Human Resources and Compensation Committee

1.1.1 PURPOSE

The HRC Committee assists the Board in fulfilling its oversight responsibilities in relation to:

- the selection and appointment as officer of the Company of all executive officers[1] as well as, pursuant to CN's By-Laws, the Treasurer and Corporate Secretary, and, from time to time, such other executive management as it deems appropriate;
- the compensation, retention, development and evaluation of the President and CEO and of executive officers who report directly to the President and CEO;
- succession plans for the President and CEO and executive officers;
- the oversight of key talent management and human resources strategies, policies and practices, including with respect to employee engagement, culture, inclusion with respect to management and employees, pension matters, labour relations as well as health and wellness;
- the design of incentive-compensation plans, equity-based plans, and CN's pension plans;
- the assessment of compensation, talent, succession and culture risks; and
- any other matter delegated to the HRC Committee.

1.1.2 MEMBERSHIP

- **Number**. The Board shall appoint a minimum of four directors to be members of the HRC Committee, one of whom shall be a member of the AFR Committee. The President and CEO shall be excluded from the member selection process.

- **Independent Directors**. Only independent directors, as determined by the Board and under Canadian and U.S. Corporate Governance Standards, may be appointed. Under US Corporate Governance Standards, when affirmatively determining the independence of any director who will serve on the HRC Committee, the Board must consider all factors specifically relevant to determining whether a director has a relationship to CN which is material to that director's ability to be independent from management in connection with the duties of a HRC Committee member, including, but not limited to:
    - the source of compensation of such director, including any consulting, advisory or other compensatory fee paid by the listed company to such director; and
    - whether such director is affiliated with the listed company, a subsidiary of the listed company or an affiliate of a subsidiary of the listed company.

[1] For the purpose hereof and where the context requires, "executive officers" of CN means executives holding the position of Senior Vice-President or more senior positions at the Company and "executive management" means executives holding the position of Vice-President or more senior positions at the Company.

- **Simultaneous Service**. No more than one member of the HRC Committee shall be a sitting CEO of another company.

- **Qualifications**. One or more members of the HRC Committee shall have: (i) direct experience in executive compensation matters, (ii) skills and experience that enable him or her to provide input on the suitability of CN's compensation policies and practices, and (iii) experience in talent management (both executive and non-executive).

1.1.3 MEETINGS

- **Meetings**. The HRC Committee shall meet at least four times annually, or more frequently as circumstances dictate. Such meetings may be held by video conference or telephone or by any other means which enables all participants to communicate with each other simultaneously and as necessary.

- **Quorum**. A quorum for the transaction of business at an HRC Committee meeting shall be a majority of the HRC Committee members.

- **Meeting Without Management**. Each HRC Committee meeting will include a portion without the presence of management.

- **Access to Outside Advisers**. As appropriate, the HRC Committee may retain such outside advisors to assist it in the performance of its functions and responsibilities, including the sole authority to retain or obtain the advice of compensation consultants, independent legal counsel or other advisors, including fixing such advisors' fees and retention terms, subject to advising the Board Chair and overseeing their work. Before retaining or obtaining advice of any outside advisors, the HRC Committee will consider the independence of the advisor in accordance with applicable Canadian and U.S. corporate governance standards, or other applicable laws, rules and regulations, as the foregoing may be amended from time to time. The HRC Committee will make arrangements for the appropriate funding for payment of such consultants. The HRC Committee shall pre-approve all non-compensation services provided by the consultants retained by the HRC Committee to perform compensation-related services. The fees paid to such consultants, regarding compensation and non-compensation services, shall be disclosed separately in CN's Information Circular.

- **Reporting**. The HRC Committee shall report to the Board following each regularly scheduled meeting of the HRC Committee, or at the request of the Board Chair, on the HRC Committee's activities.

- **Annual Meetings**. The HRC Committee chair or another member of the HRC Committee shall attend annual shareholder meetings in order to respond directly to any questions shareholders may have on executive compensation.

1.1.4 RESPONSIBILITIES

The responsibilities of the HRC Committee include the following:

A. Executives

- **Succession Planning**. The HRC Committee shall:
  - oversee the executive succession planning processes and strategies, as well as mechanisms, practices and policies for the position of President and CEO and the executive officers;
  - oversee the succession planning mechanisms, practices and policies for management, including processes to identify, develop and retain the talent of "high potential" executive management;
  - oversee the process for the selection of the President and CEO as well as the executive officers;
  - recommend to the Board for approval the terms and conditions of appointment, termination and retirement of the President and CEO as well as the executive officers;
  - recommend to the Board for approval the appointment as officers of the Company of all executive officers, as well as the Treasurer and the Corporate Secretary, and from time to time, such other members of executive management, as deemed appropriate; and
  - receive regular reporting by the President and CEO on executive management changes, including compensation details.

