CANADIAN NATIONAL RAILWAY CO
Form 6-K
March 14, 2003

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, 2003

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 __X__

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 __X__

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 __X__

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 X

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

Item

1. Management Proxy Circular

2. Proxy Form

3. Annual Report

4. Certificate of Dissemination to Shareholders

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 14, 2003

By: /s/ Sean Finn

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

Item 1

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 Le Centre Sheraton, 1201 René-Lévesque Boulevard West, Montréal, Quebec, on Tuesday, April 15, 2003, at 10:30 a.m., Eastern time, for the following purposes:

1. receiving the consolidated financial statements of the Company for the year ended December 31, 2002, 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 7, 2003 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 11, 2003 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 Chairman 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 4, 2003
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 $CAD45,000. The Meeting will be held at Le Centre Sheraton, 1201 René-Lévesque Boulevard West, Montréal, Quebec, on Tuesday, April 15, 2003, at 10:30 a.m., Eastern time, for the purposes set forth in the foregoing Notice of Meeting. The information contained herein is given as of February 28, 2003, 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. As of February 28, 2003, the Company had outstanding 194,451,420 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 7, 2003 (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 Chairman of the Board and the President and Chief Executive Officer of the Company. **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 11, 2003, 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 Chairman 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 Chairman 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 Depositary 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 1-866-575-3556.

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, OntarioM5J 2Y1, by telephone at 1-800-332-0095, by fax at 1-888-453-0330 or by email at caregistryinfo@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, 2002, together with the auditors' report thereon, are included in the 2002 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.

The following table sets out information regarding the nominees for election as directors.

Name and principal occupation	Position on committees of the Board and Common Shares beneficially owned, controlled or directed
Michael R. Armellino, 63, of New York, New York, 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 Chairman 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 member of the Board of Overseers of New York University Stern School of Business and is a member of the executive committee thereof.	Chairman of the Strategic Planning Committee 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[1] 22,600 common shares[2]
A. Charles Baillie, 63, of Toronto, Ontario, stands for election to the Board for the first time. Mr. Baillie is Chairman of The Toronto-Dominion Bank. He retired as Chief Executive Officer of the bank in December 2002 and will retire as Chairman of the bank on April 3, 2003. Mr. Baillie is also director of Dana Corporation (automotive supplier) and Ballard Power Systems Inc. (power products manufacturer).	1,000 common shares[2]
Hugh J. Bolton, **F.C.A.**, 64, of Edmonton, Alberta, stands for election to the Board for the first time. 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 Chairman 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).	No common shares.

Purdy Crawford, O.C., Q.C., LL.D., 71, of Toronto, Ontario, has served on the Board of Directors since April 25, 1995. Mr. Crawford is Chairman, AT&T Canada Corporation (telecommunication company) and Counsel, Osler, Hoskin & Harcourt (law firm). Mr. Crawford also served as Chief Executive Officer of Imasco (manufacturer of tobacco products) from 1985 to 1995. He is a member of the board of directors of the following public companies: Emera Incorporated (energy and services company), Foot Locker, Inc. (retailer of athletic foot wear and apparel), Petro Canada (oil and gas company), Maple Leaf Foods Inc. (food processing company) and SEAMARK Asset Management Ltd. (investment counsel firm). He is also Trustee of the Clearwater Seafoods Income Fund.	Chairman of the Human Resources and Compensation Committee Member of the Corporate Governance and Nominating Committee, the Strategic Planning Committee and the Investment Committee of CN's Pension Trust Funds(1) 23,700 common shares(2)
J.V. Raymond Cyr, O.C., LL.D., 69, of Montréal, Quebec, has served on the Board of Directors since March 29, 1995. Mr. Cyr is Chairman, PolyValor Inc. (telecommunication company). Mr. Cyr has also been Chairman of BellCanada from 1992 to 1996 and Chairman 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., Cable Satisfaction International Inc. (cable company) and Triton Electronik Inc. (electronic contract manufacturing).	Chairman of the Environment, Safety and Security Committee 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(1) 14,600 common shares(2)(3)
Ambassador Gordon D. Giffin, 53, of Atlanta, Georgia, 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) and TransAlta Corporation (electric generation and marketing company).	Member of the Audit, Finance and Risk Committee, the Corporate Governance and Nominating Committee and the Strategic Planning Committee 4,400 common shares(2)(3)
James K. Gray, O.C., A.O.E., LL.D., 69, of Calgary, Alberta, has served on the Board of Directors since July 4, 1996. Mr. Gray is Corporate Director and Former Chairman 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), The Hudson's Bay Company (department store retailer), Phoenix Technology Services Inc. (technology and services company for oil and gas industry) and Twin Mining Corporation (mineral exploration and development company).	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 7,800 common shares(2)(3)
E. Hunter Harrison, 58, of Burr Ridge, Illinois, has served on the Board of Directors since December 7, 1999. Mr. Harrison has been President and Chief Executive 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. He is also a director of other companies, including Mississippi Export Railroad Company MSE Service (short-line railroad company) and TTX Company (railcar management services company).	Member of the Strategic Planning Committee 61,713 common shares(2)(4)
Edith E. Holiday, 51, of Washington, District of Columbia, has served on the Board of Directors since June 1, 2001. Mrs. Holiday is Corporate Director and Trustee, Former GeneralCounsel, 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), Hercules Incorporated (manufacturer of specialty products) 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, II and III Trusts.	Member of the Audit, Finance and Risk Committee, the Strategic Planning Committee and the Investment Committee of CN's Pension Trust Funds(1) 2,600 common shares(2)

