CN Supply Chain Solutions: A True Supply Chain Enabler

Cultivating a Rail Career Through: Entrepreneurship, Collaboration and Engagement

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Who We Are
A leading North American transportation and logistics company.

CN is a world-class transportation leader and the only transcontinental railway in North America. Our 19,600 mile network spans Canada and Mid-America, connecting three coasts.

We offer fully integrated rail and other transportation services, including intermodal, trucking, freight forwarding, warehousing, and distribution. Our extensive network coupled with our unique supply chain partnerships provide connections to all points in North America and beyond.

A true backbone of the economy, CN handles over $250 billion worth of goods, hauls about 20% of Canada’s exports and carries more than 300 million tons of cargo annually.

If you eat it, drive it, or use it, chances are we move it.

2017 HIGHLIGHTS

23,000+ employees
C$13 billion in revenue
57.4% operating ratio
C$2.7 billion in capital investments
19,500 route miles
C$72 billion market capitalization
5.7 million carloads
Our Journey

CN today is one of the leaders of the North American rail industry in terms of efficiency and service.

Building a Strong Franchise Through Acquisitions
From a strong core network, CN has made several strategic acquisitions since privatization in 1995.

1998 | Illinois Central
2001 | Wisconsin Central
2004 | BC Rail
2004 | Great Lakes Transportation
2009 | Elgin, Joliet and Eastern

It has been a remarkable transformational journey with CN taking the lead in developing collaborative supply chain solutions, creating more value for our customers.

1990s
Fundamental Turnaround

2000s
Precision Railroad

2010 to 2016
A True Supply Chain Enabler

2017 and Beyond
A leading North American transportation and logistics company
Global Reach

CN is the only railroad with direct access to all three coasts.

**West Coast**
Key supply chain advantage to Asian markets
- Closest port to Asia: Price Rupert
- Lowest grades through the Rockies, leading to fuel efficiency and quick speed to market

**East Coast**
Providing key trade links between North America and Europe
- First port of call from across the Atlantic and last leaving North America: Halifax

**Gulf Coast**
An alternative coast to reach key inland markets
- Directly connecting to the densely populated U.S. Midwest
- Gateway to U.S. inland terminals located in key growth markets
Our Franchise

Unparalleled reach coupled with profound geographic and product diversity.

End Market Diversity

- 25% Intermodal
- 17% Petroleum & Chemicals
- 17% Grain & Fertilizers
- 13% Forest Products
- 12% Metals & Minerals
- 6% Automotive
- 5% Coal
- 5% Other Revenues

Based on H1 2018 revenues

Economic Diversity

- 34% Canada/U.S. Trade
- 25% Global Trade – Asia
- 17% Domestic Canada
- 16% Domestic U.S.
- 5% Global Trade – Europe
- 3% Global Trade – South America
Strong Capital Program for Safety & Fluidity

~C$20B
Capital investments over the last 10 years

Record capital envelope of C$3.4B planned for 2018
(~ 25% of revenues)
Building Capacity and Improving Resiliency

- ~$400 million for new track infrastructure, particularly in Western Canada
- 891 track miles
- 2.6M rail ties
- 9,4M feet of rail
- Purchase/leasing of equipment in amounts and types to augment our current fleets
- Q4 2017 CN leased 130 locomotives, took delivery of 22 New AC locomotives and purchased 12 pre-production locomotives
- 2018 – 60 more new locomotives to come on line with 200 more coming in 2019-2020
2018 Yard Investments

Total Investments

$104.3M
Hiring & Training

• CN hired ~3,500 people in 2017
• Expect to hire approx. another 2000 in 2018
• We are adding to a growing base of newly qualified conductors
  • ~400 in each of Q1 and Q2
  • A further ~1,000 more expected in H2-2018
• 6-9 month training process
  New hires follow weeks of in-house training. They must then complete qualifying trips as an extra person on a train crew. Once they are certified, they are assigned to the field in a two person crew.
We’re Redefining Service

Evolving from Railroad Thinking...

Rail origin → Rail destination

...to Supply Chain & Round-Trip Thinking

True origin → True destination

Export loads → Round-trip → Domestic repositioning program
End-to-End Supply Chain Solutions

A diverse scope of services allows us to provide flexible and all-encompassing transportation solutions.

**Intermodal**
Whether it’s door-to-door, terminal-to-terminal, or overseas, we offer the flexibility you need to get your product to any and all markets.

**CNTL Trucking**
Owned and operated by CN with daily access to approximately 1400 trucks network-wide to conduct first and final mile multimodal service.

**CN Customs Brokerage**
Licensed customs brokers to handle all your needs – any load on any mode for both U.S. and Canada. Over 150,000 clearances annually.