- **Performance Assessment**. The HRC Committee shall:
  - monitor and oversee the performance assessment and development of the President and CEO, as well as each of the executive officers who report directly to the President and CEO;
  - review and recommend to the Board for approval the annual objectives of the President and CEO;
  - evaluate the performance of the President and CEO against the approved annual objectives and such other factors as the HRC Committee deems to be appropriate and in the best interest of CN; and recommend the President and CEO's performance assessment and compensation based on this evaluation, for approval by CN's independent directors;
  - review the performance evaluation of each of the executive officers reporting directly to the President and CEO; and recommend their compensation to the Board for approval;
  - review the performance and compensation of other executive officers based on reporting by the President and CEO; and
  - review the career development needs of the executive officers and the proposed development plans for their potential successors.

- **Compensation**. The HRC Committee shall:
    - oversee CN's executive compensation policies and practices;
    - examine all elements of executive remuneration and report annually to the Board on compensation practices;
    - make recommendations to the Board with respect to the design of incentive-compensation plans and equity-based plans;
    - approve material amendments and adjustments to CN Investment Division's Incentive Plan, including with respect to referenced benchmarks and performance range for mandates during any plan year, which could be warranted by changes to the financial structure of CN Investment Division or other major unplanned events or unforeseen prevailing conditions;
    - oversee the selection of any benchmark group used in determining compensation or any element of compensation ;
    - identify, oversee and monitor risks associated with CN's compensation policies and practices and assess whether they provide an appropriate balance of risk and reward in relation to the company's overall strategic direction and objectives
    - annually review and approve disclosure relating to executive compensation, including relating to policies and practices, benchmark groups, risks facing CN relating to compensation reasonably likely to have a material adverse effect on the Company, as well as the role of the HRC Committee relating to oversight of compensation-related risks and any practices that CN uses to identify and mitigate such risks; and
    - oversee and review the report on executive compensation for inclusion in CN's Information Circular for approval by the Board.

B. Human Resources

- **Practices and Policies**. The HRC Committee shall:
    - review and monitor CN's human resource management policies, practices and strategies for its employees, including those related to corporate culture, recruitment, retention, incentive, advancement, development and inclusion, for consistency with CN's strategic direction
    - oversee that appropriate human resources practices, such as hiring policies, training and development policies and compensation structures are in place so that CN can attract, motivate and retain the quality of personnel required to meet its business objectives;
    - oversee and review inclusion goals and metrics with respect to management and employees; and monitor performance against such goals and metrics; and
    - ensure a compensation philosophy and policy that rewards the creation of shareholder value and reflects an appropriate balance between the short- and longer-term strategic objectives of CN.

- **Employee Experience.** The HRC Committee shall:
    - ensure regular employee engagement surveys and monitor the results of the surveys and their implications for effective talent management at CN; and
    - monitor pension, strategic labour and social issues, including bilingualism and inclusion with respect to management and employees.
- **Union and Labour Relations.** The HRC Committee shall monitor on a regular basis CN's union relations and labour relations strategies, consistent with CN's strategic plan.

C. Pension Matters

- The HRC Committee shall:
    - review CN's pension plans, governance structure and design, and recommend changes and amendments, as required, to the Board that are: (i) material, which for the purposes hereof means an amendment that has a present value of $50M or more on a solvency funding basis for defined benefit plans, or an annual cashflow increase of $5M or more for defined contribution plans, and (ii) existential to CN's pension plans (other than, for example, annuitizations, wind-ups, and mergers), or strategic in nature (other than, for example, plan redesign, conversion, consent to unreduced pensions).

D. Risk Management

- The HRC Committee shall oversee and monitor management's assessment of CN's major risk exposures relating to executive management, human resources, compensation, succession, culture and design of pension plans, and such other risks delegated to the Committee by the AFR Committee or the Board, and management's mitigation plans, including insurance coverage.

1.1.5 EVALUATION OF THE HRC COMMITTEE

- **Review**. The HRC Committee shall review its mandate at least annually.
- **Report.** The HRC Committee shall report to the Board on its deliberations relating to its mandate and, annually on the adequacy of its mandate.
- **Assessment**. At least annually, the HRC Committee shall review its effectiveness in fulfilling its responsibilities and duties as set out in its mandate.

1.1.6 GENERAL

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

Members of the HRC Committee are entitled to rely, absent knowledge to the contrary, on (i) the integrity of the persons and organizations from whom they receive information, and (ii) the accuracy and completeness of the information provided.