


CANADIAN NATIONAL RAILWAY COMPANY

MEETING DATE	Tue, 26 Apr 2016 10:00 am	TYPE	AGM	ISSUE DATE	Wed, 20 Apr 2016
MEETING LOCATION	Le Windsor, Windsor Ballroom, 1170 Peel Street, Montreal, Quebec (Canada)				
CURRENT INDICES	PIRC Global				
SECTOR	Railroads, line-haul operating				

PROPOSALS		ADVICE
1.01	Elect Donald J. Carty Independent Non-Executive Director. However, there are concerns over his aggregate time commitments. He is chair of a committee which is not fully independent which does not meet Triodos guidelines.	Withhold
1.02	Elect Gordon D. Giffin Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the board. He is chair of a committee which is not fully independent which does not meet Triodos guidelines.	Withhold
1.03	Elect Edith E. Holiday Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the board.	Withhold
1.04	Elect V. Maureen Kempston Darkes Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the board.	Withhold
1.05	Elect Denis Losier Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the board.	Withhold
1.06	Elect Kevin G. Lynch Independent Non-Executive Director.	For
1.07	Elect Claude Mongeau Chief Executive Officer.	For
1.08	Elect James E. O'Connor Independent Non-Executive Director.	For
1.09	Elect Robert Pace Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the board.	Withhold
1.10	Elect Robert L. Phillips Independent Non-Executive Director. However, there are concerns over his aggregate time commitments.	Withhold
1.11	Elect Laura Stein Independent Non-Executive Director.	For
2	Appoint the Auditors KPMG proposed. Non-audit fees represented 34.34% of audit fees during the year under review and 36.42% on a three-year aggregate basis. This level of non-audit fees raises some concerns about the independence of the statutory auditor. The date of appointment of the current audit firm is undisclosed, meaning the length of tenure is not known. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor.	Withhold

3 **Advisory Vote on Executive Compensation**

Oppose

The Company has submitted a proposal for shareholder ratification of its executive compensation policy and practices. The annual bonus is based on corporate performance (70%) and individual performance (30%). Targets are provided and for the fiscal year the executives achieved a corporate performance payout of 93%. The average payout for the executives averaged 96%. For 2016 the Company included a "Safety" metric to the annual bonus design, which will represent 10% of the overall payout (with individual performance being reduced to 20%). The change is welcomed. Payouts for the annual bonus were acceptable for the year under review with payouts being under 200% of base salary. Long-term equity are granted in the form of stock options (45%) and performance share units ("PSUs") (55%). PSUs use ROIC (70%) and TSR (30%) as performance metrics, with targets disclosed for both elements. For the 2015 performance cycle, awards were paid out at 150% of target. Long-term equity exceeded 200% of base salary. In addition, the executives achieved maximum payouts for the 2015 cycle, with TSR targeted for median performance, which raises concerns over the challenging nature of awards. Stock options have no performance criteria beyond time-based vesting and vest 25% over four years. Based on these factors Triodos does not support this resolution.

4 **Shareholder Resolution: Audit Engagement**

For

Proposed by: Qube Investment Management Inc.

The Propoent requests that the Board shall require that the Audit Committee will request proposals for the audit engagement no less than every eight years.

Supporting Argument: While the concept of auditor rotation is less common in North America, the European Union has moved forward with audit rotation rules and regulations. Some European countries, including Holland, have adopted even more assertive audit rotation measures than the EU. The annual audit provides the public with additional assurance (beyond management's own assertions) that a Company's financial statements can be relied upon. This has important implications for investors, on their comfort level when making investment decisions and the return they expect on their capital. The Proponent has been unable to confirm a change in the audit partner at CNR since 1992. Having the audit committee issue a regular request for proposal on the audit engagement is a compromise to a forced rotation. It continues to empower the audit committee, but asks them to perform a genuine cost/benefit analysis on a potential change in auditor. The audit committee decides if a rotation brings benefit that outweighs its cost.

Opposing Argument: The Board is against this proposal as it states that the Audit Committee continuously assesses the Company's external auditors, and on an annual basis reviews the appropriateness of the audit fees, audit quality independence, and also takes into consideration the potential advantages and disadvantages to be derived from a tendering process. Regulations in the U.S. and Canada require that the lead engagement partner must change every five years in the U.S. and every seven years in Canada, followed by a five year absence from the audit. At CN, lead engagement partner rotation occurs at least every five years. The Audit Committee also reviews the formal statement from external auditors confirming their independence and reviews hiring policies for former employees of the Company's external auditors.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 1.02 - Elect Gordon D. Giffin

It is noted that Mr. Giffin is the Chair of the Nomination Committee. There are concerns that there are several members of the Board with aggregate time commitment issues.

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