

UNION PACIFIC 2012 SUSTAINABILITY & CITIZENSHIP REPORT



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On the Cover: Hundreds of people celebrated Veterans Day at Union Pacific Center in Omaha as the [company made a contribution to the Wounded Warrior Project](#) and employees recognized their colleagues who served in the military. Nearly one in five Union Pacific employees is a veteran.



OUR VALUES

Focus on performance.

Ensure high ethical standards.

Work as a team.

Letter to Stakeholders



Union Pacific has stood the test of time because we make our business decisions for the long-term, taking into account the well-being of our people, customers, communities and shareholders. Our 46,000 employees know that each and every day our responsibility is to serve

by focusing on performance, ensuring we do so with high ethical standards, and working as a team. Our mission and values serve as the solid foundation that enables us to develop and deliver sustainable business practices.

We have been an integral part of the American landscape for more than 150 years. Today, Union Pacific plays a more critical role than ever in delivering the goods American families and businesses use nearly every day. To meet this responsibility, we are constantly looking to refine our processes throughout every level of our business, which in turn helps seed the sustainable success of our customers and communities. For example:

- 300 trucks can be replaced with a single Union Pacific train, decreasing emissions and reducing stress on the country's crumbling road and bridge infrastructure.
- 2,500 nonprofits benefit from Union Pacific's giving programs.
- 8,400 locomotives in North America's largest fleet can each move a ton of freight 480 miles on a single gallon of diesel, the equivalent of a standard mid-sized car getting about 200 miles per gallon.
- 10,000 customers depend on us to provide safe, fuel-efficient and environmentally responsible freight transportation, a critical component in the global supply chain.
- 9 million carloads of goods are delivered every year. These include products such as grain and produce to feed our families, lumber and cement to construct buildings, automobiles to transport us, chemicals to make our drinking water safe, and energy resources to power our businesses and homes.
- 20 million daily readings are taken by wayside detectors along our tracks to improve safety and efficiency.

- 33.5 million metric tons of greenhouse gas emissions were eliminated in 2012 by customers choosing Union Pacific for their shipping needs, the equivalent of eliminating the greenhouse gas emissions of nearly 7 million passenger cars each year.

The U.S. freight railroad industry is among the world's most capital intensive industries. A significant part of our capital program is replacing assets at costs far in excess of their current book value. For example, our bridge that crosses the Mississippi River at Clinton, Iowa, is more than 100 years old, carries no book value to Union Pacific but will cost in the neighborhood of \$450 million to replace. This is a real cost and an essential long-term investment we must make to support and sustain America's growing freight transportation demands.

We truly are committed to invest in our network to enhance safety, service and efficiency. Last year alone, Union Pacific invested a record \$3.7 billion in capital, with roughly \$1.7 billion spent on the company's engineering replacement program that included replacing more than 4 million railroad ties and more than 1,000 miles of track. Additional replacement capital spending consisted of locomotive purchases and improvements to freight cars and other assets.

We were faced with many uncertainties beyond our control in 2012 – fiscal cliff fears, stubborn unemployment and the Midwest drought, to name a few. This report demonstrates how our focus on creating customer value by living our mission and values helped us attain positive results in operating safely, strengthening communities, engaging employees and working to preserve the environment.

We celebrated Union Pacific's 150th anniversary in 2012 and achieved best-ever results in employee safety, customer satisfaction, operating ratio, operating revenue and earnings per share, among others. When I look at what we accomplished and what the future holds, in many ways it feels like we are just starting to hit our stride as we look toward 150 years of service for the next generations.

A handwritten signature in black ink that reads "Jack Koraleski". The signature is fluid and cursive, written in a professional style.

Jack Koraleski
President and CEO

Key Performance Indicators

| <u>OPERATING SAFELY</u> | 2011 | 2012 |
|--|---|---|
| Rail crossing accidents <i>(per million train miles)</i> | 2.11 | 2.38 |
| Reportable injury rate <i>(per 200,000 employee-hours)</i> | 1.15, 16% improvement | 1.01, 12% improvement |
| Public outreach | More than 8,000 events reached 700,000 people | About 8,500 events reached 704,000 people |

| <u>STRENGTHENING COMMUNITIES</u> | 2011 | 2012 |
|---|-----------------------|-----------------------|
| Reported net income | \$3.3 billion | \$3.9 billion |
| Operating revenue | \$19.6 billion | \$20.9 billion |
| Capital Investment <i>private funds, no taxpayer dollars</i> | \$3.2 billion | \$3.7 billion |
| Spend with minority- and women-owned businesses | \$370 million | \$430 million |
| Customer Satisfaction <i>(average score, internal scoring system)</i> | 92 | 93 |

| <u>ENGAGING EMPLOYEES</u> | 2011 | 2012 |
|---|----------------------------|----------------------------|
| Percent of Employees Unionized | 86% | 86% |
| Workforce Diversity | 95% Male, 5% Female | 95% Male, 5% Female |
| | 74% Caucasian | 74% Caucasian |
| | 11% Black | 11% Black |
| | 12% Hispanic | 12% Hispanic |
| | 1% Asian | 1% Asian |
| | 2% Native American | 2% Native American |
| *U.S. Population 2011 Census Data <ul style="list-style-type: none"> 78% Caucasian 13% Black 17% Hispanic 5% Asian 1% Native American | | |
| *Census data permits reporting of more than one race. | | |

Key Performance Indicators

| <u>PRESERVING THE ENVIRONMENT</u> | 2011 | 2012 |
|--|--|--|
| Energy usage | 47,297,783 MWh | 46,350,105 MWh |
| Water usage | | |
| Withdrawals | 3.02 million gallons | 2.55 million gallons |
| GHG Emissions | | |
| Locomotive fossil fuel emissions (scope 1) | Produced 11,380,842 metric tons of GHG emissions – a 5% increase from 2010 (gross ton miles increased by 5%) | Produced 11,149,798 metric tons of GHG emissions – a 2% decrease from 2011 (gross ton miles decreased by 2%) |
| Fossil fuel emissions (scopes 1 and 2) | Produced 12,265,017 metric tons of GHG emissions | Produced 12,002,685 metric tons of GHG emissions |
| Employee travel (scope 3) | 15,661 metric tons | 16,932 metric tons |
| Waste | | |
| Total waste generated | 1.25 million tons | 1.06 million tons |
| Tonnage diverted from landfills | 73% | 75% |
| E-Waste | Found new homes for 16% of all outdated electronic assets and recycled or reused the remaining 84% | Found new homes for 22% of all outdated electronic assets, and recycled or reused the remaining 78% |

Sustainability and Citizenship Highlights

OPERATING SAFELY

- Achieved a 1.01 employee reportable injury rate, the best employee safety performance in company history.
- Conducted approximately 8,500 [UP CARES](#) and other safety events that reached 704,000 people.
- Realized a 2 percent reportable derailment rate reduction.
- Implemented [paid media campaigns](#) in 23 markets promoting rail safety, with an audience reach of more than 73 million people.

STRENGTHENING COMMUNITIES

- Hired approximately 3,900 employees.
- Hired more than 900 military veterans.
- Invested a company-record \$3.7 billion in our network and operations to support America's freight transportation infrastructure.
- Achieved a best-ever 93 customer satisfaction index score.
- Increased the company's spending with women- and minority-owned suppliers by 16 percent.
- [Supported more than 2,500 nonprofit organizations.](#)
- Awarded 81 memberships in [Union Pacific's Train Town USA Registry](#) to communities as part of the company's ongoing efforts to celebrate cities with a historical connection to the railroad.

