UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 40-F

[ ] REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934
OR
[X] ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: **December 31, 2011** Commission File Number: **1-2413**

CANADIAN NATIONAL RAILWAY COMPANY

(Exact name of registrant as specified in its charter)

Canada	**4011**	**E.I. 980018609**
(Jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

935 de La Gauchetiere Street West
Montreal, Quebec
Canada H3B 2M9
(514) 399-7091
(Address, including zip code, and telephone number including area code, of Registrant's principal executive offices)

CT Corporation System
111 Eighth Avenue
New York, N.Y. 10011
(212) 894-8600
(Name, address, including zip code, and telephone number, including area code, of agent for service in the United States)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common shares	**New York Stock Exchange** **Toronto Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: **None**
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

4.40% notes due March 15, 2013
4.95% notes due January 15, 2014
5.80% notes due June 1, 2016
1.45% notes due December 15, 2016
5.85% notes due November 15, 2017
5.55% notes due May 15, 2018
6.80% notes due July 15, 2018
5.55% notes due March 1, 2019
2.85% notes due December 15, 2021
7.63% debentures due May 15, 2023
6.90% notes due July 15, 2028
7.38% debentures due October 15, 2031
6.25% notes due August 1, 2034

6.20% notes due June 1, 2036
6.71% Puttable Reset Securities (PURS) *SM* due July 15, 2036
6.375% debentures due November 15, 2037
5.00% 99-year income debentures
7.70% 100-year debentures

For annual reports, indicate by check mark the information filed with this Form:

[X] Annual information form [ ] Audited annual financial statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:
At December 31, 2011, 442,071,052 common shares were issued and outstanding.

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).
Yes ý No o

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.
Yes ý No o

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Canadian National Railway Company's President and Chief Executive Officer (the "CEO") and its Executive Vice-President and Chief Financial Officer (the "CFO"), after evaluating the effectiveness of Canadian National Railway Company's "disclosure controls and procedures" (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of December 31, 2011 (the "Evaluation Date"), have concluded that as of the Evaluation Date, Canadian National Railway Company's disclosure controls and procedures were effective.

Management's Annual Report on Internal Control over Financial Reporting

The report of management on our internal control over financial reporting is located under the heading "Management's Report on Internal Control Over Financial Reporting" in our audited consolidated financial statements, which are filed as Exhibit 99.2 to this annual report on Form 40-F, and is incorporated by reference herein.

Attestation Report of the Registered Public Accounting Firm

The attestation report on our internal control over financial reporting is located under the heading "Report of Independent Registered Public Accounting Firm" in our audited consolidated financial statements, which are filed as Exhibit 99.2 to this annual report on Form 40-F, and is incorporated by reference herein.

Changes in Internal Control Over Financial Reporting

During the year ended December 31, 2011, there was no change in Canadian National Railway Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, Canadian National Railway Company's internal control over financial reporting.

AUDIT COMMITTEE FINANCIAL EXPERT

The Registrant's board of directors has determined that it has several audit committee financial experts serving on its Audit Committee. Mr. Hugh Bolton has been determined to be an audit committee financial expert and is independent, as that term is defined by the New York Stock Exchange's listing standards applicable to U.S. Companies. The SEC has indicated that the designation or identification of Mr. Bolton as an audit committee financial expert does not deem him an "expert" for any purpose, impose any duties, obligations or liability on Mr. Bolton that are greater than those imposed on members of the audit committee and board of directors who do not carry this designation or identification, or affect the duties, obligations or liability of any other member of the audit committee or board of directors.

CODE OF ETHICS

The Registrant has adopted a code of ethics (the "Code of Business Conduct") that applies to all employees and officers, including its principal executive officer, principal financial officer and principal accounting officer. The Code of Business Conduct is available at the Registrant's Internet website, www.cn.ca, under "Delivering Responsibly/Governance." Any amendments to the Code of Business Conduct will be posted at the Registrant's Internet website at the address listed above.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information relating to principal accountant fees and services is set forth under the heading "Auditors' Fees" in Item 9.2 of the Registrant's 2011annual information form included in this Form 40-F.

OFF BALANCE SHEET ARRANGEMENTS

The information provided under the heading "Off Balance Sheet Arrangements" set forth in the 2011 Management's Discussion and Analysis filed as Exhibit 99.1 to this annual report on Form 40-F is incorporated by reference herein.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The information provided under the heading "Contractual Obligations" set forth in the 2011 Management's Discussion and Analysis filed as Exhibit 99.1 to this annual report on Form 40-F is incorporated by reference herein.

IDENTIFICATION OF THE AUDIT COMMITTEE

The members of the Audit Committee are set forth under the heading "Composition of the Audit Committee" in Item 9.2 of the Registrant's 2011 annual information form included in this Form 40-F .

CORPORATE GOVERNANCE PRACTICES

The Registrant's board of directors has reviewed the Registrant's corporate governance practices in response to the U.S. Sarbanes-Oxley Act of 2002, applicable rules of the U.S. Securities and Exchange Commission, as well as the NYSE Corporate Governance Standards (the "NYSE Standards"). Except as disclosed on its website, the Registrant's corporate governance practices do not differ significantly from that followed by U.S. domestic companies under the NYSE Standards. A discussion of differences is available at the Registrant's Internet website, www.cn.ca under "Delivering Responsibly/Governance".

UNDERTAKING

Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to the securities in relation to which the obligation to file an annual report on Form 40-F arises.

CANADIAN NATIONAL
RAILWAY COMPANY

2011

ANNUAL INFORMATION FORM

February 3, 2012

TABLE OF CONTENTS

			Annual Information Form	Management's Discussion & Analysis (as filed on February 3, 2012) Incorporated by Reference
Item 1		**General Information**	3	
Item 2		**Incorporation**	4	
	2.1	Incorporation of the Issuer	4	
	2.2	Subsidiaries	4	
Item 3		**General Development of the Business**	5	
	3.1	General Development of the Business During the Last Three Years	5	
	3.2	Anticipated Developments	12	45-49
Item 4		**Description of the Business**	12	
	4.1	Overview	12	
	4.2	Commodity Groups	12	51-56
	4.3	Competitive Conditions	12	86
	4.4	Labor	13	87-88
	4.5	Social Policies	13	
	4.6	Regulation	13	88-92
	4.7	Environmental Matters	15	78-80, 86-87
	4.8	Legal Matters	16	77-78
	4.9	Risk Factors	17	86-94
Item 5		**Dividends**	17	
Item 6		**Description of Capital Structure**	18	
	6.1	General Description of Capital Structure	18	
	6.2	Share Ownership Constraints	18	
	6.3	Ratings of Debt Securities	19	
Item 7		**Transfer Agent and Registrar**	20	
Item 8		Market for Securities	20	
	8.1	Trading Price and Volume	20	
	8.2	Prior Sales	21	
Item 9		**Directors and Executive Officers**	21	
	9.1	Directors	21	
	9.2	Audit Committee Disclosure	23	
	9.3	Executive Officers	26	
	9.4	Cease Trade Orders, Bankruptcies, Penalties or Sanctions	27	
Item 10		**Interest of Experts**	28	
Item 11		**Additional Information**	28	
Schedule A		Charter of the Audit Committee	29	

Item 1 **GENERAL INFORMATION**

Except as otherwise indicated in this Annual Information Form ("AIF"), the information contained herein is given as of December 31, 2011. All references in this AIF to "dollars" or "$" are to Canadian dollars and all financial information reflected herein is determined on the basis of, and prepared in accordance with, United States generally accepted accounting principles ("U.S. GAAP"), unless otherwise indicated.

Certain statements contained in this AIF or incorporated by reference herein may be "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 and under Canadian securities laws. These statements generally can be identified by the use of the conditional, the use of forward-looking terminology such as "may", "will", "expect", "intend", "estimate", "anticipate", "plan", "foresee", "believe", "propose" or the negative of these terms or variations of them or similar terminology. All statements, other than statements of historical facts, included or incorporated by reference herein that address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as future capital expenditures (including the amount and nature thereof), business strategies and measures to implement strategies, competitive strengths, goals, expansion and growth of its business and operations, plans and references to the future success of the Company, and other such matters, are forward-looking statements. CN cautions that, by their nature, forward-looking statements involve risk, uncertainties and assumptions. The Company cautions that its assumptions may not materialize and that current economic conditions render such assumptions, although reasonable at the time they were made, subject to greater uncertainty. These forward-looking statements include, but are not limited to, statements with respect to growth opportunities; statements that the Company will benefit from growth in North American and global economies; the anticipation that cash flow from operations and from various sources of financing will be sufficient to meet debt repayments and future obligations in the foreseeable future; statements regarding future payments, including income taxes and pension contributions; as well as the projected capital spending program.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors which may cause the actual results or performance of the Company or the rail industry to be materially different from the outlook or any future results or performance implied by such statements. Key assumptions used in determining forward-looking information are set forth below.

Forward-looking statements	**Key assumptions or expectations**
Statements relating to general economic and business conditions, including those referring to revenue growth opportunities	· North American and global economic growth · Long-term growth opportunities being less affected by current economic conditions · Year-over-year carload growth
Statements relating to the Company's ability to meet debt repayments and future obligations in the foreseeable future, including income tax payments and capital spending	· North American and global economic growth · Adequate credit ratios · Investment grade credit rating · Access to capital markets · Adequate cash generated from operations
Statements relating to pension contributions	· Adequate cash generated from operations and other sources of financing · Adequate long-term return on investment on pension plan assets · Level of funding as determined by actuarial valuations, particularly influenced by discount rates for funding purposes

Important risk factors that could affect the above forward-looking statements include, but are not limited to, the effects of general economic and business conditions; industry competition; inflation, currency and interest rate fluctuations;

changes in fuel prices; legislative and/or regulatory developments; compliance with environmental laws and regulations; actions by regulators; various events that could disrupt operations, including natural events such as severe weather, droughts, floods and earthquakes; labor negotiations and disruptions; environmental claims; uncertainties of investigations, proceedings or other types of claims and litigation; risks and liabilities arising from derailments; and other risks detailed from time to time in reports filed by CN with securities regulators in Canada and the United States. Reference should be made to the discussion of these risk factors in CN's 2011 Management's Discussion and Analysis (the "MD&A") for detailed information on major risk factors, which may be found on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

The Company assumes no obligation to update or revise forward-looking statements to reflect future events, changes in circumstances, or changes in beliefs, unless required by applicable Canadian securities laws. In the event the Company does update any forward-looking statement, no inference should be made that it will make additional updates with respect to that statement, related matters, or any other forward-looking statement.

Item 2 **INCORPORATION**

2.1 ***Incorporation of the Issuer***

Canadian National Railway Company ("CNR") was incorporated in 1922 by special act of the Parliament of Canada. CNR's continuance under the *Canada Business Corporations Act* was authorized by the *CN Commercialization Act* and was effected by Certificate of Continuance dated August 24, 1995. On November 9, 1995, CNR filed Articles of Amendment in order to subdivide its outstanding common shares (the "Common Shares"). As of November 28, 1995, CNR ceased to be a Crown corporation and became a publicly held corporation with its Common Shares listed on the New York Stock Exchange ("NYSE") and the Toronto Stock Exchange ("TSX"). On April 19, 2002, CNR filed Articles of Amendment in order to provide that shareholder meetings may be held at certain specified places in the United States. Such constating documents are hereinafter collectively referred to as the "Articles".