V. Maureen Kempston Darkes, O.C., D. Comm. LL.D., 54, of Miramar, Florida, 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).	Member of the Corporate Governance and Nominating Committee, the Human Resources and Compensation Committee and the Strategic Planning Committee 4,600 common shares[(2)(3)]
Gilbert H. Lamphere, 50, of New York, New York, has served on the Board of Directors sinceMarch 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 Chairman of Illinois Central Corporation prior to its purchase by the Company.	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 6,600 common shares[(2)]
Denis Losier, 50, of Moncton, New Brunswick, 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).	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 15,000 common shares[(2)(3)]
The Hon. Edward C. Lumley, P.C., LL.D., 63, of South Lancaster, Ontario, has served on the Board of Directors since July 4, 1996. Mr. Lumley is Vice-Chairman, BMO Nesbitt Burns Inc. (investment bankers). From 1986 to 1991, he served as Chairman 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 company) Magna Entertainment (owner and operator of racetracks) and Magna International (supplier of automotive systems, components and modules).	Chairman of the Investment Committee of CN's Pension Trust Funds Member of the Human Resources and Compensation Committee, the Environment, Safety and Security Committee and the Strategic Planning Committee 10,600 common shares[(2)]
David G.A. McLean, O.B.C., LL.D., 64, of Vancouver, British Columbia, has served on the Board of Directors since August 31, 1994. Mr. McLean is Chairman of the Board of the Company and Chairman and Chief Executive Officer, The McLean Group (real estate investment company and film and television facility company).	Chairman of the Corporate Governance and Nominating Committee 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[(1)] 31,970 common shares[(2)]
Robert Pace, 48, of Halifax, Nova Scotia, 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).	Chairman of the Audit, Finance and Risk Committee Member of the Corporate Governance and Nominating Committee, the Strategic Planning Committee and the Investment Committee of CN's Pension Trust Funds[(1)] 14,600 common shares[(2)(3)]

(1) 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.

(2) The information as to common shares beneficially owned, controlled or directed has been furnished by the respective nominees individually and includes restricted shares units but does not include common shares under options.

(3) Includes Restricted Share Units in the following amounts: J.V. Raymond Cyr: 3,800; Ambassador Gordon D. Giffin: 1,400; James K. Gray: 1,800; V. Maureen Kempston Darkes: 3,400; Denis Losier: 1,400; and Robert Pace: 1,400. 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.

(4) Includes 40,000 performance-based restricted shares granted to Mr. Harrison on March 30, 1998, and fully vested as of January 22, 2002. See "Disclosure on Compensation— Officers' Remuneration — Compensation of Named Executive Officers of the Company".

On January 21, 2003, the Board of Directors amended its guideline that each director own, within five years of joining the Board, not less than $CAD150,000 in value of common shares of the Company (including restricted share units and similar plans, if any, but not including the value of unexercised options) to increase the applicable amount to $CAD250,000. The average value of common shares of the Company owned by non-executive directors is approximately $CAD839,960 (based on the February 28, 2003 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 or "inside director" of the Company as such expression is defined in the TSX Guidelines. Of the remaining 14 Board members, 12 are considered "unrelated" and two are considered "related" to the Company, Mr. Lumley being a senior executive of a substantial provider of financial services to the Company and Mrs. Kempston Darkes being a senior executive of a major customer of the Company. In determining whether an outside director is an "unrelated" director, any interest of such director and all relevant business and other relationships (including without limitation, customer, supplier and service provider relationships) have been considered by the Board of Directors. On August 1, 2002, the New York Stock Exchange proposed new corporate governance rules, including provisions with respect to directors' independence. These proposals are not in force as of February 28, 2003. As such provisions come into effect, the Board will review and amend its governance practices accordingly.

A record of attendance by directors at meetings of the Board and its committees, as well as a summary of Board and committee meetings held during the 12 month-period ended December 31, 2002, are set out in Schedule A of this Management Proxy Circular.

Appointment of Auditors

KPMG LLP have served as the Company's auditors since 1992. In 2002, fees billed by KPMG LLP for audit and audit-related services provided to the Company were $CAD1,746,550 in the aggregate.

The Company's Corporate Governance Manual (the "Manual") provides that the Audit, Finance and Risk Committee determines which non-audit services the external auditors are precluded from providing and approves permitted non-audit services by the external auditors. On January 20, 2003, the Audit, Finance and Risk Committee adopted a resolution prohibiting the Company from engaging KPMG LLP to provide certain non-audit services to the Company 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. The fees billed by KPMG LLP for services other than audit or audit-related services provided to the Company in 2002 totalled $CAD2,784,035, of which $CAD2,246,391 was attributable to a one-time implementation fee in respect of a research and development claim for tax credits. Amounts expended for these types of research and development services are usually higher for the first year they are implemented, and as a result, an amount of $CAD350,000 was approved by the Board for similar services to be rendered in 2003.

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.**

SECTION 3 - STATEMENT OF CORPORATE GOVERNANCE PRACTICES

General

The Company is committed to adhering to the highest possible standard 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 Manual which was formally approved by the Board on January 21, 2003. 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 in the field 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.

In Schedule B of this Management Proxy Circular, the Company's corporate governance practices are compared with the guidelines for effective corporate governance of the Toronto Stock Exchange ("TSX", and such guidelines, "TSX Guidelines"). In the spring of 2002, the TSX published proposed amendments to these guidelines and in December 2002, the TSX circulated proposed disclosure and continued listing requirements ("TSX Requirements") and more amendments to the TSX Guidelines (collectively, "TSX Standards"). The Board of Directors believes that the Company's corporate governance practices, as set forth in the Manual, conform to the proposed TSX Standards in most respects, including the adoption of a mandate for the Board of Directors which is included in this Management Proxy Circular as Schedule C. It must be noted that, as at February 28, 2003, the proposed TSX Standards are not in force. If necessary, the Board of Directors will further review the Company's corporate governance practices and the Manual to conform with the TSX Standards, once in their final form and approved by the Ontario Securities Commission.

