback policy, and stock ownership guidelines.



Integrating Climate-related Risks

The Board's AFR Committee is responsible for monitoring our risk management and internal controls approach, including climate-related risks. In 2020, the AFR Committee reviewed the results of our ERM program and approved the identification of net risks, which included physical risks related to climate change. Specifically, they approved our climate risk mitigation controls, MD&A disclosure, initiatives to integrate climate risk management activities into the 2020-2022 business plan, as well as other climate-related disclosure commitments such as our support for the Taskforce on Climate-related Financial Disclosure recommendations, which is included in our [2020 TCFD Report](#).

PICTURED: Rivers, MB
Photo by CN Employee Laurence Bryant

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Business Continuity Embedding Flexibility and Resiliency

We understand our crucial role in keeping the economy running smoothly, and the importance of preparing for the unexpected. Our goal is to have the right plans, processes and measures in place to continue to meet the needs of our customers safely and efficiently.

Our Business Continuity Management Plan enables us to protect against and recover from incidents in a timely manner, while ensuring the health and safety of employees, customers, and the general public. It ensures that we are able to restore, manage and maintain critical operations in the event of a natural disaster, weather-related event, cyber attack, or other business disruption.

Ensuring Continuity During COVID-19

2020 was a challenging year, starting with the illegal rail blockades in February, followed by the ongoing COVID-19 pandemic, which forced major economies to lock down. Throughout the pandemic, CN played an essential role in keeping the North American supply chain running and remained nimble in the face of volume fluctuations. In response to the initial economic shutdown, we acted swiftly to adjust our resources and cost structures, adapting to the rapidly changing volume environment. Our multi-phase Pandemic Plan, deployed on March 9, 2020, ensured that we continued to run a solid operation to serve our customers and keep the economy moving, while protecting the health and safety of our people, customers and the communities in which we operate.



READ MORE

[CN Winter Plan 2020–21](#)[CN Grain Plan 2020–21](#)[2021 CDP Response](#)

Preparing for Climate-related Risks

Another aspect of our continuity and resiliency planning is assessing and preparing for climate-related risks. Extreme temperatures can present a risk to our network and infrastructure. For example, rail misalignments and track buckling are possible from thermal rail expansion, and extreme cold can result in track freezing leading to greater frequency of broken rails, frozen switches, and high rates of wheel replacements. Further, flash floods can result in landslides and mudslides, and cause overflows damaging the rail bed support structures and tracks. Temperature extremes can also impact our sites and networks in the U.S. Tornado Belt, Midwest and New Orleans area, making us vulnerable to increases in tornado occurrences and intensity.

To manage these risks, we have in place several programs to respond to the physical impacts of climate change, including extreme fire readiness plans, an emergency response planning program, inspection programs and strategies to deploy non-rail modes of transport. For example, we have established rapid-deployment teams to act quickly when a service disruption occurs. These teams include staff to rework train schedules, as well as develop work and contingency recovery plans to deploy and manage needed equipment and repair crews.



Planning for Harsh Winter Weather

During winter 2019–2020, CN faced unique challenges, which tested and demonstrated its resilience and flexibility. They included service interruptions due to a labour dispute, illegal blockades, extreme cold, landslides that incapacitated portions of CN's mainline, and the pandemic.

Through our [Winter Plan](#) and [Grain Plan](#) we diligently prepare by implementing specific measures to meet with winter's inevitable extreme conditions. Measures include: adding track patrols; obtaining accurate and timely forecasts; monitoring avalanches, landslides and water levels; keeping consistent flow of air through the brake lines; and applying our three-tier train length system.

PICTURED: Hillsport, ON
Photo by CN Employee Chris Wilson

Cybersecurity and Data Privacy

Keeping Information Technology Safe

Our business is highly dependent on technology for our operations as well as our administrative activities. Our customers, partners, shareholders and employees need to know that our network is secure and their information safe from cyber attacks.

Protecting Against Attacks

We rely on information technology in all aspects of our business. A cybersecurity attack and significant disruption or failure of our information technology and communication systems could result in service interruptions, safety failure, security violations, regulatory compliance failures or other operational difficulties. Security threats are evolving, and can come from nation states, organized criminals, hacktivists and others with malicious intent. A security incident could also compromise corporate information and assets, as well as operations. We are therefore investing to meet evolving network and data security expectations and regulations.

Ensuring Rigorous Oversight

Because we understand the significant operating risks as well as the importance of securing personal information, we have an extensive cybersecurity governance framework in place. CN's Board provides technology and cybersecurity risk oversight through regular review of significant risks and issues and updates from the President and Chief Executive Officer. The AFR, in accordance with its mandate, oversees the company's cybersecurity program for Operations and Information Technologies, and submits cybersecurity reports to the Board at least once per year.



Our cybersecurity program is under the direction of a Chief Information Security Officer (CISO) supported by a dedicated staff and aligned to the National Institute of Standards and Technology (NIST) Cybersecurity Framework (CSF). In 2019 and 2020, we did not identify any material information or cybersecurity incidents. However, we recognize that despite having a robust program, determined attackers, flaws in software or hardware, or human error by employees or contractors may still circumvent or overcome controls and negatively impact the organization. We therefore continually monitor, review, invest in and upgrade our programs, as well as our risk mitigation and resiliency processes and strategies.