As used herein, the word "Company" or "CN" means, as the context requires, CNR and/or its subsidiaries.

The Company's registered and head office is located at 935 de La Gauchetière Street West, Montreal, Quebec, H3B 2M9, Canada, and its telephone number is 1-888-888-5909.

2.2 ***Subsidiaries***

CN's principal subsidiaries as of December 31, 2011, all of which are wholly owned (directly or indirectly), and their jurisdiction of incorporation, are indicated below:

Name	**Jurisdiction of Incorporation**
Grand Trunk Corporation	Delaware
Grand Trunk Western Railroad Company ("GTW")	Michigan
Illinois Central Corporation ("IC")	Delaware
Illinois Central Railroad Company ("ICRR")	Illinois
Wisconsin Central Transportation Corporation ("WC")	Delaware
Wisconsin Central Ltd.	Illinois

The financial statements of each of the above principal subsidiaries are consolidated within CN's financial statements.

Item 3 **GENERAL DEVELOPMENT OF THE BUSINESS**

3.1 ***General Development of the Business During the Last Three Years***

CN's goal is to grow its business profitably, creating value for its customers and generating an adequate and sustainable return on capital invested. To achieve that goal, CN focuses on strategies and initiatives that allow it to continually improve service, seize upon a range of business opportunities, and achieve productivity gains throughout the organization. The initiatives undertaken by CN in the last three years to achieve its growth and profitability goals and to enhance shareholder value can be grouped into a few key areas. These include acquisitions and dispositions, targeted capital investment spending and other initiatives to strengthen the Company's position in the marketplace, cooperation and co-production agreements with other carriers and collaboration agreements with supply chain stakeholders, as well as financial management initiatives as described below.

2011 Highlights

Acquisitions and Dispositions

In March 2011, CN entered into an agreement with Metrolinx to sell a segment of the Kingston subdivision known as the Lakeshore East in Pickering and Toronto, Ontario, together with the rail fixtures and certain passenger agreements (collectively the "Lakeshore East"), for cash proceeds of $299 million before transaction costs. Under the agreement, CN obtained the perpetual right to operate freight trains over the Lakeshore East at its then current level of operating activity, with the possibility of increasing its operating activity for additional consideration. The transaction resulted in a gain on disposal of $288 million ($254 million after-tax) that was recorded in Other income.

In August 2011, the Company sold substantially all of the assets of IC RailMarine Terminal Company (ICRMT), an indirect subsidiary of the Company, to Raven Energy, LLC, an affiliate of Foresight Energy, LLC ("Foresight") and the Cline Group ("Cline"), for cash proceeds of $70 million (US$73 million) before transaction costs. ICRMT is located on the east bank of the Mississippi River and stores and transfers bulk commodities and liquids between rail, ship and barge, serving customers in North American and global markets. Under the sale agreement, the Company will benefit from a 10-year rail transportation agreement with Savatran LLC, an affiliate of Foresight and Cline, to haul a minimum annual volume of coal from four Illinois mines to the ICRMT transfer facility. The transaction resulted in a gain on disposal of $60 million ($38 million after-tax) that was recorded in Other income.

Strategic Initiatives and Capital Spending

In order to improve the fluidity and efficiency of the supply chain while enhancing customer service, CN has entered into service level agreements and supply chain collaboration agreements with various stakeholders, including ports, terminal operators and customers served by CN, all with a view to achieve an enhanced understanding and performance of end-to-end supply chains. This initiative involves working with customers and partners in a collaborative spirit, sharing information, targets and performance measures across the various components of those supply chains. CN and its supply chain partners have signed several groundbreaking Service Level Agreements (SLAs) that have created a basis for key changes in the way freight is handled at the port terminals, to the benefit of all partners along the supply chain. These agreements establish clear and defined performance standards for CN and its supply chain partners to drive continuous performance improvement in port dwell times and transit times, increase productivity and efficiency, and improve communication with customers.

CN has such agreements in the Intermodal, Merchandise and Bulk segments. In 2011, CN announced a number of these agreements, including the following: Squamish Terminals Ltd., Tembec Inc., Canfor Pulp Limited Partnership (CPLP), West Fraser Timber Co. Ltd. (WFT) and Daishowa Marubeni International Ltd.; China's CNBM Forest Products Trading Ltd; Agri-Marché Inc.; Agri-Food Central Ltd.; Montreal Gateway Terminals and the Montreal Port Authority (MPA); Ray-Mont Logistics and Viterra Inc. As part of these agreements, all parties have arranged to

measure performance using specific metrics against specific targets and identify ways to mutually improve distribution across their respective supply chains.

In 2011, CN invested over $1.7 billion on capital programs, of which approximately $1 billion was for track infrastructure to maintain safe railway operations and improve the productivity and fluidity of its rail network, including the replacement of rail, ties and other track materials and bridge improvements, as well as rail-line improvements on the Elgin, Joliet and Eastern Railway Company ("EJ&E") that CN acquired in 2009. CN's infrastructure envelope included funds for strategic initiatives across the system and additional network improvements on its network. Equipment spending, which is intended to improve the quality of the fleet in order to meet customer requirements and included the acquisition of new fuel-efficient locomotives and new freight cars, was approximately $200 million in 2011. CN also spent approximately $500 million on facilities to grow the business, including transloads and distribution centers to serve offline customers, new information technology to support operational and service excellence and other projects to increase productivity.

More specifically, in 2011 CN commenced important initiatives to improve service and productivity on its network. In May, for example, CN committed itself to major investments in order to double key track segments of its high-volume main line east of Edmonton, add capacity to its rail line to the oil sands region of northern Alberta, and improve velocity at its Walker Yard freight car classification facility in Edmonton. Spending in this area includes approximately $12 million to construct 3.5 miles of track between two sidings located approximately 20 miles east of Edmonton on the Wainwright Subdivision, creating 7.9 miles of double track. The new track is intended to help dispatchers expedite the meeting of trains and to increase train velocity on one of the highest-density corridors on the CN system. A further investment of approximately $12 million is for the construction of 11,400 feet of track east of Clover Bar yard on the Wainwright Subdivision in the greater Edmonton area to facilitate switching in the terminal. The additional track is intended to help expedite arrivals and departures of freight trains at the yard. An approximate $10 million investment on CN's secondary Lac La Biche Subdivision in northern Alberta is designed to support additional traffic to and from Fort McMurray. CN's Fort McMurray yard gives customers direct rail access to the major energy projects in development in the Athabasca, Peace River and Cold Lake oil sands regions.

In July 2011, CN committed additional funding for the construction of two additional extended sidings on its Northern Ontario main line in 2011, bringing its investments in seven long sidings in this corridor to approximately $30 million. A further two additional extended sidings, costing a total of $10 million, are planned for this main line in 2012. Extended sidings allow CN to maximize the benefits of its longer-train operating plan in main-line corridors across its system. These more efficient trains are equipped with distributed power ("DP") technology, which permits remote control of a locomotive or locomotives throughout a train from the lead control locomotive.

In August 2011, CN elaborated plans for a significant expansion of its Kirk Yard in Gary, Indiana, and relocation of its Chicago area locomotive repair shop to the upgraded freight car classification facility in Northwest Indiana, as part of a substantial capital investment of up to US$165 million in CN's Kirk Yard facilities. The project is intended to increase Kirk Yard's processing capacity to 2,500 cars per day from 1,500. Additional classification tracks, along with more receiving and departure tracks, are designed to allow the yard to handle longer and more efficient trains, improve interchange with other railroads, and consolidate CN's switching operations in the Chicago area at a single primary yard.

Financial Management Initiatives

In January 2011, the Board of Directors of the Company approved a share repurchase program which allowed for the repurchase of up to 16.5 million Common Shares between January 28, 2011 and December 31, 2011 pursuant to a normal course issuer bid, at prevailing market prices plus brokerage fees, or such other prices as may be permitted by the TSX. This share repurchase program was completed by September 30, 2011, at a weighted average price of $70.56 per share, including brokerage fees, for a total price of $1,164 million. Under the Company's previous share

repurchase program, initiated in January 2010, CN repurchased 15.0 million Common Shares for $913 million, at a weighted-average price of $60.86 per share including brokerage fees.

In April 2011, CN entered into a series of three-year bilateral letter of credit facility agreements with various banks to support its requirements to post letters of credit in the ordinary course of business. As at December 31, 2011, from a total committed amount of $520 million by the various banks, CN had letters of credit drawn of $499 million ($436 million as at December 31, 2010, under its previous US$1 billion credit facility). Under these agreements, CN has the option from time to time to pledge collateral in the form of cash or cash equivalents, for a minimum term of three months, equal to at least the face value of the letters of credit issued. As at December 31, 2011, cash and cash equivalents of $499 million were pledged as collateral.

In May 2011, CN entered into an $800 million four-year revolving credit facility agreement with a consortium of lenders. The agreement allows for an increase in amount, up to a maximum of $500 million, as well as the option to extend the term by an additional year at each anniversary date, subject to the consent of individual lenders. The credit facility, containing customary terms and conditions, is available for general corporate purposes, including backstopping its commercial paper program, and provides for borrowings at various interest rates, including the Canadian prime rate, bankers' acceptance rates, the U.S. federal funds effective rate and the London Interbank Offer Rate, plus applicable margins. The credit facility agreement has one financial covenant, which limits debt as a percentage of total capitalization, and with which the Company is in compliance. This facility replaces the US$1 billion credit facility that was scheduled to expire in October 2011. As at December 31, 2011, CN had no outstanding borrowings under its revolving credit facility.

In May 2011, CN's accounts receivable securitization program expired and was not renewed.

In October 2011, the Board of Directors of the Company approved a new share repurchase program, which allows for the repurchase of up to 17.0 million Common Shares between October 28, 2011 and October 27, 2012 pursuant to a normal course issuer bid at prevailing market prices plus brokerage fees, or such other prices as may be permitted by the TSX. As at December 31, 2011, under this share repurchase program, 3.4 million Common Shares had been repurchased for $256 million, at a weighted average price of $75.08 per share including brokerage fees.

In October 2011, the Company, through a wholly-owned subsidiary, repurchased 76% of the 6.38% Notes due in October 2011, with a carrying value of US$303 million pursuant to a tender offer for a total cost of US$304 million. The remaining 24% of the 6.38% Notes with a carrying value of US$97 million were paid upon maturity.

In November 2011, CN filed a new shelf prospectus with Canadian securities regulators and a registration statement with the United States Securities and Exchange Commission (SEC), providing for the issuance by CN of up to C$2.5 billion of debt securities in Canadian and U.S. markets. CN expects to use net proceeds from the sale of debt securities under the shelf prospectus for general corporate purposes, including the redemption and refinancing of outstanding debt, share repurchases, acquisitions, and other business opportunities. The shelf prospectus expires December 2013. Access to capital markets under the shelf is dependent on market conditions at the time of pricing.

