

# SUSTAINABILITY DOUBLE-MATERIALITY PROCESS AND OUTCOMES

Delivering Responsibly



# PRIORITIZING THE TOPICS THAT MATTER MOST

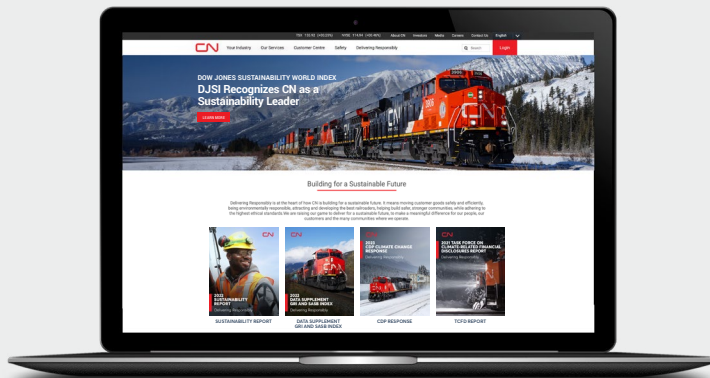
We apply the principles of materiality and stakeholder inclusiveness to prioritize the topics that matter most to our business and society. By prioritizing our material topics, we can more effectively focus our strategic imperatives, refine our reporting, and evolve our sustainability programs.

## Background and Context

Since starting our materiality assessment process more than ten years ago, we have focused on identifying and assessing sustainability topics based on internal and external stakeholder perspectives. Through this process, we learn valuable insights from our stakeholders — including their expectations of us and perceptions of our performance — and gain opportunities to continuously improve. Lately, we have seen an evolution of thinking on materiality from single materiality, which focused on the priority issues of the company and its key stakeholders, to a constantly changing double-materiality process.

Therefore, in 2022, we evolved our approach to conduct a double-materiality process in alignment with international standards and guidelines. This involved an analysis of material topics that not only considered our business context and stakeholder perspectives, but also the relative significance of these topics on our business, as well as our potential impact on society, the economy, and the surrounding environment.

This document provides an overview of our double-materiality approach, the results of our assessment, and our priorities going forward.

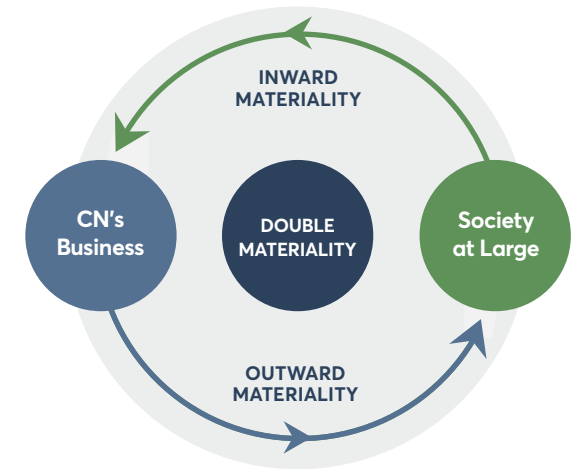


## OUR SUSTAINABILITY REPORTING

Our materiality assessment helps to focus our priorities and refine our reporting as part of our commitment to be open about our business and communicate our progress. The *Delivering Responsibly* section of our website provides online access to our complete sustainability reporting suite, including the most current publications of our Sustainability Report, Data Supplement, CDP Response, and TCFD Index.

[www.cn.ca/delivering-responsibly](http://www.cn.ca/delivering-responsibly)

## DOUBLE MATERIALITY



In recognizing the importance of the concept of double materiality, we conducted our assessment to consider the risks and opportunities associated with our operations, and how they may affect our business (inward materiality) and society at large (outward materiality).

**Inward Materiality:** A sustainability topic is considered material if its potential risks or opportunities directly or indirectly affect future cash flows in the short, medium or longer term, in a manner sufficient to impact enterprise value.

**Outward Materiality:** A sustainability topic is considered material if as a direct or indirect result of our operations, there is the potential for significant impact on people, the economy, or the environment.

# Step-by-Step Materiality Process

Our materiality process is in alignment with the principles of double materiality, taking into consideration the perspectives issued by international standards, including the International Sustainability Standards Board, Global Reporting Initiative, and the Corporate Sustainability Reporting Directive. We followed a four-step process.

## 1 Relevant Topic Identification

Through our systematic approach to materiality, we started by reviewing our previous material sustainability topics in the context of our activities, business relationships, and ongoing stakeholder interactions. This included information requested from regulators, industry associations, standards setters, investors and shareholders, sustainability raters, and peers.

## 2 Stakeholder Engagement

As in previous years, we engaged both internal and external stakeholders to get their perspectives. The selection and identification of stakeholders considered their geographic location, as well as their influence on, and interest in, our business. We gained additional perspectives from key stakeholders through a follow-up interview process, and presented the outcomes to our executive management team.

## 3 Risks, Opportunities and Impact Assessment

Each sustainability topic was assessed in terms of the actual/potential risks and opportunities, the positive/negative impacts, and the implications across our value chain.