CYBERSECURITY MITIGATION MEASURES

Our cybersecurity policies and practices continue to evolve in order to securely protect administrative and operational activities as well as personal and company data.

Policies and Standards

Our cybersecurity policies are available to all employees and reinforced with a formal cybersecurity awareness training program. We also conduct awareness campaigns and proactive communications to employees on this topic.

Information Sharing and Collaboration

We participate in the Association of American Railroads (AAR) Rail Information Security Committee (RISC) for industry-specific threat intelligence, benchmarking and sharing of best practices in combatting cyber threats.

External Audits and Vulnerability Analysis

We engage independent third parties for penetration testing and assessments of the cybersecurity program on at least an annual basis, and have defined monitoring and incident response processes.

Incident Response Procedure

Our robust Cybersecurity Crisis Management process provides a documented framework for handling high severity incidents, and facilitates coordination across multiple parts of the organization. It is reviewed semi-annually.

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Our Reporting

PICTURED:

Henry House, AB
Photo by CN Employee,
Tim Stevens

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Our Approach and Scope

The scope of information covered in this report relates to our operations in Canada and the U.S., in the 2019 and 2020 calendar years, unless otherwise noted. We issue our report on a biennial basis. Previous reports can be accessed at www.cn.ca/investors/reports-and-archives.

Reporting Standards

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. The GRI is an independent institution that provides a standard framework for sustainability reporting across companies and industries.

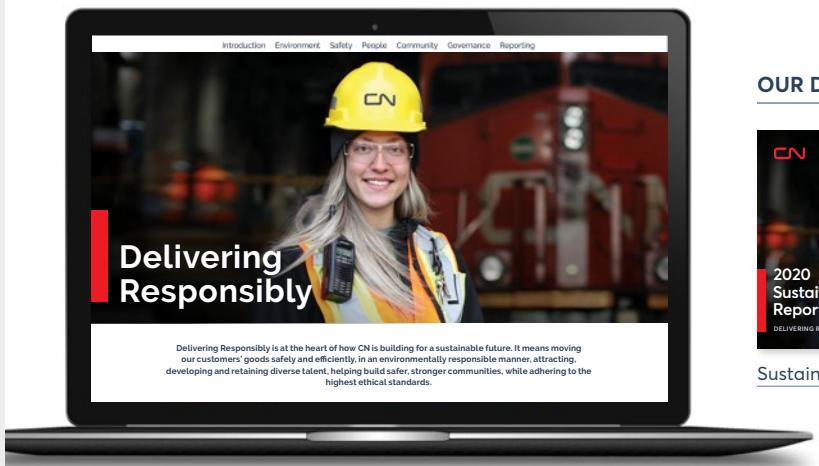
Our eighth Delivering Responsibly sustainability report is part of our commitment to be open about our business and to communicate our progress with focus, clarity and comparability.

This report has also been prepared in accordance with the Rail Transportation Sustainability Accounting Standard developed by the Sustainability Accounting Standards Board (SASB). SASB connects businesses and investors on the financial impacts of sustainability.

We also provide information to the CDP, the Dow Jones Sustainability Index (DJSI) and other organizations that assess our sustainability performance. An index of our conformance to the GRI Standards: Core option, and SASB: Rail Transportation Sustainability Accounting Standard reporting requirements and references to other relevant information sources can be found at 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. Our environmental data related to GHG emissions from Scope 1 (locomotive emissions), Scope 2 (electricity consumption) and Scope 3 (locomotive fuel production, purchased goods and services, capital goods, and upstream transportation and distribution) were verified by PricewaterhouseCoopers to a limited level of assurance in accordance with the International Standards on Assurance Engagements 3410, Assurance Engagements on Greenhouse Gas Statements ("ISAE 3410"), issued by the International Auditing and Assurance Standards Board with guidance for the validation and verification of greenhouse gas assertions. The statements can be found at www.cn.ca/delivering-responsibly.



OUR DELIVERING RESPONSIBLY REPORTING SUITE



[Sustainability Report](#)



[Data Supplement
GRI and SASB Index](#)



[TCFD Report](#)



[CDP Response](#)

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Identifying our Material Topics