In November 2011, under its new shelf prospectus and registration statement, CN issued US$300 million (C$305 million) 1.45% Notes due 2016 and US$400 million (C$407 million) 2.85% Notes due 2021 in the U.S. capital markets, which resulted in net proceeds of US$691 million. CN used a portion of the net proceeds to repay all of its then outstanding commercial paper and for general corporate purposes, including the partial financing of its share repurchase program.

2010 Highlights

Acquisitions and Dispositions

In March 2010, the Company entered into an agreement with Metrolinx to sell a portion of the property known as the Oakville subdivision in Toronto, Ontario, together with the rail fixtures and certain passenger agreements (collectively the "Oakville subdivision"), for proceeds of $168 million before transaction costs, of which $24 million was placed in escrow at the time of disposal and was entirely released by December 31, 2010 in accordance with the terms of the agreement. Under the agreement, the Company obtained the perpetual right to operate freight trains over the Oakville subdivision at its then current level of operating activity, with the possibility of increasing its operating activity for additional consideration. The transaction resulted in a gain on disposal of $152 million ($131 million after tax).

Strategic Initiatives and Capital Spending

As more fully described in CN's 2011 highlights, CN has entered into service level agreements and supply chain collaboration agreements with various stakeholders, a number of which were announced in 2010, including the following:

- In April 2010, CN, the Halifax Port Authority, Cerescorp Company Limited and Halterm Container Terminal Limited announced an innovative agreement to better measure and align each party's performance in the Halifax Gateway supply chain and enhance the port's role as a preferred gateway on the East coast to Ontario, Quebec and the U.S. Midwest markets from Europe, South Asia and Southeast Asia.

- In May 2010, Port Metro Vancouver ("PMV") and CN announced a supply chain collaboration agreement to drive further efficiencies at the port and recognize the importance of shared accountability.

- In June 2010, TSI Terminal Systems Inc. ("TSI") and CN signed a supply chain collaboration agreement aiming to enhance service levels to their mutual customers and draw greater volumes of container traffic over PMV. The agreement is designed to drive strong mutual focus on system efficiencies, improved communication, and close monitoring of their gateway performance.

- In July 2010, CN and TSI signed a comprehensive Service Level Agreement ("SLA"), which establishes specific performance targets and measurement tools, flows from the CN-TSI supply chain collaboration agreement announced the previous month that commits the parties to drive greater efficiencies and improve customer service at the Vancouver gateway for traffic between Asia and Central Canada / U.S. Midwest markets.

- In August 2010, the Port of Quebec, International-Matex Tank Terminals, a terminal operator at the port, and CN signed a service arrangement designed to reduce transit times for shipments destined to Toronto to 38 hours from 53 hours.

- In September 2010, CN and DP World, operators of the Centerm Terminal in Vancouver, signed a comprehensive SLA designed to further enhance the competitiveness of Canada's Pacific Gateway and improve services for customers.

- In September 2010, CN, the Prince Rupert Port Authority and Maher Terminals Holding Corp. signed a Level of Service Agreement to promote and better measure improvements in port performance and to enhance Prince Rupert's role as a gateway of choice on the West coast for Central Canada and U.S. Midwest markets.

- In October 2010, CN, Western Stevedoring Company Ltd. and several forest-products companies reached a memorandum of understanding for seven-day-a-week unloading services at Western Stevedoring's Lynnterm Terminal at PMV. The tri-partite agreement among the railway, terminal and forest-products customers aims to

produce a more consistent flow of forest-products traffic through Lynnterm Terminal and help improve supply chain efficiencies at PMV.

In 2010, CN invested approximately $1.7 billion on capital programs, of which approximately $1 billion was for track infrastructure to continue to operate a safe railway and to improve the productivity and fluidity of the network, including the replacement of rail, ties, and other track materials and bridge improvements, as well as rail-line improvements for the Elgin, Joliet and Eastern Railway Company ("EJ&E") property that was acquired in 2009. This amount also includes funds for strategic initiatives and additional enhancements to the track infrastructure in Western and Eastern Canada. CN's equipment spending, which totalled approximately $400 million in 2010, is intended to improve the quality of the fleet to meet customer requirements, and includes the acquisition of 102 new high-horsepower locomotives and the lease buyout of 25 high-horsepower locomotives. CN also spent approximately $300 million on facilities to grow the business, including transloads and distribution centers; on information technology to improve service and operating efficiency; and on other projects to increase productivity.

In February 2010, CN announced its intention to establish a new CN Calgary Logistics Park in Conrich, located in Rocky View County northeast of Calgary (the "Logistics Park"). The 680-acre park, which involves investment in excess of $100 million, is planned to include a state-of-the-art intermodal terminal with room for customers to co-locate with CN and custom build their facility in place. The Logistics Park will be designed to include a multi commodity transload and warehouse facility, an automotive compound, and a liquid/bulk transload and distribution facility. The site is strategically located a few miles east of the Calgary Airport, on Twp Road 250/ McKnight Boulevard, providing access to Stoney Trail and other major roadways. Calgary is the third largest distribution centre in Canada and is becoming the logistics hub of Western Canada, serving a rapidly expanding market. The new site provides ample space for current and planned customer initiatives, and the park will be designed to allow easy expansion as the Calgary hub continues to grow. The new CN Logistics Park will offer the potential for a total warehousing footprint of over two million square feet to customers that need to distribute their goods across Western Canada, whether sourced from Asia through the West Coast or from Eastern Canada and the US. This project is subject to regulatory approval, including a thorough environmental assessment and public consultation. With an expected opening in 2013, most of CN's Calgary yard operations will shift to the new Logistics Park.

In November 2010, CN and North America Stevedoring Company, LLC ("NASCO") agreed on the construction of a new multi-modal steel transloading facility in Chicago, the North American hub for steel transportation. NASCO is a division of Quebec Stevedoring Company Ltd. ("QSL"). The new facility, located at the Port of Chicago on 190 acres of land adjacent to CN's Kirk Yard and Interstate 90, roughly 13 miles south of downtown Chicago, is designed to offer producers multi-modal transportation options by rail, truck, intermodal container, inland barge, and ocean-going vessel for steel coil, sheet, plate, bar, structural, pipe and tube products, as well as dimensional loads and heavy equipment, beginning in 2011. The goal of the Chicago Metals & Minerals Transload facility will be to give both CN and NASCO a strong foothold in the most important steel market in North America, as approximately half of steel production and consumption on the continent takes place within a 300-mile radius of Chicago.

Financial Management Initiatives

In January 2010, the Board of Directors of the Company approved a share repurchase program, which allowed for the repurchase of up to 15.0 million Common Shares between January 29, 2010 and December 31, 2010 pursuant to a normal course issuer bid, at prevailing market prices plus brokerage fees or such other prices as may be permitted by the TSX. As at December 31, 2010, under this share repurchase program, 15.0 million Common Shares had been repurchased for $913 million, at a weighted-average price of $60.86 per share including brokerage fees. CN had not purchased any Common Shares during the previous 12 months.

In February 2010, the Company reduced the limit in its accounts receivable securitization program from $350 million to $100 million, where it remained until the expiry of the program in May 2011. For this program, the Company had a five-year agreement to sell an undivided co-ownership interest in a revolving pool of freight receivables to an

unrelated trust. Although originally the program limit was set at $600 million, subsequent reductions to the program limit reflect the anticipated reduction in the use of the program.

2009 Highlights

Acquisitions and Dispositions

In January 2009, the Company acquired the principal rail lines of the EJ&E for total cash consideration of US$300 million (C$373 million) paid with cash on hand. The EJ&E is a short-line railway previously owned by U.S. Steel Corporation ("U.S. Steel") that operated over 198 miles of track in and around Chicago and served steel mills, petrochemical customers, utility plants and distribution centres in northeastern Illinois and northwestern Indiana, as well as connects with all the major railroads entering and exiting Chicago. Under the terms of the acquisition agreement, the Company acquired substantially all of the railroad operations of EJ&E, except those that supported the Gary Works site in northwest Indiana and the steelmaking operations of U.S. Steel. The acquisition is expected to drive new efficiencies and operating improvements on CN's network as a result of streamlined rail operations and reduced congestion in the Chicago area. At the time of acquisition, the Company committed to spend over the next few years approximately US$100 million for railroad infrastructure improvements and over US$60 million under a series of mitigation agreements with individual communities, a comprehensive voluntary mitigation program and additional conditions imposed by the U.S. Surface Transportation Board.

In March 2009, CN entered into an agreement with GO Transit, a Toronto, Ontario area commuter rail agency, to sell the property known as the Weston subdivision in Toronto, Ontario, together with the rail fixtures and certain passenger agreements (collectively the "Weston subdivision"), for cash proceeds of $160 million before transaction costs. Under the agreement, the Company obtained the perpetual right to operate freight trains over the Weston subdivision at its then current level of operating activity, with the possibility of increasing its operating activity for additional consideration. The transaction resulted in a gain on disposal of $157 million ($135 million after tax).

In May 2009, CN concluded agreements to sell three Mississippi rail line segments to Grenada Railway, LLC and Natchez Railway, LLC, both non-carrier affiliates of V&S Railway and A&K Railroad Materials. This deal transferred ownership of 252 miles of track and preserves rail service on the two longest of these rail lines for at least the following two years. Rail traffic and volume on these routes had dropped to the point where it was no longer economically viable for CN to continue their operation. This transaction involved the former CN Grenada subdivision, the Water Valley Branch Line and the former CN Natchez subdivision. The Grenada line runs approximately 175 miles from the Mississippi/Tennessee border to approximately two miles north of Canton, Mississippi. The 11-mile Water Valley Branch Line intersects the Grenada Line at W.V. Junction and extends to Coffeeville, Mississippi. The 66-mile Natchez branch runs from Brookhaven, Mississippi, to Natchez, Mississippi.

In November 2009, CN entered into an agreement with Metrolinx, a government transit agency, to sell the property known as the Lower Newmarket subdivision in Vaughan and Toronto, Ontario, together with the rail fixtures and certain passenger agreements (collectively the "Lower Newmarket subdivision") for cash proceeds of $71 million before transaction costs. Under the agreement, the Company obtained the perpetual right to operate freight trains over the Lower Newmarket subdivision at its then current level of operating activity, with the possibility of increasing its operating activity for additional consideration. The transaction resulted in a gain on disposal of $69 million ($59 million after tax).

Strategic Initiatives and Capital Spending

In 2009, CN invested approximately $1.5 billion on capital programs, of which approximately $1 billion was for track infrastructure to continue to operate a safe railway and to improve the productivity and fluidity of the network, including the replacement of rail, ties, and other track materials and bridge improvements, as well as rail-line

improvements for its then-recently acquired EJ&E property. This amount also included funds for strategic initiatives and additional enhancements to the track infrastructure in Western Canada. CN's equipment spending, which totaled approximately $200 million in 2009, was used to improve the quality of the fleet to better meet customer requirements. CN also spent approximately $300 million on facilities to grow the business, including transloads, distribution centers and the completion of CN's multi-year upgrade of Harrison Yard in Memphis, Tennessee; on information technology to improve service and operating efficiency; and on other projects to increase productivity.

