Trains always have been the most fuel-efficient and environmentally friendly form of surface transportation. Today, we’re working hard to reduce our greenhouse gas emissions even further. Three years into a five-year initiative to reduce carbon emissions per revenue ton-mile by 10 percent, we’ve accomplished 69 percent of the goal. In addition to lowering our locomotive fuel burn, we’re increasing the energy efficiency of railroad facilities all across our system. We’re achieving this through technology, innovation, and, most of all, the ingenuity of our employees, who are dedicated to improving network operating efficiencies.

Beyond operational programs, we are working with private and public partners on carbon mitigation projects. We’re continuing our partnership to help reforest 10,000 acres in the Mississippi Alluvial Valley. We also have directed more of our charitable giving toward forestry management projects that improve the quality of forest ecosystems. Across our 22-state system, Norfolk Southern employees contribute their time, talent, and treasure to volunteer activities that enrich the communities we serve.

Sustainability has become part of the culture of Norfolk Southern, much as safety and service define who we are as a company. We’re fundamentally changing our operating culture to create an even safer, more positive work environment in which our people can excel. This report describes our ongoing activity guided by proven and successful business principles of investing in employees and communities while protecting the environment for future generations.
CSO LETTER

The first six years of Norfolk Southern’s sustainability journey have taught us much about the connection between corporate responsibility and business success. One thing stands out for me as a cornerstone of continuous progress—employee engagement.

Employee engagement is the heart and soul driving our sustainability initiatives. The active participation of our employees is embedding sustainability into our operational fabric. I see and hear signs that employees are thinking about how natural occurrences affect business operations. For example, one employee engaged me in discussion about the implication of rising sea levels on rail facilities. Others have pursued achieving energy savings beyond more efficient locomotives and expanding recycling efforts. These anecdotal observations tell me that employees throughout the company—not just the “sustainability officers”—are living and thinking corporate responsibility.

These signs are gratifying. They will help define our future. In the formative years of our sustainability program, we focused on efficiency improvements and made incremental progress. Over the next five years, with the full engagement of our people, we will look at a spectrum of energy programs, fuel and nonfuel. We will want to complete implementation of our flagship fuel-efficiency project, LEADER, which helps us conserve fuel, reduce emissions, and lower the costs of maintaining locomotives. We’ll continue also with network capacity enhancements. The convergence of these efficiency improvements—energy, fuel, and network—ultimately will optimize capacity to deliver service, improve velocity, and reduce congestion on the system.

That’s the real success of sustainability—employee engagement leading to ongoing industry leadership in safety, operations, and environmental stewardship, all playing out in daily railroad life.

Blair Wimbush
Vice President Real Estate and Corporate Sustainability Officer

Please visit www.nssustainability.com to read our complete 2013 Sustainability Report.
2012 SUSTAINABILITY HIGHLIGHTS

ENVIRONMENTAL

- Lowered our intensity of carbon emissions by nearly 1.1 percent per revenue ton-mile over 2011
- Reduced our absolute emissions of CO₂ equivalents by 4 percent
- Reduced Scope 2 carbon emissions by more than 3 percent (Scope 2 emissions are based on the electricity generated by utilities to power our buildings and facilities)
- Completed 40 percent of our Trees and Trains project, a $5.6 million initiative to reforest 10,000 acres in the Mississippi Delta
- Outfitted nearly half of our long-haul locomotives with LEADER, a GPS-based computer system that prompts engineers on optimum speeds for achieving maximum fuel efficiency
- Equipped 72 percent of our locomotive fleet with idling-reduction technology to reduce fuel use and emissions
- Expanded our locomotive rebuild program to include 1980s-era Dash 8 locomotives, reusing their frames and platforms and equipping them with cleaner-burning, more fuel-efficient engines
- Began using an indoor emissions-testing facility constructed at our Juniata Locomotive Shop to help us achieve in-house development of locomotive engines for our rebuild program

- Became the first railroad to use a 100 percent synthetic biodiesel fuel produced from waste animal fat and grease
- Opened new intermodal terminals in Rossville, Tenn., and McCalla, Ala., with administrative buildings constructed using LEED (Leadership in Energy and Environmental Design) Certification standards to reduce energy and water use
- Became a founding member and supporter of Destination Gigaton, an initiative developed by the CDP® (Carbon Disclosure Project) and the World Wildlife Fund to encourage industry to reduce greenhouse gases by one gigaton by 2020