**Warehousing & Distribution**
31 strategically located facilities in Canada and the U.S. with 1.3 million sq.ft. of warehouse space.

**Logistics Parks**
Offering ultimate flexibility and optimal round-trip efficiencies to our customers in Calgary, Chicago, Memphis, Toronto and Montreal.

**CN Worldwide Freight Forwarding**
Global team of experts providing complete ocean freight shipping solutions to and from North America. Exceptional knowledge of inland rail, port and container asset management.
Cultivating Rail Careers
through corporate entrepreneurship
and collaboration

Four Examples

• CN Customs Brokerage Services
• CN Supply Chain Services – Machinery and Dimensional Loads
• CN Supply Chain Services – Warehousing and Distribution
• CN Worldwide
CN Brokerage Customs Clearance Services

- Customize import/export solution to meet the customers’ needs with a very strong compliance culture
- We simplify importing and exporting and keep the customer informed every step of the way

Customer Oriented Architecture
Business Intelligence
Mainframe

Foundation | Visibility | Driving Business Value
---|---|---
CA Brokerage | US Brokerage | IES & ISF | E-Business | Mexico | Enhance EDI | Growth

2006 2008 2010 2012 2016 2018...

Leveraging Technology to Support Operational Excellence
How’s CN’s Customs Brokerage Delivers

- People to deliver superior customer service
- Processes to manage customers’ business in a changing environment
- Customized solutions
- Advanced IT tools

CN provides an environment for entrepreneurial spirits to grow and succeed
CN Brokerage Mexico Customs Services

- Created a one stop shop for a seamless movement of the flow of goods into Canada, US or Mexico
- Removed the inconvenience of dealing with border wait time, Govt. compliance issues, additional demurrage costs due to broker holds

Entrepreneurial environment allows us to evolve and create products to accommodate a changing regulatory environment
CN Supply Chain Services
Machinery and Dimensionals

- From pre-planning to final execution
- Including:
  - Engineering drawings to ensure safe transit and handling
  - Clearance analysis
  - Route selection
  - Coordination of specialized train service
  - Proactive monitoring

Demands true collaboration to ensure successful execution
CN Supply Chain Services
Warehousing & Distribution

31 strategically located Distribution Centers, Bulk Transfer Facilities & Cargoflo Transload

Growth of this business requires complete integration of people, equipment and process into the business.
CN WorldWide

Ocean Freight Forwarding and NVOCC Services
Supporting CN’s Rail Network

• Provides end to end full container ocean shipping services utilizing CN’s three coast rail network.

• Port to port model is unique in that it allows ocean carriers and the railroad to do what we do best

• Asset balance model focuses on maximizing asset utilization and reducing round trip costs
Example: **CN Worldwide Import Transload Service**

Converting 40’HC Ocean Containers into 53’ Domestic Containers

1. **15 days**
   - Inbound from Asia

2. **5 days**
   - Port Dwell and Transload
   - 40 ft HC Asian Base Ports to Vancouver

3. **8 days**
   - Transload 40 ft ocean containers to 53 ft intermodal units
   - CN 53 Intermodal to Detroit Terminal

4. **2 days**
   - Port Dwell and Transload
   - Detroit, Michigan Door Delivery

5. **5 days**
   - 40 ft HC Europe Base Ports to Halifax
   - Transload 40 ft ocean containers to 53 ft intermodal units
   - CN 53 Intermodal to Detroit Terminal

6. **2 days**
   - Detroit, Michigan Door Delivery

7. **8 days**
   - Inbound from Europe

CN collaboration at work
Cultivating Rail Career Through Engagement
Driving visibility & opportunity – 3 approaches and various initiatives

1. Focused efforts to increase **internal awareness and representation** about the importance of diversity at all levels

**Hiring**
Leveraging our Diversity Partners and our CN Ambassadors to promote our jobs.

**Training**
Offering sensitivity and cultural bias training for recruiters and managers.

**Recognizing**
Celebrating Cultural / Diversity days.

**Developing Talent**
Fostering career development opportunities through internships.

**Measuring our Progress**
Tracking candidate pipeline, promotions and workforce representation.
Cultivating Rail Career Through Engagement

2 Increased **external awareness** of CN’s opportunities to targeted groups

**Ambassadors**
Leveraging CN employees who help recruit and retain diverse candidates

**Scholarships**
Awarding scholarships to our top Interns

**Partnerships**
Engaging with key sourcing organizations

**Sponsorships**
Granting donations and funding

**Outreach**
Military and veterans, high schools and colleges

3 Established **diversity hiring objectives** for designated groups at various levels in the organization

- Solid progress in representation of Aboriginals and Visible Minorities
- Focus on retention and mentoring initiatives for women
- Creating opportunities for people with disabilities
Thank You!