In October 2009, CN confirmed orders for 70 new high-horsepower locomotives from GE Transportation, a unit of General Electric Co. ("GE"), and from Electro-Motive Diesel, Inc. ("EMD"). CN acquired 35 ES44DC locomotives from GE and 35 SD70M-2s from EMD, all of which were delivered in the fourth quarter of 2010. The GE locomotives produce 4,400 horsepower and the EMD locomotives produce 4,350 horsepower. The new units are part of CN's multi-year locomotive-renewal program aimed at continuously increasing fuel efficiency, improving service reliability for its customers, and reducing greenhouse-gas emissions. The new locomotives are 15-20 per cent more fuel-efficient than the ones they replaced and comply with the latest regulatory requirements for reduced locomotive exhaust emissions. In addition, the new GE and EMD locomotives are equipped with DP capability. DP enables remote control of a locomotive or locomotives throughout a train from the lead control locomotive. DP provides faster, smoother train starts, improved braking and lower pulling forces at the head-end of a train. This enables CN to run fewer and more efficient trains anc to take advantage of the productivity gains from its extended siding program. By better matching motive power to train weight, DP locomotives also allow CN to reduce fuel consumption and reduce emissions.

Financial Management Initiatives

In February 2009, the Company completed a public debt offering of US$550 million (C$684 million) 5.55% Notes due 2019. CN used the net proceeds of approximately US$540 million from the offering to repay a portion of its then-outstanding commercial paper and to reduce its accounts receivable securitization program. The indebtedness being repaid was incurred for general corporate purposes, including the financing of CN's then-recent acquisition of the principal lines of the EJ&E, and three railway subsidiaries and a rail-freight ferry operation of the Quebec Railway Corporation ("QRC"). The debt offering was made in the United States under the shelf registration statement CN filed in December 2007 and that expired in January 2010.

In July 2009, the Company's 25.0 million share repurchase program expired. Under this program, the Company repurchased a total of 6.1 million Common Shares in 2008 for $331 million, at a weighted-average price of $54.42 per share. The Company did not repurchase any shares in 2009.

In July 2009, the Company, through a wholly-owned subsidiary, repurchased 82% of the 4.25% Notes due in August 2009 with a carrying value of US$245 million pursuant to a debt tender offer for a total cost of US$245 million. The remaining 18% of the 4.25% Notes with a carrying value of US$55 million were paid upon maturity.

In the fourth quarter of 2009, the Company reduced the limit in its accounts receivable securitization program from $600 million to $350 million until September 30, 2010 to reflect the anticipated reduction in the use of the program. As described in the 2010 highlights, the Company has a five-year agreement, expiring in May 2011, to sell an undivided co-ownership interest in a revolving pool of freight receivables to an unrelated trust for maximum cash proceeds of $600 million.

Significant Cooperation Agreements

In February 2009, CN and Norfolk Southern Corporation ("NS") entered into an agreement to create a "MidAmerica Corridor" in which the railroads will share track between Chicago, St. Louis, Kentucky, and Mississippi to establish shorter and faster routes for merchandise and coal traffic moving between the Midwest and Southeast. Under the first major component of this initiative, NS will haul CN freight between Chicago and St. Louis, reducing the distance

between these points for CN shipments by 60 miles and providing improved connections to other rail carriers through the St. Louis gateway. Second, NS will use CN's routes between St. Louis and Fulton, Kentucky, as part of a new, more efficient route from the Midwest to the Southeast, saving more than 50 miles on NS shipments. Third, CN will haul NS freight between Chicago and Fulton, shortening NS's Chicago-to-Birmingham route by almost 100 miles. As part of the MidAmerica Corridor, CN and NS plan to create a new coal gateway at Corinth, Mississippi, to better link NS-served southeastern utility plants with CN-served Illinois Basin coal producers. A key component of this initiative is the West Tennessee Railroad between Fulton and Corinth, which will be upgraded to handle heavier shipments and additional rail traffic. Together, the three components are designed to expedite customers' shipments, improve asset utilization and generate new efficiencies for both CN and NS, including helping to level demand on busy north-south routes and improving service to customers.

3.2 *Anticipated Developments*

For a discussion of anticipated developments for 2012, please see the section entitled “Strategy overview” on pages 45 to 49 of the MD&A, which are incorporated by reference herein. The MD&A may be found on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

Item 4 DESCRIPTION OF THE BUSINESS

4.1 *Overview*

CN is engaged in the rail and related transportation business. CN’s network of approximately 20,000 route miles spans Canada and mid-America, connecting three coasts: the Atlantic, the Pacific and the Gulf of Mexico, serving the ports of Vancouver, Prince Rupert (British Columbia), Montreal, Halifax, New Orleans, and Mobile (Alabama) and the key metropolitan areas of Toronto, Buffalo, Chicago, Detroit, Duluth (Minnesota)/Superior (Wisconsin), Green Bay (Wisconsin), Minneapolis/St. Paul, Memphis and Jackson (Mississippi), with connections to all points in North America. CN’s extensive network, and its co-production agreements, routing protocols, marketing alliances and interline agreements, provide CN customers access to all three North American Free Trade Agreement (NAFTA) nations.

CN’s freight revenues are derived from seven commodity groups, representing a diversified and balanced portfolio of goods transported between a wide range of origins and destinations. This product and geographic diversity better positions the Company to face economic fluctuations and enhances its potential for growth opportunities. In 2011, no individual commodity group accounted for more than 20% of revenues. From a geographical standpoint, 18% of revenues relate to U.S. domestic traffic, 28% from transborder traffic, 22% from Canadian domestic traffic, and 32% from overseas traffic.

CN is the originating carrier for approximately 85% of traffic moving along its network in 2011, which allows the Company both to capitalize on service advantages and to build on opportunities to efficiently use assets.

4.2 *Commodity Groups*

For a description of the various commodity groups transported by CN, their principal markets, as well as select revenue, revenue ton mile and carload information, please see pages 51 to 56 of the MD&A, which are incorporated by reference herein.

4.3 *Competitive Conditions*

For a discussion of the competitive conditions under which CN operates, please see the section entitled “Competition” in the discussion of Business risks located on page 86 of the MD&A, which is incorporated by reference herein.

4.4 *Labor*

As at December 31, 2011, CN employed a total of 23,230 employees.

For a discussion of CN's labour negotiations, see the section entitled "Labor negotiations" in the Business risks discussion located on pages 87 and 88 of the MD&A, which are incorporated by reference herein.

4.5 *Social Policies*

In addition to its Employment Equity Policy (for Canadian employees) and Equal Employment Opportunity Policy (for U.S. employees), CN maintains a comprehensive Human Rights Policy and a Harassment Free Environment Policy for its Canadian employees and a Prohibited Harassment, Discrimination and Anti-Retaliation Policy for its U.S. employees. These policies affirm CN's commitment to ensuring that there is no discrimination against any employee or applicant based on grounds of religion, race, sex, nationality, disability or any other prohibited grounds of discrimination. The policy extends to recruitment, selection and compensation practices, as well as to working conditions and the work environment. All Company vice-presidents have been mandated with the responsibility of implementing these policies and ensuring that all work practices are in compliance. Internal complaint procedures have been established whereby any person covered by the Harassment Free Environment Policy (for Canadian employees) and the Equal Employment Opportunity Policy or the Prohibited Harassment, Discrimination and Anti-Retaliation Policy (for U.S. employees) can contact his or her human resources director or human resources manager who will address their complaint. The employee can also call either the Human Resources Center, which will forward the complaint to the appropriate human resources manager for further handling, or the CN Ombudsman directly, who can be contacted on a confidential basis.

4.6 *Regulation*

The Company's rail operations in Canada are subject to (i) economic regulation by the Canadian Transportation Agency (the "Agency") under the *Canada Transportation Act* (the "CTA"), and (ii) safety regulation by the federal Minister of Transport under the *Railway Safety Act* and certain other statutes. The Company's U.S. rail operations are subject to (i) economic regulation by the U.S. Surface Transportation Board ("STB") and (ii) safety regulation by the Federal Railroad Administration (the "FRA"). As such, various Company business transactions must gain prior regulatory approval, with attendant risks and uncertainties, and the Company is subject to government oversight with respect to rate, service and business practice issues. The Company is also subject to a variety of health, safety, security, labor, environmental and other regulations, all of which can affect its competitive position and profitability.

The Company's ownership of the former Great Lakes Transportation LLC vessels is subject to regulation by the U.S. Coast Guard and the Department of Transportation, Maritime Administration, which regulate the ownership and operation of vessels operating on the Great Lakes and in U.S. coastal waters. In addition, the Environmental Protection Agency ("EPA") has authority to regulate air emissions from these vessels.

With respect to safety, rail safety regulation in Canada is the responsibility of Transport Canada, which administers the Canadian *Railway Safety Ac* as well as the rail portions of other safety-related statutes. In the U.S., rail safety regulation is the responsibility of the FRA, which administers the *Federal Railroad Safety Act*, as well as the rail portions of other safety statutes. In addition, the Company is subject to statutory and regulatory directives in the United States addressing homeland security concerns. In the U.S., safety matters related to security are overseen by the Transportation Security Administration ("TSA"), which is part of the U.S. Department of Homeland Security ("DHS") and the Pipeline and Hazardous Materials Safety Administration ("PHMSA"), which, like the FRA, is part of the U.S. Department of Transportation. Border security falls under the jurisdiction of U.S. Customs and Border protection ("CBP"), which is part of the DHS. In Canada, the Company is subject to regulation by the Canada Border Services Agency ("CBSA").

Canadian Regulation

The CTA gives railroads in Canada the freedom to negotiate prices according to market forces, subject to certain provisions aimed at protecting shippers. These shipper protections include, *inter alia*, interswitching, final offer arbitration, competitive line rates and the right to seek a regulatory order as to the reasonableness of the terms and conditions imposed by carriers for incidental services. Pursuant to interswitching provisions, all shippers within a 30 km radius (approximately 19 miles) of an interchange between two federally regulated railroads have access to both at a prescribed interswitching rate. Final offer arbitration is used in cases of rate disputes between a shipper and a railroad and involves the selection by an arbitrator of either the shipper's or the carrier's rate and service offer. Competitive line rate provisions can be invoked to require an originating railroad to issue to a shipper with access to a single rail carrier, a rate covering the movement to the nearest junction with another railroad according to predetermined formulae. In addition, certain rail shipments of export grain are subject to a government-established revenue cap, which effectively specifies a maximum revenue entitlement that railways can earn.

To supplement public rates issued under tariffs, the CTA permits confidential contracts to be negotiated between rail carriers and shippers to govern the terms, conditions and rates for service. Furthermore, railroads are subject to common carrier obligations for their services and, in case of breach, shippers may seek redress from the Agency.

When a railroad operator wants to sell or abandon lines, the CTA encourages their sale to short-line operators and provides the framework for line discontinuance. The railroads are required to publish a plan for lines it intends to sell or discontinue within the next three years. For discontinuance, the line must be advertised as being for sale to the public for continued operation and, if no interest is shown, must be offered specifically for sale to applicable federal, provincial and municipal governments as well as urban transit authorities. The entire process is intended to take, at most, 22 months. The Company's operations are also subject to safety and environmental provisions relating to track standards, equipment standards, transportation of hazardous materials, environmental assessments and certain labor regulations, which are in many respects similar when comparing Canadian and U.S. regulations.

