

CANADIAN NATIONAL RAILWAY CO
Form 6-K
March 23, 2004

FORM 6-K
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934

For the month of March, 2004

Commission File Number: 001-02413

Canadian National Railway Company

(Translation of registrant's name into English)

935 de la Gauchetiere Street West
Montreal, Quebec
Canada H3B 2M9

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F

Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes

No

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes

No

Indicate by check mark whether by furnishing the information contained in this Form, the Registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes

No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A

Canadian National Railway Company

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Canadian National Railway Company

Date: March 22, 2004

By: /s/ Sean Finn

Name: Sean Finn
Title: Senior Vice President Public
Affairs, Chief Legal Officer and
Corporate Secretary

Item 1

Dear Shareholder:

On behalf of the Board of Directors and Management of Canadian National Railway Company, we cordially invite you to attend the annual meeting of shareholders that will be held this year in the Ballroom at The Westin Edmonton, 10135-100 Street, Edmonton, Alberta, on Thursday, April 22, 2004, at 1:00 p.m., Mountain time.

The agenda and related documentation are attached. In addition to these items, we will discuss the significant changes underway in the Company as well as its coming challenges. You will have the opportunity to meet your directors and the senior officers of CN.

Your participation in the affairs of the Company is important to us. If you are unable to attend in person, we encourage you to complete and return the enclosed proxy form in the envelope provided for this purpose so that your views can be represented. Also, it is possible for you to vote over the Internet by following the instructions on the enclosed proxy form. Even if you plan to attend the meeting, you may find it convenient to express your views in advance by completing and returning the proxy form or by voting over the Internet.

If your shares are not registered in your name but are held in the name of a nominee, you may wish to consult the information on page 3 of the accompanying management proxy circular with respect to how to vote your shares.

A live Internet broadcast of the meeting will be available on the Company's website at www.cn.ca. Should you decide to attend the meeting, please bring this letter with you to facilitate registration into the meeting.

We look forward to seeing you at the meeting.

Sincerely,

signed

E. HUNTER HARRISON
President and Chief Executive Officer

signed

DAVID G.A. MCLEAN
Chairman of the Board

Item 2

CANADIAN NATIONAL RAILWAY COMPANY

**NOTICE OF ANNUAL
MEETING OF SHAREHOLDERS**

NOTICE IS HEREBY GIVEN that an annual meeting (the "Meeting") of holders of common shares of Canadian National Railway Company (the "Company") will be held in the Ballroom at The Westin Edmonton, 10135-100 Street, Edmonton, Alberta, on Thursday, April 22, 2004, at 1:00 p.m., Mountain time, for the following purposes:

1. receiving the consolidated financial statements of the Company for the year ended December 31, 2003, together with the auditors' report thereon;
2. electing the directors of the Company;
3. appointing the auditors of the Company; and
4. transacting such other business as may properly be brought before the Meeting or any adjournment or postponement thereof.

The directors have fixed March 15, 2004, as the record date for the determination of the holders of common shares entitled to receive notice of the Meeting. If you are not able to attend the Meeting, please exercise your right to vote by signing and returning the enclosed form of proxy (the voting instruction form in the case of Employee Shares (as such term is defined in the Management Proxy Circular provided in connection with the Meeting)) to Computershare Trust Company of Canada in the enclosed envelope, or by voting over the Internet no later than 5:00 p.m. (Montréal time) on April 20, 2004, or, if the Meeting is adjourned or postponed, 48 hours (excluding Saturdays, Sundays and holidays) before the time the adjourned Meeting is to be reconvened or the postponed meeting is to be convened. Proxies may also be deposited with the scrutineers of the Meeting, to the attention of the Chair of the Meeting, immediately prior to the commencement of the Meeting, or any adjournment or postponement thereof. In the case of non-registered shareholders, reference is made to the section entitled "How can a Non-Registered Shareholder vote?" in the Management Proxy Circular.

BY ORDER OF THE BOARD OF DIRECTORS

Sean Finn
Senior Vice-President Public Affairs,
Chief Legal Officer and Corporate Secretary

March 2, 2004
Montréal, Quebec

CANADIAN NATIONAL RAILWAY COMPANY

MANAGEMENT PROXY CIRCULAR

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This Management Proxy Circular is provided in connection with the solicitation of proxies by management of Canadian National Railway Company (the "Company" or "CN") for use at the annual meeting of shareholders (the "Meeting") or at any adjournment or postponement thereof. The solicitation is being made primarily by mail, but directors, officers or employees of the Company may also solicit proxies at a nominal cost to the Company. The Company has retained the services of Georgeson Shareholder Communications Canada, Inc. for the solicitation of proxies in Canada and the United States, at aggregate fees estimated to be \$CAD35,000. The Meeting will be held in the

Ballroom, at The Westin Edmonton, 10135-100 Street, Edmonton, Alberta, on Thursday, April 22, 2004, at 1:00 p.m., Mountain time, for the purposes set forth in the foregoing Notice of Meeting. The information contained herein is given as at February 29, 2004, except as indicated otherwise.

SECTION 1 - VOTING AND PROXIES

Who can vote?

Holders of common shares of the Company ("Shareholders") will be entitled to vote at the Meeting. Effective February 27, 2004, the Shareholders of record at the close of business on February 23, 2004, received one-half additional common share of CN for each common share held (i.e., one additional share for each two shares held) following a three-for-two stock split. As of the close of business on February 27, 2004, the Company had outstanding 284,580,419 common shares without nominal or par value. Subject to the voting restrictions described below, each common share carries the right to one vote.

Shareholders who are registered as at the close of business on March 15, 2004 (the "record date"), will be entitled to vote at the Meeting or at any adjournment or postponement thereof, either in person or by proxy.

What will I be voting on?

Shareholders will be voting on (i) the election of directors of the Company and (ii) the appointment of KPMG LLP as auditors of the Company.

How will these matters be decided at the Meeting?

A simple majority of the votes cast, in person or by proxy, will constitute approval of these matters.

How do I vote?

If you are eligible to vote and your common shares are registered in your name, you can vote your common shares in person at the Meeting or by proxy, as explained below. If your common shares are held in the name of a nominee, please see the instructions below under "How can a Non-Registered Shareholder vote?".

Voting by Proxy

You may appoint someone else to vote for you as your proxy holder by using the proxy form. The persons named as proxies in the enclosed proxy form are the Board Chair and the President and Chief Executive Officer of the Company (the President and Chief Executive Officer or the CEO). **However, you have the right to appoint any other person or company (who need not be a Shareholder) to attend and act on your behalf at the Meeting. That right may be exercised by writing the name of such person or company in the blank space provided in the proxy form or by completing another proper form of proxy.**

You can either return a duly completed and executed form of proxy to the transfer agent and registrar for the Company's common shares, Computershare Trust Company of Canada, in the envelope provided or you can also vote over the Internet by following the instructions on the proxy form. **The deadline for receiving duly completed proxy forms or a vote over the Internet is 5:00 p.m. (Montréal time) on April 20, 2004, or if the Meeting is adjourned or postponed, 48 hours (excluding Saturdays, Sundays and holidays) before the time the adjourned meeting is to be reconvened or the postponed meeting is to be convened.**

How will my common shares be voted if I give my proxy?

If no instructions are indicated, your common shares represented by proxies in favour of management will be voted FOR the election of management's nominees as directors, FOR the appointment of KPMG LLP as auditors and at the discretion of the proxy holder in respect of amendments to any of the foregoing matters or on such other business as may properly be brought before the Meeting. Should any nominee named herein for the office of director become unable to accept nomination for election, it is intended that the person acting under proxy in favour of management will vote for the election in his or her stead of such other person as management of the Company may recommend. Management has no reason to believe that any of the said nominees will be unable to serve if elected to office and management has no knowledge of any amendment or other business likely to be brought before the Meeting.

If I change my mind, how can I revoke my proxy?

A Shareholder may revoke a proxy at any time by instrument in writing executed by such Shareholder, or by the Shareholder's attorney duly authorized in writing, and (i) deposited with the Corporate Secretary of the Company at the registered office of the Company at any time up to and including the last business day preceding the day of the Meeting or any adjournment or postponement thereof, or (ii) filed with the Chair of the Meeting on the day of the Meeting or any adjournment or postponement thereof, or in any other manner permitted by law or in the case of a vote over the Internet, by way of a subsequent Internet vote.

What if I am an employee shareholder?

Common shares purchased by employees of the Company under the Employee Share Investment Plan dated September 1, 1997, are known as "Employee Shares". Employee Shares remain registered in the name of Computershare Trust Company of Canada as custodian, unless the employees have withdrawn their common shares from the Employee Share Investment Plan in accordance with its provisions.

Voting rights attached to the Employee Shares that are registered in the name of Computershare Trust Company of Canada can be exercised by employees, or their attorneys authorized in writing, by indicating on the enclosed voting instruction form the necessary directions to Computershare Trust Company of Canada or any other person or company (who need not be a Shareholder) as to how they wish their Employee Shares to be voted at the Meeting. Beneficial owners of Employee Shares may also give such voting instructions by telephone or over the Internet. The Employee Shares will be voted pursuant to the directions of the beneficial owner. If no choice is specified for an item, the Employee Shares will be voted in favour of management's propositions and be voted at the discretion of Computershare Trust Company of Canada or such other person indicated in respect of amendments to management's propositions or on such other business as may properly be brought before the Meeting. Only Employee Shares in respect of which a voting instruction form has been signed and returned (or in respect of which the employee has given voting instructions by telephone or over the Internet) will be voted.

A holder of Employee Shares may revoke his or her directions indicated on a voting instruction form at any time by instrument in writing executed by the holder of Employee Shares, or by the holder's attorney duly authorized in writing, and (i) deposited with the Corporate Secretary of CN at the registered office of CN at any time up to and including the last business day preceding the day of the Meeting or any adjournment or postponement thereof, (ii) filed with the Chair of the Meeting on the day of the Meeting or any adjournment or postponement thereof, or in any other manner permitted by law, or in the case of directions given by telephone or over the Internet, by way of a subsequent telephone or Internet directions.

The voting instruction form must be used only with respect to Employee Shares. In the event that an employee holds common shares outside the Employee Share Investment Plan, he or she must also complete the enclosed

proxy form with respect to such additional common shares. No proxy form is to be completed with respect to Employee Shares.

Who is a Non-Registered Shareholder?

If your common shares are not registered in your name and are held in the name of a nominee, you are a "Non-Registered Shareholder". If your common shares are listed in an account statement provided to you by your broker, those common shares will, in all likelihood, not be registered in your name. Such common shares will more likely be registered under the name of your broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms). In the United States, the vast majority of such shares are registered in the name of CEDE & Co. (the registration name of The Depository Trust Company, which acts as nominee for many U.S. brokerage firms). Common shares held by brokers (or their agents or nominees) on behalf of a broker's client can only be voted at the direction of the Non-Registered Shareholder. Without specific instructions, brokers and their agents or nominees are prohibited from voting shares for the broker's client.

How can a Non-Registered Shareholder vote?

If you are a Non-Registered Shareholder, there are two ways you can vote your common shares.

Applicable securities laws require your nominee to seek voting instructions from you in advance of the Meeting. Accordingly, you will receive or have already received from your nominee a request for voting instructions for the number of common shares you hold. Every nominee has its own mailing procedures and provides its own signing and return instructions, which should be carefully followed by Non-Registered Shareholders to ensure that their common shares are voted at the Meeting. The request for voting instructions supplied to a Non-registered Shareholder by its broker (or the agent or nominee of the broker) is substantially similar to the form of proxy provided directly to registered Shareholders by the Company. However, its purpose is limited to instructing the registered Shareholder (i.e., the broker or agent or nominee of the broker) how to vote on behalf of the Non-Registered Shareholder. The vast majority of brokers now delegate responsibility for obtaining instructions from clients to ADP Investor Communications ("ADPIC") in Canada. ADPIC typically prepares a machine-readable voting instruction form, mails those forms to Non-Registered Shareholders and asks Non-Registered Shareholders to return the forms to ADPIC, or otherwise communicate voting instructions to ADPIC (by way of the Internet or telephone, for example). ADPIC then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of common shares to be represented at the Meeting. A Non-Registered Shareholder who receives an ADPIC voting instruction form cannot use that form to vote common shares directly at the Meeting (except as otherwise provided below). The voting instruction forms must be returned to ADPIC (or instructions respecting the voting of common shares must otherwise be communicated to ADPIC) well in advance of the

Meeting in order to have the common shares voted. In any case, you must follow the voting instructions provided by your nominee in order for your common shares to be voted for you.

However, if you wish to vote in person at the Meeting, insert your own name in the space provided on the request for voting instructions provided by your nominee to appoint yourself as proxy holder and follow the signing and return instructions of your nominee. Non-Registered Shareholders who appoint themselves as proxy holders should, at the Meeting, present themselves to a representative of Computershare Trust Company of Canada. Do not otherwise complete the form sent to you as you will be voting at the Meeting.

Who can I call with questions?

If you have questions about the information contained in this Management Proxy Circular or require assistance in completing your proxy form, please call Georgeson Shareholder Communications Canada, Inc., the Company's proxy solicitation agent, at 1-866-800-5592.

How can I contact the transfer agent?

You can contact the transfer agent either by mail at Computershare Trust Company of Canada, 100 University Ave, 9th Floor, Toronto, Ontario M5J 2Y1, by telephone at 1-800-564-6253, by fax at 1-866-249-7775 or by email at service@computershare.com.

Voting Restrictions

The articles of incorporation of the Company, as amended (the "Articles") provide that no person, together with his or her associates, shall hold, beneficially own or control, directly or indirectly, voting shares to which are attached more than 15% of the aggregate of the votes attached to all voting shares of the Company that may ordinarily be cast to elect directors of the Company. In addition, where the total number of voting shares held, beneficially owned or controlled, directly or indirectly, by any one person together with his or her associates exceeds such 15% maximum, no person shall, in person or by proxy, exercise the voting rights attached to the voting shares held, beneficially owned or controlled, directly or indirectly, by such person or his or her associates.

SECTION 2 - BUSINESS OF THE MEETING

Financial Statements

The consolidated financial statements of the Company for the year ended December 31, 2003, together with the auditors' report thereon, are included in the 2003 Annual Report sent to Shareholders with the Notice of Annual Meeting of Shareholders and this Management Proxy Circular.

Election of Directors

The Articles provide that the board of directors of the Company (the "Board of Directors" or the "Board") shall consist of a minimum of seven and a maximum of 21 directors. Pursuant to a resolution of the Board, 15 persons are to be elected as directors for the current year, each to hold office until the next annual meeting of Shareholders or until such person's successor is elected or appointed.

The term of office of each of the present directors expires at the close of the Meeting. **The persons named below will be presented for election at the Meeting as management's nominees and, unless authority is withheld, the persons designated in the accompanying form of proxy or voting instruction form**

intend to vote FOR the election of these nominees. The persons nominated are, in the opinion of the Board of Directors and management, well qualified to act as directors of the Company for the ensuing year. The Board of Directors and management do not contemplate that any of these nominees will be unable to serve as a director, but should that occur for any reason before the Meeting, the persons designated in the accompanying form of proxy or voting instruction form reserve the right to vote for another nominee at their discretion unless the shareholder who has given such proxy or voting instruction form has directed that the common shares be withheld from voting in the election of directors.

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The following table sets out information regarding the nominees for election as directors as at March 2, 2004, unless otherwise indicated.

Name, age(4), principal occupation and position on committees of the Board	Common Shares Owned, Controlled or Directed(1) (on a post-split basis)(2)		Options held (on a post-split basis)(2) (3)	
	February	(February	February	(February
	2004	2003)	2004	2003)

Michael R. Armellino , 64 Fort Lee, New Jersey	36,600	33,900	16,500	16,500
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Mr. Armellino has served on the Board of Directors since May 7, 1996. Mr. Armellino is a Retired Partner, The Goldman Sachs Group, LP (investment bankers). From 1991 to 1994, Mr. Armellino was Chair and Chief Executive Officer of Goldman Sachs Asset Management. Prior to 1991, he had held various positions at Goldman, Sachs & Co. including senior transportation analyst and Partner in Charge of research. Mr. Armellino is a trustee of The Peddie School and chair of Peddie's Investment Committee.