The Board has also reviewed the Company's corporate governance practices in response to the United States *Sarbanes-Oxley Act of 2002* ("SOX"), as well as the New York Stock Exchange's corporate governance rule proposals ("NYSE Proposals"). The U.S. Securities and Exchange Commission ("SEC") is in the process of issuing rules and regulations to give effect to the provisions of SOX, and is currently considering approval of the NYSE Proposals. The NYSE Proposals are not in force as of February 28, 2003. In anticipation of SOX and the NYSE Proposals coming into effect, the Board has reviewed and amended the Company's corporate governance practices, as set forth in the Manual, and will continue to do so on an ongoing basis in response to the evolving standards.

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 (formerly the Audit and Finance Committee), the Corporate Governance and Nominating Committee (formerly the Corporate Governance Committee), the Human Resources and Compensation Committee (formerly the Human Resources Committee), the Environment, Safety and Security Committee (formerly the Environment and Safety 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 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 and permitted non-audit services provided by the external auditors. This Committee met eight times in 2002.

- 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 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 such principles. This Committee met six times in 2002.

- 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. This Committee met five times in 2002.

- The Environment, Safety and Security Committee has, amongst others, the following responsibilities: (a) overseeing the development and implementation of environmental, safety and security policies, procedures and guidelines; (b) assessing corporate environmental, safety and security practices; and (c) reviewing the Company's business plan to ascertain whether environmental, safety and security issues are adequately taken into consideration. This Committee met four times in 2002.

- 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. This Committee met three times in 2002.

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 interest acquired by CN’s Pension Trust Funds. This Committee met five times in 2002.

Process

During the last half of each year, the Chairman of the Board, in collaboration with the Corporate Secretary, establishes a schedule for the meetings of the Board of Directors and its committees for the following year. Ten such Board meetings were scheduled and held during the course of 2002. If during the course of the year events or circumstances require Board action or consideration, additional meetings are called. In 2002, two such additional meetings were held to consider various matters that arose during the course of the year. The total number of meetings held during the course of 2002 by the Board and each of its committees is set out in Schedule A of this Management Proxy Circular.

It is the Company's policy that, generally, no decision requiring Board approval be delegated to or made by a committee. Most issues will be initially discussed and examined by the relevant committee, which, if it deems it appropriate, will report and bring a recommendation to the Board of Directors, which will make the decision.

When the schedule for Board of Directors and committee meetings is established, the Corporate Secretary, in collaboration with the chairmen of the various committees and with the executive officers having responsibility for the matters supervised by each committee, establishes committee working plans for the year. This ensures that all those matters which are the more direct responsibility of each committee, are scheduled for review in a timely and orderly manner by the responsible committee during the course of 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. As the year progresses, the regular agendas are complemented with items and presentations selected on the basis of their relevance at the time, keeping in mind management's commitment to keeping the Board of Directors well informed of all significant developments in the business and prospects of the Company. As is the case for full Board meetings, other meetings of the committees are called and held during the year as circumstances warrant.

During the course of the year, communication regularly takes place between the Chairman and the President and Chief Executive Officer. Likewise, through the Office of the Corporate Secretary, executive officers having responsibilities for matters placed under the supervision of particular committees will communicate with the chairmen 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 having special supervisory responsibilities. It also allows the Chairman of the Board, or the chairmen of the various committees, to determine both the appropriateness of having special or additional meetings of either the Board of Directors or a committee and to establish and complement agendas for future meetings.

The Board of Directors relies on the information that management provides to the Board of Directors and its committees, and thus the quality of such information, both in terms of timeliness and completeness, is critical to the effectiveness of Board decisions. The Board of Directors believes that the process outlined above is essential to reaching this objective and to enable it to properly discharge its mandate.

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, 2002 with management; discussed with the independent 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 auditors recommended by the Canadian Institute of Chartered Accountants and the Independence Standards Board in the United States, and has discussed with the auditors their independence. Based on these reviews and discussions, the Audit, Finance and Risk Committee recommended to the Board of Directors that the audited consolidated financial statements of the Company for the year ended December 31, 2002 be included in the annual report to Shareholders and that KPMG LLP be reappointed as independent auditors by the Shareholders.

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

Robert Pace, Chairman
Michael R. Armellino
J.V. Raymond Cyr
Gordon D. Giffin
James K. Gray
Edith E. Holiday
Gilbert Lamphere
Denis Losier
Cedric E. Ritchie

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 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, 2002, and for each of the two preceding years. All amounts in this section are in U.S. currency, unless otherwise indicated.

Summary Compensation Table[1]

		Annual Compensation			Long-Term Compensation			
					Awards		Payouts	
Name and Principal Position	**Year**	**Salary ($US)**	**Bonus ($US)**	**Other Annual Compensation[7] ($US)**	**Securities Under Options/SARs Granted (#)**	**Restricted Shares or Restricted Share Units ($US)**	**Long-Term Incentive Plan Payouts ($US)**	**All Other Compensation ($US)**
Paul M. Tellier President and Chief Executive Officer	2002 2001 2000	1,100,000 904,159 807,972	401,000 797,400 605,979	42,166[8] 43,598[8] Nil	300,000 230,000 175,000	Nil Nil Nil	Nil 978,900[10] Nil	Nil Nil Nil
E. Hunter Harrison[2] Executive Vice-President and Chief Operating Officer	2002 2001 2000	935,000 850,000 600,000	238,600 595,000 405,000	100,122 [9] 188,107[9] 180,432[9]	225,000 200,000 100,000	Nil Nil Nil	605,364[11] 435,056[11] 7,074,992[11,12]	252,690[13] 1,730,411[13,14] 216,188[13]
James M. Foote[3] Executive Vice-President, Sales and Marketing	2002 2001 2000	425,000 388,706 252,491	90,000[5] 174,100 186,642	Nil Nil Nil	90,000 60,000 50,000	Nil Nil Nil	Nil 148,793[10] Nil	5,500[13] 5,100[13] Nil
Claude Mongeau[4] Executive Vice-President and Chief Financial Officer	2002 2001 2000	425,000 348,747 247,441	90,000 174,100 292,284[6]	Nil Nil Nil	90,000 65,000 50,000	Nil Nil Nil	Nil 123,994[10] Nil	Nil Nil Nil

Jack T. McBain Senior Vice-President, Operations	2002 2001 2000	276,964 258,331 239,025	61,386 113,200 145,637	Nil Nil Nil	47,000 50,000 40,000	Nil Nil Nil	Nil 344,573[(10)] Nil	Nil Nil Nil

(1) Payments made in Canadian currency were converted using average rates of exchange of 1.5704, 1.5484 and 1.4852, respectively, for the years 2002, 2001 and 2000.