ENGAGING EMPLOYEES

- Conducted 3 million hours of formal employee training.
- Trained 200 employees through the company's Operations Management and Field Management programs.
- Celebrated the 25th anniversary of the company's wellness program.
- Increased participation by 25 percent in our System Health Injury Protocol II program, available to employees at risk for injury due to lower fitness levels.

PRESERVING THE ENVIRONMENT

- Eliminated an estimated 33.5 million metric tons of greenhouse gases thanks to our customers moving their products by rail compared to truck transportation.
- Purchased 200 new fuel-efficient locomotives, replacing older and less fuel-efficient ones.
- Introduced an advanced experimental locomotive in Roseville, Calif. – [UP 9900](#) – to test emissions-reducing technologies.
- Put five ultra-low emitting Genset switching locomotives [into service in Chicago.](#)
- Diverted from landfills an estimated 75 percent of our waste.
- Added 10 electric vehicles in locomotive shops.
- Upgraded nearly 1,300 refrigerated rail cars to reduce diesel particulate matter emissions.
- Received the Association of American Railroads' two most prestigious individual environmental awards.

Sustainability and Citizenship Goals

Union Pacific's strategy is to create customer value by working safely, delivering excellent service, driving efficiency, generating strong shareholder returns and reinvesting in our railroad.

We work to grow our business profitably and responsibly and look for ways to reduce our environmental footprint. Specifically, our sustainability and citizenship goals are to:

- Operate a safe, efficient and environmentally responsible rail network that supports the highest levels of customer service.
- Provide employees with the safest work environment in the industry.
- Constantly improve employee, customer and public safety through training, education and investment.
- Develop employee programs and processes that make us an employer of choice.
- Invest in our network infrastructure to enhance safety, service and productivity.
- Grow our business profitably and responsibly in order to invest in future growth and make a positive impact on our communities, customers and shareholders.

ZEROING IN ON SAFETY

No injury is acceptable. That's why we remain steadfast on our ultimate goals:

- Zero employee injuries
- Zero trespasser incidents
- Zero vehicle grade crossing accidents
- Zero train derailments

FUEL CONSUMPTION RATE AND GHG EMISSIONS GOAL

Our goal is to reduce Union Pacific's locomotive fuel consumption rate by 1 percent annually from 2011 to 2015, as measured on a gross-ton mile basis, resulting in a greenhouse gas emissions reduction of 1 percent annually. Attaining our goal would represent a 23 percent fuel efficiency improvement over that five-year span, using 2000 performance as the benchmark. We did not make our goal in 2012, with fuel efficiency mirroring 2011, a result of a change in our freight traffic mix. Specifically, coal volumes were down 14 percent. Coal is our most efficiently transported commodity because it moves in unit trains.

About This Report

Union Pacific was created when Abraham Lincoln signed the Pacific Railway Act of July 1, 1862. Today, Union Pacific Railroad is one of America's most iconic and admired companies. For more than 150 years, we have been a part of building a stronger America – delivering products across the country, providing good jobs and investing in our communities, all while staying mindful of operating safely and ethically.

That is why we are proud to report our progress in 2012 in four key areas: operating safely, strengthening communities, engaging employees and working to preserve the environment.

We follow the Global Reporting Initiative's 2011 [G3.1 sustainability framework](#) as guidance. The information that follows applies to railroad and select other operations. This publication is primarily focused on initiatives and accomplishments from the 2012 calendar year and includes 2012 data, unless otherwise noted.

Stakeholder Outreach

We recognize that Union Pacific intersects with many different groups in the communities where we operate, so we engage a broad range of perspectives in developing citizenship and sustainability priorities.

We consider the needs, opinions and ideas of each of the groups affected by our business and reach out to them through a variety of channels.

COMMUNICATION CHANNELS

Communities

- Employee volunteers
- Union Pacific Foundation community-based grants
- [UP CARES](#), crossing accident reduction and education safety program
- Employee and corporate giving
- Nationwide, 24-hour emergency hotline: 888-877-7267
- Safety training for fire and law enforcement personnel
- Union Pacific/community emergency response committees
- Employee recruiting
- State-specific [Public Affairs contacts](#) and outreach
- Public-private partnerships
- [Facebook](#), [LinkedIn](#), [Twitter](#) and other social media channels

Customers

- Web portal
- National Customer Service Center
- Union Pacific account representatives
- Advertising and marketing campaigns
- Customer on-boarding team
- Electronic commerce capabilities
- Industry-specific customer education seminars
- [Customer news](#) and service updates
- Events and trade shows
- Monthly customer satisfaction surveys
- Partnerships and memberships
- Supply chain impact evaluation for customers
- Pinnacle Awards for chemicals customers
- Innovative customer partnerships, including [TRANSCAER](#)
- [News releases](#)
- [RSS feed](#)



A youth mariachi band greeted the Union Pacific Heritage Fleet as it arrived in Eagle Pass, Texas, for one of the company's more than 200 events in 2012, celebrating its 150th anniversary.

COMMUNICATION CHANNELS *(continued)*

Employees and Retirees

- UPOne daily news updates
- Employee website
- Employee ethics hotline
- InsideTrack employee newsletter
- Union Pacific Information Television
- Senior management field visits and town halls
- Online town halls
- Craft-specific and regional employee newsletters
- Labor Relations Connection, an online portal for union employees
- [Retirees and Families website](#)
- [UP Voices](#) grassroots network
- [Employee Resource Groups](#)
- Safety policies, training and certification programs
- Education assistance and management training
- [Friend-to-Friend employee network](#)
- Performance management
- Surveys and focus groups
- Leadership meetings
- Reward and recognition programs
- Employee clubs
- Business ethics bulletins
- Peer Support

Investors

- [Annual Reports and Proxy Statements](#)
- Investor [conferences](#)
- Shareholder meetings with management
- Earnings conference calls
- [SEC filings](#)
- [Quarterly earnings reports](#)
- [News releases](#)
- RSS feed
- Email alerts
- Website FAQ
- [Annual Fact Book](#)

Regulatory Officials

- Voluntary participation in initiatives, including the Environmental Protection Agency's (EPA) SmartWay Transport Partnership
- Union Pacific's [environmental management program](#)
- Ongoing dialogue via our [Washington, D.C.-based staff](#)
- Association of American Railroads participation
- Ongoing collaboration with the California Air Resources Board and other agencies
- Ongoing collaboration with U.S. Customs and Border Protection
- Employee and corporate regulatory and legislative advocacy
- News releases
- RSS feed

Suppliers

- Competitive bid process
- Electronic commerce capabilities
- [Supplier diversity program](#)
- [Supplier Code of Conduct](#)
- Supplier performance tracking system
- Supplier quality program
- [Website FAQ](#)