Mr. Armellino is Chair of the Strategic Planning Committee and Member of the Audit, Finance and Risk Committee, the Corporate Governance and Nominating Committee, the Environment, Safety and Security Committee and the Investment Committee of CN's Pension Trust Funds(5).

A. Charles Baillie, LL.D. , 64 Toronto, Ontario	17,996(6)	1,500	N/A	N/A
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Mr. Baillie has served on the Board of Directors since April 15, 2003. Mr. Baillie retired as Chair of The Toronto-Dominion Bank in April 2003, and as Chief Executive Officer of the bank in December 2002. Mr. Baillie is a director of Dana Corporation (automotive supplier), Ballard Power Systems Inc. (power products manufacturer), Quebecor World Inc. (commercial printing company), George Weston Limited (food processing and distribution company) and Telus Corporation (telecommunications company).

Mr. Baillie is a member of the Audit, Finance and Risk Committee, the Corporate Governance and Nominating Committee, the Human Resources and Compensation Committee and the Strategic Planning Committee.

Hugh J. Bolton, F.C.A. , 65 Edmonton, Alberta	6,900(6)	N/A	N/A	N/A
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Mr. Bolton has served on the Board of Directors since April 15, 2003. Mr. Bolton is the Chair of the board of directors of EPCOR Utilities Inc. (utilities company) and Matrikon Inc. (supplier of industrial IT solutions). From 1991 to 1997, Mr. Bolton was Chair and Chief Executive Partner of Coopers & Lybrand Canada. Mr. Bolton is also a director of, and Deputy Chair of the audit committee of Teck Cominco Limited (natural resource group) and a director of The Toronto-Dominion Bank.

Mr. Bolton is a member of the Audit, Finance and Risk Committee, the Corporate Governance and Nominating Committee, the Environment, Safety and Security Committee and the Strategic Planning Committee. (7)

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Name, age(4), principal occupation and position on committees of the Board	Common Shares Owned, Controlled or Directed(1) (on a post-split basis)(2)		Options held (on a post-split basis)(2) (3)	
	February	(February	February	(February
	2004	2003)	2004	2003)

Purdy Crawford, O.C., Q.C., LL.D. , 72	44,098(6)	35,550	36,000	36,000
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Toronto, Ontario

Mr. Crawford has served on the Board of Directors since April 25, 1995. Mr. Crawford is Chair, Allstream Inc. (formerly AT&T Canada Inc.) (telecommunication company) and Counsel, Osler, Hoskin & Harcourt (law firm). Mr. Crawford also served as Chief Executive Officer of Imasco Limited (consumer product company) from 1985 to 1995. He is a member of the board of directors of the following public companies: Emera Inc. (energy and services company), Foot Locker, Inc. (retailer of athletic foot wear and apparel), Maple Leaf Foods, Inc. (food processing company) and Seamark Asset Management Limited (investment counsel firm). He is also Trustee of the Clearwater Seafoods Income Fund.

Mr. Crawford is Chair of the Human Resources and Compensation Committee and Member of the Corporate Governance and Nominating Committee, the Strategic Planning Committee and the Investment Committee of CN's Pension Trust Funds(5).

J.V. Raymond Cyr, O.C., LL.D. , 70	24,600(6)	21,900(8)	36,000	36,000
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Montréal, Quebec

Mr. Cyr has served on the Board of Directors since March 29, 1995. Mr. Cyr is Chair, Polyvalor Inc. (telecommunication company). Mr. Cyr has also been Chair of Bell Canada from 1992 to 1996 and Chair of BCE Inc. from 1989 to 1993 (both telecommunication companies). He is a member of the board of directors of numerous companies, including Air Canada, SR Telecom Inc. (wireless access solutions), G.T.C. Transcontinental Ltd. (commercial printer), Old Port of Montréal Corporation Inc., Fonds de Solidarité FTQ (development capital fund), ART Advance Research & Technologies Inc. (optical imaging company), Cable Satisfaction International Inc. (cable company), Triton Electronik Inc. (electronic contract manufacturing), Isac Technologies Inc. (software development and maintenance company) and Cogniscience Inc. (publishing company).

Mr. Cyr is Chair of the Environment, Safety and Security Committee and Member of the Audit, Finance and Risk Committee, the Human Resources and Compensation Committee, the Strategic Planning Committee and the Investment Committee of CN's Pension Trust Funds(5).

Ambassador Gordon D. Giffin , 54	9,300(6)	6,600(8)	13,500	13,500
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Atlanta, Georgia

Mr. Giffin has served on the Board of Directors since May 1, 2001. Mr. Giffin is Senior Partner, McKenna Long & Aldridge (law firm) and he was United States Ambassador to Canada from August 1997 to April 2001. Mr. Giffin is a member of the board of directors of Canadian Imperial Bank of Commerce, Canadian Natural Resources Limited (oil and natural gas company), TransAlta Corporation (electric generation and marketing company) and Bowater Incorporated (paper company).

Mr. Giffin is a member of the Corporate Governance and Nominating Committee, the Human Resources and Compensation Committee and the Strategic Planning Committee.

James K. Gray, O.C., A.O.E., LL.D. , 70	14,963(6)	11,700(8)	36,000	36,000
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Calgary, Alberta

Mr. Gray has served on the Board of Directors since July 4, 1996. Mr. Gray is Corporate Director and Former Chair and Chief Executive Officer, Canadian Hunter Exploration Ltd. (natural gas company). Mr. Gray is a member of the board of directors of numerous companies, including Brascan Corporation (real estate, financial and power generating company), Emera Incorporated (energy services company), Phoenix Technology Services Inc. (technology and services company for oil and gas industry) and Twin Mining Corporation (mineral

exploration and development company).

Mr. Gray is a member of the Audit, Finance and Risk Committee, the Corporate Governance and Nominating Committee, the Environment, Safety and Security Committee and the Strategic Planning Committee.

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Name, age(4), principal occupation and position on committees of the Board	Common Shares Owned, Controlled or Directed(1) (on a post-split basis)(2)		Options held (on a post-split basis)(2) (3)	
	February 2004	(February 2003)	February 2004	(February 2003)

E. Hunter Harrison , 59 Burr Ridge, Illinois	95,088	92,570	1,987,500	1,987,500
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Mr. Harrison has served on the Board of Directors since December 7, 1999. Mr. Harrison has been President and Chief Executive Officer of the Company since January 1, 2003. He has served as Executive Vice-President and Chief Operating Officer of the Company from March 1998 to December 2002. Prior to joining CN, Mr. Harrison had been a director and President and Chief Executive Officer of the Illinois Central Corporation and the Illinois Central Railroad Company from 1993 to 1998.

Mr. Harrison is a member of the Strategic Planning Committee.

Edith E. Holiday , 52 Washington, District of Columbia	6,600	3,900	13,500	13,500
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Mrs. Holiday has served on the Board of Directors since June 1, 2001. Mrs. Holiday is a Corporate Director and Trustee and a former General Counsel, United States Treasury Department and Secretary of the Cabinet, The White House. Mrs. Holiday is also a director of H.J. Heinz Company (food company), Amerada Hess Corporation (energy company), Beverly Enterprises Inc. (nursing home operators) and RTI International Metals, Inc. (titanium and metal product manufacturer). She is also a director or trustee in various investment companies of the Franklin Templeton Group of Funds and operating trustee of TWE Holdings I and II Trusts.

Mrs. Holiday is a member of the Audit, Finance and Risk Committee, the Strategic Planning Committee and the Investment Committee of CN's Pension Trust Funds(5).

V. Maureen Kempston Darkes, O.C., D. Comm. LL.D. , 55 Miramar, Florida	10,109(6)	6,900(8)	36,000	36,000
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Mrs. Kempston Darkes has served on the Board of Directors since March 29, 1995. Mrs. Kempston Darkes is Group Vice-President and President Latin America, Africa and Middle East, General Motors Corporation (automobile manufacturer). From 1994 to 2001, she was President and General Manager of General Motors of Canada Limited and Vice-President of General Motors Corporation. Mrs. Kempston Darkes is also a director of Noranda Inc. (mining and metals company) and Thomson Corporation (provider of integrated information solutions).

Mrs. Kempston Darkes is a member of the Environment, Safety and Security Committee, the Strategic Planning Committee and the Investment Committee of CN's Pension Trust Funds(5) (9).

Gilbert H. Lamphere , 51 New York, New York	12,600	9,900	36,000	36,000
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Mr. Lamphere has served on the Board of Directors since March 24, 1998. Mr. Lamphere is Managing Director, Lamphere Capital Management (private equity investment firm). He is also a director of Florida East Cost Industries, Inc. (real estate and transportation company) and was Chair of Illinois Central Corporation prior to its purchase by the Company.

Mr. Lamphere is a member of the Audit, Finance and Risk Committee, the Human Resources and Compensation Committee, the Environment, Safety and Security Committee and the Strategic Planning Committee.

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Name, age(4), principal occupation and position on committees of the Board	Common Shares Owned, Controlled or Directed(1) (on a post-split basis)(2)		Options held (on a post-split basis)(2) (3)	
	February 2004	(February 2003)	February 2004	(February 2003)
	Denis Losier , 51 Moncton, New Brunswick	25,614(6)	22,500(8)	36,000

Mr. Losier has served on the Board of Directors since October 25, 1994. Mr. Losier is President and Chief Executive Officer, Assumption Life (life insurance company). Mr. Losier also held various cabinet level positions with the government of the Province of New Brunswick, from 1989 to 1994. He is a director of many companies, including Corporate Communications Limited (communication services provider) and Enbridge Gas New Brunswick (natural gas distribution company).

Mr. Losier is a member of the Audit, Finance and Risk Committee, the Human Resources and Compensation Committee, the Environment, Safety and Security Committee, the Strategic Planning Committee and the Investment Committee of CN's Pension Trust Funds(5).

The Hon. Edward C. Lumley, P.C., LL.D. , 64 South Lancaster, Ontario	18,600	15,900	36,000	36,000
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Mr. Lumley has served on the Board of Directors since July 4, 1996. Mr. Lumley is Vice-Chair, BMO Nesbitt Burns Inc. (investment bankers). From 1986 to 1991, he served as Chair of Noranda Manufacturing Group Inc. Mr. Lumley was a Member of Parliament from 1974 to 1984 during which he held various cabinet portfolios in the Government of Canada. Mr. Lumley is a director of various companies, including Air Canada, BCE Inc. (telecommunications company), Dollar-Thrifty Automotive Group (car rental company), Intier Automotive Inc. (development and manufacturing of automotive interiors), Magna Entertainment Corp. (owner and operator of racetracks) and Magna International Inc. (supplier of automotive systems, components and modules).

Mr. Lumley is Chair of the Investment Committee of CN's Pension Trust Funds and a member of the Human Resources and Compensation Committee, the Environment, Safety and Security Committee and the Strategic Planning Committee.

David G.A. McLean, O.B.C., LL.D. , 65	55,155(6)	47,955	60,000	60,000
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Vancouver, British Columbia

Mr. McLean has served on the Board of Directors since August 31, 1994. Mr. McLean is Board Chair of the Company and Chair and Chief Executive Officer, The McLean Group (real estate investment company and film and television facility company).

Mr. McLean is Chair of the Corporate Governance and Nominating Committee and a member of the Human Resources and Compensation Committee, the Environment, Safety and Security Committee, the Strategic Planning Committee and the Investment Committee of CN's Pension Trust Funds(5).

Robert Pace, 49	25,443(6)	21,900(8)	36,000	36,000
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Halifax, Nova Scotia

Mr. Pace has served on the Board of Directors since October 25, 1994. Mr. Pace is President and Chief Executive Officer, The Pace Group (private holding company). Mr. Pace is also a member of the board of directors of many companies, including Maritime Broadcasting Systems Ltd. (a 25 radio stations group) and High Liner Foods Incorporated (seafood and other food company).

Mr. Pace is Chair of the Audit, Finance and Risk Committee and is a member of the Corporate Governance and Nominating Committee, the Strategic Planning Committee and the Investment Committee of CN's Pension Trust Funds(5).

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- (1) The information as to common shares beneficially owned, controlled or directed has been furnished by the respective nominees individually and includes Restricted Share Units but does not include common shares under options.
 - (2) All figures for February 2004 are as at February 27, 2004, and all figures for February 2003 are as at February 28, 2003. All figures relate to common shares and options on a post-split basis and have been restated to reflect the three-for-two stock split effective on February 27, 2004.
 - (3) Options granted under the Management Long-Term Incentive Plan and for Mr. Harrison, granted under his 1998 employment agreement. Mr. Baillie and Mr. Bolton were not members of the Board when options were granted in 2002 and 2003.

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- (4) The age of the directors is provided as at the date of the Meeting (i.e. on April 22, 2004). The Board of Directors has adopted a policy whereby a director would not, unless otherwise determined by the Board of Directors, in its discretion, be nominated for re-election at the annual meeting of shareholders following his or her seventy-second birthday. The Board of Directors has determined that Mr. Crawford should be nominated for re-election at the Meeting.
 - (5) The Investment Committee of CN's Pension Trust Funds is a mixed committee composed of members of the Board of Directors and of officers of the Company.
 - (6) Includes Restricted Share Units in the following amounts: A. Charles Baillie: 5,996, Hugh J. Bolton: 5,400, Purdy Crawford: 248, J.R. Raymond Cyr: 8,400, Ambassador Gordon D. Giffin: 4,200, James K. Gray: 2,700, V. Maureen Kempston Darkes: 8,309, Denis Losier: 4,800, David G.A. McLean: 4,200, Robert Pace: 5,643. Pursuant to the terms of the Restricted Share Units, directors or their estate can only access their Restricted Share Units upon retirement, resignation or death.
 - (7) Mr. Bolton was appointed to the Corporate Governance and Nominating Committee on March 2, 2004.
 - (8) Includes Restricted Share Units in the following amounts: J.V. Raymond Cyr: 5,700; Ambassador Gordon D. Giffin: 2,100; James K. Gray: 2,700; V. Maureen Kempston Darkes: 5,100; Denis Losier: 2,100; and Robert Pace: 2,100. Pursuant to the terms of the Restricted Share Units, directors or their estate can only access their Restricted Share Units upon retirement, resignation or death.
 - (9) On March 2, 2004, Mrs. Kempston Darkes stepped down from the Corporate Governance and Nominating Committee and the Human Resources and Compensation Committee, so that these two committees could be composed solely of

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□unrelated□, □independent□ directors. On the same date, she was appointed to the Environment, Safety and Security Committee and the Investment Committee of CN's Pension Trust Funds.

Each director must own, within five years of joining the Board, not less than \$CAD250,000 in value of common shares of the Company (including Restricted Share Units and other rights or securities under similar plans, if any, but not including the value of unexercised options). The average value of common shares of the Company owned by non-executive directors is approximately \$CAD1,160,907 (based on the February 27, 2004, average closing price of the common shares of the Company on the Toronto and New York stock exchanges).

Of the 15 Board members, only Mr. Harrison, the President and Chief Executive Officer of the Company, is an officer of the Company. Of the remaining 14 Board members, 13 are considered □unrelated□ and □independent□ and one is considered □related□ and □not independent□ to the Company, Mrs. Kempston Darkes being a senior executive of a major customer of the Company. In determining whether an outside director is □unrelated□, the Board applies the criteria developed by the Toronto Stock Exchange. In determining whether a director is an □independent□ director, the Board applies the criteria developed by the Canadian Securities Administrators and the New York Stock Exchange. For more details on the "unrelated" and "independent" directors, please see Schedule B to this Management Proxy Circular.

A record of attendance by directors at meetings of the Board and its committees, as well as the number of Board and Board committee meetings held during the 12 month-period ended December 31, 2003, are set out in Schedule A to this Management Proxy Circular.