(2) Mr. Harrison was appointed President and Chief Executive Officer effective January 1, 2003, following Mr. Tellier's retirement.

(3) Mr. Foote was appointed Executive Vice-President, Sales and Marketing in October 2000.

(4) Mr. Mongeau was appointed Executive Vice-President and Chief Financial Officer in October 2000.

(5) Mr. Foote received 100% of his bonus in the form of 2,181 deferred share units payable in cash upon retirement or termination of employment. Under the Voluntary Incentive Deferral Plan, the bonus earned ($US90,000) has been converted into deferred share units using a share price of $US41.27.

(6) Includes a special one-time bonus of $US100,996.

(7) Aggregate perquisites and other personal benefits that do not exceed the lesser of $CAD50,000 or 10% of the total of the annual salary and bonus for any of the Named Executive Officers, are not included in this column.

(8) Includes dividend equivalents in the amount of $US15,188 accrued during 2001 and $US16,681 accrued during 2002 in respect of deferred share units awarded in 1997 under the Executive Bonus Share Rights Plan.

(9) In 2002, includes gross-up payment for taxes for various benefits in the amount of $US49,073. In 2001 and 2000, includes deemed interest on interest-free loans described under "Employment Contracts/Arrangements in the amounts of $US142,812 in 2000 and an aggregate of $US122,237 in 2001.

(10) 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 ($US32.63 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.

(11) 40,000 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 $US1,291,240. 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. The restricted shares vested as to one third on each of January 25, 2000, 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 $US324,992 ($US24.375 per share), $US435,056 ($US32.63 per share) and $US605,364 ($US45.40 per share), respectively.

(12) Also includes total payment of $US6,750,000 under a Long-Term Cash Incentive Program that was implemented pursuant to the terms of Mr. Harrison's employment agreement and was comparable to the long-term incentive opportunity he had with Illinois Central Corporation. The award was subject to the Company's attainment, during fiscal years 1998, 1999 and 2000, of performance objectives. Payment under the Plan was made at the maximum level because 2001 performance objectives were met one year earlier during fiscal year 2000.

(13) For Mr. Harrison, includes the combined Illinois Central Corporation contributions to a defined contribution plan and to a 401(k) plan as well as the amounts accrued under an executive account balance and under an excess benefit plan. For Mr. Foote, includes employer contributions to a 401(k) plan for the years 2002 and 2001. (See "Disclosure on Compensation – Officers' Remuneration – Pension Plans).

(14) Also includes forgiveness of a $US1,500,000 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, 2002. See "Management Long-Term Incentive Plan" below for a description of such plan.

Name	Year Granted	# of Securities Granted Under Options(1)	% of Total Options Granted to Employees in Financial Year	Exercise Price(2) ($US)	Market Value of Securities Underlying Options on Date of Grant(2) ($US/Security)	Expiry Date
Paul M. Tellier	2002	300,000	9.6	48.89	48.89	January 25, 2012
E. Hunter Harrison	2002	225,000	7.2	48.89	48.89	January 25, 2012
James M. Foote	2002	90,000	2.9	48.89	48.89	January 25, 2012
Claude Mongeau	2002	90,000	2.9	48.89	48.89	January 25, 2012
Jack McBain	2002	47,000	1.5	48.89	48.89	January 25, 2012

(1) These options are subject to vesting restrictions, which lapse as to 25% per year, with vesting therefore commencing on the first anniversary date of grant.

(2) The exercise price and market value of $CAD76.77 have been converted using the average rate of exchange of 1.5704 for the year 2002.

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, 2002. See "Management Long-Term Incentive Plan" below for a description of such plans.

	Securities Acquired on Exercise	Aggregate Value Realized	Unexercised Options at FY-End (#)		Value of Unexercised In-The-Money Options at FY-End ($US)(1)	
Name	**(#)**	**($US)**	**Exercisable**	**Unexercisable**	**Exercisable**	**Unexercisable**
Paul M. Tellier	200,000(2)	4,716,709	295,000	610,000	4,217,967	4,039,235
E. Hunter Harrison	Nil	Nil	530,000	435,000	6,897,797	2,594,944
James M. Foote	17,200	600,858	109,500	174,500	1,793,045	1,106,783
Claude Mongeau	16,668	540,798	91,250	178,750	1,373,013	1,173,816
Jack McBain	30,800	1,249,594	105,418	119,250	1,644,335	940,307

(1) 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, 2002 on the New York and Toronto stock exchanges ($CAD65.42) and the exercise price, converted using the average rate of exchange of 1.5704 for the year 2002. 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.

(2) Mr. Tellier sold 180,000 common shares and continued to hold 20,000 common shares upon exercising these options.

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 $CAD27.00 per share (on a pre stock-split basis). 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 28,366 options exercisable under the IPO Plan as of December 31, 2002.

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. On January 23, 2001, the Board of Directors approved an amendment to the Plan to remove the annual restriction on the grant of options and to remove the flexibility to grant other rights, except for options. The maximum number of common shares that may be issued under the Plan is 15,000,000. 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, 2002, pursuant to the provisions of the Plan, the Company granted a total of approximately 1,213,000 options to purchase common shares at the market price on the date of grant to 27 executive officers. As at December 31, 2002, options for a total of 9,095,023 common shares had been granted and were outstanding under the Plan.