About Union Pacific

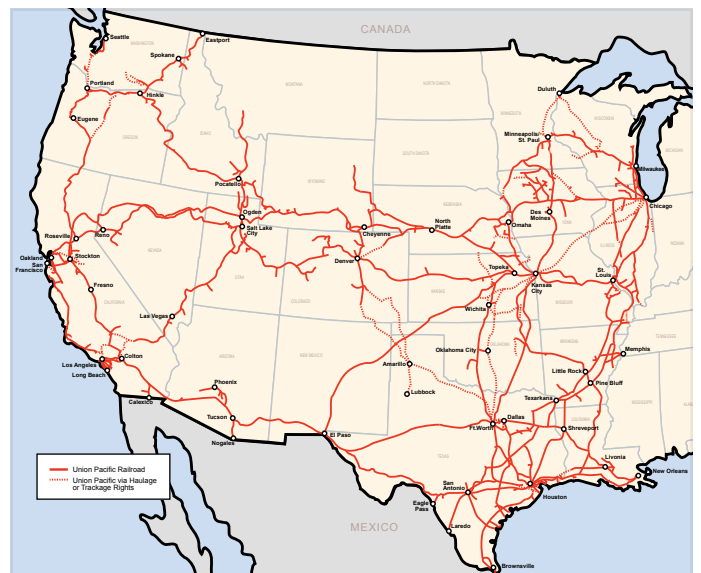
Union Pacific Railroad is the principal operating company of Union Pacific Corporation (NYSE: UNP), with headquarters in Omaha, Neb., which reported operating revenue totaling \$20.9 billion in 2012. One of America's most recognized companies, Union Pacific Railroad links 23 states in the western two-thirds of the country by rail, providing a critical link in the global supply chain. From 2007 to 2012, Union Pacific invested \$18 billion in its network and operations to support America's transportation infrastructure, including a record \$3.7 billion in 2012. The railroad's diversified [business mix](#) includes Agricultural Products, Automotive, Chemicals, Coal, Industrial Products and Intermodal. Union Pacific serves many of the fastest-growing U.S. population centers, operates from all major West Coast and Gulf Coast ports to eastern gateways, connects with Canada's rail systems and is the [only railroad serving all six major Mexico gateways](#). Union Pacific provides value to its roughly 10,000 customers by delivering products in a safe, reliable, fuel-efficient and [environmentally responsible](#) manner.

Union Pacific is a member of several national industry, business and environmental organizations:

- American Wind Energy Association
- Association of American Railroads
- Food Shippers of America
- Global Environmental Management Initiative
- GoRail
- National Association of Manufacturers
- National Business Group on Health
- National Freight Transportation Association
- National Grain and Feed Association
- National Minority Supplier Development Council
- National Safety Council
- United States-Mexico Chamber of Commerce
- U.S. Chamber of Commerce

Union Pacific has remained committed to customer service, investment and innovation for a century and a half. As evidenced in this report, we are proud to continue our legacy by providing quality jobs, minimizing our environmental impact and contributing to the communities where we live and work.

| UNION PACIFIC BY THE NUMBERS – 2012 | |
|-------------------------------------|---------------|
| Route Miles | 32,000 |
| Employees | 46,000 |
| Annual Payroll | \$4.7 billion |
| Capital Spending | \$3.7 billion |
| Locomotives | 8,400 |
| Freight Cars | 73,000 |
| Customers | 10,000 |



Union Pacific System Map.

DIVERSIFIED BUSINESS PRODUCTS

Union Pacific moves the goods American families and businesses use every day. Just about everything in homes, offices, manufacturing facilities, construction sites and stores moves on a train at some point.



Agricultural Products | Revenue: \$3.3 billion

We haul the food that feeds the nation and many parts of the world, delivering fresh and frozen goods safely and efficiently. We also ship agricultural products such as whole grains, feed grains and ethanol.



Automotive | Revenue: \$1.8 billion

Union Pacific operates vehicle distribution centers for major automotive manufacturers and provides expedited parts shipping. We are the largest auto railroad carrier in North America.



Chemicals | Revenue: \$3.2 billion

Union Pacific carries the chemicals used to clean drinking water and produce plastics, as well as fertilizer to grow our food supply. We transport petrochemicals, crude oil extracted from U.S. shale locations and soda ash.



Coal | Revenue: \$3.9 billion

Coal generates more than one-third of the U.S. electricity supply, and we deliver more than 20 percent of the coal American businesses and consumers demand.



Industrial Products | Revenue: \$3.5 billion

Union Pacific ships a variety of raw materials and finished goods, including steel, pipe, frac sand, cement, military equipment, wind turbine components and lumber.



Intermodal | Revenue: \$4 billion

One Union Pacific intermodal train can take as many as 300 trucks off America's congested highways. We deliver a wide range of multimodal solutions for domestic and international freight shippers moving products such as electronics, toys, furniture, clothing and auto parts.



Mexico Markets

Union Pacific is the leading transportation services provider to and from the United States/Mexico border, moving roughly two-thirds of the rail freight. We are the only railroad to serve all six major U.S./Mexico gateways. Revenue from our six business units includes \$1.9 billion from Mexico in 2012.

GOVERNANCE AND ETHICS

Our commitment to ethics begins with our board of directors and passes through every level of our organization. We continue to work diligently to maintain the highest standards and provide quality service and value to our customers, investors and employees.

Guiding Policies & Principles

Union Pacific wants the way our company operates to be a source of pride for employees and to create a bond with customers, investors and community partners. In support of that goal, all employees are expected to comply with applicable laws and regulations and adhere to high ethical standards, including honesty, fairness, integrity and respect. Ethics training is incorporated into many of our employee education offerings. For more information, read our complete [Statement of Policy Concerning Business Conduct and Ethics for Employees](#).

Setting Policy

Governance policies are set by [Union Pacific's board of directors](#). The majority of board members are independent directors and the board includes no more than two management directors at any given time. Additionally, each year the board elects a chairman, who may or may not be the CEO of the company. If the individual elected as chairman of the board is not an independent director, the independent directors also elect a lead independent director. For more information, read our complete [Corporate Governance Guidelines and Policies](#).

Our board has [four standing committees](#) – audit, finance, compensation and benefits, and corporate governance and nominating – each of which is composed entirely of independent directors and operates under a written charter.

The corporate governance and nominating committee is responsible for developing and reviewing the appropriate skills and characteristics required of our board members. Board members are selected based on their familiarity with our business, diverse backgrounds and qualifications, relevant regulatory and stock exchange membership requirements, business experience and customer/supplier perspective.

Members of the board and committees self-evaluate to assess performance, including inviting comments on all aspects of the board and each committee's process. These evaluations serve as the basis for a discussion of the board and committee performance, as well as recommended improvements.

Communications with the Board of Directors

We believe it is important for shareholders to have access to members of Union Pacific's board of directors, and we ensure information and inquiries are received by the intended director or directors. The board has appointed and authorized the secretary of the company to be responsible for processing communications from interested parties to directors. Communications from shareholders are forwarded directly to the appropriate board members.

Employee Role

Employees also are provided avenues for communication on governance issues. The Union Pacific Values Line allows employees and third parties to report governance concerns, anonymously or openly. Concerns could include questionable accounting, internal accounting controls or auditing matters. Employees can also report directly to the internal audit department.

Equal Opportunity & Harassment Policies

A discrimination-free workplace and fair treatment are fundamental rights of all Union Pacific employees. Union Pacific has an [Equal Employment Opportunity Policy](#) that extends to all employees and applicants without regard to race, color, gender, national origin, age, religion, sexual orientation, gender identity, veteran status or disability or genetic information. In addition, our Harassment Policy prohibits offensive behavior directed at individuals based on any of the aforementioned protected characteristics. Because we also prohibit discrimination based on sexual orientation and gender identity – in hiring, promotion, demotion, termination, transfer, leaves of absence, compensation and training – our policy exceeds federal and most state employment laws. Employees are expected to report acts of discrimination or harassment to the company's EEO Department.