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Appointment of Auditors

KPMG LLP has served as the Company's auditors since 1992. In 2003 and 2002, fees billed for audit, audit-related, tax and other services provided to the Company by KPMG LLP were the following:

<i>Year ended December 31</i>	2003	2002
Audit Fees(1)	\$2,326,447	\$1,589,550
Audit-Related Fees(2)	\$107,028	\$157,000
Tax Fees(3)	\$928,408	\$2,629,409
Other Fees(4)	\$245,000	\$154,626
Total	\$3,606,883	\$4,530,585

- (1) Audit fees of \$321,695 relating to 2002 have been included in 2003 as they were billed and paid for in 2003.
- (2) Includes fees for attestation services in connection with reports required by statute or regulation and due diligence and other services, including comfort letters, in connection with the issuance of securities.
- (3) Incurred in respect of tax compliance and tax advice. 2002 fees included \$2,246,391 attributable to a one-time implementation fee in respect of a research and development claim for tax credits. An additional \$250,000 was incurred in 2003 for similar services.
- (4) 2003 fees incurred solely for consultations with respect to Sarbanes-Oxley Act Section 404 □Report on Internal Controls□. Fees incurred in 2002 were mainly for consultations on a legal matter, review and training related to the Company's SAP enterprise system and financial counselling for terminated employees.

The mandate of the Audit, Finance and Risk Committee, attached as Schedule D to this Management Proxy Circular, states that the Audit, Finance and Risk Committee determines which non-audit services the external auditors are prohibited from providing, approves audit services and pre-approves permitted non-audit services to be provided by the external auditors. On January 20, 2003, the Audit, Finance and Risk Committee and the Board of Directors adopted resolutions prohibiting the Company from engaging KPMG LLP to provide certain non-audit services to the Company and its subsidiaries, including bookkeeping or other services related to the accounting records or financial statements, financial information systems design and implementation, appraisal or valuation services, fairness opinions, or contribution in-kind reports, actuarial services, internal audit outsourcing services, management functions or human resources functions, broker or dealer, investment adviser, or investment banking services and legal services and expert services unrelated to the audit. Pursuant to such resolutions, the Company may engage KPMG LLP to provide non-audit services, including tax services, other than the prohibited services listed above, only if the services have specifically been pre-approved by the Audit, Finance and Risk Committee.

The Board of Directors is recommending that KPMG LLP be appointed to serve as the Company's auditors until the next annual meeting of Shareholders. **Unless contrary instructions are indicated on the proxy form or the voting instruction form, the persons designated in the accompanying form of proxy or voting instruction form intend to vote FOR the appointment of KPMG LLP as auditors of the Company to hold office until the next annual meeting of Shareholders.**

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SECTION 3 - STATEMENT OF CORPORATE GOVERNANCE PRACTICES

General

The Company is committed to adhering to the highest standards in all aspects of its activities and its corporate governance practices were designed in a manner consistent with this objective. The role, specific mandate and functioning rules of the Board of Directors and of each of its committees are set forth in the Company's Corporate Governance Manual (the "Manual") which was formally approved by the Board on January 21, 2003 and revised on March 2, 2004 and which is available on the Company's website at www.cn.ca/cngovernance. The Manual is revised regularly with a view to continually improving the practices of the Company by assessing their effectiveness and comparing them with evolving practices and the changing circumstances and needs of the Company. The Manual forms part of the documentation that is given to all persons elected or appointed to the Board of Directors.

On November 28, 2002, the Toronto Stock Exchange ("TSX") circulated proposed disclosure and continued listing requirements and amendments to its guidelines for effective corporate governance (collectively, the "Proposed TSX Standards").

Since that date, the TSX has announced its intention to relinquish, at least in part, its responsibility for setting corporate governance standards to the Canadian Securities Administrators (the "CSA"), which represent the 13 securities regulators of Canada's provinces and territories. On January 16, 2004, the CSA, with the exception of those representing the provinces of British Columbia and Quebec, published new proposals relating to effective corporate governance and disclosure of corporate governance practices (the "CSA Proposals"). On the same day, the CSA adopted Multilateral Instrument 52-110 (the "CSA Audit Committee Rules"), which is expected to be effective on March 30, 2004. The CSA Audit Committee Rules include requirements regarding audit committee composition and responsibilities, as well as reporting obligations with respect to audit-related matters. The Board of Directors believes that the Company's corporate governance practices, as set forth in the Manual, substantially conform to the CSA Proposals and the CSA Audit Committee Rules. Because the Company believes that its corporate governance practices should be compared to the highest standards, the Company compares, in Schedule B to this Circular, its corporate governance practices to those set forth in the Proposed TSX Standards and refers, where appropriate, to the CSA Proposals and to the CSA Audit Committee Rules.

The Board has also reviewed the Company's corporate governance practices in response to the U.S. Sarbanes-Oxley Act of 2002 ("Sox Act"), applicable rules of the U.S. Securities and Exchange Commission, as well as the NYSE Corporate Governance Standards (the "NYSE Standards"). The Board will continue to review its corporate governance practices on an ongoing basis in response to the evolving standards. The Company's corporate governance does not significantly differ from that followed by U.S. domestic companies under the NYSE Standards.

The Board adopted on October 21, 2003, a Code of Business Conduct which governs the behaviour of its directors, officers and employees. The Code provides that concerns of employees regarding any potential or real wrongdoing in terms of accounting or auditing matters may be submitted confidentially through CN's Auditing Hot Line. The Code is available on the Company's website at www.cn.ca/cngovernance.

On October 21, 2003 and March 2, 2004, the Board of Directors also adopted procedures allowing interested parties (i) to submit accounting and auditing complaints to the Company and ii) to

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communicate directly with the director presiding non-management director sessions, respectively. These procedures are described on the Company's website at www.cn.ca/cngovernance.

The Board of Directors is of the opinion that the Company's corporate governance practices are well designed to assist the Company in achieving its principal stated corporate objective, which is the enhancement of shareholder value.

Committees of the Board

Given the size of the Company, the nature and geographical scope of its activities and the great number of laws and regulations to which it is subject, the Board of Directors has subdivided its supervision mandate into five areas and has constituted committees that have certain responsibilities for such areas. These committees are the Audit, Finance and Risk Committee, the Corporate Governance and Nominating Committee, the Human Resources and Compensation Committee, the Environment, Safety and Security Committee and the Strategic Planning Committee and their charters are included in this Management Proxy Circular as Schedules D, E, F, G and H respectively. The Board also constituted the Investment Committee of CN's Pension Trust Funds which is a mixed committee composed of members of the Board of Directors and of officers of the Company. All committees report to the Board of Directors and, subject to certain limited exceptions, there are no delegations of the Board's decision authority to committees. The committees of the Board, except the Strategic Planning Committee, are composed solely of non-management directors.

The following is a brief summary of the mandate of each committee of the Board of Directors.

- The Audit, Finance and Risk Committee has the responsibility of overseeing the Company's financial reporting, monitoring risk management, disclosure controls and procedures, internal controls and internal and external auditors and reviewing financings. As part of these responsibilities, the Audit, Finance and Risk Committee reviews the annual and quarterly financial statements, financial information contained in publicly disseminated documents and the annual external auditors' report and recommends the retention and, if appropriate, the removal of external auditors. It also approves all audit services and pre-approves all permitted non-audit services provided by the external auditors.
- The Corporate Governance and Nominating Committee has the responsibility of monitoring the composition of the Board and its committees and overseeing corporate governance matters. As part of these responsibilities, the Corporate Governance and Nominating Committee develops, reviews and monitors criteria for selecting directors, including required or desired competencies and skills to improve

the Board of Directors and, in consultation with the Board Chair, identifies candidates qualified to become Board members. This Committee reviews the corporate governance principles applicable to the Company and monitors the disclosure of its practices.

- The Human Resources and Compensation Committee has the responsibility of monitoring executive management's performance assessment and succession planning, including ensuring that appropriate mechanisms are in place regarding the succession planning for the position of President and Chief Executive Officer and reviewing the evaluation of executive management's performance and recommending to the Board executive management's compensation. This Committee also has the mandate of reviewing human resources practices by ensuring, amongst other things, that appropriate human resources systems are in place so that the Company can attract, motivate and retain the quality of personnel required to meet its business objectives.
- The Environment, Safety and Security Committee has the responsibility of overseeing the development and implementation of environmental, safety and security policies, procedures and

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guidelines, assessing corporate environmental, safety and security practices, and reviewing the Company's business plan to ascertain whether environmental, safety and security issues are adequately taken into consideration.

- The Strategic Planning Committee focuses on financial and strategic issues, including the review of the key assumptions underlying the Company's business plan. It also reviews, with the President and Chief Executive Officer and other appropriate executive officers, the Company's business plan and capital budget prior to their formal approval by the Board.

The Investment Committee of CN's Pension Trust Funds, which is a mixed committee composed of directors and officers, has the responsibility, amongst other things, of reviewing the activities of the Company's Investment Division, advising the Company's Investment Division on investment of assets of CN's Pension Trust Funds and approving certain of the investments and/or loans made or interests acquired by CN's Pension Trust Funds.

Process

The Board Chair, in collaboration with the Corporate Secretary, has the responsibility of establishing a schedule for the meetings of the Board of Directors and its committees. During such process, the Corporate Secretary, in collaboration with the committee chairs and the appropriate executive officers, establishes committee working plans for the year. The Company believes that proceeding in this manner helps in the preparation of in-depth presentations conducive to meaningful information sessions and discussions while allowing management to plan ahead. If during the course of the year events or circumstances require Board or committee action or consideration, additional meetings are called. In 2003, three additional meetings were held. The total number of meetings held during the course of 2003 by the Board and each of its committees is set out in Schedule A to this Management Proxy Circular.

Communication regularly takes place between the Board Chair and the President and Chief Executive Officer and, through the Office of the Corporate Secretary, between executive officers having responsibilities for matters placed under the supervision of particular committees and the chairs of such committees. This open communication ensures that all meaningful information concerning the affairs and progress of the Company are transmitted to those members of the Board of Directors or committees having special supervisory responsibilities.

Board Performance Assessment

The Board of Directors has implemented and reviews, from time to time, a process to annually assess its effectiveness, the effectiveness of its committees, of the Board Chair, the committee chairs and individual directors. This process is under the supervision of the Corporate Governance and Nominating Committee and the Board Chair and comprises the following steps:

- The following questionnaires are prepared by the office of the Corporate Secretary and approved by the Corporate Governance and Nominating Committee and the Board Chair, taking into account current issues, previous years findings and input from the Board:
 - (i) a board and committee performance evaluation questionnaire, including an assessment of individual directors;
 - (ii) a Board Chair evaluation questionnaire; and
 - (iii) committee chair evaluation questionnaires.

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- Each questionnaire is then sent to every director and a complete set of the responses is forwarded to the Board Chair, except for the responses to the Board Chair evaluation questionnaires, which are forwarded directly to each of the chairs of the Audit, Finance and Risk Committee and the Human Resources and Compensation Committee.
 - Following receipt of the completed questionnaires, the Board Chair contacts every director to discuss the answers provided by such director and any comments to the questionnaires which the directors may have, as well as the assessment of their own performance. One of the Audit, Finance and Risk Committee or Human Resources and Compensation Committee chairs also discusses individually with each director the director's responses and comments on the Board Chair evaluation questionnaires.
 - Full reports are then made by the Board Chair and the Audit, Finance and Risk Committee and Human Resources and Compensation Committee chairs to the Corporate Governance and Nominating Committee and the Board, with suggestions to improve the effectiveness of the Board, Board committees, Board and committee chairs and individual directors.

In addition to the above-mentioned process, the Company may, from time to time, hire an independent advisor to independently assess or assist the Board in independently assessing the performance of the Board, Board committees, Board and committee chairs and individual directors.

Board Succession Planning

In consultation with the Board Chair, the Corporate Governance and Nominating Committee reviews annually the credentials of nominees for election or re-election as members of the Board of Directors. It considers their qualification under applicable law, the validity of the credentials underlying the appointment of each nominee, and, for nominees who are already directors of the Company, an evaluation of their effectiveness and performance as members of the Board of Directors, including their attendance at Board and committee meetings. In proposing the list of Board nominees, the Board of Directors is guided by the process described in the Manual, which is posted on the Company's website at www.cn.ca/cngovernance. As part of the process, the Board Chair, in consultation with the Corporate Governance and Nominating Committee develops a competency matrix based on knowledge areas, types of expertise and geographical representation and identifies any gaps to be addressed in the director nomination process.

Report of the Audit, Finance and Risk Committee

The Audit, Finance and Risk Committee monitors the quality and integrity of the accounting and financial reporting process, disclosure controls and procedures, and systems of internal control, through discussions with management, the external auditors and the internal auditors. The Audit, Finance and Risk Committee is responsible for reviewing annual and quarterly financial statements prior to their approval by the Board of Directors. The full mandate of the Audit, Finance and Risk Committee is contained in the charter of the Audit, Finance and Risk Committee that is set out as Schedule D to this Management Proxy Circular.

The Audit, Finance and Risk Committee has reviewed and discussed the audited consolidated financial statements of the Company for the year ended December 31, 2003 with management; discussed with the independent external auditors the matters requiring discussion under professional auditing guidelines and standards in Canada and the United States; and received the written disclosures from the independent external auditors recommended by the Canadian Institute of Chartered Accountants and the Independence Standards Board in the United States, and has discussed with the external auditors their independence. Based on these reviews and discussions, the Audit, Finance and Risk Committee recommended to the Board

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of Directors that the audited consolidated financial statements of the Company for the year ended December 31, 2003 be included in the annual report to Shareholders and that KPMG LLP be reappointed as independent external auditors by the Shareholders.

Submitted by the Audit, Finance and Risk Committee of the Board of Directors:

Robert Pace, Chair
Michael R. Armellino
A. Charles Baillie
Hugh J. Bolton
J.V. Raymond Cyr
James K. Gray
Edith E. Holiday
Gilbert Lamphere
Denis Losier

The above report of the Audit, Finance and Risk Committee shall not be deemed to be incorporated by reference by any general statement incorporating by reference this Management Proxy Circular in any filing under applicable Canadian and U.S. securities legislation, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under such applicable securities legislation.

SECTION 4 - DISCLOSURE ON COMPENSATION

Officers' Remuneration

Compensation of Named Executive Officers of the Company

The following table sets forth the annual compensation for the President and Chief Executive Officer and for each of the other four most highly compensated executive officers of the Company (together, the "Named Executive Officers") for the year ended December 31, 2003, and for each of the two preceding years. All amounts in this section are in U.S. currency, unless otherwise indicated. On January 27, 2004, the Board of Directors approved a three-for-two stock split of the Company's common shares outstanding in the form of a stock dividend. **Effective**

February 27, 2004, shareholders of record at the close of business on February 23, 2004 received one-half additional common share of CN for each common share held (i.e., one additional share for each two shares held). All figures related to shares, share units and options are shown on a post-split basis and have been restated as necessary to reflect the three-for-two stock split.