Employment Contracts/Arrangements

On June 19, 2001, the Company entered into an agreement with its President and Chief Executive Officer at the time setting out the terms and conditions of Mr. Tellier's employment, including base salary, Annual Incentive Bonus Plan participation, stock option grants, the award under the Mid-Term Incentive Share Unit Plan, participation in the CN Pension Plan, a Special Retirement Stipend, the award of deferred share units under the Executive Bonus Share Rights Plan and customary perquisites, as described herein. The agreement also contains provisions relating to the treatment of stock options and share units upon death, retirement or disability. Effective January 31, 2003, Mr. Tellier retired from the Company.

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 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 compared to those applicable in the United States. The Agreement also deals with the terms of repayment of a $US653,250 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 $US1 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 1.5704 for 2002.

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 ($US)	Principal Pension Plan Pensionable Service (years) ($US)				
	10	20	25	30	35
100,000	10,921	21,842	27,302	32,762	38,223
400,000	10,921	21,842	27,302	32,762	38,223
700,000	10,921	21,842	27,302	32,762	38,223
1,000,000	10,921	21,842	27,302	32,762	38,223
1,300,000	10,921	21,842	27,302	32,762	38,223

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)				
	10	20	25	30	35
100,000	8,356	16,712	20,890	25,068	29,246
600,000	108,356	216,712	270,890	325,068	379,246
1,100,000	208,356	416,712	520,890	625,068	729,246
1,600,000	308,356	616,712	770,890	925,068	1,079,246
2,100,000	408,356	816,712	1,020,890	1,225,068	1,429,246

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 $CAD1,715 ($US1,092) 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 they remain 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. McBain and Mongeau had respectively 35 years and eight years and eight months of credited service under the SRS as at December 31, 2002.

In June 1999, the Board of Directors approved that the Special Retirement Stipend program be extended to senior management employees (Level IV), 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's 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 $US58,220 for 2002. 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 paid. 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.

Prior to joining the Company, Mr. Tellier was a member of the pension plan for Canadian federal civil servants established under the *Public Service Superannuation Act* ("PSSA Plan"). When he joined the Company, the Treasury Board of Canada agreed that he would continue as a member of the PSSA Plan. On December 15, 1994, membership of Mr. Tellier in the PSSA Plan was transferred to a retirement compensation arrangement ("RCA") set up under the *Special Retirement Arrangement Act*. This transfer was necessary in order to accumulate and pay the pension benefits that cannot be paid under the PSSA Plan because of the limitations contained in the *Income Tax Act*. Mr. Tellier's pension credits in the PSSA Plan and RCA are based on earnings he would have received had he continued in the Public Service of Canada. These earnings were established at $US130,572 per annum starting on April 1, 1998. Mr. Tellier had 30.27 years of service recognized under such plans when he retired under them in May 1999. Pension benefits under the PSSA Plan and RCA are based on the average earnings during the best six consecutive years of earnings under such plans.

Mr. Tellier joined the Company's principal pension plan on June 1, 1999. Mr. Tellier is also covered by a special pension arrangement which recognizes all of his services with the Government of Canada prior to joining the Company on October 1, 1992 (25 years and four and a half months), and all of his service with the Company since then. Mr. Tellier's pension benefits, 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 the Special Retirement Stipend program for all those years, less the sum of the total lifetime pension payable to him at age 60 under the PSSA Plan and RCA ($US5,296) and the pension payable under the Company's principal pension plan. These pension benefits are payable from the Company's operating funds. Effective January 31, 2003, Mr. Tellier retired from the Company.

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 the retirement from the ICR or termination of employment. The wage offset factor is adjusted annually by the percentage increase in the U.S. social security wage base. For 2002, the wage offset factor was $US141,500. 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 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 Plans. 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 the 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:

Highest Average Earnings	**Qualified Pension Plan Table** **Estimated Annual Benefit for Years of Credited Service after December 31, 2000** **($US)**

($US)	5	10	15	20	25
200,000	6,149	12,297	18,446	24,594	30,743
450,000	6,149	12,297	18,446	24,594	30,743
700,000	6,149	12,297	18,446	24,594	30,743
950,000	6,149	12,297	18,446	24,594	30,743
1,200,000	6,149	12,297	18,446	24,594	30,743

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 $US700,000 annually if he retires or terminates employment at any time before December 31, 2003, $US800,000 annually if he remains employed with the Company until December 31, 2003 and $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.

During Mr. Foote's service from August 23, 1995 to December 31, 2000, he participated to 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 to the Defined Benefit Plan mentioned above. He has also been participating to 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:

Supplemental Retirement Plan (SRP) Table

Final Average Compensation ($US)	**Estimated Annual Benefit for Years of Credited Service after December 31, 2000 ($US)**				
	5	10	15	20	25
200,000	20,000	40,000	60,000	80,000	100,000
650,000	65,000	130,000	195,000	260,000	325,000
1,100,000	110,000	220,000	330,000	440,000	550,000
1,550,000	155,000	310,000	465,000	620,000	775,000
2,000,000	200,000	400,000	600,000	800,000	1,000,000

Mr. Foote's SRP pension obtained from the above table is offset by (i) the 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 four years of credited service under the SRP as of December 31, 2002.

Report on Executive Compensation by the Human Resources and Compensation Committee

The Human Resources and Compensation Committee met five times in 2002. 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 outside directors, namely Purdy Crawford, Chairman of the Committee, J.V. Raymond Cyr, V. Maureen Kempston Darkes, Gilbert H. Lamphere, Denis Losier, Edward C. Lumley, David G.A. McLean and Cedric E. Ritchie. 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.

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 most 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 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 (75^{th} 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 (50^{th} 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 75^{th} 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 2002, the AIBP had the following components:

1. Financial performance: 85% 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 2002, financial measures and their assigned weights included Operating Income (40%), Cash Flow profitability (25%), Revenue (10%) and Customer Satisfaction (10%).