Ethical Standards

Union Pacific has adopted a Code of Ethics for the CEO and Senior Financial Officers, a Statement of Policy Concerning Business Conduct and Ethics for employees and a Code of Business Conduct and Ethics for Directors. Each was developed and is overseen by the board's corporate governance and nominating committee. We continually assess the appropriateness of these codes and policies and recommend changes that comply with federal regulations to continue to promote and support good governance. Additional information about our ethical standards and copies of these codes and policies are available on the company's website under [Corporate Governance](#).

Compensation

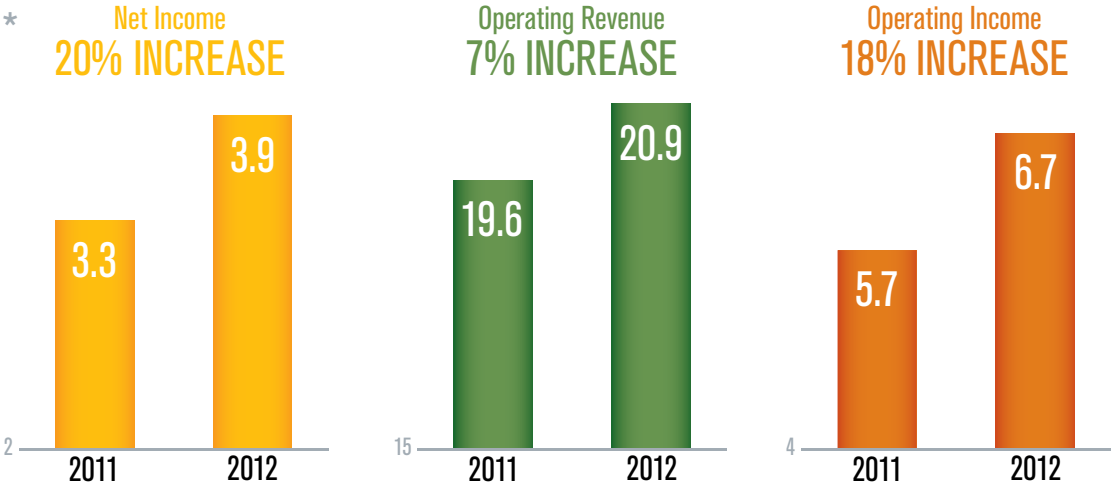
To ensure that our employee compensation is competitive, Union Pacific's board of directors uses an independent compensation consultant to review and evaluate our compensation programs. The compensation and benefits committee uses that information to make recommendations to the board with regard to adjustments and changes needed to maintain competitive compensation practices.

Government Relations Program & Political Contributions

The political process significantly affects Union Pacific through legislation, government policies and regulatory decisions at the federal, state and local levels. As a result, Union Pacific's board of directors believes it is in the best interests of the company and its shareholders for the company to participate in the political process by engaging in a government relations program to educate and inform public officials about the company's position on issues significant to the company's business. Union Pacific has a comprehensive oversight process to ensure that political contributions are made in a legal and ethical manner and that such expenditures best represent the interests of our company, our employees and our shareholders. As part of its oversight role, the corporate governance and nominating committee reviews, at least annually, the company's political contributions and lobbying activities and any applicable guidelines and procedures. For more information, read our complete [Political Contributions Policy and Procedures](#).

Financial Performance

Union Pacific reported a 2012 net income of \$3.9 billion or \$8.27 per diluted share. This compares to \$3.3 billion or \$6.27 per diluted share in 2011. The company's operating revenue totaled a record \$20.9 billion versus \$19.6 billion in 2011, and operating income increased \$6.7 billion, up from \$5.7 billion in 2011.



*Percentages are actual. Chart numbers have been rounded.

Key Awards & Recognition

- [Bloomberg BusinessWeek Top 50 Performing Companies List](#)
- [Fortune Most Admired Company](#)



We are committed to [safety](#). Our goal is – and will always be – to entirely eliminate accidents. Through our UP CARES public safety initiative, strategic partnerships and our own highly trained police force, we are always working toward that goal.

UNION PACIFIC RAILROAD WANTS DRIVERS TO FOLLOW GOOD WINTER DRIVING HABITS

Union Pacific's 2012 paid media safety campaign raised community awareness of railroad safety and promoted safe behavior around railroad tracks.

Part of the campaign included a reminder about winter driving habits. Our outreach messaging urged drivers to slow down when winter weather conditions, including snow and/or ice, are present on the roads. Too many people have been injured or killed over the years driving too fast in wintry weather.

It can take a mile or more to stop a train, and by the time a locomotive engineer sees a person on the track, it is often too late to stop. Driving too fast in slick conditions increases the risk of being unable to stop at railroad crossings.

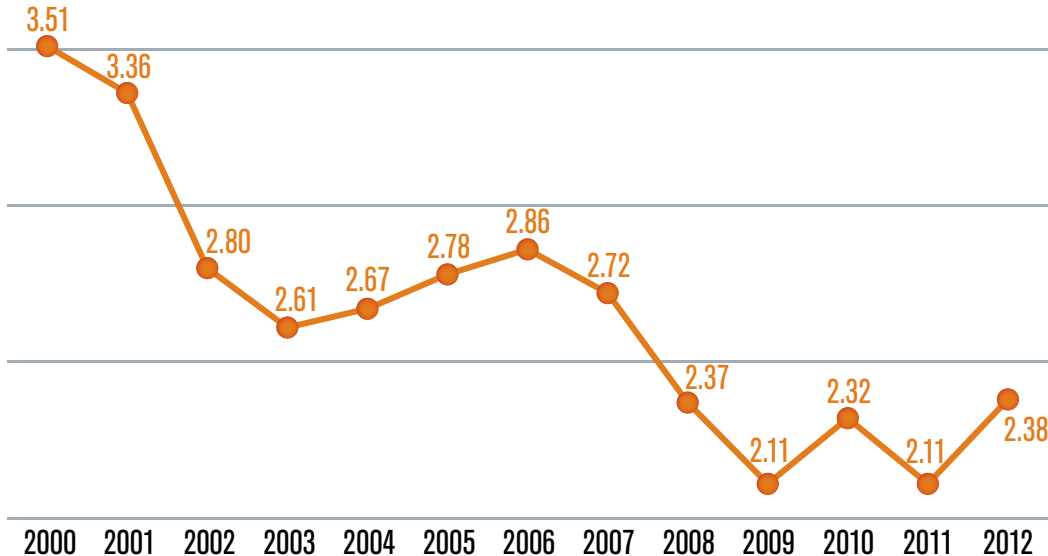


Eliminating Rail Crossing Accidents

Every action that promotes safety matters. Despite collaborating with state and local governments and launching a paid media safety campaign with an audience reach of more than 73 million people in 2012, our crossing incident rate increased 13 percent in 2012 to 2.38 incidents per million train miles, compared to our all-time best 2.11 rate in 2011.

The combination of rising rail traffic in the south, which has a higher grade crossing density than our overall network, and growth in highway traffic due to growing economic activity in parts of our network increased Union Pacific's grade crossing incident exposure. However, we did make progress identifying and isolating high-risk locations, and improving or removing crossings of concern.