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Summary Compensation Table⁽¹⁾

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation			
		Salary (US\$)	Bonus ⁽⁵⁾ (US\$)	Other Annual Compensation ⁽⁶⁾ (US\$)	Awards		Payouts	
					Securities Under Options/SARs Granted (#)	Restricted Shares or Restricted Share Units (US\$)	Long-Term Incentive Plan Payouts (US\$)	All Other Compensation (US\$)
E. Hunter Harrison ⁽²⁾ President and Chief Executive Officer	2003	1,100,000	1,430,000	84,069 ⁽⁷⁾	540,000	Nil	Nil	263,250 ⁽¹²⁾
	2002	935,000	238,600	100,122 ⁽⁷⁾	337,500	Nil	605,364 ⁽¹⁰⁾	252,690 ⁽¹²⁾
	2001	850,000	595,000	188,107 ⁽⁷⁾	300,000	Nil	435,056 ⁽¹⁰⁾	1,730,411 ^(12,13)
James M. Foote Executive Vice-President, Sales and Marketing	2003	446,000	346,200	44,283 ⁽⁸⁾	162,000	Nil	Nil	6,000 ⁽¹²⁾
	2002	425,000	90,000	Nil	135,000	Nil	Nil	5,500 ⁽¹²⁾
	2001	388,706	174,100	Nil	90,000	Nil	148,793 ⁽¹¹⁾	5,100 ⁽¹²⁾
Claude Mongeau Executive Vice-President and Chief Financial Officer	2003	446,000	346,200	Nil	162,000	Nil	Nil	Nil
	2002	425,000	90,000	Nil	135,000	Nil	Nil	Nil
	2001	348,747	174,100	Nil	97,500	Nil	123,994 ⁽¹¹⁾	Nil
Keith L. Heller ⁽³⁾ Senior Vice-President, Eastern Canada Region	2003	318,230	214,627	Nil	121,500	Nil	Nil	Nil
	2002	252,770	84,564	Nil	70,500	Nil	Nil	Nil
	2001	242,185	104,000	Nil	75,000	Nil	344,573 ⁽¹¹⁾	Nil
Ed L. Harris Senior Vice-President, Operations	2003	299,000 ⁽⁴⁾	203,600	101,345 ⁽⁹⁾	64,500	Nil	Nil	11,131 ⁽¹²⁾
	2002	273,000 ⁽⁴⁾	52,500	82,642 ⁽⁹⁾	52,500	Nil	Nil	8,036 ⁽¹²⁾
	2001	250,000	118,100	51,287 ⁽⁹⁾	45,000	Nil	Nil	11,590 ⁽¹²⁾

(1) Payments made in Canadian currency were converted using average rates of exchange of 1.4015, 1.5704, and 1.5484 respectively, for the years 2003, 2002 and 2001.

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- (2) Mr. Harrison was appointed President and Chief Executive Officer effective January 1, 2003.
- (3) Mr. Heller retired from CN effective December 31, 2003.
- (4) Mr. Harris was appointed Senior Vice-President, Operations, on July 1, 2003. Amounts shown include salary deferrals whereby Mr. Harris elected to defer a portion of his salary (US\$59,239 in 2003 and US\$120,333 in 2002) into the Company's Senior Management Deferred Compensation Plan ("Senior Management Deferred Compensation Plan" or "SMDCP"). Amounts deferred under the SMDCP are payable upon termination or retirement. When payable upon retirement, amounts deferred earn interest at 120% of long-term market rates.
- (5) Amounts shown include bonus deferrals made under the Voluntary Incentive Deferral Plan whereby all or a portion of the bonus is received in the form of deferred share units payable in cash upon retirement or termination of employment (see "Voluntary Incentive Deferral Plan"). Mr. Foote elected to receive 100% of his 2002 bonus in the form of 3,271 deferred share units (based on a share price of US\$27.51) and 100% of his 2003 bonus in the form of 8,326 deferred share units (based on a share price of US\$41.58). Mr. Mongeau elected to receive 60% of his 2003 bonus in the form of 4,996 deferred share units (based on a share price of US\$41.58). Mr. Harris elected to receive 30% of his 2003 bonus in the form of 1,469 deferred share units (based on share price of US\$41.58) Mr. Harris also elected to defer 30% of his 2003 bonus and 100% of his 2002 bonus into the Company's SMDCP.
- (6) Aggregate perquisites and other personal benefits that do not exceed the lesser of CAD\$50,000 or 10% of the total of the annual salary and bonus for any of the Named Executive Officers, are not included in this column.
- (7) In 2003, includes US\$22,200 for club membership fees. In 2003 and 2002, includes gross-up payment for taxes for various benefits in the amount of US\$22,870 and US\$49,073, respectively. In 2003 and 2001, includes deemed interest on interest free loans described under "Employment Contracts/Arrangements" in the amount of US\$27,131 and an aggregate of US\$122,237, respectively.
- (8) Includes gross-up payment for taxes for various benefits in the amount of US\$14,107.
- (9) Include tax protection payments in the amount of US\$49,952 (in 2003), US\$35,460 (in 2002) and US\$13,976 (in 2001) so that net income after taxes is not less than it would have been in the U.S.
- (10) 60,000 performance-based restricted shares were granted to Mr. Harrison on March 30, 1998 pursuant to the terms of his employment agreement and, based on the closing price of the common shares on the New York Stock Exchange ("NYSE") on such date, had a value of US\$1,291,240. The vesting of the restricted shares was subject to the Company's attainment, during years 1999, 2000 and 2001, of performance objectives, and to Mr. Harrison's continued employment during such period. One-third of restricted shares vested on each of January 23, 2001 and January 22, 2002 and, based on the closing price of the common shares on the NYSE on each such date, had a value of US\$435,056 (US\$21.75 per share) and US\$605,364 (US\$30.27 per share), respectively. All of the 60,000 performance-based restricted shares are vested.
- (11) Bonus Shares were awarded in 1997 under the Executive Bonus Share Rights Plan, contingent on the achievement of return on investment targets for each of fiscal 1997, 1998, 1999 and 2000. The Bonus Shares fully vested on January 23, 2001 and were paid out in deferred share units payable in cash upon retirement or termination of employment. The value of the deferred share units shown in the table is based on the closing price of the common shares on January 23, 2001 (US\$21.75 per share). The actual payout of the deferred share units will be established based on the share price upon retirement or termination of employment and will include accrued dividends from January 23, 2001.
- (12) Includes Illinois Central Corporation contributions to a 401(k) plan (for Messrs. Harrison, Harris and Foote), amounts accrued under an executive account balance and under an excess benefit plan (for Messrs. Harrison and Harris) as well as Illinois Central Corporation contributions to a defined contribution plan (for Mr. Harrison only).
- (13) Also includes forgiveness of a US\$1,500,000 interest-free loan.

Stock Options Granted to Named Executive Officers During the Last Financial Year

The following table shows information regarding grants of stock options made to Named Executive Officers during the financial year ended December 31, 2003. See "Management Long-Term Incentive Plan" below for a description of such plan.

Name	Year Granted	# of Securities Granted	% of Total Options Granted to Employees in Financial Year	Exercise Price(3)	Market Value of Securities Underlying Options on Date of Grant(3)	Expiry Date
		Under Options(1) (2)		(US\$)	(US\$/Security)	
E. Hunter Harrison(4)	2003	540,000	17.6	29.14	29.14	January 24, 2013
James M. Foote	2003	162,000	5.3	29.14	29.14	January 24, 2013
Claude Mongeau	2003	162,000	5.3	29.14	29.14	January 24, 2013
Keith L. Heller	2003	121,500	4.0	29.14	29.14	January 24, 2013
Ed L. Harris	2003	64,500	2.1	29.14	29.14	January 24, 2013

- (1) The options granted in 2003 are performance-accelerated options that become fully vested on the sixth anniversary of the grant date, with the vesting of a third of the options per year being conditionally accelerated commencing on the first anniversary of the grant, subject to attainment of performance criteria. (See [Management Long-Term Incentive Plan])
- (2) All figures relate to securities granted under options on a post-split basis and have been restated to reflect the three-for-two stock split effective on February 27, 2004.
- (3) The exercise price and market value of CAD\$ 40.85 have been converted using the average rate of exchange of 1.4015 for the year 2003.
- (4) Mr. Harrison also received a grant of 15,000 share units under the Mid-Term Incentive Plan following his appointment as President and Chief Executive Officer in January 2003 (see [Mid-Term Incentive]).

Aggregate Option Exercises During the Last Financial Year and Financial Year-End Option Value

The following table shows information regarding exercises of stock options granted to Named Executive Officers under the Management Stock Option Plan and the Management Long-Term Incentive Plan (and for Mr. Harrison a grant in 1998 under his employment agreement) during the financial year ended December 31, 2003. See "Management Long-Term Incentive Plan" below for a description of such plans.

Name	Securities Acquired on Exercise(1) (#)	Aggregate Value Realized (US\$)	Unexercised Options at FY-End(1) (#)		Value of Unexercised In-The-Money Options at FY-End (US\$)(2)	
			Exercisable	Unexercisable	Exercisable	Unexercisable

E. Hunter Harrison	Nil	Nil	1,006,875	980,625	16,490,519	9,083,973
James M. Foote	19,500	471,160	241,500	327,000	3,956,711	2,956,118
Claude Mongeau	45,000	675,375	191,250	330,750	3,012,558	3,013,200
Keith L. Heller	133,500	1,911,181	55,125	226,875	614,832	2,237,540
Ed L. Harris	Nil	Nil	96,375	131,625	1,471,564	1,194,861

- (1) All figures relating to securities acquired on exercise or to unexercised options are stated on a post-split basis and have been restated to reflect the three-for two stock split effective on February 27, 2004.
- (2) Value of unexercised in-the-money options at financial year-end is the difference between the average closing price of the common shares on December 31, 2003 on the New York and Toronto stock exchanges (CAD\$54.68) and the exercise price, converted using the average rate of 1.4015 for 2003. This value has not been, and may never be, realized. The actual gains, if any, on exercise will depend on the value of the common shares on the date of exercise.

Management Stock Option Plan

At the time of the initial public offering in 1995, eligible managers of the Company were granted options under the Management Stock Option Plan (the "IPO Plan") to acquire common shares at CAD\$9.00 per

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share. Options are non-transferable except, in certain circumstances, upon the death of the holder of such options. The remaining options under the IPO Plan have a maximum term of 10 years from the date of the grant. Options may be cancelled upon the termination of a participant's employment for cause or, if the participant voluntarily terminates employment. In the event of the death of a participant, all options held by such participant may be cancelled 180 days after the participant's death. In the event that the participant's employment is terminated by the Company other than for cause, all options held by such participant may be cancelled 30 days after termination of the participant's employment. A participant may exercise options for up to three years after retirement. All options under the IPO Plan have vested, effective January 26, 2000. No further options may be granted under the IPO Plan. There were 30,417 options exercisable under the IPO Plan as of December 31, 2003 (after giving effect to the three-for-two stock split effective on February 27, 2004).

Management Long-Term Incentive Plan

The Company has adopted a Management Long-Term Incentive Plan (the "Plan") approved by the Shareholders on May 7, 1996 and amended on April 28, 1998 and on January 23, 2001. The maximum number of common shares that may be issued under the Plan is 22,500,000 (after giving effect to the three-for-two stock split effective on February 27, 2004). The maximum number of common shares that may be issued and/or be the subject of a grant to any one participant in a particular year is 20% of the awards in that year.

Stock options have a maximum exercise period of 10 years. The exercise price must be at least equal to the common shares' fair market value on the date of grant. Vesting criteria, including the date or dates upon which

all or a portion of the options become exercisable, and Company performance targets which may have to be met for options to become exercisable, are established with respect to each grant.

Stock options may be cancelled upon the termination of a participant's employment for cause or if the participant voluntarily terminates employment. In the event that a participant's employment is terminated by the Company other than for cause, all stock options held by such participant may be cancelled 30 days or three months after termination of the participant's employment (depending on the date of grant) and three years after retirement. In the event of certain material transactions (as defined in the Plan), any unvested non-performance-related options will vest immediately.

During the financial year ended December 31, 2003, pursuant to the provisions of the Plan, the Company granted a total of approximately 1,753,500 options to purchase common shares at the market price on the date of grant to 24 executive officers. As at December 31, 2003, options for a total of 14,321,919 common shares had been granted and were outstanding under the Plan. These figures relate to options and common shares on a post-split basis and have been restated to reflect the three-for-two stock split effective on February 27, 2004.

Employment Contracts/Arrangements

Effective January 1, 2003, Mr. Harrison was appointed President and Chief Executive Officer of the Company. An employment agreement (the "Agreement") provides the terms of employment for Mr. Harrison effective from January 21, 2003 to December 31, 2005. If Mr. Harrison's employment is terminated at any time during the term of the Agreement by the Company without "Cause" or by Mr. Harrison for "Good Reason" (as those terms are defined in the Agreement), in addition to receiving his accrued base salary and a pro rata portion of his annual target bonus, Mr. Harrison will receive an amount equal to three times the sum of his annual base salary and annual target bonus. Mr. Harrison will also be entitled to continuation of his employee benefits for three years and he will be entitled to exercise certain of

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his vested stock options for the full term of such options. The Agreement also includes special provisions relating to tax equalization payments in respect of Mr. Harrison's salary to compensate for higher tax liabilities in Canada, if any, compared to those applicable in the United States. The Agreement also deals with the terms of repayment of a US\$653,250 interest-free loan granted to Mr. Harrison by the Company in 2001. Under the Agreement, such loan will be forgiven in whole on June 30, 2004 if Mr. Harrison is still employed by the Company at that time. In addition to the retirement benefits disclosed under "Pension Plans" below, Mr. Harrison is entitled to post-retirement medical benefits and a life insurance benefit equal to US\$1 million.

Pension Plans

Executive officers participate in the Company's principal pension plan, which is a defined benefit plan providing pensions based on pensionable years of service and highest average earnings. The pension amounts are payable in Canadian currency and were converted using the average rate of exchange of 1.4015 for 2003.

The following table reflects an estimate of total annual benefits under the Company's principal pension plan payable upon retirement (age 65) to persons in specified earnings and service classifications:

Highest Average Earnings (\$US)	Principal Pension Plan Pensionable Service (years)				
	<u>10</u>	<u>20</u>	<u>25</u>	<u>30</u>	<u>35</u>
\$ 200,000	12,237	24,474	30,593	36,711	42,829

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\$	300,000	12,237	24,474	30,593	36,711	42,829
\$	400,000	12,237	24,474	30,593	36,711	42,829
\$	500,000	12,237	24,474	30,593	36,711	42,829
\$	600,000	12,237	24,474	30,593	36,711	42,829

The following table reflects an estimate of total annual benefits under any special agreement generating additional retirement income payable upon retirement (age 65) to senior executives in specified earnings and service classifications:

Highest Average Earnings (\$US)	Special Retirement Stipend Pensionable Service (years) (\$US)				
	<u>10</u>	<u>20</u>	<u>25</u>	<u>30</u>	<u>35</u>
\$ 200,000	26,940	53,880	67,350	80,820	94,289
\$ 450,000	76,940	153,880	192,350	230,820	269,289
\$ 700,000	126,940	253,880	317,350	380,820	444,289
\$ 950,000	176,940	353,880	442,350	530,820	619,289
\$ 1,200,000	226,940	453,880	567,350	680,820	794,289

Highest average earnings are the average annual pensionable earnings during the last 60 months of compensated service or the best five consecutive calendar years, whichever is larger. Pensionable earnings consist of salary and overtime. However, benefits payable under the Company's principal pension plan are subject to a maximum annual pension benefit of \$CAD1,715 (\$US1,224) per year of pensionable service. Senior executives who have at least two years of service and who execute an agreement, including a non-competition clause, are eligible for additional retirement income, charged to operating funds. This plan is called the Special Retirement Stipend ("SRS"). If the senior executive became eligible for this plan on or after July 1, 2002, his or her benefits will not vest unless such senior executive remains in active service until the age of 55. Accrued additional retirement income benefits are guaranteed through a letter of credit.

The annual amount of an individual's additional retirement income is a set percentage of that individual's portion of actual average earnings that is greater than the maximum average earnings recognized by the Company's principal pension plan, multiplied by the number of years of service (maximum 35 years) of that individual.

Messrs. Heller and Mongeau had respectively 35 years and nine years and eight months of credited service under the SRS as at December 31, 2003.

In June 1999, the Board of Directors approved that the Special Retirement Stipend program be extended to senior management employees, not already covered under such plan, with the following caveat

Service recognized to calculate the pension will be equal to:

- (a) the service with the Company as senior manager in 1999; plus
- (b) twice the service with the Company as senior manager after 1999.

The sum of (a) and (b) shall not exceed the lower of (i) the total Company service or (ii) 35 years. The benefits of any member who became eligible to the plan on or after July 1, 2002 will not vest unless such member remains in active service until the age of 55.