Periodically, a comprehensive review is made by the federal government of the effectiveness of the CTA, the Canadian *Railway Safety Act* and othe statutes related to transportation, which may prompt regulatory amendments as a result. For a further discussion of recent and pending legislative and other regulatory developments in Canada, see the section entitled "Regulation" in the Business risks discussion located on pages 88 to 92 of the MD&A, which are incorporated by reference herein.

U.S. Regulation

The STB has jurisdiction over, amongst other things, service levels, carrier practices, car compensation, and limited jurisdiction over carrier rates. It also has jurisdiction over the situations and terms under which one railroad may gain access to another railroad's traffic or facilities, the construction, extension, or abandonment of rail lines, railroad consolidations, and labor protection provisions in connection with the foregoing. The STB's jurisdiction in these areas of rail transportation, including intrastate rail transportation, is exclusive, pre-empting other remedies under United States federal and state laws.

The FRA has jurisdiction over railroad safety and equipment standards, and most rail safety regulation is handled at the federal level. In contrast, however, to the exclusive role of the STB over railroad economic regulation, state and local regulatory agencies have jurisdiction over certain local safety and operating matters and these agencies are becoming more aggressive in their exercise of jurisdiction. State legislatures have also recently enacted new laws in this regard that are intended to regulate railroads more extensively.

Government regulation of the railroad industry is a significant determinant of the competitiveness and profitability of railroads. Deregulation of certain rates and services, plus the ability to enter into confidential contracts, pursuant to the *Staggers Rail Act of 1980* (the "Staggers Act"), has substantially increased the flexibility of railroads to respond to

market forces and has resulted in highly competitive rates. Various interests have sought and continue to seek reimposition of government controls on the railroad industry in areas deregulated in whole or in part by the Staggers Act. Additional regulation, changes in regulation and re-regulation of the industry through legislative, administrative, judicial or other action could materially affect the Company.

Following an extended review, in June 2001, the STB issued new regulations governing mergers between Class I Railroads. CN had recommended higher public interest standards for mergers and the new regulations effectively raised the bar for the quality of customer service in all future major railroad mergers. The STB also agreed with CN that foreign-headquartered railroads would be treated the same as U.S.-based railroads under its merger rules.

For a further discussion of government regulation with respect, in particular, to Canada-U.S. Customs, U.S. Homeland Security, and the transportation of hazardous material, as well as recent and pending developments in legislative and regulatory reform in the U.S., see the section entitled "Regulation" in the Business risks discussion located on pages 88 to 92 of the MD&A, which are incorporated by reference herein.

4.7 *Environmental Matters*

Regulatory Compliance

A risk of environmental liability is inherent in railroad and related transportation operations; real estate ownership, operation or control; and other commercial activities of the Company with respect to both current and past operations. As a result, the Company incurs significant operating and capital costs, on an ongoing basis, associated with environmental regulatory compliance and clean-up requirements in its railroad operations and relating to its past and present ownership, operation or control of real property. In as much as such liability is inherent to railroad and transportation operations, CN is in all material aspects similarly situated relative to its competitors and thus the resulting environmental protection requirements and expenditures are not expected to have a material adverse effect on CN's competitive position. Environmental expenditures that relate to current operations are expensed unless they relate to an improvement to the property. Expenditures that relate to an existing condition caused by past operations and which are not expected to contribute to current or future operations are expensed.

In Canada, the matter of environmental permits for the Company is complex because of an overlap between federal and provincial jurisdictions. When projects require approval by federal regulatory authorities, environmental impact assessments are undertaken in accordance with federal requirements. Provincial and municipal environmental legislation may be applicable to railway activities if such legislation does not aim to regulate the management or operations of railways. Therefore, the Company does not apply systematically for provincial, municipal or local environmental permits for its railway operations in Canada except (i) where obtaining and complying with such permits would not interfere with the operations or management of its railway activities, (ii) where permitting issues were primarily of a provincial, municipal or local nature, (iii) where the Company or the governmental authority thought it was necessary to obtain such permits to continue minor aspects of its railway operations or maintenance, or (iv) where the absence of a permit may affect a third party (such as a customer or a supplier). Because of the multiple jurisdictions involved and the extensive provincial legislative authority to regulate environmental matters, there can be no assurance that additional provincial, municipal or local environmental permits will not be required in the future. The Company may incur additional expenses or changes in its operations if such additional permits were to be required in the future.

See Note 17 – Major commitments and contingencies (section D), to CN's 2011 Annual Consolidated Financial Statements (the "Financial Statements") for a further discussion of environmental matters, as well as the section entitled "Environmental matters", on pages 78 to 80 of the MD&A, and the section entitled "Environmental matters" in the Business risks discussion located on pages 86 and 87 of the MD&A, which are incorporated by reference herein. The Financial Statements and MD&A may be found on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

Environmental Policy

CN is committed to conducting its operations and activities in a manner that protects the natural environment. CN considers protecting the environment a fundamental corporate social responsibility governing its activities. Consequently, CN has implemented comprehensive environmental management programs. The Company's Environmental Policy aims to minimize the impact of the Company's activities on the environment. The Company strives to contribute to the protection of the environment by integrating environmental priorities into the Company's overall business plan and through the specific monitoring and measurement of such priorities against historical performance and, in some cases, specific targets. All employees must demonstrate commitment to this Policy at all times and it is the Environment, Safety and Security Committee, established by the Board of Directors, which has the responsibility of overseeing the Policy. The Committee is composed of CN Directors and its responsibilities, powers and operation are further described in the charter of such committee, which is included in the Company's Corporate Governance Manual available on CN's website. Certain risk mitigation strategies, such as periodic audits, employee training programs and emergency plans and procedures, are in place to minimize the environmental risks to the Company. The Company's Environmental Policy, its Carbon Disclosure Project report, and its Corporate Citizenship Report "Delivering Responsibly" are available on CN's website.

CN makes the following commitments in its Environmental Policy and expects its employees to act accordingly:

1. To meet or exceed applicable environmental requirements; to measure environmental performance; to conduct regular environmental audits and assessments of compliance with Company requirements and its Environmental Policy; and to timely provide appropriate information to the Board of Directors, employees, authorities, and other stakeholders.
2. To develop, design and operate facilities and conduct activities taking into consideration the efficient use of energy and materials, the sustainable use of renewal resources, the minimization of waste generation and the adverse environmental impact, and the safe and responsible disposal of residual wastes.
3. To assess environmental impacts before starting a new activity or project and before decommissioning a facility.
4. To develop and maintain emergency preparedness plans in conjunction with the emergency services, relevant authorities, and local community.
5. To educate, train and motivate employees to conduct their activities in an environmentally responsible manner.
6. To promote the adoption of the principles of CN's Environmental Policy by contractors and suppliers.
7. To conduct or support research on the environmental impacts of its operations and on the means of minimizing such adverse impacts, and to contribute to the transfer of environmentally sound technology throughout the industrial and public sector.
8. To foster openness and dialogue with employees and other stakeholders with respect to their concerns about potential hazards and impacts of the company's operations.
9. To contribute, along with public and private bodies and organizations, to the development of policies and programs that will enhance environmental awareness and protection based on sound scientific principles and procedures.

4.8 *Legal Matters*

Legal Proceedings

As of the date hereof, the only legal proceedings to which CN is a party involving claims for damages, exclusive of interest and costs, in excess of 10% of its current assets are described below. It is not currently expected, however, that such litigation proceedings will have a material adverse effect on the consolidated financial position or results of operations of CN. The Company will regularly assess its position as events progress.

A proposed class proceeding was brought before the Ontario Superior Court of Justice on March 19, 2008 by a representative plaintiff who proposed to represent all current and former non-unionized employees of CN in Canada who are or were first line supervisors on and after July 5, 2002. The plaintiff alleges that CN has breached its obligations under the Canada Labour Code with respect to overtime pay and other related matters. The plaintiff claims $250 million in general damages and $50 million in punitive damages. The Ontario Superior Court of Justice certified the proceeding as a class action in August 2010 but only on very limited grounds. The Court also struck part of the plaintiff's claim. Both CN and the plaintiff are appealing the decision to the Ontario Court of Appeal. The hearing is scheduled for February 28th and 29th, 2012.

See Note 17 – Major commitments and contingencies (section C) to the Financial Statements, for a further discussion of legal actions, as well as pages 77 and 78 of the MD&A for a general discussion of personal injury and other claims, which are incorporated by reference herein.

Aboriginal Claims

CN and its predecessor companies have acquired lands throughout Canada from the Crown, including certain lands contained in aboriginal reserves. A portion of the Company's network, primarily in British Columbia, is currently operated on these lands.

The Company believes that it possesses unrestricted and absolute title to lands acquired out of aboriginal reserves but, in recent years, some aboriginal bands have claimed to have a continuing legal interest in such lands and they allege this interest prohibits the Company from disposing of the lands when they are no longer needed for railway purposes, except by allowing them to revert to the Crown for the benefit of aboriginals. This issue is one which will ultimately be decided by the courts but, regardless of the outcome, there is no perceived material adverse effect as the right of the Company to continue to occupy and operate over such lands is not being called into question.

As the issues surrounding aboriginal claims are complex and involve not only private interests but fiduciary and other obligations of the Government of Canada, CN has agreed with the Government not to sell or otherwise dispose of land which is not essential to its rail operations and which is located in, or adjacent to, an aboriginal reserve, unless each of CN and the Government are satisfied that there is no legitimate aboriginal claim with respect to such land. In addition, CN has agreed to convey to the Government, for no consideration, any land not integral to its rail operations which may be necessary to settle legitimate aboriginal claims with respect to such land, or lands which were formerly reserve lands and have become non-rail assets. The Government of Canada, for its part, has agreed that it will provide the necessary compensation for settlement of legitimate aboriginal claims which would otherwise result in CN having to relinquish land essential to its rail network, unless such claims arise out of, or are substantially based upon, willful, known, negligent or fraudulent acts or omissions of CN which adversely affected the rights or interests of aboriginal people.

4.9 *Risk Factors*

A description of risks affecting CN and its business appears under the heading "Business risks" located on pages 86 to 94 of the MD&A, which pages are incorporated by reference herein. See Item 1 of this AIF for a further discussion of risks associated with forward-looking statements.

Item 5 DIVIDENDS

The Company has declared dividends in line with its overall financial performance and cash flow generation. The Board of Directors makes decisions on dividend levels on an annual basis and on dividend payout on a quarterly basis. Consistent with this practice, the quarterly rate of $0.2525 per share, starting with the first quarter of 2009, was increased to $0.27 per share, starting with the first quarter of 2010; the quarterly dividend was next increased to

$0.325 per share, starting with the first quarter of 2011 and to $0.375 per share, starting with the first quarter of 2012. There can be no assurance as to the amount or timing of such dividends in the future.

Item 6 DESCRIPTION OF CAPITAL STRUCTURE

6.1 *General Description of Capital Structure*

The authorized share capital of CN consists of an unlimited number of Common Shares, an unlimited number of Class A Preferred Shares issuable in series and an unlimited number of Class B Preferred Shares issuable in series, all without par value.

Common Shares

The Common Shares carry and are subject to the following rights, privileges, restrictions and conditions described below:

Voting: Each Common Share entitles its holder to receive notice of and to attend all general and special meetings of shareholders of CN, other than meetings at which only the holders of a particular class or series of shares are entitled to vote, and each such Common Share entitles its holder to one vote.