Crossing Accident Rate (accidents per million train miles)



UP CARES

Through our [UP CARES](#) public safety initiative, more than 8,500 outreach and training events reached more than 704,000 people in 2012. UP CARES activities include:

- Grade crossing enforcement and education with local, county and state law enforcement agencies.
- Safety trains that provide community members a firsthand look at what locomotive engineers see when they operate trains through a town.
- Communication blitzes that include community education events and media outreach.

Union Pacific helped found and now collaborates with [Operation Lifesaver](#), an independent nonprofit safety education and outreach organization with the mission of ending collisions, deaths and injuries at rail crossings.

Innovative Safety Technology

Our reportable derailment rate decreased by 2 percent in 2012 and by 15 percent from 2002 to 2012. We are aware, however, that there's more room for improvement. Innovative technology can enhance safety and we remain focused on improving processes and investing in new technologies to keep our employees and our communities safe.

These technologies include:

- **[Distributed Power Units](#)**. Distributed Power Units (DPUs) are locomotives that operate in the middle and/or end of trains rather than only at the front of trains. This placement makes trains less prone to derailments and facilitates more even braking which, in turn, reduces wheel and track wear. This technology also improves fuel efficiency, resulting in fewer emissions.
- **[Ultrasonic Wheel-Defect Detection](#)**. The process to identify defective wheels can be a needle-in-a-haystack situation. The only one of its kind in the industry, our robotic system scans each wheel in our coal-car fleet every 60 to 90 days in an effort to eliminate derailments caused by broken wheels.

- **Wayside Detectors**. Each day, our systems analyze 20 million data points collected at more than 4,700 special detectors deployed across our network, helping to more accurately identify and repair potential failures in rail equipment components.
- **Hot Bearing (“Hotbox”) Detectors**. These special detectors use an infrared sensor to measure the temperature of bearings as a train rolls by, allowing us to identify faulty bearings that could result in a derailment.
- **Acoustic Bearing Detectors**. Sound plays a role in determining bearings' safety. Audio bearing detectors feature a shutter that opens just prior to the passing of a train. The open shutter allows an array of microphones to identify bearing defects.
- **Wheel Profile Detectors**. The wheel profile detector uses a laser similar to a supermarket checkout scanner to capture a cross-sectional snapshot of the outline of a wheel as it rolls by. Based on this data, wheel defects are identified, reported and addressed.

Unsafe Motorist Behavior Reporting

Our job as railroaders is to be vigilant of dangerous crossings in order to protect the communities we serve. We created the first-of-its-kind Unsafe Motorist Reporting process for train crews to report close calls with motorists and pedestrians, pinpointing high-risk locations. We make this data accessible to both Union Pacific and outside agencies that use the data to determine which grade crossings receive active warning devices or other road improvement projects.

NextGen Tank Car Safety Collaboration



In a continuing effort to pioneer enhancements in safety, Union Pacific supports ongoing research to further improve tank cars carrying hazardous products such as chlorine. The next-generation chlorine tank car is expected to provide more than a 240 percent improvement for side impacts.

The NextGen tank car project is a [public-private partnership between Union Pacific, Dow, UTLX, the Federal Railroad Administration, Transport Canada and the U.S. Transportation Security Administration](#).

Emergency Training & Response Systems

Union Pacific annually trains approximately 2,500 local, state and federal first responders on ways to minimize the impact of a derailment on a community. In 2012, we completed our 50th class at the Association of American Railroads' Security and Emergency Response Training Center in Pueblo, Colo. We also participate in industrywide whistle stop training tours.

Through our participation in [TRANSCAER](#) (Transportation Community Awareness and Emergency Response), we annually coordinate drills reaching thousands of participants to help communities prepare for and respond to possible hazardous material transportation incidents. Union Pacific requires our [hazardous materials managers](#) to join state and local planning committees and work alongside representatives from local fire and health departments, schools, transportation departments and members of the public to provide them with information about chemicals moving through their communities and to establish safety plans.

Union Pacific's Pinnacle Awards for Chemical Transportation Safety

In 2012, 74 companies received Union Pacific's [Pinnacle Award](#). The award recognizes Union Pacific customers that achieved a rate of zero non-accident releases (NARs) for regulated hazardous materials shipments and implemented successful prevention and corrective plans, including safe-loading techniques and securement of shipments. A NAR is an unintentional release of hazardous material during transportation that is not caused by an accident or train derailment.

NARs declined by more than 16 percent on Union Pacific's network from 2003 to 2011, due in part to increased inspections by the railroad's hazardous materials safety field personnel and customers adhering to the Pinnacle Award criteria. The Pinnacle Award program, which began in 1996, is open to all Union Pacific hazardous material shippers, including chemical and petrochemical customers.

Safety through Security

As part of our efforts to keep trains secure and communities safe, we employ state-of-the-art, 24-hour [security technology](#) to detect unauthorized access. In conjunction with our own [highly trained, commissioned police force](#), Union Pacific coordinates security efforts with U.S. Customs and Border Protection (CBP), the U.S. Coast Guard, the Federal Bureau of Investigation, the Central Intelligence Agency, the Department of Homeland Security, the Transportation Security Administration and local law enforcement.

Union Pacific was the first U.S. railroad to be named a partner in the Customs-Trade Partnership Against Terrorism (C-TPAT), a CBP program designed to develop, enhance and maintain security processes throughout the global supply chain.

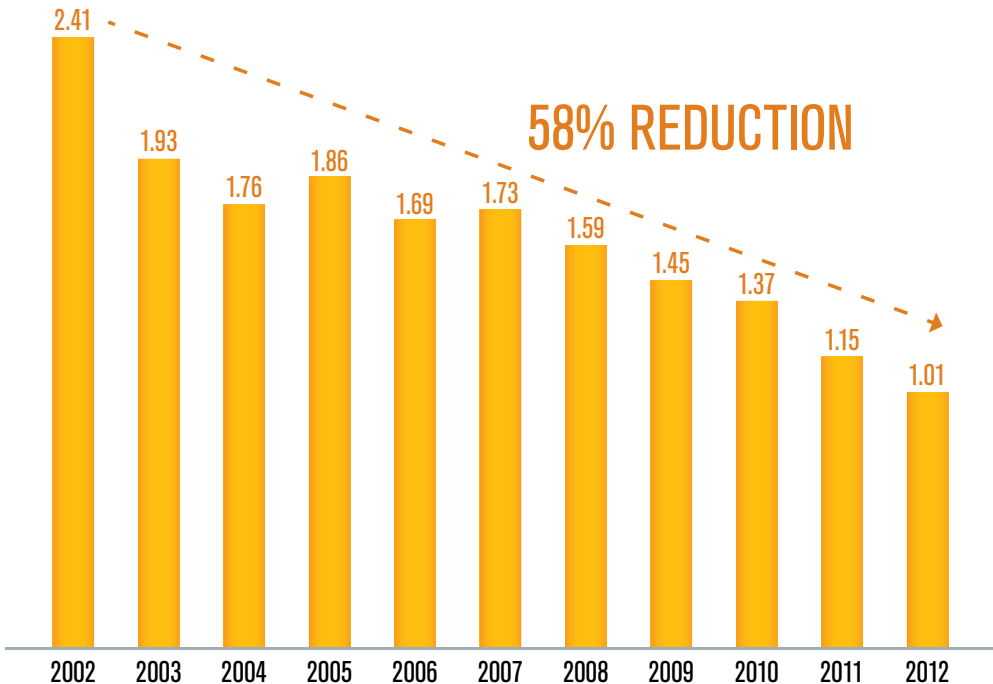
Employee Safety

PERFORMANCE OVERVIEW

Union Pacific's 2012 employee safety performance was the best in the company's 150-year history. Employees achieved a 1.01 reportable injury rate, surpassing the previous best rate of 1.15, established in 2011. From 2002 to 2012, Union Pacific employees improved their reportable injury rate by 58 percent.