The recognized maximum average earnings under the Company's pension plan was approximately \$US65,301 for 2003. In January 1996, the definition of "salary" under the Special Retirement Stipend program was extended to include the bonuses paid by the Company under the Annual Incentive Bonus Plan after 1995, up to the target bonuses relating to the year for which such bonuses were earned. If the aggregate of any given individual's age and years of service is at least 85, and such individual is age 55 or over, both the pension benefits and additional retirement income become payable to such senior executive who retires prior to age 65.

Mr. Harrison does not participate in the Company's principal pension plan and Special Retirement Stipend. The Company had originally guaranteed Mr. Harrison that upon his termination of employment with the Company, his total supplemental retirement benefits would not be less than the benefits that would have been provided under the Illinois Central Railroad Company ("ICR") Supplemental Executive Retirement Plan in effect prior to March 30, 1998, had he continued his service with ICR and continued participation in such plan. Mr. Harrison's total supplemental retirement benefits are as follows:

Executive Account Balance Plan. ICR's Executive Account Balance Plan provides for a sum equivalent to 10% of Mr. Harrison's combined salary and performance awards in excess of a wage offset factor to be accrued annually (but not funded), and is payable upon retirement or termination of employment. The wage offset factor is adjusted annually by the percentage increase in the U.S. social security wage base. For 2003, the wage offset factor was \$US145,000. Accrued amounts earn interest in accordance with the plan. This plan was frozen as of December 31, 2000 and replaced by a new plan with the same provisions for Mr. Harrison as of January 1, 2001.

Defined Contribution Plan. Mr. Harrison is eligible to participate in a defined contribution plan to which the ICR contributes 2% of his earnings (as defined in the plan). All contributions are fully vested upon contribution and are invested in various investment funds as selected by Mr. Harrison. Contributions are designated as Employer Contributions in the Savings Plan (as hereinafter defined). This plan was frozen as

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of December 31, 2000 and replaced by a new plan with the same provisions for Mr. Harrison as of January 1, 2001.

Supplemental Retirement and Savings Plan. Mr. Harrison is eligible to participate in the Supplemental Retirement and Savings Plan (the "Savings Plan"), which is a qualified salary reduction 401(k) plan. Mr. Harrison may make "pre-tax" contributions to the Savings Plan of up to 20% of his salary subject to limitations imposed by the U.S. Internal Revenue Code. Those contributions are partially matched by the ICR. The matching contribution is limited to 50% of the first 6% of Mr. Harrison's pre-tax salary (i.e., the matching contribution is limited to 3% of his salary). All contributions are fully vested upon contribution and are invested in various investment funds as selected by Mr. Harrison.

Excess Benefit Plan. Under ICR's Excess Benefit Plan, amounts are accrued for Mr. Harrison on an unfunded basis to offset the limitations imposed by the U.S. Internal Revenue Code with respect to certain benefit plans as a result of the level of Mr. Harrison's compensation. Currently, the Excess Benefit Plan provides for the accrual of a sum equivalent to the employer matching contribution under the Savings Plan which is restricted by the limits of Section 402(g) of the U.S. Internal Revenue Code. The amounts accrued will be distributed at the same time and on the same terms as the amounts paid under the Savings Plan. This plan was frozen as of December 31, 2000 and replaced by a new plan with the same provisions for Mr. Harrison as of January 1, 2001.

Defined Benefit Plan. A tax-qualified defined benefit retirement plan was introduced for ICR's non-unionized employees on January 1, 2001. For non-unionized employees of ICR who were not members of the 1989 Pension Plan for Employees of CN U.S. subsidiaries, the following table reflects an estimate of total annual benefits payable under such plan to persons, such as Mr. Harrison, in specified earnings and service classifications:

Qualified Pension Plan Table**Estimated Annual Benefit for Years of Credited Service after December 31, 2000**

Highest Average Earnings	Estimated Annual Benefit for Years of Credited Service after December 31, 2000							
	(\$US)	5	10	15	20	25	30	35
\$ 200,000	6,107	12,214	18,322	24,429	30,536	36,643	42,750	42,750
\$ 500,000	6,107	12,214	18,322	24,429	30,536	36,643	42,750	42,750
\$ 800,000	6,107	12,214	18,322	24,429	30,536	36,643	42,750	42,750
\$ 1,100,000	6,107	12,214	18,322	24,429	30,536	36,643	42,750	42,750
\$ 1,400,000	6,107	12,214	18,322	24,429	30,536	36,643	42,750	42,750

Highest average earnings are the average annual pensionable earnings during the best 60 full consecutive months in the last 120 full consecutive months of employment. Pensionable earnings consist of salary and overtime. However, pensionable earnings are capped by the Internal Revenue Code at \$US200,000.

Supplemental Executive Retirement Plan. ICR established the Illinois Central Corporation Supplemental Executive Retirement Plan effective as of January 1, 1994 (the "SERP"). Mr. Harrison is covered by the SERP. Mr. Harrison's SERP annual benefits shall be \$US800,000 annually and increase to \$US900,000 annually if he remains employed with the Company until December 31, 2005. The annual amount Mr. Harrison is eligible to receive under the SERP will be increased in an increment of \$US100,000 for each additional year he remains employed by the Company after December 31, 2005.

Mr. Foote joined the Company on August 23, 1995. Mr. Foote is covered by a special pension arrangement which credits him with two years of service for each year of service for his first 10 years of service with the Company.

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During Mr. Foote's service from August 23, 1995 to December 31, 2000, he participated in the Company's principal pension plan until March 31, 2000, when he transferred to the U.S. Mr. Foote's pension benefits under his special pension arrangement, which are totally vested to him, are equal to the pension benefits he would have been entitled to if he had been participating in the Company's principal pension plan and Special Retirement Stipend program for twice the number of years of service since August 23, 1995, being twice five years and 4.35 months, less the pension payable under the Company's principal pension plan. The pension benefits under the special pension arrangement are payable from the Company's operating funds.

For Mr. Foote's service since December 31, 2000, he has been participating in the Defined Benefit Plan mentioned above. He has also been participating in the new Supplemental Retirement Plan ("SRP") of ICR under which he continues to be credited, as mentioned above, with two years of service for each year of service with ICR until August 22, 2005, inclusively. The following table reflects an estimate of total annual benefits payable under such plan before the offset described below to persons, such as Mr. Foote, who joined the SRP after December 31, 2000, in specified earnings and service classification:

Final Average Compensation	Supplemental Retirement Plan (SRP) Table							
	(\$US)	Estimated Annual Benefit for Years of Credited Service after December 31, 2000						
(\$US)	5	10	15	20	25	30	35	
\$ 200,000	20,000	40,000	60,000	80,000	100,000	120,000	140,000	

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\$ 450,000	45,000	90,000	135,000	180,000	225,000	270,000	315,000
\$ 700,000	70,000	140,000	210,000	280,000	350,000	420,000	490,000
\$ 950,000	95,000	190,000	285,000	380,000	475,000	570,000	665,000
\$ 1,200,000	120,000	240,000	360,000	480,000	600,000	720,000	840,000

Mr. Foote's SRP pension obtained from the above table is offset by (i) the qualified Defined Benefit Plan pension for his service after December 31, 2000; (ii) the U.S. Railroad Retirement Board Tier 2 pension for his service after December 31, 2000; (iii) the amount of single life annuity that can be purchased with the 3% employer contributions available under the Supplemental Retirement and Savings Plan.

Mr. Foote had six years of credited service under the SRP as of December 31, 2003.

Mr. Harris has been participating in the Executive Account Balance Plan, Excess Benefit Plan and Defined Contributions Plan mentioned above. These plans were frozen as of December 31, 2000. Mr. Harris is eligible to participate in the Supplemental Retirement and Savings Plan and the Defined Benefit Plan mentioned above.

Mr. Harris does not participate in the Company's principal pension plan and Special Retirement Stipend. Mr. Harris's overall retirement benefit will always be the greater of what he would receive under the new Supplemental Retirement Plan ("SRP") of ICR mentioned above on all his service up to 35 years minus the offset described below and the old Illinois Central Railroad Company ("ICR") Supplemental Executive Retirement Plan ("SERP") for which Mr. Harris continued to accrue retirement benefits until December 31, 2003 at the rate of 3.5% of his final average earnings per year of service between January 1, 1994 and December 31, 2003 plus retirement benefits at the rate of 2% per year of service after 2003 minus the offset described below. The following table reflects an estimate of total annual benefits payable under such plan before the offset described below to persons, such as Mr. Harris, who joined the old SERP on or after January 1st, 1994, in specified earnings and service classification:

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Supplemental Executive Retirement Plan (SERP) Table

Final Average Compensation (\$US)	Estimated Annual Benefit for Years of Credited Service after December 31st, 1993 (\$US)						
	<u>5</u>	<u>10</u>	<u>15</u>	<u>20</u>	<u>25</u>	<u>30</u>	<u>35</u>
\$ 200,000	35,000	70,000	90,000	110,000	130,000	150,000	170,000
\$ 300,000	52,500	105,000	135,000	165,000	195,000	225,000	255,000
\$ 400,000	70,000	140,000	180,000	220,000	260,000	300,000	340,000
\$ 500,000	87,500	175,000	225,000	275,000	325,000	375,000	425,000
\$ 600,000	105,000	210,000	270,000	330,000	390,000	450,000	510,000

Mr. Harris's SERP pension obtained from the above table is offset by (i) the qualified Defined Benefit Plan (prorated for service only after January 1, 2004); (ii) the U.S. Railroad Retirement Board Tier 2 pension (prorated for service only after January 1, 2004); (iii) the amount of single life annuity that can be purchased with the 3% employer contributions after January 1, 2001 available under the Supplemental Retirement and Savings Plan, along with future interest credits tied to treasuries; (iv) CN matching contributions to the 401(k) Plan and the 2% supplemental match as of December 31, 2000, along with future interest credits tied to treasuries; (v) the Excess Benefit Plan account balance as of December 31, 2000, with future interest credits tied to treasuries; (vi) the Executive Account Balance Plan as of December 31, 2000, with future interest credits tied to the prime rate as set out in *The Wall Street Journal*; (vii) the actuarial equivalent (in the form of a single life annuity) of the annual annuity of \$47,734 whose value was withdrawn from the SERP prior to retirement by virtue of the change in control provision of such SERP.

Mr. Harris had 35 years of credited service under the new SRP including 10 years of credited service under the old SERP as at December 31, 2003. This means that his SRP annual benefit will be at least equal to 70% of his final average compensation minus the above-mentioned offsets.

Report on Executive Compensation by the Human Resources and Compensation Committee

The Human Resources and Compensation Committee met five times in 2003. This Committee's charter is set out in Schedule F of this Management Proxy Circular.

Composition of the Human Resources and Compensation Committee

The Human Resources and Compensation Committee is comprised of eight [unrelated], [independent] directors, namely Purdy Crawford, Chair of the Committee, A. Charles Baillie, J.V. Raymond Cyr, Gordon D. Giffin, Gilbert H. Lamphere, Denis Losier, Edward C. Lumley and David G.A. McLean. The President and Chief Executive Officer and the Senior Vice-President, People also attend meetings of this committee. The President and Chief Executive Officer and the Senior Vice-President, People do not participate in discussions concerning their own compensation and are required to leave the meetings when appropriate.

The Compensation Policy of the Company

The pivotal and continuing theme of the Company's compensation policy has been to tie remuneration to the financial performance of the Company and the enhancement of shareholder value. This underlies the need to attract, retain and motivate outstanding executive talent in an increasingly visible and competitive environment.

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The Company is committed to a compensation policy that drives business performance, is competitive and encourages broad share ownership. The compensation strategy is heavily weighted towards pay-for-performance components.

In determining compensation for senior executives, the Company considers the compensation practices of U.S.-based companies that are comparable in size and with whom the Company competes for executive talent, including Class 1 Railroads for the most senior executives. This competitive information is provided by external consultants retained by the Company. Subject to an overriding discretion of the Human Resources and Compensation Committee and the Board of Directors, the Company seeks to position total compensation, when planned results are achieved, for its executives, including base salary, annual, mid-term and long-term incentives, at the first quartile (75th percentile) of that paid by competitors, for positions with equivalent responsibilities and scope.

Compensation is comprised of four main components: base salary, annual incentive, mid-term incentive and long-term incentive. The Human Resources and Compensation Committee annually reviews each component and desired market positioning and makes recommendations based on individual performance, taking into account leadership abilities, retention risk and succession plans.

Base Salary

Base salaries are established according to the criteria set forth above and are benchmarked against median (50th percentile) comparator group practice. Payment of base salary is made in U.S. currency where deemed appropriate.

Annual Incentive

Through the Company's Annual Incentive Bonus Plan ("AIBP"), a substantial portion of an executive's annual compensation is linked to the achievement of key financial, business and personal objectives set by the Board of Directors at the beginning of the year.

Payouts for planned results to be achieved ("Target Payouts") under the AIBP are set as a percentage of salary (ranging between 60% and 70% for executives), which falls between median and 75th percentile of the comparator group's short-term incentive practice. The minimum payout under the AIBP is zero. The maximum payout under the AIBP is equal to twice the Target Payout.

For the year 2003, the AIBP had the following components:

1. Financial performance: 70% of the bonus was linked to the achievement of goals that contribute to the organization's long-term financial growth and profitability. Financial performance is measured against targets set by the Board of Directors for the year. In 2003, the Board assessed the Company's performance against revenues, operating income, earnings per share, free cash flow and return on invested capital with no specific weight being attached to each measure. For the year 2003, the Board assessed the Company's financial performance as having met objectives.
2. Individual performance: 30% of the bonus was based on the achievement of personal business-oriented goals linked to financial, operating, safety, customer service, as well as leadership.

In 2003, the average payout for the 24 executives officers was 111% of Target Payout.

Voluntary Incentive Deferral Plan

To further strengthen the alignment of compensation with long-term value creation goals, the Company introduced in 2002 the Voluntary Incentive Deferral Plan. This plan allows executives and senior management employees to defer up to 100% of amounts paid under an eligible incentive plan into deferred share units payable in cash upon retirement or termination of employment. The bonus amount deferred is converted using an average of the closing share price at the moment of the deferral.

The Company also credits a company match equal to 25% of the number of deferred share units. These company matched deferred share units vest over a period of four years (25% per year).

The payout of the deferred share units is established based on an average share price upon retirement or termination date and includes the vested company matched deferred share units as well as accrued notional dividends over the deferral period.

A limited number of U.S. Senior Management employees also participate in the Senior Management Deferred Compensation Plan which permits the deferral of up to 50% of salary and up to 100% of bonus. Amounts deferred are payable upon termination or retirement. When payable upon termination, they are credited with notional interest rate (based on long-term interest rates on U.S. Treasury Notes). Upon eligible retirement, the credited rate is upgraded by 20%. This plan is closed to new participants.

Mid-Term Incentive

To further strengthen the link between compensation and superior performance, the Board of Directors approved in 2001 the Mid-Term Incentive Share Unit Plan. The one-time performance-based share unit awards vest conditionally based on the highest 20-trading day moving average share price in the first half of 2004. Should the average share price be CAD\$50 or less, the units will be cancelled and no payout will be made under the Plan. The units fully vest only upon the attainment of a CAD\$66.67 average share price, which is the maximum target

(linear vesting applies where the average share price is between CAD\$50 and CAD\$66.67).

The mid-term grant value represented an average of 47% of base salary in 2001 for executive officers using the Black-Scholes valuation methodology at the moment of grant, using a share price of CAD\$40.

Long-Term Incentive

The Company relies heavily on long-term incentive vehicles (such as stock options and Restricted Share Units) to align management interest with shareholder value growth as well as to provide retention of key talent. Grant ranges are established independently each year to provide approximately 75th percentile of long-term incentive value provided by the comparator group, with significant recognition of individual contribution and potential in the individual awards. In 2003, the stock option grant value represented 240% of base salary on average for executive officers using the Black-Scholes valuation methodology.