Dividends: The holders of Common Shares are, at the discretion of the Directors, entitled to receive, out of any amounts properly applicable to the payment of dividends, and after the payment of any dividends payable on any Preferred Shares, any dividends declared and payable by CN on the Common Shares.

Dissolution: The holders of Common Shares shall be entitled to share equally in any distribution of the assets of CN upon the liquidation, dissolution or winding-up of CN or other distribution of its assets among its shareholders. Such participation is subject to the rights, privileges, restrictions and conditions attaching to any issued and outstanding Preferred Shares or shares of any other class ranking prior to the Common Shares.

Preferred Shares

The Class A Preferred Shares and the Class B Preferred Shares are issuable in series and, subject to CN's Articles, the Board of Directors is authorized to fix, before issuance, the designation, rights, privileges, restrictions and conditions attaching to the shares of each series. The holders of Class A Preferred Shares or Class B Preferred Shares shall not be entitled to vote at meetings of shareholders otherwise than as provided by law and holders of Class A or Class B Preferred Shares shall not be entitled to vote separately as a class except as provided by law.

There are no Class A Preferred Shares or any Class B Preferred Shares currently issued and outstanding.

6.2 *Share Ownership Constraints*

CN's Articles provide that 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 15%, no person shall 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. Furthermore, all dividends attributable to the percentage of voting shares held by such persons in excess of 15% shall be forfeited, including any cumulative dividend. CN's Articles confer on the Board of Directors all powers necessary to give effect to the ownership restrictions, including the ability to pay dividends or to make other distributions which would otherwise be prohibited if the event giving rise to the prohibition was inadvertent or of a technical nature or it would otherwise be inequitable not to pay the dividends or make the distribution. CN's Articles provide that the Board of Directors may adopt by-laws concerning the administration of the constrained share

provisions described above, including by-laws requiring a shareholder to furnish a declaration indicating whether he or she is the beneficial owner of the shares and whether he or she is an associate of any other shareholder. In addition, CN is also authorized to refuse to recognize the ownership rights that would otherwise be attached to any voting shares held, beneficially owned or controlled, directly or indirectly, contrary to the share ownership constraint. Finally, CN has the right, for the purpose of enforcing any constraint imposed pursuant to its Articles, to sell, as if it were the owner thereof, any voting shares that are owned or that the Directors determine may be owned, by any person or persons contrary to such share ownership constraint.

6.3 *Ratings of Debt Securities*

The Company's access to long-term funds in the debt capital markets depends on its credit rating and market conditions. The Company believes that it continues to have access to the long-term debt capital markets. Rating downgrades could limit the Company's access to the credit markets, or increase its borrowing costs. Various classes of CN's outstanding securities have been rated by several rating organizations as described in detail below, as of the date hereof.

	Dominion Bond Rating Service	**Moody's Investors Service**	**Standard & Poor's**
Long-Term Debt	A (low)	A3	A-
Commercial Paper	R-1 (low)	Not rated	A-2

The above-noted ratings are given the following credit characteristics by the various rating agencies:

Dominion Bond Rating Service Limited ("DBRS")

- Long-term debt rated A is of good credit quality. The capacity for the payment of financial obligations is substantial, but of lesser quality than AA. May be vulnerable to future events, but qualifying negative factors are considered manageable. This rating falls within the third highest of DBRS's ten long-term debt rating categories which range from "AAA" to "D". Reference to "low" denotes a standing in the lower end of a rating category.

- Commercial paper rated R-1 (low) is of good credit quality. The capacity for the payment of short-term financial obligations as they fall due is substantial. Overall strength is not as favourable as higher rating categories. May be vulnerable to future events, but qualifying negative factors are considered manageable. This rating falls within the third highest of DBRS's ten short-term debt rating categories which range from "R-1 (high)" to "D".

Moody's Investors Service ("Moody's")

- Long-term debt obligations rated A are considered upper-medium grade and are subject to low credit risk. This rating falls within the third highest of Moody's nine generic long-term obligation rating categories which range from "Aaa" to "C". The modifier "3" indicates a ranking in the lower end of that generic rating category.

Standard & Poor's ("S&P")

- Long-term debt obligations rated A are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rated categories. The obligor's capacity to meet its financial commitment on the obligations is, however, still strong. This rating falls within the third highest of S&P's ten major long-term credit rating categories which range from "AAA" to "D". The minus (-) sign indicates a standing in the lower end within a major category.

· Commercial paper rated A-2 is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitment on the obligation is satisfactory. This rating falls within the second highest in S&P's eight short-term credit rating categories which range form "A-1" to "D".

The ratings of CN's securities described above should not be construed as a recommendation to buy, sell, or hold CN securities. Ratings may be revised or withdrawn at any time by the rating agencies.

Item 7 TRANSFER AGENT AND REGISTRAR

In Canada, the transfer agent and registrar for each class of CN's publicly issued securities is Computershare Trust Company of Canada and, in the United States, the co-transfer agent and co-registrar is Computershare Trust Company, N.A., both of which maintain registers of transfers for CN's securities at the locations specified below:

Computershare Trust Company of Canada
1500 University Street, 7th Floor
Montreal, Quebec H3A 3S8
Toll Free Tel: 1-800-564-6253
Toll Free Fax: 1-888-453-0330
Email: service@computershare.com
Web: www.computershare.com/investorcentrecanada

Co-transfer agent and co-registrar:

Computershare Trust Company, N.A.
Att: Stock Transfer Department
Overnight Mail Delivery: 250 Royall Street, Canton, Massachussetts 02021
Regular Mail Delivery: P.O. Box 43070, Providence, Rhode Island 02940-3070
Telephone: (303) 262-0600 or 1-800-962-4284

Item 8 MARKET FOR SECURITIES

8.1 *Trading Price and Volume*

CN's Common Shares are listed on both the TSX and the NYSE under the stock symbols CNR and CNI, respectively. The following table sets forth the price ranges and aggregate trading volumes of the Common Shares on the TSX for each month of 2011:

MONTH	HIGH	LOW	VOLUME
January	69.60	65.87	17,260,992
February	71.76	67.10	15,471,062
March	73.25	70.04	22,314,485
April	74.00	68.63	14,115,841
May	76.25	72.33	13,714,604
June	77.55	72.88	20,411,811
July	78.08	70.10	13,827,144
August	73.13	65.00	29,349,056
September	72.91	63.72	29,385,266
October	79.75	66.64	20,154,619
November	81.79	76.04	19,841,343
December	80.46	74.22	24,173,655

8.2 ***Prior Sales***

On November 15, 2011, under its new shelf prospectus and registration statement, which became effective earlier that month, CN issued a two-tranche US$700 million debt offering consisting of US$300 million (C$305 million) 1.45% Notes due in 2016, and US$400 million (C$407 million) 2.85% Notes due in 2021, which are together detailed in the following table:

Security	Notes due 2016	Notes due 2021
Size of Offering:	US$300,000,000	US$400,000,000
Maturity Date:	December 15, 2016	December 15, 2021
Coupon Rates:	1.45%	2.85%
Net Proceeds of Issue:	US$295,908,000	US$394,756,000
Public Offering Price:	99.236%	99.339%
Application of Proceeds:	Repay all outstanding commercial paper and for general corporate purposes including the partial financing of the Company's share repurchase program. The indebtedness being repaid was incurred by the Company for general corporate purposes.	

In the ordinary course of business, the Company issues commercial paper with maturities of less than 12 months. There was US$81 million (C$82 million) of commercial paper outstanding as at December 31, 2011.

Item 9 **DIRECTORS AND EXECUTIVE OFFICERS**

9.1 ***Directors***

The Directors of the Company are elected by the Shareholders at the Annual General Meeting of the Company, and hold office until their term expires at the following Annual General Meeting, subject to resignation, retirement, or re-election. The following table lists the Directors of the Company as of the date hereof:

Name and Province or State of Residence	**Date of First Election to Board**	**Principal Occupations within the Preceding Five Years**
Michael R. Armellino, CFA New Jersey, U.S.A.	May 7, 1996	Retired Partner, The Goldman Sachs Group, LP (investment bank)
A. Charles Baillie, O.C., LL.D. Ontario, Canada	April 15, 2003	Corporate Director and Retired Chairman and Chief Executive Officer, The Toronto-Dominion Bank (bank)

Name and Province or State of Residence	Date of First Election to Board	Principal Occupations within the Preceding Five Years
Hugh J. Bolton, FCA Alberta, Canada	April 15, 2003	Chairman, Epcor Utilities Inc. (energy and energy-related services provider)
Donald J. Carty, O.C., LL. D. Texas, U.S.A.	January 1, 2011	Retired Vice-Chairman and Chief Financial Officer, Dell, Inc. (computer manufacturer)
Ambassador Gordon D. Giffin Georgia, U.S.A.	May 1, 2001	Senior Partner, McKenna Long & Aldridge (law firm)
Edith E. Holiday Florida, U.S.A.	June 1, 2001	Corporate Director and Trustee, and former General Counsel, United States Treasury Department and Secretary of the Cabinet, The White House
V. Maureen Kempston Darkes, O.C., D. Comm. LL.D. Florida, U.S.A.	March 29, 1995	Corporate Director, and former Group Vice-President and President Latin America, Africa and Middle East, General Motors Corporation (automotive manufacturer)
The Hon. Denis Losier, P.C., LL.D. New Brunswick, Canada	October 25, 1994	President and Chief Executive Officer, Assumption Life (life insurance company)
The Hon. Edward C. Lumley, P.C., LL.D. Ontario, Canada	July 4, 1996	Vice-Chairman, BMO Capital Markets (investment bank)
David G. A. McLean, O.B.C., LL.D., British Columbia, Canada	August 31, 1994	Chair and former Chief Executive Officer, The McLean Group (real estate investment, film and television facilities, communications and aircraft charters)
Claude Mongeau Quebec, Canada	October 20, 2009	President and Chief Executive Officer, CN; Executive Vice-President, CN; Executive Vice-President and Chief Financial Officer, CN
James E. O'Connor Florida, U.S.A.	April 27, 2011	Former Chairman and CEO Republic Services, Inc. (waste management)
Robert Pace Nova Scotia, Canada	October 25, 1994	President and Chief Executive Officer, The Pace Group (radio broadcasting, real estate and environmental services)

Committee Membership

The membership of each Board committee is composed of the following Directors:

Audit Committee

Hugh J. Bolton, Donald J. Carty, V. Maureen Kempston Darkes, The Hon. Denis Losier (chair), James E. O'Connor, Robert Pace.

Finance Committee

Michael R. Armellino, A. Charles Baillie (chair), Donald J. Carty, Ambassador Gordon D. Giffin, Edith E. Holiday, The Hon. Edward C. Lumley, David G. A. McLean, James E. O'Connor.

Corporate Governance and Nominating Committee

A. Charles Baillie, Donald J. Carty, Edith E. Holiday, The Hon. Edward C. Lumley, David G. A. McLean (chair), Robert Pace.

Donations and Sponsorships Committee

Ambassador Gordon D. Giffin, The Hon. Denis Losier, David G.A. McLean, Claude Mongeau (Chair).