Our injury-rate improvement is evidence of our employees' personal commitment to the Courage to Care Pledge and our Total Safety Culture initiative.

Reportable Employee Injuries Per 200,000 Employee-Hours



Reportable injury rate is calculated as the total number of injuries reported to the Federal Railroad Administration per 200,000 employee-hours.

THE COURAGE TO CARE PLEDGE

Union Pacific introduced Courage to Care in 2012. The pledge represents a culture of safety and personal accountability.

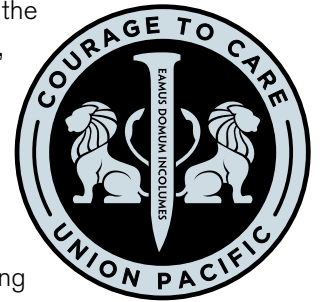
"I have the courage to care. Worn with a lion's pride, it means those I work with will have my back, and I will have theirs. I pledge to shield myself and my team from harm. I will take action to keep them safe, by fixing an unsafe situation, addressing an unsafe behavior or stopping the line. In turn, I will have the courage to accept the same actions from my coworkers, who care enough to correct my path. We wear this badge out of respect for each other and those who have gone before us. On my watch, we will all go home safe to our families every day."

What the Badge of Courage Means

The Badge of Courage is a coat of arms, embodying that for which Union Pacific strives – for every employee to safely go home. When employees make the voluntary decision to wear the badge, it is a visible sign of their commitment to correct an unsafe situation, and that, in turn, they will accept any feedback that may be given to them.

The lions symbolize strength, courage and pride. They are strategically positioned back to back, protecting each other from harm and reminding employees of their pledge to each other: "You have my back, and I have yours."

The spike in the center represents Union Pacific's heritage and success in overcoming great challenges, and includes the Latin words that translate to "Go Home Safely."



TOTAL SAFETY CULTURE

Union Pacific employees lead our company's commitment to a Total Safety Culture (TSC), a voluntary initiative that teaches employees safety behaviors while providing observations and feedback. TSC directly empowers our union employees to address at-risk behaviors and receives the full backing of senior management.



Left to right: Union Pacific Executive Vice President-Operations Lance Fritz, Mirna Guerra, Joe Guerra, Union Pacific President and CEO Jack Koraleski.

Joe Guerra Honored as Union Pacific's 2012 J.C. Kenefick Safety Award Winner

Thirty-four year Union Pacific employee Joe Guerra was named the company's 2012 J.C. Kenefick Safety Award winner, the railroad's highest safety distinction. A well-respected leader, Guerra serves as Houston foreman general. He was recognized for his devotion to and involvement in safety throughout his career.

GREEN RIVER'S TOTAL SAFETY CULTURE EXPANDS FOR CROSS-FUNCTIONAL GAINS

In 2011, the Green River, Wyo., safety team established Employee Safety Intervention training sessions for at-risk and new-hire train, engine and rail yard employees. The sessions involved an eight-hour day of Total Safety Culture (TSC) training, union leadership presentations, and management review of incidents, expectations and critical rules. In 2012, thanks to the sessions' success, Union Pacific expanded Green River's TSC program to incorporate all of Green River's crafts.

Each craft examines the other's procedures, which has led to safety, operational and customer service enhancements. Relationships across departments also are being established, opening up avenues to more easily solve future issues.

Technology's Role in Employee Safety

Video Gaming Technology

Video games aren't just for entertainment. [Video simulation training](#) pioneered by Union Pacific and licensed to other railroads and industries helps prepare our employees for real-life operating conditions. Before new conductors set foot inside a locomotive, they spend up to two months training with simulators, allowing them to learn in the safety of a classroom rather than in a 6,000-ton train. We also are using avatars in our Mechanical Department for car inspection training, and we expect to soon use this technology for our crane operators.



Electronic Device Awareness Campaign

In 2012, Union Pacific, along with senior railroad industry leaders and labor officials, launched a collaborative effort to raise awareness about the dangers of using electronic devices on the job.

Although many rules and regulations are in place to reduce risk, creating and maintaining a safe work environment requires proactive planning. Union Pacific was among the first rail carriers to adopt a national peer-to-peer program to educate employees on at-risk behaviors such as the unsafe use of electronic devices. Our Courage to Care commitment helps reinforce it.

Employees understand that their efforts are critical to safety. We also have excellent partners in our labor organizations and industry associations. We strive to keep employees engaged and committed so that every employee goes home safely every day.



Key Awards & Recognition

Joey Faigl

Conductor

Association of American Railroads Harold F. Hammond Award*

**Awarded in 2012 for 2011 performance*

Strengthening Communities

2012 Sustainability and Citizenship Report



Thousands of communities are at the heart of our railway. We are committed to investing in our nation's infrastructure – empowering local groups through the Union Pacific Foundation, delivering value for our customers and fostering a strong supply chain.

Economic Development

As a railroad company, we directly invest in America's infrastructure. From 2007 to 2012, Union Pacific invested \$18 billion in our network and operations, including a record \$3.7 billion in 2012.

Investing to Expand Nebraska Rail Yards, Tracks and Technology

Union Pacific announced in January 2012 [significant capital investments in Nebraska](#) over the next several years. Funding will be spent on numerous projects across the state, including:

- An expansion of our [North Platte rail yard](#), the largest railroad classification yard in the world, with a \$70 million investment in track and technology upgrades.
- An investment of approximately \$220 million in new rail, ties and other work that will increase capacity and fluidity for the approximately 125 trains a day that transport goods through Nebraska on Union Pacific's main line – the highest density freight corridor in the world.



Union Pacific used equipment such as its track renewal train to replace more than 4 million railroad ties in 2012.

\$200 Million Investment in South Louisiana Operations

In February 2012, [Union Pacific and Louisiana Governor Bobby Jindal announced a \\$200 million capital investment](#) by Union Pacific that will expand the company's South Louisiana operations, creating 727 new jobs, directly and indirectly, retaining 1,100 employees and creating 1,500 temporary construction jobs. Rail lines are the backbone of the chemical and manufacturing industries in Louisiana, and Union Pacific's expansion will allow the railroad to better serve key plants along the Mississippi River.

\$400 Million Rail Facility along New Mexico's Sunset Route

Union Pacific began construction in August 2011 of a new [2,200-acre site near Santa Teresa, N.M.](#) The site will include fueling facilities, crew change buildings, locomotive inspection tracks, an intermodal ramp and a switching yard.

Set along the historic railroad corridor known as the Sunset Route, this project is projected to bring 3,000 jobs to the area during construction from 2011 to 2015. It also will base 600 permanent jobs in the Santa Teresa area upon completion, giving southern New Mexico an inland port that will serve as a strategic focal point for transporting goods.