The options have a ten-year term and an exercise price equal to fair market value at the time of the grant. The Company has in the past granted options linked to the achievement of financial targets and conventional options. However, in 2003, the Company granted performance-accelerated options which become fully vested on the sixth anniversary of the grant date, with the vesting of a third of the options per year being conditionally accelerated commencing on the first anniversary of the grant, subject to attainment of performance criteria.

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Stock Ownership

Stock ownership by executives has been further encouraged through the introduction of share ownership guidelines that require a minimum level of ownership of common shares of CN set as a percentage of salary to be achieved over a five-year period. In 2002, the application of the guidelines was broadened to include a total of approximately 175 executives and senior management employees with requirements to own common shares of CN in value at least equal to four times his salary for the President and Chief Executive Officer, three times their salary for executive and senior vice-presidents, two times their salary for the vice-presidents and one time their salary for other senior management employees of the Company.

Chief Executive Officer Compensation

The Summary Compensation Table under the caption "Disclosure on Compensation □ Officers' Remuneration □ Compensation of Named Executive Officers of the Company" summarizes the compensation data for the President and Chief Executive Officer and other Named Executive Officers.

The President and Chief Executive Officer's annual compensation is set by the Board of Directors and comprises the components described above based on the same criteria, measures and assigned weights. The President and Chief Executive Officer's target payout under the AIBP is 100% of his base salary.

The individual performance of the President and Chief Executive Officer is measured against the goals, objectives and standards set annually between the President and Chief Executive Officer and the Human Resources and Compensation Committee. The goals include both financial and non-financial dimensions, covering performance in the following areas: financial performance; safety; marketing; operations; human resources management; technology and information infrastructure management; strategic planning; and corporate governance.

Based on a review of the foregoing, the Human Resources and Compensation Committee rates the performance of the President and Chief Executive Officer as part of his performance review and recommends to the Board of Directors his compensation based on his and the Company's performance.

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Submitted on March 2, 2004, by the Human Resources and Compensation Committee of the Board of Directors:

Purdy Crawford (Chair)
A. Charles Baillie
J.V. Raymond Cyr
Gordon D. Giffin
Gilbert H. Lamphere
Denis Losier
Edward C. Lumley
David G.A. McLean

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Performance Graph

The following Performance Graph illustrates the yearly cumulative total shareholder return on CN's common shares (assuming reinvestment of dividends) compared with the cumulative total return of the S&P/TSX Composite and S&P 500 Indices from the period beginning December 31, 1998 to the period ending December 31, 2003. Amounts indicated are in Canadian dollars.

	<u>Dec-98</u>	<u>Dec-99</u>	<u>Dec-00</u>	<u>Dec-01</u>	<u>Dec-02</u>	<u>Dec-03</u>
CN	\$100,00	\$96,02	\$111,48	\$191,73	\$163,65	\$205,39
S&P/TSX Composite	\$100,00	\$131,71	\$141,47	\$123,69	\$108,30	\$137,25
S&P 500	\$100,00	\$119,30	\$107,31	\$93,44	\$71,92	\$90,72

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Directors' Compensation

The directors of the Company play an invaluable role in enhancing shareholder value. As indicated under "Business of the Meeting □ Election of Directors" above, the directors have a substantial investment in the Company. In addition, in excess of 54% of the annual remuneration for 2003 of the non-executive directors is in the form of common shares of the Company (or Restricted Share Units). No options were granted to the directors of the Company in 2003.

To reflect the Company's extensive operations in the United States, five of the fifteen directors are from the United States and the compensation of the non-executive directors of the Company tends to be aligned with the practices of large U.S.-based companies.

In consideration for serving on the Board of Directors in 2003, each director, except Messrs. McLean and Harrison, was paid a fee of US\$82,900 (including a retainer fee of US\$10,000 and either 2,700 common shares of the Company (after giving effect to the three-for-two stock split effective on February 27, 2004) purchased by it on the open market or 2,700 Restricted Share Units (on a post-split basis) in accordance with the provisions of the Directors' Share Purchase Plan). In addition, each such director received an amount of US\$1,000 per day for each meeting of the Board of Directors attended and an additional US\$1,000 when he or she traveled in order to attend a meeting of the Board of Directors or a committee thereof. Such directors also received a fee of US\$3,500 for being a member of a committee of the Board of Directors and an additional US\$1,000 for each meeting of a committee attended. The chair of each committee of the Board of Directors (except the Board Chair) also received as such an additional fee of US\$3,500.

Mr. McLean, in his capacity of Board Chair in 2003, was paid a fee of US\$284,400 comprised of a retainer fee of US\$90,000 and 7,200 common shares of the Company (on a post-split basis) purchased by the Company on the open market. Mr. Harrison did not receive any compensation from the Company to serve as a director as Mr. Harrison is an officer of the Company.

SECTION 5 - OTHER INFORMATION

Indebtedness of Directors and Officers

As of December 31, 2003, the aggregate indebtedness of all officers and employees of the Company and its subsidiaries, not entered into in connection with the purchase of common shares of the Company, was approximately US\$1.4 million.

Table of Indebtedness of Directors and Officers

<u>Name and Principal Position</u>	<u>Involvement of Company or subsidiary</u>	<u>Largest Amount Outstanding during 2003</u>	<u>Amount Outstanding as at February 29, 2004</u>
E. Hunter Harrison President and Chief Executive Officer	Loan granted by the Company	US\$653,250 ⁽¹⁾	US\$653,250

(1) See "Disclosure on Compensation □ Officers' Remuneration □ Employment Contracts/Arrangements" above.

As of December 31, 2003, there was no outstanding indebtedness of officers and employees of the Company and its subsidiaries, entered into in connection with the purchase of common shares of the Company.

On January 21, 2003, the Board adopted a resolution prohibiting new loans to directors and executive officers or the renewal of or material modifications to any of the loans in place with directors and officers.

Shares Owned or Controlled by Senior Management

As of February 29, 2004, the directors and executive officers of the Company, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, or held options to exercise an aggregate of approximately 6.9 million common shares (after giving effect to the three-for-two stock split effective on February 27, 2004), representing approximately 2.4% of the outstanding common shares.

Interest of Management and Others in Material Transactions

The management of the Company is not aware of any material interest of any director or officer of the Company or any of their associates or affiliates in any transaction since the date of the last completed financial year of the Company, or in any proposed transaction, that has materially affected or will materially affect the Company or any of its affiliates and that has not been previously disclosed.

Directors' and Officers' Insurance

The Company has purchased at its expense group liability insurance in the amount of \$CAD200,000,000, with a deductible to the Company of \$CAD1,000,000 for the protection of directors and officers of the Company and its subsidiaries against liability incurred by them in such capacity. The premium for 2003 was \$CAD521,000.

Shareholder Proposals

Shareholder proposals to be considered at the 2005 annual meeting of Shareholders must be received at the head office of the Company no later than December 3, 2004, to be included in the management proxy circular for such annual meeting.

Availability of Documents

Copies of the Company's latest annual information form and audited financial statements filed with the Canadian and U.S. securities regulators may be obtained, without charge, on request from the Corporate Secretary of the Company.

Approval

The Board of Directors of the Company has approved the contents of this Management Proxy Circular and its sending to the Shareholders.

Sean Finn
Senior Vice-President Public Affairs,
Chief Legal Officer and Corporate Secretary
March 2, 2004

SCHEDULE A

**RECORD OF ATTENDANCE AND TOTAL CASH COMPENSATION
RECEIVED BY DIRECTORS
For the 12-month period ended December 31, 2003**

<u>Director</u>	<u>Number of meetings attended</u>		<u>Total cash compensation</u> ⁽²⁾
	<u>Board</u>	<u>Committees</u>	<u>(in US\$)</u>
Michael R. Armellino	13/13	23/23	\$ 75,000
A. Charles Baillie, LL.D.	7/8 ⁽¹⁾	9/12	\$ 38,125
Hugh J. Bolton, F.C.A	7/8 ⁽¹⁾	9/12	\$ 35,791
Purdy Crawford, O.C., Q.C., LL.D.	13/13	17/18	\$ 67,500
J.V. Raymond Cyr, O.C., LL.D.	12/13	21/22	\$ 63,000
Ambassador Gordon D. Giffin	11/13	15/15	\$ 56,500
James K. Gray, O.C., A.O.E., LL.D.	13/13	18/19	\$ 62,000
E. Hunter Harrison	13/13	5/5	Nil
Edith E. Holiday	13/13	13/13	\$ 52,500
V. Maureen Kempston Darkes, O.C., D. Comm., LL.D.	11/13	12/14	\$ 51,500
Gilbert H. Lamphere	11/13	15/18	\$ 55,000
Denis Losier	13/13	22/22	\$ 67,333
The Hon. Edward C. Lumley, P.C., LL.D.	11/13	16/16	\$ 63,500
David G.A. McLean, O.B.C., LL.D.	13/13	24/24	\$137,000
Robert Pace	13/13	19/19	\$ 67,500

- (1) Messrs. Baillie and Bolton were elected to the Board of Directors on April 15, 2003 and therefore were not directors of the Company for the first five meetings of the Board and the meetings of the committees they are respectively members of held before such date.
- (2) In addition to cash compensation, non-executive directors received common shares or Restricted Share Units of the Company. See the "Directors' Compensation" section of the Management Proxy Circular.

<u>Board and Board Committee Meetings</u>	<u>Number of meetings held</u>
Board	13
Audit, Finance and Risk Committee	6
Corporate Governance and Nominating Committee	6
Human Resources and Compensation Committee	5
Environment, Safety and Security Committee	4
Investment Committee of CN's Pension Trust Funds	4
Strategic Planning Committee	3

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SCHEDULE B

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

In this Schedule, the Company's corporate governance practices are compared to the Proposed TSX Guidelines. References are made, in footnotes, to the CSA Proposals, the CSA Audit Committee Rules and the NYSE Standards, where appropriate.

TSX Guidelines	Corporate Governance Practices at the Company
<p>1. The Board of directors should explicitly assume responsibility for the stewardship of the Company and adopt a formal mandate setting out the Board's stewardship responsibilities and, as part of its overall stewardship responsibility, the Board should assume responsibility for the following matters :</p>	<p><i>The Company complies.</i> On March 2, 2004, the Board of Directors approved a revised Board mandate which is included in this Management Proxy Circular as Schedule C, and which states that the role of the Board is to supervise the management of the Company's business and affairs, with the objective of increasing shareholder value.¹</p>
<p>(a) adoption of a strategic planning process and the approval and review, on at least an annual basis, of a strategic plan which takes into account, among other things, the opportunities and risks of the business;</p>	<p>In addition, the Board adopted, on October 21, 2003, a code of business conduct, which is available on the Company's website at www.cn.ca.²</p>
<p>(b) the identification of the principal risks of the Company's business, and overseeing the implementation of appropriate systems to manage these risks;</p>	<p><i>The Company complies.</i> The Board has the responsibility to adopt a strategic planning process, to approve and review, on at least an annual basis, a business plan and a strategic framework which take into account, among other things, the opportunities and risks of the business, and to monitor the implementation of the business plan by management.</p>
<p>(c) succession planning, including appointing and monitoring senior management and the Chief Executive Officer in particular;</p>	<p><i>The Company complies.</i> The Board of Directors ensures that an appropriate risk assessment process is in place to identify, assess and manage the principal risks of the Company's business. Through the Audit, Finance and Risk Committee, it reviews the Company's risk assessment and risk management policies, including the Company's policies regarding hedging, investment and credit.</p>
<p>(c) succession planning, including appointing and monitoring senior management and the Chief Executive Officer in particular;</p>	<p><i>The Company complies.</i> The Board of Directors is responsible for choosing the President and Chief Executive Officer, appointing executive management, monitoring the President and Chief Executive Officer's and executive management's performance and approving the President and Chief Executive Officer's corporate objectives. The description of the role of the President and Chief Executive Officer is set forth in the Manual. The Board also takes all reasonable steps to ensure that processes are in place for the recruitment, training, development and retention of executives who exhibit the highest standards of integrity and competence.</p>

1 The CSA
Proposals state
that a board
should adopt and
disclose a written
board mandate.
The Company
complies with such
recommendation.

2 The CSA
Proposals state
that a board
should adopt a
written code of
business conduct
and ethics. Such
code was adopted
by the Board.

TSX Guidelines	Corporate Governance Practices at the Company
(d) communication policies for the Company, which policies should (i) address how the Company interacts with analysts, investors, other key stakeholders and the public; (ii) contain measures for the Company to comply with its continuous and timely disclosure obligations and to avoid selective disclosure; and (iii) be reviewed at least annually; and	<i>The Company complies.</i> The Board of Directors has the responsibility of adopting communications policies and monitoring the Company's investor relations program. The Company's communications policy (i) addresses how the Company interacts with analysts, investors, other key stakeholders and the public, (ii) contains measures for the Company to comply with its continuous and timely disclosure obligations and to avoid selective disclosure, and (iii) is reviewed at least annually.
(e) integrity of the Company's internal control and management information systems.	<i>The Company complies.</i> The Board of Directors has the responsibility of monitoring the quality and integrity of the Company's accounting and financial reporting systems, disclosure controls and procedures, internal controls and management information systems. As disclosed in the charter of the Audit, Risk and Finance Committee attached as Schedule D to this Management Proxy Circular, such committee is responsible for: (i) receiving periodically management's report assessing the adequacy and effectiveness of the Company's disclosure controls and procedures and systems of internal control; and (ii) assisting the Board with the oversight of the Company's compliance with applicable legal and regulatory requirements.
2. The Board of Directors should be constituted with a majority of individuals who qualify as unrelated directors. ³	<i>The Company complies.</i> Of the 15 Board members, only Mr. Harrison, the President and Chief Executive Officer of the Company, is an officer of the Company. Based on the foregoing and on the information provided by directors as to their individual circumstances, the Board has determined that, of the remaining 14 Board members, 13 are "unrelated" and "independent" and one is "related" and "not independent", Mrs. Kempston Darkes being a senior executive of a major customer of the

Company.

3 See item 3

hereunder.

4 Under the NYSE Standards, board of directors should be constituted with a majority of independent directors. In determining whether or not a director is independent, as that term is defined in the NYSE Standards, the Board considers all material relationships that a director may have with the Company. In addition, certain relationships are assumed to be impediments to independence. The Board is

constituted with a majority of independent directors, as defined in the NYSE Standards. Similarly, the CSA Proposals state that a majority of directors should be independent, as defined in such proposals. The Company complies with such recommendation.

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TSX Guidelines

3. The Board has the responsibility for applying the definition of unrelated director to the circumstances of each individual director and is required to (1)

Corporate Governance Practices at the Company

The Company complies. In determining whether or not a director is “unrelated”, as that

disclose whether the Board has a majority of unrelated directors and the analysis supporting this conclusion, (2) identify which directors are related or unrelated and (3) provide a description of the business, family, direct and indirect shareholding or other relationship between each director and the Company.

term is defined in the Proposed TSX Guidelines, the Board considers all relevant facts applicable to a director, including whether or not such director is:

- (a) a member of management and is free from any interest and any business, family or other relationship which could reasonably be perceived to materially interfere with the director's ability to act with a view to the best interests of the Company, other than interests and relationships arising solely from holdings in the Company;
- (b) currently, or has been within the last three years, an officer, employee of or material service provider to the Company or any of its subsidiaries or affiliates; and
- (c) a director, officer, employee or significant shareholder of an entity that has a material business relationship with the Company.

Based on the foregoing and on the information provided by directors as to their individual circumstances, the Board has determined that 13 of the 15 Board members are "unrelated".
5

4. The Board of Directors should appoint a committee of directors composed solely of non-management directors, a majority of whom are unrelated directors, with the responsibility for proposing to the full Board new nominees to the Board and for assessing directors on an ongoing basis.

