TCI Fund Management Limited

Mr Robert Pace
Chair of the Board
Canadian National Railway
935 de La Gauchetiere Street West
Montreal
Quebec
H3B 2M9, Canada

18 May 2021

Dear Mr Pace,

TCI, through entities it manages, has been a shareholder of Canadian National (CN) since 2018 and currently owns over 20 million shares of the company. TCI is also the largest shareholder of Canadian Pacific (CP). It does not own a position in Kansas City Southern (KCS).

In light of yesterday's Surface Transportation Board (STB) ruling, we think it is negligent and hugely irresponsible for the CN board to commit C$2 billion* of shareholders' money on whether the STB will approve the voting trust for the CN-KCS transaction. It is now clear that CN should abandon its pursuit of KCS unless the merger agreement is amended such that it is not conditional on a voting trust being approved.

In its ruling, the STB states clearly that under the new rules it will take a much tougher stance on voting trusts. CN's previous assumption that the STB would look only at the voting trust's "independence" and "risk posed by divestiture" was "misplaced". The STB will, in fact, also consider the "five factors, at a minimum, that the agency is required to consider when determining whether a transaction is consistent with the public interest" and take a "much more cautious approach to future voting trusts". The STB also added that the "use of a voting trust is a privilege, not a right" and will be available only on "rare occasions".

The STB is sending a clear signal and the CN board has a duty to listen. The risk that the voting trust is not approved is too great to ignore.

In summary, the rules have changed. Therefore, there is no way the CN board can have any confidence in how these new rules will be interpreted because *they have never been used before*. Making what is essentially a C$2 billion bet with company money on this one, unknowable, decision would be extremely reckless.

Furthermore, and much more significantly, even if the voting trust *is* granted, there can be no certainty on how the STB will evaluate the new rules when it comes to approving the deal. In this scenario CN could be faced with an even bigger C$18 billion liability if ultimately the transaction is not approved and the trust has to dispose of KCS under potentially distressed conditions.

Six months ago, KCS had a market cap of US$16bn. CN has offered to pay US$30bn. If the deal is not approved by the STB, CN would be a forced seller of KCS so it is quite possible that CN could face a loss in excess of US$15bn/C$18bn. This would almost wipe out CN's entire shareholders' equity that it has taken over 100 years to accumulate. It could also seriously jeopardise the future of the company.

CN already has a tremendous North American rail network; it does not need KCS to prosper in the future. It is time to end this ill-advised misadventure.

In the event that you and the board choose to ignore this recommendation and sign a merger agreement in its current form, but the voting trust is not approved resulting in a loss of C$2 billion, we would expect the immediate resignation of you and the CEO.

Yours sincerely

Sir Chris Hohn

Ben Walker

*If the STB ultimately rejects the CN-KCS voting trust CN would have to pay a US$1 billion reverse break-up fee to KCS, in addition to covering the US$700 million break-up fee that KCS would owe to CP.