Estimates energy savings from six lighting projects in 2012

62% energy reduction

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ECONOMIC

- Surpassed $11 billion in railway operating revenues for the second consecutive year and achieved our second-best year ever for revenue, operating income, net income, and earnings per share
- Invested a record $2.24 billion in capital projects, including rail infrastructure, upgrades to our locomotive fleet, and construction projects at facilities and terminals
- Helped locate 64 new industries and expand 30 existing industries across our network, representing a $2.1 billion investment by customers expected to create more than 6,100 jobs
- Completed the first phase of our 11-state Crescent Corridor improvement program, including opening two regional intermodal terminals in 2012 and a third in early 2013
- Moved a record 3.1 million units of conventional intermodal freight, which includes domestic, international, and premium traffic, with overall intermodal volume up 5 percent, driven by an 11 percent increase in domestic volume

SOCIAL

- Achieved our second-best year ever in safety performance, with 239 federally reportable injuries in a workforce of more than 30,000, equating to a ratio of 0.81 injuries per 200,000 employee-hours
- Donated $6.98 million to local communities through our Norfolk Southern Foundation, a nearly 13 percent increase over 2011, for needs such as human services, environmental conservation, education for children, and arts and culture
- Hired more than 2,400 new employees across our network, including conductor trainees, track laborers, signal trainees, carmen, and firemen/oilers
- Introduced behavior-based leadership training and leadership processes into our operations departments to improve safety and service performance and create a more positive work environment

Grants total
$10,699,883

Matching Gifts
$1,656,537

- Contributed more than 3,200 hours of community service—the equivalent of 80 40-hour work weeks—through our Thoroughbred Volunteers program in Norfolk and Roanoke, Va., Atlanta, Ga., and Harrisburg, Pa.
- Worked with the state of Virginia to provide Amtrak passenger rail service to Norfolk, Va., on a 77-mile stretch of our track, helping to create a passenger rail link from Norfolk to Boston
Green connections Norfolk Southern strives to be the rail industry leader in fuel conservation, emissions reduction, efficient energy use, recycling, and environmental partnerships.

**OUR GOAL**
To reduce carbon emissions by 10 percent per revenue ton-mile between 2009 and 2014

**STATUS**
Since 2009, we have reduced carbon emissions by 6.89 percent per revenue ton-mile, reaching 69 percent of our goal by the end of 2012.
OPERATING STRATEGIES TO CUT EMISSIONS

The strides we made in 2012 to reduce emissions reflect a strategic approach to decrease the environmental impact of our business operations. Much of our focus is on technologies and techniques to improve fuel economy and reduce emissions of our locomotive fleet.

Major initiatives include:

- Onboard computer systems to improve train crew handling of locomotives
- Technologies to increase rail network operating efficiencies
- A program to reduce unnecessary locomotive engine idling
- A locomotive rebuild program that reuses older locomotives and equips them with reconditioned engines that are more fuel-efficient and cleaner running
- Alternative fuel development, including battery-powered electric locomotives
- Trackside technologies to improve train performance

<table>
<thead>
<tr>
<th>ENERGY CONSUMPTION</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gallons of diesel fuel (Million)</td>
<td>397.3</td>
<td>440.1</td>
<td>476.6</td>
<td>459.3</td>
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<tr>
<td>Gallons of gasoline (Million)</td>
<td>11.4</td>
<td>11.7</td>
<td>10.2</td>
<td>9.2</td>
</tr>
<tr>
<td>Gallons of propane and heating oil (Million)</td>
<td>2.0</td>
<td>2.7</td>
<td>2.8</td>
<td>1.6</td>
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<tr>
<td>Kilowatt-hours of electricity (Million)</td>
<td>468.8</td>
<td>440.7</td>
<td>451.5</td>
<td>437.1</td>
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<tr>
<td>Cubic feet of natural gas (Million)</td>
<td>622.9</td>
<td>372.4</td>
<td>563.5</td>
<td>633.2</td>
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</tbody>
</table>

<table>
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<tr>
<th>MATERIALS RECYCLED</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
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</thead>
<tbody>
<tr>
<td>Cross-ties used for energy recovery (Million)</td>
<td>1.8</td>
<td>2.25</td>
<td>2.43</td>
<td>2.84</td>
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<tr>
<td>Cross-ties sold for landscaping</td>
<td>563,000</td>
<td>626,000</td>
<td>510,000</td>
<td>544,146</td>
</tr>
<tr>
<td>Cross-ties reused internally</td>
<td>301,000</td>
<td>343,000</td>
<td>409,500</td>
<td>374,064</td>
</tr>
<tr>
<td>Metal recycled (Tons)</td>
<td>92,590</td>
<td>94,696</td>
<td>92,857</td>
<td>126,263</td>
</tr>
<tr>
<td>Scrap steel recycled (Tons)</td>
<td>210,069</td>
<td>183,665</td>
<td>162,509</td>
<td>200,128</td>
</tr>
<tr>
<td>Pounds of batteries recycled (Million)</td>
<td>1.06</td>
<td>1.02</td>
<td>1.41</td>
<td>1.2</td>
</tr>
</tbody>
</table>

