

CANADIAN NATIONAL RAILWAY CO  
Form 40-F  
February 03, 2014

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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  
 ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934

For the fiscal year ended: December 31, 2013

Commission File Number: 1-2413

CANADIAN NATIONAL RAILWAY COMPANY  
(Exact name of registrant as specified in its charter)

Canada  
(Jurisdiction of  
incorporation or organization)

4011  
(Primary Standard Industrial  
Classification Code Number)

98-0018609  
(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:

floating rate notes due November 6, 2015

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

2.25% notes due November 15, 2022

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

3.50% notes due November 15, 2042

4.50% notes due November 7, 2043

5.00% 99-year income debentures due December 1, 2056

7.70% 100-year debentures due September 15, 2096

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

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, 2013, 830,582,064 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  No

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  No

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## CONTROLS AND PROCEDURES

### Disclosure Controls and Procedures

The United States Securities and Exchange Commission (the "Commission") defines "disclosure controls and procedures" as controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms.

After evaluating the effectiveness of Canadian National Railway Company's disclosure controls and procedures as of the end of the fiscal year covered by this report, Canadian National Railway Company's President and Chief Executive Officer (the "CEO") and its Executive Vice President and Chief Financial Officer (the "CFO") have concluded that Canadian National Railway Company's disclosure controls and procedures were effective as of the end of the fiscal year covered by this report.

### 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, 2013, 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](http://www.cn.ca), under the caption "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 10.2 of the Registrant’s 2013 annual 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 2013 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 2013 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 2013 annual information form included in this Form 40-F.

#### MINE SAFETY DISCLOSURE

Not applicable.

#### 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](http://www.cn.ca) under the caption “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

2013

ANNUAL INFORMATION FORM

February 3, 2014

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Item 1

GENERAL INFORMATION

Except as otherwise indicated in this Annual Information Form (“AIF”), the information contained herein is given as of December 31, 2013. 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 information included 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 use 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	<ul style="list-style-type: none"> <li>· North American and global economic growth</li> <li>· Long-term growth opportunities being less affected by current economic conditions</li> <li>· Year-over-year carload growth</li> </ul>
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	<ul style="list-style-type: none"> <li>· North American and global economic growth</li> <li>· Adequate credit ratios</li> <li>· Investment grade credit rating</li> <li>· Access to capital markets</li> <li>· Adequate cash generated from operations</li> </ul>
Statements relating to pension contributions	<ul style="list-style-type: none"> <li>· Adequate cash generated from operations and other sources of financing</li> <li>· Adequate long-term return on investment on pension plan assets</li> </ul>

- Level of funding as determined by actuarial valuations, particularly influenced by discount rates for funding purposes

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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 risk factors in CN’s 2013 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](http://www.sedar.com) and on EDGAR at [www.sec.gov](http://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, 2013, 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	Michigan
Illinois Central Corporation	Delaware

Illinois Central Railroad Illinois  
Company

Wisconsin Central Ltd. Delaware

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

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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.

2013 Highlights

Acquisitions and Dispositions

On March 19, 2013, the Company entered into an agreement with Metrolinx to sell a segment of the Oakville subdivision in Oakville and Burlington, Ontario, together with the rail fixtures and certain passenger agreements (collectively the "Lakeshore West"), for cash proceeds of \$52 million before transaction costs. Under the agreement, the Company obtained the perpetual right to operate freight trains over the Lakeshore West 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 \$40 million (\$36 million after-tax) that was recorded in Other income under the full accrual method of accounting for real estate transactions.

On June 8, 2013, the Company entered into an agreement with another Class I railroad to exchange perpetual railroad operating easements including the track and roadway assets on specific rail lines (collectively the "exchange of easements") without monetary consideration. The transaction resulted in a gain on exchange of easements of \$29 million (\$18 million after-tax) that was recorded in Other income.

Strategic Initiatives and Capital Spending

CN's capital expenditure programs support the Company's commitment to its core principles and strategy and its ability to grow the business profitably. In 2013, CN invested approximately \$2.0 billion on capital programs, of which approximately \$1.2 billion was for track infrastructure to continue operating a safe railway and improve the productivity and fluidity of the network; and includes the replacement of rail, ties, and other track materials, bridge improvements, as well as rail-line improvements for the Elgin, Joliet and Eastern ("EJ&E") railway property. In 2013, CN's equipment capital expenditures of approximately \$300 million, allowed the Company to tap growth opportunities and improve the quality of the fleet. In order to handle expected traffic increase and improve operational efficiency, CN took delivery of 44 new and 37 second-hand high-horsepower locomotives. CN also spent approximately \$500 million on facilities to grow the business including transloads, distribution centers, the recently opened Joliet Intermodal Terminal in Illinois, and the continued development of its Calgary Logistics Park (the "Logistics Park") project; on information technology to improve service and operating efficiency; and on other projects to increase productivity.

Given expectations of continued strong freight volume growth in Western Canada, including grain and other commodities, CN has been enhancing its network fluidity. As part of its \$2 billion overall 2013 capital program, CN earmarked several capacity enhancement projects in its Edmonton-Winnipeg corridor at a cost of \$100 million, which was completed in 2013. Of the \$100 million, \$90 million was invested for increased capacity on CN's main corridor between Edmonton and Winnipeg, including extended sidings on the main corridor, sections of mainline double track, as well as yard track extensions in Winnipeg, Saskatoon and Wainwright. CN invested \$10 million in improvements to CN's Prairie North Line, which runs parallel north of the Company's main corridor between Edmonton and Winnipeg,

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principally between Saskatoon and Edmonton. The improved line will serve as a new “relief valve” for the main corridor, providing flexibility and resilience to the network. The work involved included increased capital spending for new rail, ties, track surfacing, as well as new sidings to handle increased traffic volumes.

Financial Management Initiatives

The Company has a commercial paper program, which is backed by its revolving credit facility, enabling it to issue commercial paper up to a maximum aggregate principal amount of \$800 million, or the US dollar equivalent. As at December 31, 2013, the Company had total borrowings of \$273 m