Environment, Safety and Security Committee

Michael R. Armellino, Hugh J. Bolton, Ambassador Gordon D. Giffin, V. Maureen Kempston Darkes (chair), The Hon. Denis Losier, James E. O'Connor .

Human Resources and Compensation Committee

Michael R. Armellino, A. Charles Baillie, Hugh J. Bolton, Edith E. Holiday, V. Maureen Kempston Darkes, The Hon. Denis Losier, The Hon. Edward C. Lumley, David G. A. McLean, Robert Pace (chair).

Investment Committee of CN's Pension Trust Funds

Michael R. Armellino, A. Charles Baillie, Hugh J. Bolton, Ambassador Gordon D. Giffin, Edith E. Holiday, V. Maureen Kempston Darkes, The Hon. Edward C. Lumley (chair), David G. A. McLean, Robert Pace.

Strategic Planning Committee

Michael R. Armellino (chair), A. Charles Baillie, Hugh J. Bolton, Donald J. Carty, Ambassador Gordon D. Giffin, Edith E. Holiday, V. Maureen Kempston Darkes, The Hon. Denis Losier, The Hon. Edward C. Lumley, David G. A. McLean, Claude Mongeau, Robert Pace, James E. O'Connor.

9.2 ***Audit Committee Disclosure***

Composition of the Audit Committee

The Audit Committee is composed of six independent directors, namely, Hugh J. Bolton, Donald J. Carty, V. Maureen Kempston Darkes, Denis Losier, chair of the Committee, James E. O'Connor and Robert Pace.

Education and Relevant Experience of the Audit Committee Members

The Board of Directors believes that the composition of the Audit Committee reflects a high level of financial literacy and experience. Each member o the committee has been determined by the board to be financially literate, as such term is defined under Canadian and United States securities laws and regulations and the NYSE Corporate Governance Standards. The board has made such determination based on the education and experience of each committee member. The following is a description of the education and experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as a member of the committee:

Mr. Bolton is the Chairman of the Board of Directors of EPCOR Utilities Inc. and former chair of Matrikon Inc. Mr. Bolton is a director and member of the audit committees of TD Bank Financial Group, Teck Resources Limited and WestJet Airlines Ltd. and a director of Capital Power Corp. From 1992 to 1997, Mr. Bolton was chair and Chief Executive Partner of Coopers & Lybrand Canada (now PricewaterhouseCoopers). Mr. Bolton was a partner of Coopers & Lybrand for 34 years and a public accountant and auditor with that firm for 40 years. He is a fellow of the Alberta Institute of Chartered Accountants. Mr. Bolton holds an undergraduate degree in economics from the University of Alberta.

Mr. Carty is the retired Vice-Chairman and Chief Financial Officer of Dell, Inc. (computer manufacturer), a position he assumed in January 2007. Before joining Dell, Mr. Carty retired in 2003 as Chairman and CEO of AMR Corporation and American Airlines. He had previously served as President, Executive Vice-President – Finance and Planning and Senior Vice-President and Controller of AMR Airline Group and American Airlines. He was President and CEO of CP Air from 1985 – 1987. Mr. Carty is chairman of Virgin America Airlines Inc. and Porter Airlines Inc. and is serving as a Lead Director and member of the audit committee of Barrick Gold Corporation, director and member of the audit committee of Talisman Energy Inc., as well as a director of Dell, Inc. and Gluskin, Sheff & Associates Inc. Mr. Carty holds a Master of Business Administration from the Harvard Business School.

Mrs. Kempston Darkes is the retired Group Vice-President and President Latin America, Africa and Middle East, General Motors Corporation. In 2009 she ended a 35-year career at GM during which she attained the highest operating post ever held by a woman at GM. 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 and member of the audit committee of Irving Oil Co. Ltd, and a director of Brookfield Asset Management Inc. and Enbridge Inc. Mrs. Kemptson Darkes holds Bachelor of Arts in history and political science from Victoria Univeristy at the University of Toronto and a Bachelor of Law degree from the University of Toronto Faculty of Law.

Mr. Losier is President and Chief Executive Officer, Assumption Life. Mr. Losier held various cabinet level positions with the government of the Province of New Brunswick, from 1989 to 1994, including Minister of Fisheries and Aquaculture and Minister of Economic Development and Tourism. He is the Chair of Invest N.B. and a director and member of the audit committee of Plazacorp Retail Properties Ltd., and he is also a director of Enbridge Gas New Brunswick Limited Partnership and NAV CANADA. Mr. Losier holds a Masters of Economics from the University of Western Ontario.

Mr. O'Connor is the retired chairman of the board of directors of Republic Services, Inc., a leading provider of non-hazardous solid waste collection, recycling and disposal services in the United States. From 1998 to 2011, Mr. O'Connor was chair and Chief Executive Officer of Republic Services, Inc. Prior to 1998, he had held various management positions at Waste Management, Inc. He was named to the list of America's Best CEOs each year between 2005 and 2010. In 2011, Mr. O'Connor was named to the Institutional Investors' All American Executive Team. He is a director of Clean Energy Fuels Corp. and holds a Bachelor of Science in Commerce (concentration in accounting) from DePaul University.

Mr. Pace is the President and Chief Executive Officer, The Pace Group. Mr. Pace is also a member of the Board of Directors of Maritime Broadcasting Systems Inc., High Liner Foods Incorporated and Hydro One. Mr. Pace holds an

MBA and an LL.B Law Degree from Dalhousie University in Halifax, Nova Scotia, and has more than 25 years of business experience.

Auditors' Fees

KPMG LLP has served as the Company's auditors since 1992. For the years ended December 31, 2011 and 2010, the fees for audit, audit related, tax and other services provided to the Company by KPMG LLP were the following:

Fees	**2011**[1]	**2010**[1]
Audit	$2,447,000	$2,479,000
Audit-related	1,236,000	$1,010,000
Tax	810,000	$893,000
All Other	——	——
Total Fees	$4,493,000	$4,382,000

[1] Fees rounded to the nearest thousand.

Pursuant to the terms of its charter, the Audit Committee approves all audit and audit-related services, audit engagement fees and terms and all non-audit engagements with the independent auditor. The Audit Committee pre-approved all the services performed by CN's independent auditors for audit-related and non-audit related services for the years ended December 31, 2011 and 2010 that were required to be pre-approved.

A discussion of the nature of the services under each category is described below.

Audit fees

Consists of fees incurred for professional services rendered by the auditors in relation to the audit of the Company's consolidated annual financial statements and those of its subsidiaries and the audit relating to the Company's internal control over financial reporting.

Audit-related fees

Audit-related fees were incurred for professional services rendered by the auditors in relation to the audit of the financial statements for the Company's pension plans, and 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.

Tax fees

Consists of fees incurred for consultations on cross-border tax implications for employees and tax compliance.

All Other fees

Nil.

Non-Audit Services

The mandate of the Audit Committee, attached as Schedule A to this AIF, provides that the Audit 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. CN's Audit Committee and the

Board of Directors have 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, but only if the services have specifically been pre-approved by the Audit Committee.

9.3 *Executive Officers*

As of the date hereof, the following are the senior executive officers of the Company:

Name and Province or State of Residence	**Position**	**Principal Occupations within the Preceding Five Years**
Claude Mongeau Quebec, Canada	President and Chief Executive Officer	President and Chief Executive Officer; Executive Vice-President; Executive Vice-President and Chief Financial Officer;
Russell Hiscock Quebec, Canada	President and Chief Executive Officer, CN Investment Division	President and Chief Executive Officer, CN Investment Division; General Manager; Manager Common Stocks (Canada), CN Investment Division;
Mike Cory Alberta, Canada	Senior Vice-President, Western Region	Senior Vice-President, Western Region; Senior Vice-President, Eastern Region; Vice-President, Operations, Eastern Region; Vice-President, Operations, Western Region; Assistant Vice-President, Network Operations;
Keith E. Creel Illinois, U.S.A.	Executive Vice-President and Chief Operating Officer	Executive Vice-President and Chief Operating Officer; Executive Vice-President, Operations; Senior Vice-President, Eastern Region;
Sameh Fahmy Quebec, Canada	Senior Vice-President, Engineering, Mechanical and Supply Management	Senior Vice-President, Engineering, Mechanical and Supply Management;
Sean Finn Quebec, Canada	Executive Vice-President Corporate Services and Chief Legal Officer	Executive Vice-President Corporate Services and Chief Legal Officer; Senior Vice-President Public Affairs, Chief Legal Officer and Corporate Secretary;
Luc Jobin Quebec, Canada	Executive Vice-President and Chief Financial Officer	Executive Vice-President and Chief Financial Officer; Executive Vice-President, Power Corporation of Canada;

Name and Province or State of Residence	Position	Principal Occupations within the Preceding Five Years
Jeff Liepelt Ontario, Canada	Senior Vice-President, Eastern Region	Vice-President, Eastern Region; Vice-President, Operations, Southern Region; General Manager, Wisconsin Division;
Kimberly A. Madigan Quebec, Canada	Vice-President, Human Resources	Vice-President, Human Resources; Vice-President, People; Vice-President, Labour Relations – North America;
Robert Noorigian Quebec, Canada	Vice-President, Investor Relations	Vice-President, Investor Relations;
Jean-Jacques Ruest Quebec, Canada	Executive Vice-President and Chief Marketing Officer	Executive Vice-President and Chief Marketing Officer; Senior Vice-President, Marketing;
Jim Vena, Illinois, U.S.A.	Senior Vice-President, Southern Region	Senior Vice-President, Southern Region; Senior Vice-President, Western Region; Senior Vice-President, Eastern Region; Vice-President, Operations;

The senior executive officers are appointed by the Board of Directors and hold office until their successors are appointed subject to resignation, retirement or removal by the Board of Directors.

As at February 1, 2012, the Directors and the members of the executive committee, including the senior executive officers mentioned above, of the Company, as a group, beneficially owned, directly or indirectly, or exercised control or direction over an aggregate of approximately 1.5 million Common Shares of the Company, representing approximately 0.34% of the outstanding Common Shares.

9.4 ***Cease Trade Orders, Bankruptcies, Penalties or Sanctions***

To the knowledge of the Company and based upon information provided to it by the Company's Directors and executive officers, none of such Directors or executive officers is or has been, in the last 10 years, a director or executive officer of any company that, while such person was acting in that capacity: (a) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; (b) was subject to an event that resulted, after that person ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or (c) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, except for the following:

(i) Mr. Baillie, a Director of the Company, was a director of Dana Corporation, which filed voluntary petitions for reorganization under Chapter 11 of the *U.S. Bankruptcy Code* on March 3, 2006. Dana's European, South American, Asian-Pacific, Canadian and Mexican subsidiaries are not included in the Chapter 11 filing. Dana Corporation successfully emerged from Chapter 11 reorganization in February 2008. Mr. Baillie is no longer a director of Dana Corporation;

(ii) Mr. Lumley, a Director of the Company, was a director of Air Canada when it voluntarily filed for protection under the *Companies' Creditors Arrangement Act* ("CCAA") in April 2003. Air Canada successfully emerged from the CCAA proceedings and was restructured pursuant to a plan of arrangement in September 2004. Mr. Lumley is no longer a director of Air Canada;

(iii) Mr. Mongeau, a director and the President and Chief Executive Officer of the Company, became a director of Nortel Networks Corporation ("NNC") and Nortel Networks Limited ("NNL") on June 29, 2006. On January 14, 2009, NNC, NNL and certain other Canadian subsidiaries initiated creditor protection proceedings under the CCAA in Canada. Certain U.S. subsidiaries filed voluntary petitions in the United States under Chapter 11 of the U.S. Bankruptcy Code, and certain Europe, Middle East and Africa (EMEA) subsidiaries made consequential filings in Europe and the Middle East. These proceedings are ongoing. Mr. Mongeau resigned as a director of NNC and NNL effective August 10, 2009.