Consistent with double materiality, we assessed the topics where the risks/opportunities that are directly or indirectly caused by our operations could have the greatest impact on society and on our business, using an inward and outward impact analysis approach.

Outward impacts include impacts on the economy, people's livelihoods, human rights, health, communities, and the environment. When assessing internal impacts to our business, we considered our financials, reputation, legal issues, employees, health, safety, and the environment. Significance was assessed by taking into account the likelihood and severity of the impact.

We engaged various internal stakeholders to validate and enhance our ratings. The topics that obtained a high enough rating in terms of both likelihood and severity were reviewed by our executive team and included on our prioritization matrix.

## 4 Prioritization Process

The double-materiality process is an invaluable exercise to help inform our sustainability priorities going forward. In 2022–2023, we undertook a prioritization process to focus our strategic priorities on the topics with the greatest impacts on our business and/or society. The outcomes of the analysis were reviewed and approved through executive engagement.

### OUR MATERIALITY PROCESS



# Assessment Results

## Stakeholder Perspectives

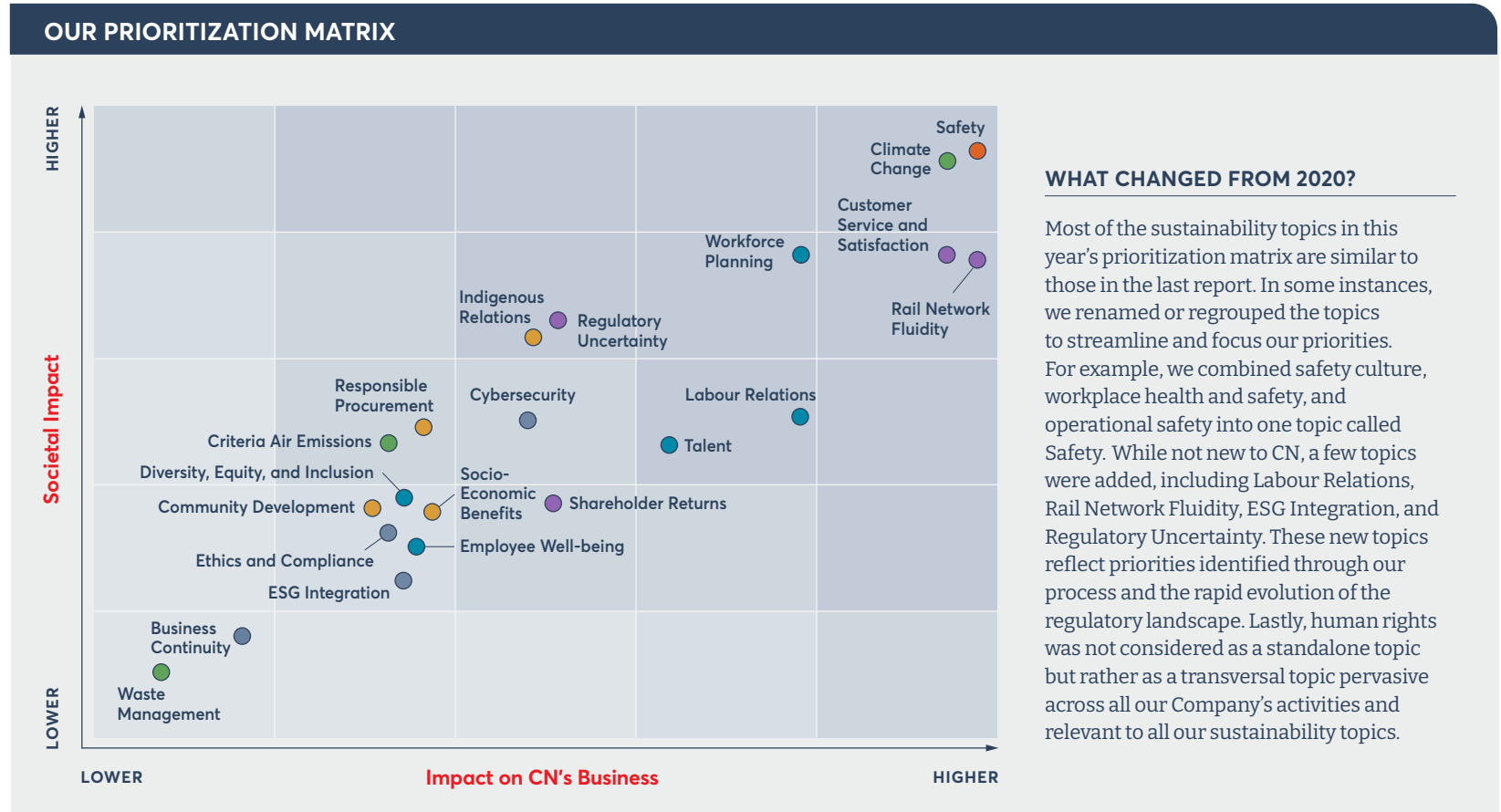
In 2022, we received input from 248 stakeholders using an electronic survey to understand the sustainability topics that most influence their decisions or perspectives of CN. Diverse groups were engaged, including employees, suppliers, governments, railway associations, customers, investors, unions, Indigenous peoples, community groups, and NGOs.