The Company complies. As stated in the charter of the Corporate Governance and Nominating Committee attached as Schedule E to this Management Proxy Circular, the Corporate Governance and Nominating Committee has the responsibility of (a) developing, reviewing and monitoring, in consultation with the Board

Chair, criteria for selecting directors by regularly assessing the qualifications, personal qualities, geographical representation, business background and diversified experience of the Board and the Company's circumstances and needs and, (b) in consultation with the Board Chair, identifying candidates qualified to become Board members and selecting or recommending that the Board select the director nominees for the next annual or special meeting of shareholders. The process followed to identify and propose Board nominees is more fully described in the Manual. In proposing the list of Board nominees, the Board Chair, in consultation with the Corporate Governance and Nominating Committee develops a competency matrix based on knowledge areas, types of expertise and geographical representation and identifies any gaps to be addressed in the director nomination process. The Corporate Governance and Nominating

5 In addition, the Board has determined that the "unrelated" directors also qualified as "independent" directors, as that term is defined in the CSA Proposals and in Section 303A(2) of the NYSE Standards. See item 2.

Corporate Governance Practices at the Company

Committee also has the responsibility of reviewing, with the Board Chair, the performance of the Board, Board committees, Board and committee chairs and Board members.

The charter of the Corporate Governance and Nominating Committee provides that such committee must be composed solely of “unrelated” and “independent” directors. As at March 2, 2004, all members of the Corporate Governance and Nominating Committee are “unrelated” and “independent”.

5. The Board of Directors should implement a process to be carried out by the nominating committee or other appropriate committee for assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors.

The Company complies. The Board has implemented and reviews, from time to time, a process to annually assess the performance of the Board, Board committees, Board and committee chairs and individual directors. This formal process, more fully described in the Manual, is under the supervision of the Corporate Governance and Nominating Committee and the Board Chair, as stated in the charter of the Corporate Governance and Nominating Committee.

6. The Company, as an integral element of the process for appointing new directors, should provide an orientation and education program for new recruits to the Board. In addition, the Company should provide continuing education for all directors.

The Company complies. As stated in the charter of the Corporate Governance and Nominating Committee, that committee has the responsibility, in consultation with the Board Chair, to develop, monitor and review, as applicable, the Company’s orientation and continuing education programs for directors. The Company has adopted Board orientation and continuing education programs, described in the Manual, pursuant to which orientation is provided to new Board members and continuing education is provided to all directors.⁷

6 The CSA Proposals and the NYSE Standards state that a board should appoint a nominating committee composed entirely of independent directors and that such committee should have a written charter. The Board has adopted a written mandate for the Corporate Governance and Nominating

Committee pursuant to which such committee must be composed solely of unrelated, independent directors.

7 The CSA Proposals state that a board should ensure that all new directors receive a comprehensive orientation and that continuing education opportunities are provided for all directors. The Company already complies.

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TSX Guidelines

7. The Board of Directors should examine its size and composition and undertake, where appropriate, a program to establish a board comprised of members who facilitate effective decision-making.

8. A committee of the Board of Directors comprised solely of unrelated directors should review the adequacy and form of the compensation of senior management and directors with such compensation reflecting the responsibilities and risk involved in such positions.

Corporate Governance Practices at the Company

The Company complies. The Board of Directors and the Corporate Governance and Nominating Committee monitor with the Board Chair the size and composition of the Board of Directors to ensure effective decision making. The Board Chair also develops, reviews and monitors, in consultation with the Corporate Governance and Nominating Committee, a competency matrix, which includes criteria for selecting directors by assessing the qualifications, personal qualities, geographical representation, business background and diversified experience of the Board and the Company's circumstances and needs. In this Management Proxy Circular, 15 nominees are proposed for election as directors at the Meeting. The Board of Directors considers that this size allows the Board to operate in an efficient manner.

The Company complies. As provided in its charter attached as Schedule F to this Management Proxy Circular, the Human Resources and Compensation Committee must be composed solely of "unrelated, "independent" directors. As at March 2, 2004, all members of the Human Resources and Compensation Committee are "unrelated and "independent. A majority of its members have experience in compensation matters. This committee reviews the evaluation of

executive management's performance and recommends to the Board of directors executive management's compensation. CEO's compensation is determined by the Company's "independent" directors only.⁹ The Corporate Governance and Nominating Committee annually reviews with the Board Chair and makes recommendations to the Board on the adequacy and form of the compensation for non-executive directors to ensure such compensation realistically reflects the responsibilities and risk involved, without compromising a director's independence. Directors who are executives of the Company receive no additional compensation for their services as director. See the "Disclosure on Compensation – Directors' Compensation" section and Schedule A to the Management Proxy Circular for additional information on compensation received by directors in 2003.

8 The CSA Proposals and the NYSE Standards state that a board should appoint a compensation committee composed entirely of independent directors and that such committee should have a written charter. The Board has adopted a written mandate for the Human Resources and Compensation Committee pursuant to which such committee must be composed solely of unrelated, independent directors.

9 The NYSE Standards state that CEO's compensation should be determined by the corporation's compensation committee or by all

independent directors of the corporation. The Manual provides that CEO's compensation is determined by the Company's independent directors only.

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TSX Guidelines

Corporate Governance Practices at the Company

- 9. Subject to guidelines 8 and 13, committees of the Board of Directors should generally be composed of non-management directors, a majority of whom are unrelated directors.

- 10. The Board of Directors should expressly assume responsibility for, or assign to a committee of directors the general responsibility for, developing the Company's approach to governance issues and the Company's response to the TSX Guidelines.

- 11. The Board of Directors, together with the Chief Executive Officer, should develop position descriptions for the Board Chair and for the Chief Executive Officer, including the definition of the limits to management's responsibilities. In addition, the Board should approve or develop the corporate objectives which the Chief Executive Officer is responsible for meeting and assess the Chief Executive Officer against these objectives.

The Company complies. As at March 2, 2004, except for (i) the Strategic Planning Committee of which Mr. Harrison, like all other members of the Board, is a member, and (ii) the Investment Committee of CN's Pension Trust Funds, which is a mixed committee composed of directors and officers, each committee of the Board of Directors is composed solely of non-management directors. All committees of the Board of Directors are currently composed of at least a majority of "unrelated" and "independent" directors.

The Company complies. As stated in the charter of the Corporate Governance and Nominating Committee, the committee has the responsibility of reviewing corporate governance principles applicable to the Company, recommending to the Board any change that should be made thereto and monitoring the disclosure of the Company's corporate governance practices. It also has the responsibility of reviewing the Manual annually.

The Company complies. The President and Chief Executive Officer is responsible for the management of the Company's strategic and operational agenda and for the execution of the Board's resolutions and policies. The specific responsibilities of the President and Chief Executive Officer as well as the Board Chair are set out in detail in the Manual which has been approved by the Board of Directors.¹⁰ The Human Resources and Compensation Committee, together with the President and Chief Executive Officer, develop each year corporate and personal objectives for the President and Chief Executive Officer, which objectives are submitted to the Board for review and approval.¹¹

10 The CSA Proposals

state that a board should develop position descriptions for the board chair and the CEO.

Mandates have been developed for the Board Chair and the President and Chief Executive Officer and are disclosed in the Manual.

11 The CSA Proposals state that a board should develop and approve the corporate goals and objectives that the CEO is responsible for meeting. The Board approves the goals and objectives of the President and Chief Executive Officer.

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TSX Guidelines

12. The Board of Directors should implement structures and procedures that ensure that the Board can function independently of management. An appropriate structure would be to (i) appoint a chair of the Board who is not a member of management with responsibility to oversee that the Board discharges its responsibilities or (ii) assign this responsibility to a non-management director, referred to as the "lead director". The chair or lead director should oversee the Board in carrying out its responsibilities effectively which will involve the Board meeting on a regular basis without management present and may involve assigning the responsibility for administering the Board's relationship to management to a

Corporate Governance Practices at the Company

The Company complies. The Manual provides that the Board Chair must be a non-executive "unrelated" and "independent" director who is designated by the Board. Mr. David G.A. McLean, who has been a director of the Company since 1994, is the Board Chair. Mr. McLean is not a member of management and he is "unrelated" and "independent". The key role of the Board Chair is to take all reasonable measures to ensure that the Board (i) has structures and procedures in place to enable it to function independently of management, (ii) carries out its responsibilities effectively and (iii) clearly understands and respects the boundaries between the responsibilities of the Board and those of management. The non-management Board members meet before or after every meeting of the Board of Directors without

committee of the Board.

the presence of management and under the chairmanship of the Board Chair. An executive session including only “unrelated”, “independent” directors is also held at least once a year.

13. The audit committee should be composed solely of unrelated directors.¹²

The Company complies. The charter of the Audit, Finance and Risk Committee, attached as Schedule D to this Management Proxy Circular, states that all the members of the committee must be “unrelated” and “independent” directors.¹³ All members of the Audit, Finance and Risk Committee are “unrelated” and “independent” directors. No member of the Audit, Finance and Risk Committee receives, other than in his or her capacity as a director or member of a Board committee, directly or indirectly, any fee from the Company or any subsidiary of the Company, nor is an affiliated person of the Company, or any subsidiary of the Company.

12. The CSA Audit Committee Rules state that the Audit Committee must be composed of a minimum of three members, and that every audit committee member must be [independent]. All members of the Audit, Finance and Risk Committee are [independent] within the meaning given to that term in the CSA Audit Committee Rules.

13 The NYSE Standards and the applicable rules of the U.S. Securities and Exchange Commission require that in order to be considered independent, a member of the Audit, Finance and Risk Committee should not, other than in his or her capacity as a

director or member of a Board committee and in other limited circumstances, accept directly or indirectly any fee from the Company or any subsidiary of the Company nor be an affiliated person of the Company or any subsidiary of the Company. All members of the Audit, Risk and Finance Committee are independent pursuant to such definition.

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TSX Guidelines

All of the members of the audit committee should be financially literate and at least one member should have accounting or related financial experience. The Board shall determine the definition and criteria for “financial literacy” and “accounting or related financial experience”.

Corporate Governance Practices at the Company

As required in the charter of the Audit, Finance and Risk Committee, all members of the Audit, Finance and Risk Committee are “financially literate” and several members of the committee meet all the criteria to be designated as “audit committee financial expert”.

In determining whether or not a director is “financially literate”, the Board considers if the director has “the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements”.

In determining if a director is an “audit committee financial expert”, the Board considers if the director is a person who has: (a) an understanding of generally accepted accounting principles and financial statements; (b) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves; (c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company’s financial statements, or experience actively supervising one or more persons engaged in such

The audit committee should have direct communication channels with the internal and external auditors to discuss and review specific issues as appropriate and the committee duties should include oversight responsibility for management reporting on internal control. In addition, the audit committee should oversee that management has designed and implemented an effective system of internal control.

activities; (d) an understanding of internal controls and procedures for financial reporting; and (e) an understanding of audit committee functions.

The charter of the Audit, Finance and Risk Committee provides for direct communication channels with the internal auditors and the external auditors to discuss and review specific issues as appropriate and that each must meet separately with the Committee, without management, twice a year, and more frequently as required. The charter also provides that the Committee meets separately with management twice a year and more frequently as required.

The Audit, Finance and Risk Committee has the responsibility of receiving periodically a report by management which assesses the adequacy and effectiveness of the Company's disclosure controls and procedures and systems of internal control.

TSX Guidelines

Corporate Governance Practices at the Company

14. The audit committee charter should set out explicitly the role and oversight responsibility of the audit committee with respect to:
- its relationship with and expectation of the external auditors including the establishment of the independence of the external auditor and the approval of any non-audit mandates of the external auditor;
 - the determination of which non-audit services the external auditor is prohibited from providing;
 - the engagement, evaluation, remuneration and termination of the external auditor;
 - appropriate funding for payment of the auditor's compensation and for any advisors retained by the audit committee;

The Company complies. The role and responsibilities of the Audit, Finance and Risk Committee are set out in its charter, which provides that:

The Audit, Finance and Risk Committee is responsible for recommending the retention and, if appropriate, the removal of external auditors (both subject to shareholder approval), evaluating and remunerating them, and monitoring their qualifications, performance and independence. It also approves all audit services (including terms of engagement, fees and scope of audit), determines which non-audit services the external auditors are prohibited from providing and pre-approves permitted non-audit services by the external auditors. In addition, it reviews at least annually, the formal written statement from the external auditors stating all relationships the external auditors have with the Company and confirming their independence, and holds discussions with the external auditors as to any relationship or services that may impact their objectivity or independence.

As appropriate, the Audit, Finance and Risk Committee may obtain advice and assistance from outside legal, accounting or other advisors and so advise the Board Chair and makes arrangements for the appropriate funding for payment of the external auditors and any advisors retained by the Committee.

- its relationship with and expectation of the internal auditor function;
- its oversight of internal control;

The Audit, Finance and Risk Committee has the responsibility of regularly monitoring the internal audit function's performance, its responsibilities, staffing and budget and ensuring that the internal auditors are accountable to the Audit, Finance and Risk Committee and to the Board and receiving periodically management's report assessing the adequacy and effectiveness of the Company's disclosure controls and procedures and systems of internal control.

- disclosure of financial and related information; and

The Audit, Finance and Risk Committee monitors the quality and integrity of the Company's accounting and financial reporting process, disclosure controls and procedures, and systems of internal control. Namely, it reviews the annual and quarterly financial statements, the Company's MD&A disclosure as well as the financial information contained in prospectuses, offering memoranda, the annual information form and other reports, financial or otherwise, requiring Board approval.

TSX Guidelines

- any other matters that the audit committee feels are important to its mandate or that the board chooses to delegate to it.

The audit committee charter should specify that the external auditor is accountable to the Board and the audit committee as representatives of shareholders.

The Board should review and reassess the adequacy of the audit committee charter on at least an annual basis.

15. The Board should implement a system which enables an individual director to engage an external advisor at the expense of the Company in appropriate circumstances. This engagement should be subject to the approval of an appropriate committee of the Board.

Corporate Governance Practices at the Company

In addition to the foregoing, this Committee ensures the rotation of lead, concurring and other audit partners as required by applicable standards. See the charter of the Audit, Finance and Risk Committee which is set out in Schedule D to this Management Proxy Circular for other matters under the responsibility of that committee.

The Audit, Finance and Risk Committee ensures that the external auditors are accountable to the Audit, Finance and Risk Committee and to the Board. See the charter of this Committee which is set out as Schedule D to this Management Proxy Circular. The Audit, Finance and Risk Committee has established and regularly reviews a working plan to ensure that it discharges all its responsibilities under its charter.

The Board annually reviews the charters of each of its committees.

The Company complies. The Manual states that, subject to Board approval, members of the Board may seek legal or expert advice at the Company's expense from a source independent of management. In addition, the Audit, Finance and Risk Committee, the Corporate Governance and Nominating Committee and the Human Resources and Compensation Committee may also hire experts to help them execute their respective mandates at the

expense of the Company, subject to so advising the Board Chair.

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SCHEDULE C

MANDATE OF THE BOARD OF DIRECTORS

The Board has clearly delineated its role and the role of management. The role of the Board is to supervise the management of CN's business and affairs, with the objective of increasing shareholder value. Management's role is to conduct the day-to-day operations in a way that will meet this objective.

The Board approves all matters expressly required herein, under the Canada Business Corporations Act and other applicable legislation and CN's Articles and By-laws. The Board may assign to Board committees the prior review of any issues it is responsible for. Board committee recommendations are subject to Board approval. The Board has delegated the approval of certain matters to management pursuant to its Standing Resolutions on Delegation of Authority, as amended from time to time.

As part of its stewardship responsibility, the Board advises management on significant business issues and has the following responsibilities:

A. Approving CN's strategy

- adopting a strategic planning process, approving and reviewing, on at least an annual basis, a business plan and a strategic framework which take into account, among other things, the

opportunities
and risks
of the
business,
and
monitoring
the
implementation
of the
business
plan by
management.