TREES AND TRAINS

To complement our operational strategies, in 2011 we launched Trees and Trains, a tree-planting initiative aimed at mitigating our greenhouse gas emissions. It is our model for investing in community conservation efforts.

The three largest projects to date are:

- Our partnership with GreenTrees® to plant 6 million trees on former woodlands in the Mississippi Alluvial Valley along a corridor long served by our railroad. Eventually, the restored woodlands are expected to generate 1.12 million metric tons of carbon-offset credits.
- Our partnership with The Longleaf Alliance to restore longleaf pine forests to their historic range in the Southeastern U.S. Norfolk Southern owns and manages a 6,000-acre longleaf pine forest near Charleston, S.C., at our Brosnan Forest conference facility, which is home to the largest U.S. population of endangered red-cockaded woodpeckers on private lands. Since 2010, the Norfolk Southern Foundation has committed $100,000 to advance the nonprofit alliance’s work.
- Our partnership with The American Chestnut Foundation to restore American chestnut trees to hardwood forests in the Appalachian regions of the eastern U.S. In 2012, the Norfolk Southern Foundation donated $25,000 to the nonprofit organization to support planting chestnuts in five states across our operating territory, including reforesting abandoned surface coal mines

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Business connections Norfolk Southern is committed to the delivery of goods in a safe, cost-efficient, and environmentally friendly way. We work with customers as well as local and state economic development officials to grow business and jobs along the railroad, and we invest in our rail infrastructure to strengthen the nation’s freight transportation network and to maintain a competitive edge in the global economy.
MEETING U.S. TRANSPORTATION NEEDS

Norfolk Southern led the rail industry in creating multistate public-private partnerships to improve the country’s freight rail network. Through these innovative partnerships, federal and state governments contribute a percentage of infrastructure costs based on public benefits generated, including jobs and tax revenue; economic development; less congestion and fewer truck-related accidents on interstate highways; reduced maintenance and construction costs of roads and bridges; and an overall decline in fuel use and greenhouse gas emissions.

Our key public-private partnerships involve the Crescent Corridor and the Heartland Corridor. The 2,500-mile Crescent Corridor, spanning 11 states, offers the shortest intermodal route between the South and the Northeast and provides truck-competitive service along major interstate highways, including I-81, I-85, I-20, I-40, I-59, I-78, and I-75.

In 2012, we opened new regional intermodal terminals on the Crescent Corridor at Rossville, Tenn., near Memphis, and at McCalla, Ala., near Birmingham. In early 2013, we opened a third terminal in south central Pennsylvania, at Greencastle, and we are constructing a fourth terminal at Charlotte, N.C.

Also in 2012, we expanded the reach of our Heartland Corridor by opening the Heartland Connector, providing double-stack capability for the first time between Columbus and Cincinnati, Ohio.

OUR SUSTAINABLE CORRIDOR STRATEGY

Norfolk Southern operates the most extensive intermodal network in the eastern U.S. We have developed an aggressive rail corridor strategy to satisfy the growing demand for intermodal service.

We have developed four primary intermodal corridors:

- **The Crescent Corridor** positions us to compete head-to-head with long-haul trucks, opening up a substantial market potential to shift freight from the highway to more environmentally friendly rail.

- **The Heartland Corridor** offers a shorter, more efficient route for double-stack international freight moving between Virginia port terminals and Midwest markets.

- **The Pan Am Southern Corridor** expands our reach into New England markets.

- **The Meridian Speedway** gives us the shortest rail route between California and the Southeast.
Community connections Norfolk Southern recognizes that our ability to thrive as a business is connected to the health of our communities, our environment, and our employees. Our corporate success reflects the dedication, talent, and hard work of our people.