(iv) Mrs. Kempston Darkes, a director of the Company, was an officer of General Motors Corporation ("GM") when GM filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code on June 1, 2009. None of the operations for which she was directly responsible in Latin America, Africa and the Middle East were included in the bankruptcy filing. GM emerged from bankruptcy protection on July 10, 2009 in a reorganization in which a new entity acquired GM's most valuable assets. Mrs. Kempston Darkes retired as a GM officer on December 1, 2009; and

(v) Mr. Giffin, a director of the Company, was a director of AbitibiBowater Inc. until January 22, 2009. AbitibiBowater Inc. and certain of its U.S. and Canadian subsidiaries filed voluntary petitions in the United States under Chapter 11 of the U.S. Bankruptcy Code on April 16, 2009. AbitibiBowater Inc. and certain of its Canadian subsidiaries filed for creditor protection under the CCAA in Canada on April 17, 2009. Mr. Giffin is no longer a director of AbitibiBowater Inc.

Item 10 **INTEREST OF EXPERTS**

KPMG LLP is the external auditor who prepared the Reports of Independent Registered Public Accounting Firm to the Board of Directors and Shareholders of CN relating to the effectiveness of internal controls over financial reporting and relating to the audit of the 2011 Annual Consolidated Financial Statements and Notes thereto prepared under U.S. generally accepted accounting principles. We are advised that, as at the date hereof, the members of KPMG are independent in accordance with the Rules of the Code of Ethics of the Ordre des comptables agréés du Québec.

Item 11 **ADDITIONAL INFORMATION**

Additional information regarding CN can be found on SEDAR at www.sedar.com. Additional financial information is provided in CN's Annual Consolidated Financial Statements and Management's Discussion & Analysis for its most recently completed financial year. Additional information, including Directors' and officers' remuneration and securities authorized for issuance under equity compensation plans, is contained in the Company's Information Circular prepared in respect of its annual meeting of shareholders to be held on April 24, 2012 (the "Circular"). The Circular will become available on SEDAR at www.sedar.com and on EDGAR at www.sec.gov on or about March 23, 2012.

SCHEDULE A

CHARTER OF THE AUDIT COMMITTEE

1. Membership and Quorum

- a minimum of five Directors appointed by the Board, one of whom must be the chair of the Human Resources and Compensation Committee;
- only Independent Directors, as determined by the Board of Directors and following the Canadian and U.S. securities' legislation and regulations, may be appointed to the Audit Committee. A member of the Audit Committee may not, other than in his or her capacity as a Director or member of a board committee and subject to the exceptions provided in Canadian and U.S. laws and regulations, accept directly or indirectly any fee from CN or any subsidiary of CN nor be an affiliated person of CN or any subsidiary of CN;
- each member must be "financially literate" (as determined by the Board);
- at least one member must be an "audit committee financial expert" (as determined by the Board);
- quorum of majority of members.

2. Frequency and Timing of Meetings

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

3. Mandate

The responsibilities of the Audit Committee include the following:

A. Overseeing financial reporting

- monitoring the quality and integrity of CN's accounting and financial reporting process through discussions with management, the external auditors and the internal auditors;
- reviewing with management and the external auditors, the annual audited financial statements to be included in the annual report of CN, including CN's MD&A disclosure and earnings press releases prior to their release, filing and distribution;
- reviewing with management and the external auditors, quarterly consolidated financial statements of CN and accompanying information, including CN's MD&A disclosure and earnings press releases prior to their release, filing and distribution, and reviewing the level and type of financial information provided, from time to time, to financial markets;
- reviewing the financial information contained in the annual information form and other reports or documents, financial or otherwise, requiring Board approval;
- reviewing the procedures in place for the review of CN's disclosure of financial information extracted or derived from CN's financial statements and periodically assessing the adequacy of those procedures;
- reviewing with the external auditors and management, the quality, appropriateness and disclosure of CN's accounting principles and policies, underlying assumptions and reporting practices, and any proposed changes thereto;

- reviewing any analysis or other written communications prepared by management, the internal auditors or external auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effect of alternative generally accepted accounting principles methods;

- reviewing the external auditors' report on the consolidated financial statements of CN and on the financial statements of CN's Pension Trust Funds;

- reviewing the external auditors' quarterly review engagement report;

- reviewing the compliance of management certification of financial reports with applicable legislation;

- reviewing any litigation, claim or other contingency and any regulatory or accounting initiatives that could have a material effect upon the financial position or operating results of CN and the appropriateness of the disclosure thereof in the documents reviewed by the Committee;

- reviewing the results of the external audit, any significant problems encountered in performing the audit, and management's response and/or action plan related to any Management Letter issued by the external auditors and any significant recommendations contained therein.

B. Monitoring risk management and internal controls

- receiving periodically management's report assessing the adequacy and effectiveness of CN's disclosure controls and procedures and systems of internal control;

- reviewing CN's risk assessment and risk management policies, including CN's insurance coverage (annually and as otherwise may be appropriate);

- assisting the Board with the oversight of CN's compliance with applicable legal and regulatory requirements;

- reviewing CN's delegation of financial authority;

- making recommendations with respect to the declaration of dividends;

- 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, budget and the compensation of its members;

- reviewing annually the internal audit plan;

- ensuring that the internal auditors are accountable to the Audit Committee and to the Board.

D. Monitoring external auditors

- recommending to the Board and CN's shareholders the retention and, if appropriate, the removal of external auditors, evaluating and remunerating them, and monitoring their qualifications, performance and independence;

- approving and overseeing the disclosure of all audit, review and attest services provided by the external auditors, determining which non-audit services the external auditors are prohibited from providing, and pre-approving and overseeing the disclosure of permitted non-audit services by the external auditors to CN or any of its subsidiaries, in accordance with applicable laws and regulations;

- 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 a disagreement, if any, with management and any audit problems or difficulties and management's response);

- reviewing at least annually, a report by the external auditors describing their internal quality-control procedures; any material issues raised by their most recent internal quality-control review of their firm, or peer review, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more audits carried out by them, to the extent available, and any steps taken to deal with any such issues;

- reviewing at least annually, the formal written statement from the external auditors stating all relationships the external auditors have with CN and confirming their independence, and holding discussions with the external auditors as to any relationship or services that may impact their objectivity or independence;

- reviewing hiring policies for employees or former employees of CN's firm of external auditors;

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

E. Evaluating the performance of the Audit Committee

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

In addition to the above responsibilities, the Audit Committee may discharge the responsibilities of the Finance Committee if no meeting of the Finance Committee is scheduled to be held in the immediate future.

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

As appropriate, the Audit Committee may retain independent advisors to help it carry out its responsibilities, including fixing such advisors' fees and retention terms, subject to advising the Board chair; the Committee makes arrangements for the appropriate funding for payment of the external auditors and any advisors retained by it. The Board also provides appropriate funding for all administrative expenses necessary or appropriate to allow the Audit Committee to carry out its duties.

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

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

Nothing contained in the above mandate is intended to assign to the Audit Committee the Board's responsibility to ensure CN's compliance with applicable laws or regulations or to expand applicable standards of liability under statutory or regulatory requirements for the Directors or the members of the Audit Committee. Even though the Audit Committee has a specific mandate and its members may have financial experience and expertise, it is not the duty of the Audit Committee to plan or conduct audits, or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Such matters are the responsibility of management, the internal auditors and the external auditors.

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

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

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

CANADIAN NATIONAL RAILWAY COMPANY

By: /s/ Sean Finn

Name: Sean Finn
Title: Executive Vice-President
Corporate Services and Chief
Legal Officer
Date: February 3, 2012

EXHIBIT INDEX

Exhibit No.	Description
99.1	Management's Discussion and Analysis for the year ended December 31, 2011*
99.2	Audited Annual Consolidated Financial Statements for the year ended December 31, 2011*
99.3	Consent of KPMG LLP
99.4	CEO Section 302 Certification
99.5	CFO Section 302 Certification
99.6	CEO and CFO Section 906 Certification
101	Interactive Data File*

*Incorporated by reference from the Registrant’s Form 6-K dated February 3, 2012.

Exhibit 99.3



KPMG LLP
Chartered Accountants
600 de Maisonneuve Blvd. West
Suite 1500
Tour KPMG
Montréal, Québec H3A 0A3

Telephone (514) 840-2100
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Internet www.kpmg.ca

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Canadian National Railway Company

We consent to the incorporation by reference of our Report of Independent Registered Public Accounting Firm dated February 3 , 2012 with respect to the consolidated balance sheets of Canadian National Railway Company (the "Company") as at December 31, 2011 and 2010 and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2011, and our Report of Independent Registered Public Accounting Firm dated February 3, 2012 on the effectiveness of internal control over financial reporting as of December 31, 2011, in this annual report on Form 40-F of the Company for the year ended December 31, 2011.

We also consent to the incorporation by reference of such reports in the registration statements (No. 333-163862, No. 333-163860, No. 333-13185(No. 333-71270, No. 333-53420, No. 333-53422 and No. 333-59337) on Form S-8 of the Company and in the registration statement (No. 333-177633) on Form F-9 of the Company.

/s/ KPMG LLP

Chartered Accountants

Montréal, Canada
February 3, 2012

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

Exhibit 99.4

CEO SECTION 302 CERTIFICATION

I, Claude Mongeau, certify that:

(1) I have reviewed this annual report on Form 40-F of Canadian National Railway Company;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

(4) The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(b) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

(5) The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: February 3, 2012

/s/ Claude Mongeau
Claude Mongeau
President and Chief Executive Officer

Exhibit 99.5

CFO SECTION 302 CERTIFICATION

I, Luc Jobin, certify that:

(1) I have reviewed this annual report on Form 40-F of Canadian National Railway Company;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

(4) The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

(5) The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: February 3, 2012

/s/ Luc Jobin
Luc Jobin
Executive Vice-President and Chief Financial Officer

Exhibit 99.6

CEO AND CFO SECTION 906 CERTIFICATION

February 3, 2012

Securities and Exchange Commission
450 Fifth Street, N.W
Washington, D.C. 20549

Ladies and Gentlemen:

The certification set forth below is being submitted to the Securities and Exchange Commission for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Claude Mongeau, President and Chief Executive Officer, and Luc Jobin, Executive Vice-President and Chief Financial Officer, of Canadian National Railway Company, each certifies that, to the best of his knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Canadian National Railway Company.

/s/ Claude Mongeau
Claude Mongeau
President and Chief Executive Officer

/s/ Luc Jobin
Luc Jobin
Executive Vice-President and Chief Financial Officer