Passenger Rail

Union Pacific doesn't just transport freight – we help people reach their destinations. Each weekday, Union Pacific works with commuter rail services to carry approximately 122,000 passengers. By comparison, Amtrak carries roughly 86,000 daily passengers. More than 70 of Amtrak's trains operate on Union Pacific rails, including the Capital Corridor Service in California, which connects San Jose, Oakland, Sacramento and Auburn. We're proud to help people get from place to place in an efficient manner.

CREATE – Increasing Chicago’s Rail Efficiency

Union Pacific is a [founding member of CREATE](#), a first-of-its-kind partnership between the U.S. Department of Transportation, the state of Illinois, city of Chicago, Metra, Amtrak and the nation's freight railroads. The program seeks to reduce freight congestion while improving passenger rail service. CREATE will invest billions in critically needed improvements to increase the efficiency of the region's passenger and freight rail infrastructure, and enhance the quality of life for Chicago-area residents.

Chicago remains the busiest rail hub in the United States. Each day, nearly 1,300 trains pass through the region, more than half of which carry passengers. Each day, 37,500 rail cars move through Chicago – one-fourth of the nation's total freight rail traffic.

Of the 70 CREATE projects, 14 have been completed, 12 are in construction, 19 are in review and 25 are yet to be funded. Even with only 20 percent of the projects completed, there already has been a 33 percent reduction in passenger delays and a 28 percent improvement in freight reliability. The \$998 million investment to date has supported an estimated 10,000 jobs.

2012 State-by-State Economic Impact

| State | Employees | Payroll* | Route Miles | Capital Spending* | In-State Purchases* |
|------------|-----------|----------|-------------|-------------------|---------------------|
| Arizona | 1,311 | 107.8 | 640 | 101.6 | 66.8 |
| Arkansas | 2,792 | 222.3 | 1,327 | 139.9 | 37.6 |
| California | 4,872 | 430.7 | 3,283 | 376.1 | 233.3 |
| Colorado | 1,398 | 121.1 | 1,512 | 57.0 | 249.6 |
| Idaho | 942 | 83.2 | 849 | 95.4 | 29.0 |
| Illinois | 4,055 | 356.1 | 2,198 | 215.4 | 2000.0 |
| Iowa | 1,696 | 139.8 | 1,392 | 87.4 | 84.6 |
| Kansas | 1,479 | 145.4 | 2,205 | 83.9 | 197.3 |
| Louisiana | 1,355 | 116.3 | 1,152 | 138.6 | 18.8 |
| Minnesota | 488 | 41.9 | 646 | 5.4 | 103.8 |
| Missouri | 2,765 | 203.4 | 1,482 | 97.2 | 366.2 |
| Montana | 17 | 1.3 | 125 | ** | 1.2 |
| Nebraska | 7,864 | 1100.0 | 1,067 | 303.2 | 218.1 |
| Nevada | 554 | 41.8 | 1,193 | 65.6 | 53.3 |
| New Mexico | 330 | 26.0 | 618 | 101.0 | 1.9 |
| Oklahoma | 405 | 41.2 | 1,173 | 66.8 | 142.7 |
| Oregon | 1,649 | 133.5 | 1,073 | 111.6 | 187.6 |
| Tennessee | 53 | 3.4 | 14 | ** | 90.6 |
| Texas | 8,111 | 700.4 | 6,317 | 524.4 | 2700.0 |
| Utah | 1,394 | 127.1 | 1,249 | 47.0 | 219.9 |
| Washington | 342 | 25.9 | 532 | 15.8 | 129.7 |
| Wisconsin | 375 | 37.6 | 928 | 11.9 | 59.9 |
| Wyoming | 1,265 | 99.9 | 879 | 63.8 | 99.8 |

*Millions of dollars

**Nominal capital spent due to low route miles in the state

Providing Good Jobs

Union Pacific provides good jobs in an industry critical to American businesses. We pride ourselves on hiring the best candidates and providing them with the resources, training and support they need to reach their potential. In 2012, we hired 3,900 employees and plan to hire approximately 3,000 to 4,000 more in 2013 based on attrition and business needs. You can read more about our commitment to our employees in [Section IV](#) of this report, *Engaging Employees*.

Train Town USA Registry

Union Pacific began building the transcontinental railroad to the west from the Missouri River, opening a grand frontier to those who settled in existing communities or started new ones along the rail lines.

That bond between our railroad and early settlements has continued to grow. Today, Union Pacific serves nearly 7,300 communities where we live, our children grow up, we serve customers and recruit employees. From rural towns to cities, we're honored to have unique, long-standing community relationships.

Union Pacific's [Train Town USA Registry](#) began in 2012 as a way to celebrate the railroad's 150th anniversary with many communities that grew up with Union Pacific. We awarded 79 Train Town USA Registry memberships in 2012, and the program turned out to be so popular that we decided to continue it.

The registry remains open to all incorporated communities located along Union Pacific tracks or terminals. Elected city officials and executive officials of each local Chamber of Commerce are invited to complete the application form to feature their community at [up150.com](#) and to be recognized with an exclusive resolution from Union Pacific.



Left to right: Sacramento City Councilman Steve Cohn, Sacramento Mayor Kevin Johnson, Union Pacific President and CEO Jack Koraleski.

Community Giving

Union Pacific Foundation

The [Union Pacific Foundation](#) is the philanthropic arm of Union Pacific Corporation and Union Pacific Railroad. Its goal is to distribute funds to qualified organizations and communities Union Pacific serves. The foundation is not endowed, but is funded each year from the operating profits of Union Pacific Corporation.

In 2012, Union Pacific in conjunction with its foundation supported more than 2,500 nonprofit organizations. We award grants through an annual online application process available to nonprofits located in Union Pacific communities, and combine those efforts with corporate support and employee matching gifts.

GivePLUS

The GivePLUS program encourages our employees to donate money or give personal time to support their communities. It has two main components:

- MoneyPLUS supports and extends employees' financial contributions to qualified 501(c)(3) nonprofit organizations.
- TimePLUS provides a \$250 gift from Union Pacific to organizations where employees volunteer.

Association of Fundraising Professionals Recognition

The Association of Fundraising Professionals (AFP) Oklahoma Chapter named Union Pacific the AFP Outstanding Philanthropic Foundation of the year in 2012. Union Pacific was selected for demonstrating outstanding commitment through financial support, as well as encouraging and motivating others.

The Children's Center, a private, nonprofit pediatric hospital in Bethany, Okla., nominated Union Pacific for the award. Over the past four years, the Union Pacific Foundation has built a strong relationship with the hospital, which helps children with complex medical and physical disabilities.

A Boxcar Full of Food

Union Pacific teamed with the Food Bank of Northern Nevada in Soring to host the "[Railroading Hunger Food Drive](#)," which raised \$5,535 and collected more than 5,000 pounds of food. Engaging UP's community partners and local businesses was integral to the food drive's success.

Doña Ana Community College – Union Pacific Supports New Mexico Jobs

In January 2013, Union Pacific donated \$100,000 to Doña Ana Community College (DACC) to support a new rail facility that will provide the area with job opportunities.



The college plans to use the funds for scholarships and workforce development to ensure its students will effectively serve the jobs that facility will bring to the state. For example, a 2,200-acre intermodal and locomotive fueling hub west of the Santa Teresa Airport is expected to create about 3,000 jobs from 2011 to 2015 and more than 600 jobs when it is operating at capacity in 2025. With Union Pacific's donation, DACC students will be able to graduate with the qualifications to fill open positions.