   For certain executives, the Cash Flow profitability component measures the profitability of the appropriate division or business unit

2. Individual performance: 15% of the bonus was based on the achievement of personal goals and objectives.

For 2002, the targets for operating income and revenues were met but certain cash flow, profitability and customer satisfaction measures were not achieved. This resulted in a partial payout representing an average of 37% of Target Payouts for executives.

Voluntary Incentive Deferral Plan

To further strengthen the alignment of short-term 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 their bonus 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.

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 days moving average share price in the first half of 2004. Should the average share price be $CAD75 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 $CAD100 average share price, which is the maximum target (linear vesting applies where the average share price is between $CAD75 and $CAD100).

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 $CAD60.

Stock Options

The Company relies heavily on the grant of stock options to align management interest with shareholder value growth. 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 2002, the option grant value represented 245% 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. However, in the most recent years, the Company granted conventional options.

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 has been 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 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 of 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; 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.

Submitted by the Human Resources and Compensation Committee of the Board of Directors:

Purdy Crawford (Chairman)
J.V. Raymond Cyr
V. Maureen Kempston Darkes
Gilbert H. Lamphere
Denis Losier
Edward C. Lumley
David G.A. McLean
Cedric E. Ritchie

Performance Graph

The following performance graph illustrates the yearly cumulative total shareholder return on the CN's common shares (assuming reinvestment of dividends) compared with the cumulative total return of the S&P/TSX Composite Index (formerly the TSE 300 Composite Index) and the S&P 500 Index from the period beginning December 31, 1997 to the period ending December 31, 2002. Unlike previous years, the following graph does not illustrate the cumulative total return of the S&P Rail Index due to its discontinuance. Amounts indicated are in Canadian dollars.

	Dec-97	Dec-98	Dec-99	Dec-00	Dec-01	Dec-02
CN	$100.00	$118.47	$113.75	$132.07	$227.15	$193.87
S&P/TSX Composite Index	$100.00	$98.42	$129.63	$139.23	$121.73	$106.59
S&P 500	$100.00	$126.34	$150.71	$135.58	$118.04	$90.87

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" hereinabove, the directors have a substantial investment in the Company. In addition, in excess of 65% of the annual remuneration for 2002 of the non-executive directors is in the form of common shares of the Company (or restricted share units) and options. However, no options will be granted to the directors in 2003.

To reflect the Company's extensive operations in the United States, fiveof 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 2002, each director, except Mr. David G.A. McLean, Mr. Paul M. Tellier and Mr. E. Hunter Harrison, was paid a fee of $CAD44,000 (including a retainer fee of $CAD15,700 and either 400 common shares of the Company purchased by it on the open market or 400 restricted share units in accordance with the provisions of the Directors' Share Purchase Plan). In addition, each such director received an amount of $CAD1,570 per day for each meeting of the Board of Directors attended and an additional

$CAD1,570 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 $CAD5,500 for being a member of a committee of the Board of Directors and an additional $CAD1,570 for each meeting of a committee attended. The chairman of each committee of the Board of Directors (except the Chairman of the Board) is entitled to an additional fee of $CAD5,500.

Mr. McLean, in his capacity of Chairman of the Board in 2002, was paid a fee of $CAD296,000 including a retainer fee of $CAD141,000 and 2,000 common shares of the Company purchased by the Company on the open market. Messrs. Tellier and Harrison did not receive any compensation from the Company to serve as a director, as M. Tellier was, and M. Harrison is, an officer of the Company.

At its meeting held on January 22, 2002, the Board of Directors approved grants of options on 4,000 common shares to each non-executive director, except the Chairman of the Board, whose grant was on 8,000 common shares of the Company, the whole pursuant to the Management Long-Term Incentive Plan.

The amounts referred to in this section were established in U.S. currency and converted using the average rate of 1.5704 for the year 2002.

SECTION 5 - OTHER INFORMATION

Indebtedness of Directors and Officers

As of December 31, 2002, 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 $US1.7 million.

Table of Indebtedness of Directors and Officers

Name and Principal Position	Involvement of Company or subsidiary	Largest Amount Outstanding during 2002	Amount Outstanding as at February 28, 2003
E. Hunter Harrison Executive Vice-President andChief Operating Officer[2]	Loan granted by the Company	$US653,250 [1]	$US653,250

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

(2) Effective January 1, 2003, Mr. Harrison was appointed President and Chief Executive Officer.

As of December 31, 2002, 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 from renewing or materially modifying any of the loans in place with directors and officers.

Shares Owned or Controlled by Senior Management

As of February 28, 2003, 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 5.4 million common shares, representing approximately 2.8% 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 2002 was $CAD521,000.

Shareholder Proposals

Shareholder proposals to be considered at the 2004 annual meeting of Shareholders must be received at the head office of the Company no later than December 5, 2003, 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 4, 2003

SCHEDULE A

RECORD OF ATTENDANCE BY DIRECTORS
For the 12 month-period ended December 31, 2002

Director	Number of meetings attended	
	Board	Committees
Michael R. Armellino	12 of 12	26 of 26
Purdy Crawford, O.C., Q.C., LL.D.	11 of 12	18 of 19
J.V. Raymond Cyr, O.C., LL.D.	12 of 12	22 of 25
Ambassador Gordon D. Giffin	12 of 12	17 of 17
James K. Gray, O.C., A.O.E., LL.D.	12 of 12	19 of 21
E. Hunter Harrison	12 of 12	3 of 3
Edith E. Holiday	11 of 12	14 of 16
V. Maureen Kempston Darkes, O.C., D. Comm., LL.D.(1)	8 of 12	8 of 14
Gilbert H. Lamphere	12 of 12	16 of 20
Denis Losier	12 of 12	20 of 20
The Hon. Edward C. Lumley, P.C., LL.D.	10 of 12	15 of 17
David G.A. McLean, O.B.C., LL.D.	12 of 12	23 of 23
Robert Pace	12 of 12	22 of 22
Cedric E. Ritchie, O.C., LL.D.(2)	10 of 12	24 of 27
Paul Tellier, P.C., C.C., Q.C., LL.D.(2)	12 of 12	3 of 3

(1) Mrs. Kempston Darkes could not attend all Board and Committee meetings due to her nomination as Group Vice-President and President Latin America, Africa and Middle East for General Motors Corporation on January 1, 2002, since the Board meetings had been scheduled 12 months in advance and two had been scheduled on very short notice. This should not be the case going forward.