<table>
<thead>
<tr>
<th>EMPLOYEE INJURY DATA</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
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<tbody>
<tr>
<td>WORK-RELATED FATALITIES</td>
<td>1</td>
<td>0</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>INJURIES PER 200,000 EMPLOYEE-HOURS</td>
<td>0.94</td>
<td>1.08</td>
<td>0.89</td>
<td>0.75</td>
<td>0.81</td>
</tr>
<tr>
<td>NUMBER OF REPORTABLE INJURIES</td>
<td>288</td>
<td>296</td>
<td>251</td>
<td>225</td>
<td>239</td>
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<tr>
<td>PEOPLE WITH RESTRICTED ACTIVITY</td>
<td>1</td>
<td>2</td>
<td>4</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>PEOPLE REQUIRING MEDICAL ATTENTION</td>
<td>55</td>
<td>59</td>
<td>52</td>
<td>59</td>
<td>61</td>
</tr>
<tr>
<td>PEOPLE WHO LOST TIME DUE TO INJURY</td>
<td>242</td>
<td>241</td>
<td>195</td>
<td>164</td>
<td>175</td>
</tr>
</tbody>
</table>

OUR CULTURE OF SAFETY

Safety is Norfolk Southern’s No. 1 priority. Through training, on-the-job safety briefings, and constant vigilance, our goal is for employees to end the work day the same way they began it—safely.

In 2012, we began implementing behavior-based training and leadership techniques into our operating culture to advance safety and service. Through positive reinforcement, we are promoting safe behavior while creating an improved work environment for employees.
A FORTUNE 300 CAREER

Norfolk Southern, ranked among the 300 largest U.S. companies, recognizes that employees are our most valuable asset, and we provide a supportive work environment. We train employees to work safely and efficiently, offer good pay and benefits, create opportunities for career development and advancement, and provide wellness programs to encourage a healthy and fit workforce.

In 2012, the top five positions by number of new employees hired were conductor trainees, track laborers, signal trainees, carmen, and firemen/oilers. The top five states for new hires were Georgia, Virginia, Pennsylvania, Ohio, and Illinois.

HELPING HANDS

Our company encourages employees to give back to their communities. An informal company survey in 2012 offers a glimpse of their contributions: Nearly 400 employees who filled out the survey reported volunteering more than 82,000 hours for a host of organizations representing civic, culture and arts, education, environmental, health and human services, and business and economic development interests.

Our formal volunteer program, the Thoroughbred Volunteers, has chapters at four of our largest sites of employment—Norfolk and Roanoke, Va., Atlanta, Ga., and Harrisburg, Pa. In 2012, they painted homes for families in need; picked up litter along the Chesapeake Bay, the Roanoke Valley, and the Appalachian Trail; tutored elementary school students; packaged medical supplies for impoverished countries; collected school supplies for needy children; and collected and sorted canned food items.

OUR CORPORATE FOUNDATION

Since its establishment in 1983, our Norfolk Southern Foundation has contributed nearly $131 million to thousands of charitable organizations across our operating territory. In 2012, the foundation’s cash grants increased nearly 13 percent over 2011, continuing its support of education, arts and cultural programs, and United Way organizations in areas where our employees live and work.

The foundation expanded funding for two newer priorities: health and human service organizations—primarily independent free clinics, food banks, and homeless shelters—and environmental groups involved in conservation projects around our system.

SAFETY IN THE COMMUNITY

Norfolk Southern’s emphasis on safety extends to our communities. In 2012, we sponsored train excursions with Operation Lifesaver, the national safety program, to promote highway-rail and pedestrian safety in communities we serve along major rail routes in Florida, Georgia, North Carolina, Virginia, Tennessee, Ohio, and Illinois.

Also, “Brainy,” our giant pink public safety ambassador, made appearances at 19 events in Alabama as part of the railroad’s “Train Your Brain” campaign to remind people to be smart at railroad crossings. For railroad safety tips or more about our campaign visit www.brainysworld.com and www.facebook.com/BrainysWorld.
SELECTED 2012 AWARDS AND RECOGNITION

- Received the American Carbon Registry’s 2012 Corporate Excellence award
- Achieved our best-ever carbon disclosure score in the 2012 CDP S&P 500 Climate Change Report
- Ranked as top U.S. railroad in Newsweek’s 2012 Green Rankings
- Ranked as top railroad in the S&P 500 Clean Capitalism Ranking released in February 2012 by Corporate Knights
- Earned a 2012 National Achievement Award from TRANSCAER® for helping communities prepare for and respond to potential hazardous materials transportation incidents
- Listed on CivilianJobs.com 2012 list of Most Valuable Employers for Military® and on G.I. Jobs magazine list of Top 100 Military Friendly Employers®
- Tied for highest overall score among rail and intermodal service providers in Logistics Management magazine’s 2012 Quest for Quality reader survey

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