B. Assessing and overseeing the succession planning of executive management

- choosing
the
President
and
Chief
Executive
Officer
(the
**"President
and
CEO"**),
appointing
executive
management
and
monitoring
President
and
CEO
and
executive
management
performance
taking
into
consideration
Board
expectations
and
fixed
objectives,
approving
the
President
and
CEO's
corporate
objectives
and
approving
annually
President
and
CEO
and
executive

management
compensation;

- ensuring that an appropriate portion of President and CEO and executive management compensation is tied to both the short and longer-term performance of CN;

- taking all reasonable steps to ensure that processes are in place for the recruitment, training, development and retention of executives who exhibit the highest standards of integrity as well as competence.

C. Monitoring Corporate Governance issues

- monitoring the size and composition of the Board to ensure effective decision-making;
- overseeing management in the competent and ethical operation of CN;

- monitoring and reviewing, as appropriate, CN's approach to governance issues and monitoring and reviewing, as appropriate, CN's Corporate Governance Manual and policies and measures for receiving shareholder feedback;
- taking all reasonable steps to ensure the highest quality of ethical standards, including reviewing, on a regular basis, the Code of Business Conduct applicable to CN's directors, its President and CEO and senior financial officers, other officers and employees, monitoring compliance with such code, approving any waiver from compliance with the code for directors and officers and ensuring appropriate disclosure of any such waiver;

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- ensuring the regular performance assessment of the Board, Board committees, Board and committee chairs and individual directors and determining their remuneration;
 - approving the list of Board nominees for election by shareholders and filling Board vacancies;
 - overseeing the disclosure of a method for interested parties to communicate directly with the

Board
Chair or
with the
non-management
directors
as a
group.

D. Monitoring financial matters and internal controls

- monitoring the quality and integrity of CN's accounting and financial reporting systems, disclosure controls and procedures, internal controls and management information systems, including by overseeing:
 - (i) the integrity and quality of CN's financial statements and other financial information and the appropriateness of their disclosure;
 - (ii) external auditors' independence and qualifications;
 - (iii) the performance of CN's internal audit function and of CN's external auditors; and
 - (iv) CN's compliance with applicable legal and regulatory requirements (including those related to environment, safety and security);
- ensuring that an appropriate risk assessment process is in place to identify, assess and manage the principal risks of CN's business;
- adopting communications policies and monitoring CN's investor relations programs.

E. Monitoring Pension Fund matters

- monitoring and reviewing, as appropriate,

CN's pension fund policies and practices, including the investment policies of the Canadian National Railway Pension Trust Funds or any other pension trust fund established in connection with a new pension plan or any other pension plan offered or administered by CN (the "CN's Pension Trust Funds");

- approving the annual budget of the Investment Division of CN's Pension Trust Funds.

F. Monitoring environmental, safety and security matters

- monitoring and reviewing, as appropriate, CN's environmental, safety and security policies and practices.

The outside (non-management) Board members meet before or after every Board meeting without the presence of management and under the chairmanship of the Board Chair.

If such group includes directors who are not Unrelated or Independent, an executive session including only Unrelated, Independent directors is held at least once a year.

SCHEDULE D

CHARTER OF THE AUDIT, FINANCE AND RISK COMMITTEE

1. Membership and Quorum

- a minimum of five directors;
- only Unrelated, Independent (as that term is defined and subject to the exceptions provided for Audit Committee members under applicable Canadian and U.S. laws and regulations) directors may be appointed. A member of the Audit, Finance and Risk Committee (the "**Audit Committee**") may not, other than in his or her capacity as a director or member of a Board committee accept directly or indirectly any fee from CN or any subsidiary of CN nor be an affiliated person of CN or any subsidiary of CN;
- each member must be "financially literate" (as determined by the Board);
- at least one member must be an "audit committee financial expert" (as determined by the Board)
- quorum of majority of members.

2. Frequency and Timing of Meetings

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

3. Mandate

The responsibilities of the Audit Committee include the following:

A. Overseeing financial reporting

- monitoring the quality and integrity of CN's accounting and financial reporting process through discussions with management, the external auditors and the internal auditors;

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- reviewing with management and the external auditors the annual audited financial statements to be included in the annual report of CN, including CN's MD&A disclosure and earnings press releases prior to their release, filing and distribution;
- reviewing with management and the external auditors quarterly consolidated financial statements of CN and accompanying information, including CN's MD&A disclosure and earnings press releases prior to their release, filing and distribution, and reviewing the level and type of financial information provided, from time to time, to financial markets;
- reviewing the financial information contained in prospectuses, offering memoranda, the annual information form and other reports, financial or otherwise, requiring Board approval;

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- reviewing the procedures in place for the review of CN's disclosure of financial information extracted or derived from CN's financial statements and periodically assessing the adequacy of those procedures;
 - reviewing with the external auditors and management, the quality, appropriateness and disclosure of CN's accounting principles and policies, underlying assumptions and reporting practices, and any proposed changes thereto;
 - reviewing any analysis or other written communications prepared by management, the internal auditors or external auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effect of alternative generally accepted accounting principles methods;
 - reviewing the external auditors' report on the consolidated financial statements of CN and on the financial statements of CN's Pension Trust Funds;
 - reviewing the external auditors' quarterly review engagement report;
 - reviewing the compliance of management certification of financial reports with applicable legislation;
 - reviewing any litigation, claim or other contingency and any regulatory or accounting initiatives that could have a material effect upon the financial position or operating results of CN and the appropriateness of the disclosure thereof in the documents reviewed by the Committee;
 - reviewing the results of the external audit, any significant problems encountered in performing the audit, and management's response and/or action plan related to any Management Letter issued by the external auditors and any significant recommendations contained therein.

B. Monitoring risk management and internal controls

- receiving periodically management's report assessing the adequacy and effectiveness of CN's disclosure controls and procedures and systems of internal control;
- reviewing insurance coverage (annually and as may otherwise be appropriate);

- reviewing CN's risk assessment and risk management policies, including CN's policies regarding hedging, investment and credit;
- reviewing significant capital and other expenditures, sales and leases of assets, related party transactions, as required, and any other transactions which could alter, impact or otherwise materially affect CN's financial or corporate structure, including off-balance sheet items;
- assisting the Board with the oversight of CN's compliance with applicable legal and regulatory requirements;
- while ensuring confidentiality and anonymity, establishing procedures for the receipt, retention and treatment of complaints received by CN regarding accounting, internal accounting controls or auditing matters or employee concerns regarding accounting or auditing matters;

C. Monitoring internal auditors

- requesting the performance of any specific audit, as required.
- ensuring that the chief internal auditor reports directly to the Audit Committee;
- regularly monitoring the internal audit function's performance, its responsibilities, staffing and budget;
- ensuring that the internal auditors are accountable to the Audit Committee and to the Board.

D. Monitoring external auditors

- recommending the retention and, if appropriate, the removal of external auditors (both subject to shareholder approval), evaluating and remunerating them, and monitoring their qualifications, performance and independence;
- approving and overseeing the disclosure of all audit services provided by the external auditors, determining which non-audit services the external auditors are prohibited from providing, and pre-approving and overseeing the disclosure of permitted non-audit services by the external auditors to CN or any of its subsidiaries;
- reviewing recommendations to shareholders on the continued engagement or replacement of external auditors, for CN and CN's Pension Trust Funds;
- ensuring that the external auditors are accountable to the Audit Committee and to the Board;
- discussing with the external auditors the quality and not just the acceptability of CN's accounting principles, including (i) all critical accounting policies and practices used, (ii) any alternative treatments of financial information that have been discussed with management, the ramification of their use and the treatment preferred by the external auditors, as well as (iii) any other material written communications between CN and the external auditors (including any disagreement with management and any audit problems or difficulties and management's response);

- reviewing at least annually, a report by the external auditors describing their internal quality-control procedures; any material issues raised by their most recent internal quality-control review of their firm, or peer review, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more audits carried out by them, to the extent available, and any steps taken to deal with any such issues;
- reviewing at least annually, the formal written statement from the external auditors stating all relationships the external auditors have with CN and confirming their independence, and holding discussions with the external auditors as to any relationship or services that may impact their objectivity or independence;
- reviewing hiring policies for employees or former employees of CN's firm of external auditors;

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- ensuring the rotation of lead, concurring and other audit partners, to the extent required by Canadian Corporate Governance Standards and US Corporate Governance Standards.

E. Reviewing financings

- reviewing the opportunity and parameters of any debt or equity financing.

F. Evaluating the performance of the Audit Committee

- ensuring that processes are in place to annually evaluate the performance of the Audit Committee.

Because of the Audit Committee's demanding role and responsibilities, the Board Chair, together with the Corporate Governance and Nominating Committee chair, reviews any invitation to Audit Committee members to join the audit committee of another entity. Where a member of the Audit Committee simultaneously serves on the audit committee of more than three public companies, including CN, the Board determines whether such simultaneous service impairs the ability of such member to effectively serve on the Audit Committee and either requires a correction to the situation or discloses in CN's Management Proxy Circular that there is no such impairment.

As appropriate, the Audit Committee may obtain advice and assistance from outside legal, accounting or other advisors and so advise the Board Chair; the Committee makes arrangements for the appropriate funding for payment of the external auditors and any advisors retained by it. The Board also provides appropriate funding for all administrative expenses necessary or appropriate to allow the Audit Committee to carry out its duties.

The Audit Committee has direct communication channels with the internal and external auditors to discuss and review specific issues, as appropriate. In addition, each must meet separately with the Audit Committee, without management, twice a year, and more frequently as required; the Audit Committee must also meet separately with management twice a year, and more frequently as required.

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

Nothing contained in the above mandate is intended to transfer to the Audit Committee the Board's 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 Audit Committee. Even though the Audit Committee has a specific mandate and its members may have financial experience and expertise, it is not the duty of the Audit Committee to plan or conduct audits, or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Such matters are the responsibility of management, the internal auditors and the external auditors.

Members of the Audit Committee are entitled to rely, absent knowledge to the contrary, on (i) the integrity of the persons and organizations from whom they receive information, (ii) the accuracy and completeness of the information provided, and (iii) representations made by management as to the non-audit services provided to the Company by the external auditors.

The Audit Committee's oversight responsibilities are not established to provide an independent basis to determine that (i) management has maintained appropriate accounting and financial reporting principles or appropriate internal controls and procedures, or (ii) the Company's financial statements have been prepared and, if applicable, audited in accordance with generally accepted accounting principles or generally accepted auditing standards.

SCHEDULE E

CHARTER OF THE CORPORATE GOVERNANCE AND NOMINATING COMMITTEE

1. Membership and Quorum

- a minimum of five directors;
- only Unrelated, Independent directors shall be appointed;
- quorum of majority of members.

2. Frequency and Timing of Meetings

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

3. Mandate

The responsibilities of the Corporate Governance and Nominating Committee (the "**Governance Committee**") include the following:

A. Monitoring the composition and performance of the Board and its committees

- together with the Board Chair, monitoring the size and composition of the Board and its committees to ensure effective decision-making;
- developing, reviewing and monitoring, in consultation with the Board Chair, criteria for selecting directors by regularly assessing the qualifications, personal qualities, geographical representation, business background and diversified experience of the Board and CN's circumstances and needs;
- in consultation with the Board Chair, identifying candidates qualified to become Board members and selecting or recommending that the Board select the director nominees for the next annual or special meeting of shareholders;
- retaining and replacing any independent recruiting firm to identify director candidates, including fixing such firm's fees and other retention terms, and so advising the Board Chair;
- reviewing, with the Board Chair, the performance of the Board, Board committees, Board and committee chairs and Board members;
- assisting the Board in determining Board committee composition, as well as the appropriate mandate of each committee for submission to the Board;
- making recommendations to the Board on the remuneration of the Board Chair, the committee chairs and non-executive directors.

B. Overseeing Corporate Governance matters

- reviewing corporate governance principles applicable to CN, recommending to the Board any change that should be made thereto and monitoring the disclosure of CN's corporate governance practices in accordance with applicable rules and regulations;
- developing, reviewing and monitoring procedures for meeting the Board's information needs, including formal and informal access to executive management;
- in consultation with the Board Chair, developing, monitoring and reviewing, as applicable, CN's orientation and continuing education programs for directors;
- reviewing, monitoring and overseeing the disclosure of CN's Code of Business Conduct, including a code of ethics applicable to CN's directors, its President and CEO and senior financial officers, other officers and employees, and such other policies as may be approved by the Board from time to time;
- reviewing CN's policy prohibiting its directors and officers to directly or indirectly purchase, sell or otherwise acquire or transfer securities of CN during pension fund blackout periods, taking all reasonable

measures to ensure that such policy as well as the list of pension fund blackout periods are provided to every director and officer of CN and overseeing the appropriate disclosure of same;

- monitoring CN's Corporate Disclosure Policy and the Investor Relations and Public Affairs Program;
- reviewing annually CN's Corporate Governance Manual;
- reviewing CN's community investment program.

C. Evaluating the performance of the Governance Committee

- ensuring that processes are in place to annually evaluate the performance of the Governance Committee.

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

The Board Chair shall supervise the Governance Committee annual performance assessment.

Nothing contained in the above mandate is intended to transfer to the Governance 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 Governance Committee.

SCHEDULE F

CHARTER OF THE HUMAN RESOURCES AND COMPENSATION COMMITTEE

1. Membership

- a minimum of five directors;
- only Unrelated, Independent directors shall be appointed;
- quorum of a majority of members.

2. Frequency and Timing of Meetings

- normally one day prior to CN Board meetings;
- at least four times a year and as necessary;

- committee members meet before or after every meeting without the presence of management.

3. Mandate

The responsibilities of the Human Resources and Compensation Committee (the "**HR and Compensation Committee**") include the following:

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

- ensuring that appropriate mechanisms are in place regarding succession planning for the position of President and CEO;
- ensuring that the President and CEO has put into place, and monitoring, succession planning systems and policies for management, including processes to identify, develop and retain the talent of outstanding personnel;
- recommending appointment of executive management, and approving the terms and conditions of their appointment and termination or retirement;
- reviewing corporate goals and objectives relevant to the President and CEO, evaluating the President and CEO's performance in light of those goals and objectives and such other factors as the committee deems appropriate and in the best interest of CN, and recommending the President and CEO's compensation based on this evaluation, for approval by Independent Board members;
- reviewing the evaluation of executive management's performance and recommending to the Board executive management's compensation;

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- retaining and replacing any independent firm to advise on management recommendations concerning executive compensation, including fixing such firm's fees and other retention terms, and so advising the Board Chair;
 - examining each element of executive remuneration and reporting annually on compensation practices;
 - producing for review and approval by the Board a report on executive compensation for inclusion in CN's management proxy circular.

B. Reviewing Human Resources practices

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

C. Evaluating the performance of the HR and Compensation Committee

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

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

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

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

SCHEDULE G

CHARTER OF THE ENVIRONMENT, SAFETY AND SECURITY COMMITTEE

1. Membership and Quorum

- a minimum of five directors;
- only non-management directors may be appointed, a majority of whom are Unrelated, Independent directors;
- quorum of majority of members.

2. Frequency and Timing of Meetings

- normally the week prior to CN Board meetings;
- at least four times a year and as necessary;
- committee members meet before or after every meeting without the presence of management;
- special meeting may be held following an accident resulting in employee fatality or a major derailment giving rise to an evacuation, except where a regular meeting is scheduled in the immediate future.

3. Mandate

The responsibilities of the Environment, Safety and Security Committee include the following:

- overseeing the development and implementation of environmental, safety and security policies, procedures and guidelines;
- assessing corporate environmental, safety and security practices, monitoring systems with regard to statutory and regulatory requirements, and, where applicable, ensuring any remedial plans and programs are carried out and adequate reserves are in place;
- reviewing environmental, health and safety audits and assessments of compliance to ensure that CN is exercising due diligence;
- reviewing CN's business plan to ascertain whether environmental, safety and security issues are adequately taken into consideration;
- obtaining reports on a timely basis in respect of all notices, complaints, investigations and proceedings by governmental authorities or others, and all judgments and orders in respect of environmental, safety and security matters;
- ensuring appropriate employee training standards and communications are developed and implemented;