(2) Mr. Tellier retired from the Company effective January 31, 2003 and Mr. Ritchie is not standing for re-election on April 15, 2003.

Summary of Board and Committee Meetings Held	**Number of meetings held**
Board	12
Audit, Finance and Risk Committee	8
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	5
Strategic Planning Committee	3

SCHEDULE B

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

In this Schedule, the Company's corporate governance practices are compared to the TSX Guidelines.

TSX Guidelines	Does the Company align?	Corporate Governance Practices at the Company
1. The Board of Directors should explicitly assume responsibility for the stewardship of the Company and, as part of the overall stewardship responsibility, the Board should assume responsibility for the following matters:	ü	On January 21, 2003, the Board approved its new 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.
(a) adoption of a strategic planning process;	ü	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.
(b) the identification of the principal risks of the Company's business and ensuring the implementation of appropriate systems to manage these risks;	ü	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.
(c) succession planning, including appointing, training and monitoring senior management;	ü	The Board of Directors is responsible for choosing the President and Chief Executive Officer, appointing executive management and monitoring the President and Chief Executive Officer and the executive

		management's performance, approving the President and Chief Executive Officer 's corporate objectives and approving annually the President and Chief Executive Officer's and executive management's compensation. 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.
(d) a communication policy for the Company; and	ü	The Board of Directors has the responsibility of adopting communications policies and monitoring the Company's investor relations program. The Company's communications policies (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) are reviewed at least annually.
(e) the integrity of the Company's internal control and management information systems.	ü	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.
2. The Board of Directors should be constituted with a majority of individuals who qualify as unrelated directors. An "unrelated director" is a director who is independent of management and is free from any interest and any business or other relationship which could, or 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 from shareholding.	ü	Of the 15 Board members, only Mr. Harrison, the President and Chief Executive Officer of the Company, is an officer or "inside director" of the Company as such expression is defined in the TSX Guidelines. Based on the foregoing and on the information provided by directors as to their individual circumstances (see this Management Proxy Circular under "Business of the Meeting – Election of Directors"), the Board has determined that, of the remaining 14 Board members, 12 are "unrelated" and two are "related" to the Company, Mrs. Kempston Darkes being a senior executive of a major customer of the Company and Mr. Lumley being a senior executive of a substantial provider of financial services to the Company.
3. The Board has the responsibility for applying the definition of "unrelated director" to the circumstances of each individual director and for disclosing on an annual basis, 1) whether the Board has a majority of unrelated directors and 2) the analysis of the application of the principles supporting their conclusion.	ü	In determining whether or nor a director is "unrelated", as that term is defined in the 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 (or similarly situated individual), 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 (see this Management Proxy Circular under "Business of the Meeting – Election of Directors"), the Board has determined that 12 of the fifteen Board members are "unrelated" to the Company. See Item 2.
4. The Board of Directors should appoint a committee of directors composed exclusively of outside, i.e. 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.	ü	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. This Committee also has the responsibility of reviewing, with the Board Chair, the performance of the Board, Board committees, committee chairs and Board members. The mandate of the Corporate Governance and Nominating Committee, adopted on January 21, 2003, provides that such committee must be composed of a majority of "unrelated" directors. As at the date hereof, all of the members of the Corporate Governance and Nominating Committee are non-management directors and a majority of these members are "unrelated" to the Company.
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.	ü	The Board has implemented and reviews, from time to time, a process to annually assess the effectiveness of the Board, Board committees, Board and committee chairs and individual directors. This process is under the supervision of the Corporate Governance and Nominating Committee and the Board Chair.
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.	ü	The Corporate Governance and Nominating Committee has the responsibility to, in consultation with the Board Chair, develop, monitor and review, as applicable, the Company's orientation and continuing education programs for directors. As at the date hereof, the Manual contains such a Board orientation

		program for new directors. In addition, the Board Chair ensures that Board members have access to education and information on an on-going basis and as required.
7. The Board of Directors should examine its size and, with a view to determining the impact of the number upon effectiveness, undertake where appropriate, a program to reduce the number of directors to a number which facilitates more effective decision-making.	ü	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 Corporate Governance and Nominating Committee also develops, reviews and monitors, in consultation with the Board Chair, 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.
8. The Board of Directors should review the adequacy and form of the compensation of directors and ensure the compensation realistically reflects the responsibilities and risk involved in being an effective director.	ü	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 remuneration for their services as director.
9. Committees of the Board of Directors should generally be composed of outside directors, a majority of whom are unrelated directors, although some Board committees, such as the executive committee, may include one or more inside directors.	ü	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 outside directors. All committees of the Board of Directors are currently composed of at least a majority of "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.	ü	The Corporate Governance and Nominating 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 such principles. It also has the responsibility of reviewing the Manual annually and ensuring that a statement of corporate governance practices is included in the Company's annual report or management proxy circular.
11. The Board of Directors, together with the Chief Executive Officer, should develop position descriptions for the Board 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.	ü	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 are set out in detail in the Manual which has been approved by the Board of Directors. 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 approval.
12. The Board of Directors should have in place appropriate structures and procedures to 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 ensure that the Board discharges its responsibilities or (ii) adopt alternate means such as assigning this responsibility to a committee of the Board or to a director, referred to as the "lead director". Appropriate procedures may involve the Board meeting on a regular basis without management present or may involve expressly assigning the responsibility of administering the Board's relationship with management to a committee of the Board.	ü	The Manual provides that the Board Chair must be a non-executive and "unrelated" director who is designated by the Board. Mr. David G.A. McLean, who has been a director of the Company since 1994, is Chairman of the Board. Mr. McLean is not a member of management and he is "unrelated" to the Company. 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 outside Board members meet regularly without management under the chairmanship of the Board Chair.
13. The audit committee should be composed entirely of outside directors.	ü	The mandate of the Audit, Finance and Risk Committee, adopted on January 21, 2003, states that all the members of the committee must be "unrelated" (and consequently outside) directors. As at the date hereof, all the members of the Audit, Finance and Risk Committee are outside and "unrelated" directors.
The roles and responsibilities of the audit committee should be specifically defined so as to provide appropriate guidance to audit committee members as to their duties.	ü	The responsibilities of the Audit, Finance and Risk Committee are set out in its charter, a copy of which is attached hereto as Schedule D.
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 ensure that management has designed and implemented an effective system of internal control.	ü	The mandate of the Audit, Finance and Risk Committee provides that the internal auditors and the external auditors have at all times a direct line of communication with the Audit, Finance and Risk Committee and that each must meet separately with this Committee, without 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.
14. The Board of Directors should implement a system which enables an individual director to engage an outside adviser at the expense of the Company in appropriate circumstances. This engagement should be subject to the approval of an appropriate committee of the Board.	ü	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.

