

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

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**FORM 6-K**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Report of Foreign Issuer

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

For the month of March, 2004

Commission File Number: 001-02413

**Canadian National Railway Company**

(Translation of registrant's name into English)

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

(Address of principal executive offices)

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

Form 20-F

Form 40-F

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

Yes

No

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

Yes

No

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

Yes

No

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

Canadian National Railway Company

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1. Letter to Shareholders
  2. Management Proxy Circular
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SIGNATURES

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

**Canadian National Railway Company**

Date: March 22, 2004

By: /s/ Sean Finn

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

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Item 1

Dear Shareholder:

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

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

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

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

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

We look forward to seeing you at the meeting.

Sincerely,

signed

E. HUNTER HARRISON  
President and Chief Executive Officer

signed

DAVID G.A. MCLEAN  
Chairman of the Board

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Item 2

CANADIAN NATIONAL RAILWAY COMPANY

**NOTICE OF ANNUAL  
MEETING OF SHAREHOLDERS**

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

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

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

BY ORDER OF THE BOARD OF DIRECTORS

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

March 2, 2004  
Montréal, Quebec

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CANADIAN NATIONAL RAILWAY COMPANY

**MANAGEMENT PROXY CIRCULAR**

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

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

## **SECTION 1 - VOTING AND PROXIES**

### ***Who can vote?***

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

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

### ***What will I be voting on?***

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

### ***How will these matters be decided at the Meeting?***

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

### ***How do I vote?***

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

#### **Voting by Proxy**

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

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

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

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

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

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

***What if I am an employee shareholder?***

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

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

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

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

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

***Who is a Non-Registered Shareholder?***

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

***How can a Non-Registered Shareholder vote?***

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

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

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

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

***Who can I call with questions?***



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

***How can I contact the transfer agent?***

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

***Voting Restrictions***

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

**SECTION 2 - BUSINESS OF THE MEETING**

**Financial Statements**

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

**Election of Directors**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

exploration and development company).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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### Appointment of Auditors

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

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

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

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

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

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## SECTION 3 - STATEMENT OF CORPORATE GOVERNANCE PRACTICES

### General

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

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

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



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

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

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

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

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

### **Committees of the Board**

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

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

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

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

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

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

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

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

### **Process**

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

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

### **Board Performance Assessment**

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

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

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

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

### **Board Succession Planning**

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

## **Report of the Audit, Finance and Risk Committee**

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

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

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

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

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

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

## **SECTION 4 - DISCLOSURE ON COMPENSATION**

### **Officers' Remuneration**

#### ***Compensation of Named Executive Officers of the Company***

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

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

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**Summary Compensation Table<sup>(1)</sup>**

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Name and Principal Position	Year	Annual Compensation			Long-Term Compensation			
		Salary (US\$)	Bonus <sup>(5)</sup> (US\$)	Other Annual Compensation <sup>(6)</sup> (US\$)	Awards		Payouts	
					Securities Under Options/SARs Granted (#)	Restricted Shares or Restricted Share Units (US\$)	Long-Term Incentive Plan Payouts (US\$)	All Other Compensation (US\$)
E. Hunter Harrison(2) President and Chief	2003	1,100,000	1,430,000	84,069(7)	540,000	Nil	Nil	263,250(12)
	2002	935,000	238,600	100,122 (7)	337,500	Nil	605,364(10)	