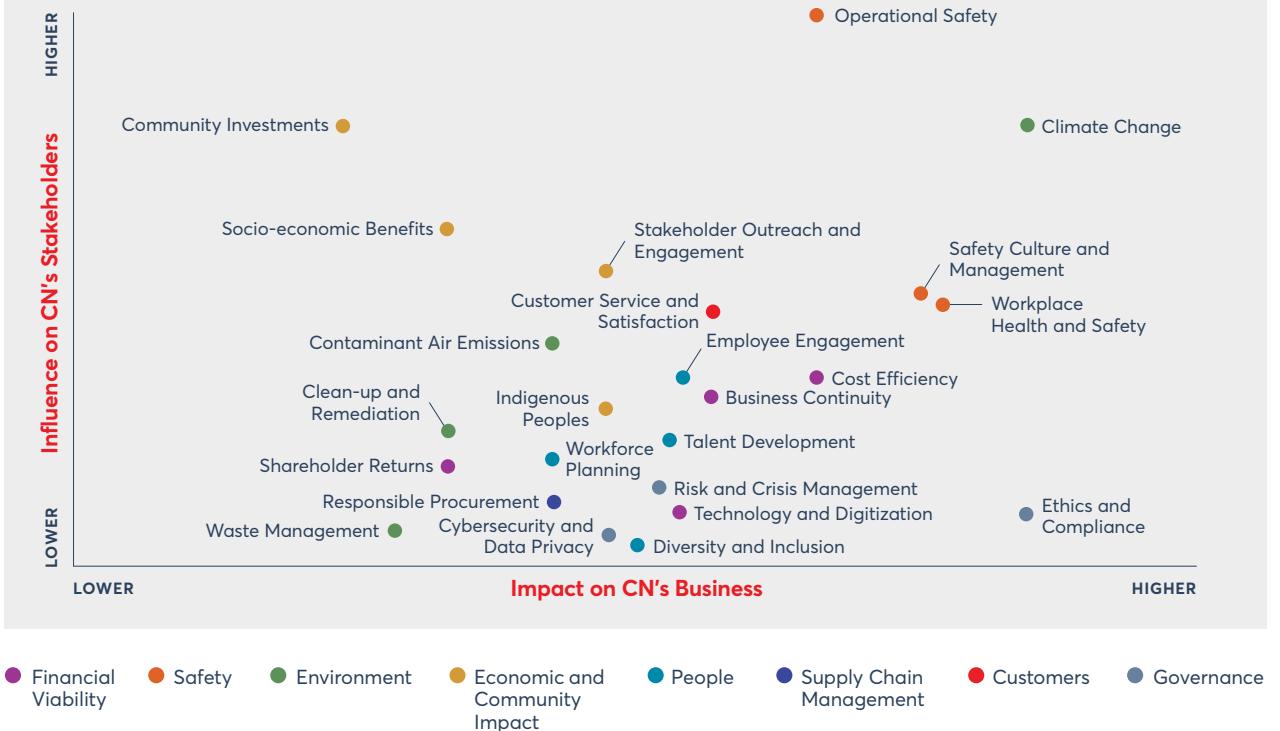
In 2020, we received input from 378 stakeholders using an electronic survey to understand the sustainability topics that most influence their decisions or perspectives of CN. Diverse groups were engaged, including employees, suppliers, governments, railway associations, customers, investors, unions, Aboriginal peoples, community groups, and NGOs. The selection and identification of stakeholders considered their geographic representation and their influence and interest in our business. We also engaged with our executive management to further inform the sustainability topics prioritization process.

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

We also identified where the impacts could occur within and outside of our business. The diagram below provides an overview of where our impact could occur along the value chain.

We apply the principles of materiality and stakeholder inclusiveness to prioritize the topics that matter most to our business and our stakeholders – helping us to focus our strategic priorities, refine our reporting, and inform the evolution of our sustainability programs.

OUR PRIORITIZATION MATRIX



WHERE IMPACTS CAN OCCUR ALONG CN'S VALUE CHAIN



Our Suppliers



CN's Corporate Office Buildings and Rail Yards



CN's Transportation Services and Operations



Our Customers



Broader Community and Ecosystem

INTRODUCTION**ENVIRONMENT****SAFETY****PEOPLE****COMMUNITY****GOVERNANCE****OUR REPORTING**

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**PICTURED:**

Intermodal train with heritage locomotive in Hinton, AB

Photo by CN employee, Tim Stevens

ABOUT CN: Canadian National Railway Company (CN) was incorporated in 1919 by special act of the Parliament of Canada with the appointment of its first Board of Directors by Order in Council in 1922. 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 (GAAP). For more information, please refer to our Annual Information Form available on SEDAR at www.sedar.com or on our website at www.cn.ca.

FORWARD-LOOKING STATEMENTS: Certain statements included in this report 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. 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.

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 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 report include, but are not limited to: 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; 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 (MD&A) 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.

Contact

We welcome comments, questions and feedback on this report.

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Our Sustainability Commitment

Delivering Responsibly is at the heart of how CN is building for a sustainable future. It means moving our customers' goods safely and efficiently, in an environmentally responsible manner, attracting, developing and retaining diverse talent, helping build safer, stronger communities, while adhering to the highest ethical standards. Five principles anchor our commitment:

ENVIRONMENT	SAFETY	PEOPLE	COMMUNITY	GOVERNANCE
Conduct our operations with minimal environmental impact, while providing cleaner, more sustainable transportation services to our customers.	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.	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.	Build safer, stronger communities by investing in community development, creating positive socio-economic benefits and ensuring open lines of communication.	Continuously improve our culture of integrity and ethical business, building trust and confidence with all our stakeholders.

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