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 ("**President and CEO**"), appointing executive management and monitoring President and CEO and executive management's 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's compensation;
- ensuring that an appropriate portion of President and CEO and executive management's 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;

- 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.

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; CN's communications policies (i) address how CN interacts with analysts, investors, other key stakeholders and the public, (ii) contain measures for CN to comply with its continuous and timely disclosure obligations and to avoid selective disclosure, and (iii) are reviewed at least annually;

- approving any proposal on mergers, acquisitions or other major investments or divestitures.

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 ("**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 regularly without management and under the chairmanship of the Board Chair.

SCHEDULE D

CHARTER OF THE AUDIT, FINANCE AND RISK COMMITTEE

1. Membership and Quorum

- a minimum of five directors;
- only Unrelated (as defined in the Manual) and Independent (as defined in the Manual) directors may be appointed; no affiliate of CN or any of its subsidiaries (including any director, executive officer, partner, member, principal or designee of such affiliate) may serve on the Audit, Finance and Risk Committee ("**Audit Committee**"); a member of the committee shall receive no compensation from CN or any of its affiliates other than compensation as a director and committee member of CN; prohibited compensation includes fees paid, directly or indirectly, for services as a consultant or as legal or financial advisor, regardless of the amount;
- each member must be financially literate (as determined by the Board);
- at least one member must have accounting or related financial experience (as contemplated in the disclosure and listing requirements and the corporate governance guidelines of the Toronto Stock Exchange, as amended, and applicable Canadian legislation ("**Canadian Corporate Governance Standards**")) and be an audit committee financial expert (as contemplated in the New York Stock Exchange's corporate governance standards, as amended, and applicable U.S. legislation, such as the *Sarbanes-Oxley Act* of 2002 ("**US Corporate Governance Standards**")) (as determined by the Board);
- quorum of majority of members.

2. Frequency and Timing of Meetings

- normally contemporaneously with CN Board meetings;
- at least six times a year and as necessary.

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, disclosure controls and procedures, and systems of internal control, through discussions with management, the external auditors and the internal auditors;
- reviewing the annual audited financial statements to be included in the annual report of CN with management and the external auditors, including CN's MD&A disclosure prior to their release, filing and distribution;
- reviewing quarterly consolidated financial statements of CN and accompanying information with management and the external auditors, including CN's MD&A disclosure, 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;

- 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 independent 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;
- requesting the performance of any specific audit, as required.

C. *Monitoring internal auditors*

- 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 to CN or any of its subsidiaries, determining which non-audit services the external auditors are prohibited from providing, and approving and overseeing the disclosure of permitted non-audit services by the external auditors;
- 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);
- 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;
- 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 ("**Governance 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 and, if appropriate, the external auditors; the Committee makes arrangements for the appropriate funding for payment of the external auditors and any advisors retained by it.

The internal auditors and the external auditors have at all times a direct line of communication with the Audit Committee. 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.

While the Audit Committee has the responsibilities and powers set forth in this mandate, it is not the duty of the Audit Committee to plan or conduct audits or to determine that CN'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.

The Audit Committee shall report annually to the Board 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, they do not have the obligation to act as auditors or to perform auditing, or to determine that the Company's financial statements are complete and accurate. 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.

SCHEDULE E

CHARTER OF THE CORPORATE GOVERNANCE AND NOMINATING COMMITTEE

1. Membership and Quorum

- a minimum of five directors;
- a majority of Unrelated directors shall be appointed;

quorum of majority of members.

2. Frequency and Timing of Meetings

- normally contemporaneously with CN Board meetings;
- at least four times a year and as necessary.

3. Mandate

The responsibilities of the Governance Committee include the following:

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

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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, committee chairs and Board members.

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 such principles;
- 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;
- assisting the Board Chair in determining Board committee composition, as well as the appropriate mandate of each committee for submission to the Board;
- monitoring CN's Corporate Disclosure Policy and the Investor Relations and Public Affairs Program;
- reviewing annually CN's Corporate Governance Manual;
- ensuring that a statement of corporate governance practices is included in CN's annual report or management proxy circular;
- reviewing CN's community investment program;
- making recommendations to the Board on the remuneration of the Board Chair, the committee chairs and non-executive directors.

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 annually to the Board 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;
- a majority of Unrelated directors shall be appointed;
- quorum of a majority of members.

2. Frequency and Timing of Meetings

- normally contemporaneously with CN Board meetings;
- at least four times a year and as necessary.

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 to the Board the President and CEO's compensation based on this evaluation;
- reviewing the evaluation of executive management's performance and recommending to the Board executive management's compensation;
- 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 managing 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;