## Prioritization Matrix

The topics with lower, medium or higher significant impacts are plotted on our prioritization matrix. We also colour-coded where the impacts could occur within or outside of our business across our value chain.

### Impact Category

- Financial Viability
- Environment
- Safety
- People
- Economic and Community Impact
- Governance



### WHAT CHANGED FROM 2020?

Most of the sustainability topics in this year's prioritization matrix are similar to those in the last report. In some instances, we renamed or regrouped the topics to streamline and focus our priorities. For example, we combined safety culture, workplace health and safety, and operational safety into one topic called Safety. While not new to CN, a few topics were added, including Labour Relations, Rail Network Fluidity, ESG Integration, and Regulatory Uncertainty. These new topics reflect priorities identified through our process and the rapid evolution of the regulatory landscape. Lastly, human rights was not considered as a standalone topic but rather as a transversal topic pervasive across all our Company's activities and relevant to all our sustainability topics.

### WHERE IMPACTS CAN OCCUR ALONG CN'S VALUE CHAIN



# Material Topics

## FINANCIAL VIABILITY

### Business Continuity

Having a plan to prevent, deal with, and recover from potential threats to ensure business continuity.

### Customer Service and Satisfaction

Meeting customer expectations and continuously improving relationships and performance.

### Rail Network Fluidity

Investing in our network to build safety, capacity, and resiliency, as well as taking steps to make, run, and sell a plan that optimizes network fluidity.

### Regulatory Uncertainty

Minimizing the potential for new or increased regulation affecting CN's operations, competitive position, and/or access to capital.

### Shareholder Returns

Creating long-term financial and non-financial value for shareholders.

## ENVIRONMENT

### Climate Change

Taking into consideration physical and transition climate-related risks and opportunities and building a resilient business model that contributes to limiting global warming to 1.5°C.

### Criteria Air Emissions

Minimizing sulphur dioxide, nitrogen dioxide, particulate matter, and other air contaminants for the benefit of workers, communities, and the environment in areas affected by our activities.

### Waste Management

Having policies and programs to minimize and appropriately dispose of waste and promote circular economy principles.

## SAFETY

### Safety

Having an effective safety culture, processes, programs, awareness, and inspections to prevent accidents and injuries while investing in infrastructure and technology innovations.

## PEOPLE

### Diversity, Equity, and Inclusion

Creating an inclusive workplace and nurturing relationships with fairness and belonging.

### Employee Well-being

Having policies and programs on mental and physical health and well-being of people.

### Labour Relations

Having policies and programs to respect collective bargaining and freedom of association.

### Talent

Providing a safe, supportive, and diverse work environment where our employees can grow to their full potential and be recognized for their contributions to our success.

### Workforce Planning

Planning aimed at strategic alignment of the organization's human capital with its business direction, including talent attraction and retention.

## COMMUNITY

### Community Development

Engaging with stakeholders to identify and address what matters to them while maximizing our impact through community development strategies, including donations and sponsorships.

### Indigenous Relations

Having policies and programs to engage with and promote Indigenous people in business, work, and communities.

### Responsible Procurement

Strengthening the integration of ESG into procurement processes to improve costs, encourage sustainable innovation, and de-risk supply chains.

### Socio-Economic Benefits

Delivering measurable positive economic impacts that improve CN's license to operate and society's livelihood in alignment with the UN Sustainable Development Goals.

## GOVERNANCE

### Cybersecurity

Having policies, systems, and processes to protect information and ensure cybersecurity.

### ESG Integration

Embedding and enabling ESG into all functions within the company.

### Ethics and Compliance

Ensuring our activities and those of our partners are performed lawfully and ethically, adhering to high standards of conduct.



# OUR SUSTAINABILITY COMMITMENT

*Delivering Responsibly* is at the heart of how CN is building for a sustainable future. It means moving our customers' goods safely, efficiently, and in an environmentally responsible manner; attracting, developing, and retaining diverse talent; helping build safer, stronger communities; while adhering to the highest governance standards. Five principles anchor our commitment:

## ENVIRONMENT

Conduct our operations in a manner that seeks to minimize our environmental impact, while providing cleaner, more sustainable transportation services to our customers.

## SAFETY

Be the safest railroad in North America by establishing an uncompromising safety culture and implementing systems designed to minimize risk and drive continuous improvement.

## PEOPLE

Provide a safe, supportive, and diverse work environment where our employees can grow to their full potential and be recognized for their contributions to our success.

## COMMUNITY

Build safer, stronger communities by investing in community development, creating socioeconomic benefits, and ensuring open dialogue with all stakeholders, including Indigenous peoples.

## GOVERNANCE

Continuously improve our culture of integrity and ethical business, building trust and confidence with all our stakeholders.

### Stay connected with CN:



[facebook.com/CNrail](https://facebook.com/CNrail)



[instagram.com/cnrailway](https://instagram.com/cnrailway)



[twitter.com/CNRailway](https://twitter.com/CNRailway)



[linkedin.com/company/cn](https://linkedin.com/company/cn)

[www.cn.ca](https://www.cn.ca)