How the Transcontinental Railroad Impacted U.S. History

As part of our 150th anniversary celebration, Union Pacific introduced an engaging new [teacher's resource kit](#) as a tool to help students grades 3-8 learn the history of America's first transcontinental railroad. Abraham Lincoln signed the Pacific Railway Act in 1862, creating Union Pacific and authorizing construction of the transcontinental railroad. The kit aligns with national standards for history and social studies.

Delivering Value to Our Customers

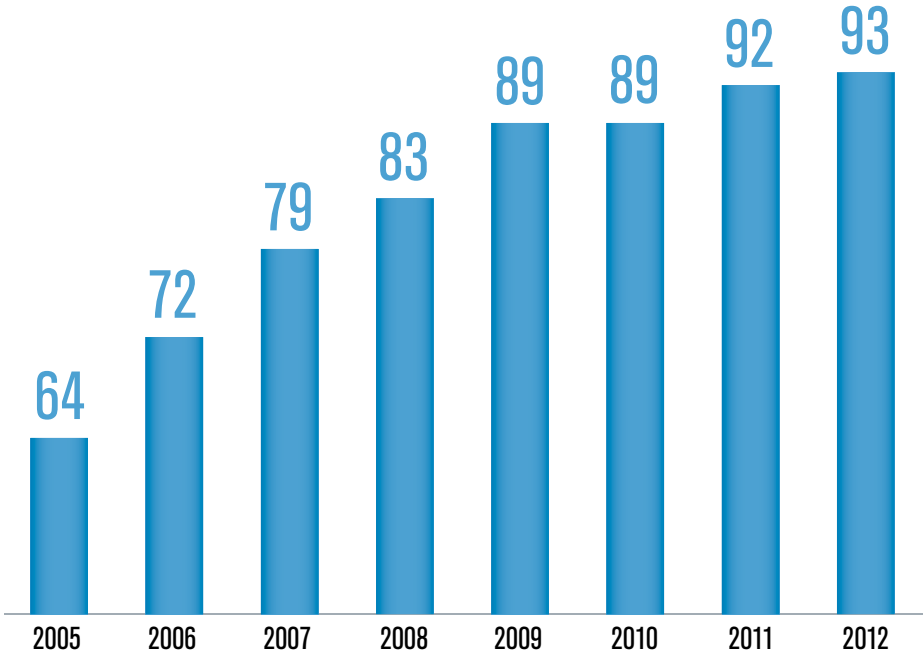
We deliver value to our customers by offering comprehensive freight transportation solutions that also take advantage of freight rail's environmental benefits. We can handle nearly every type of freight need, whether or not a facility is located near rail.

Customer Service

Our customers appreciate our innovative processes, employee responsiveness, problem-solving skills and strong rail network. To measure the value Union Pacific provides to customers, we send a 35-question survey to more than 100 customers each month. Key performance indicators include on-time delivery, service consistency, pricing, total transit time, problem resolution and information accuracy.

Focusing on customer value is critical to improving our customer satisfaction results, which were at an all-time best in 2012.

Customer Satisfaction



Building a Strong Supply Chain

Union Pacific is committed to high standards of ethical business conduct. As a condition of doing business with Union Pacific, suppliers (suppliers, vendors, contractors, subcontractors, consultants, agents and other providers of materials and/or services) must fully comply with all federal, state, and local laws, rules, regulations, orders, codes and ordinances as outlined in the contract as well as [Union Pacific's Supplier Code of Conduct](#).

Supplier Code of Conduct

- Suppliers must compete fairly for Union Pacific's business without paying bribes, kickbacks or giving anything of value to Union Pacific employees or their relatives in order to secure an improper advantage or create the appearance of gaining an improper advantage.
- Suppliers must independently develop proposals and bid responses, without consultation with other bidders, other potential bidders, or Union Pacific personnel outside the bounds of the standard bidding process.
- Suppliers must refrain from asking Union Pacific employees for another supplier's price information.
- Suppliers must not directly or indirectly enter into any business transaction with Union Pacific employees or their relatives without the Union Pacific Supply Department's prior written consent.
- Suppliers must not use any Union Pacific-owned or leased equipment without the Union Pacific Supply Department's prior written consent, or take ownership of any such equipment unless suppliers have executed an agreement generated by Union Pacific's Supply Department that authorizes such action.
- Suppliers must not subcontract any part of the work to be performed for Union Pacific to a subsidiary or affiliate, or to a relative or an entity owned or controlled by the relative, without the Union Pacific Supply Department's prior written consent.
- Suppliers must ensure that their personnel assigned to perform work on Union Pacific property act in a professional and respectful manner, keeping the workplace free from harassment including verbal, physical, and written conduct.
- Suppliers must adhere to applicable Union Pacific policies while working on Union Pacific property including but not limited to general safety practices and Union Pacific's no smoking policy.
- Suppliers may only access information through Union Pacific computer systems as authorized; must ensure the information security and confidentiality of all information obtained through such authorized access; and may not use any Union Pacific information other than for the purposes authorized by Union Pacific.
- Suppliers must effectively distribute and communicate Union Pacific's Supplier Code of Conduct to all employees involved in a business relationship with Union Pacific.

A supplier's failure to comply with Union Pacific's Supplier Code of Conduct may result in Union Pacific pursuing legal action and/or discontinuing the business relationship.

Fostering Supplier Diversity

For more than 30 years, Union Pacific has demonstrated our commitment to support and [embrace supplier diversity](#). Our supplier diversity program was the first among the largest U.S. railroads and permeates the entire organization, impacting purchases of fuel, engineering services, railroad maintenance and construction materials, rolling stock maintenance and technology.

From \$10 million in our first year to more than \$430 million in 2012, we are expanding opportunities for the success of minority- and women-owned businesses.

2012 Supplier Diversity Facts and Figures

- \$430 million was spent with minority- and women-owned businesses.
- Union Pacific purchased goods or services from more than 500 diverse suppliers in 39 states, including all 23 in which we operate.
- Spending with diverse suppliers grew by approximately 7 percent each year from 2007 to 2012, including a 16 percent increase over 2011.
- Approximately 13 percent of Union Pacific's critical suppliers reported purchasing goods or services with diverse suppliers, demonstrating their support of our supplier diversity initiative.
- We received the Wisconsin, Iowa and Central Illinois Minority Supplier Development Council Award of Excellence and were nominated for the National Minority Supplier Development Council's National Corporation of the Year Award.
- We developed a companywide supplier diversity training program and introduced a "Lunch and Learn" awareness program focusing on our supplier diversity programs and initiatives.

Memberships, Boards and Committees

- National Minority Supplier Development Council (NMSDC)
- NMSDC Transportation Group
- Michigan Minority Supplier Development Council
- Chicago Minority Supplier Development Council
- Dallas Fort Worth Minority Supplier Development Council
- Houston Minority Supplier Development Council
- Women's Business Enterprise National Council – Chicago



Key Awards & Recognition

- [American Metals Market Logistics/Transportation Provider of the Year](#)
- [Soy Transportation Coalition Railroad Report Card Top Performing Railroad*](#)
- [Union Pacific Distribution Services: Chrysler Partnership Award*](#)
- [Wallenius Wilhelmsen Logistics Vehicle Services Americas Inc. Provider of the Year*](#)
- [Wallenius Wilhelmsen Logistics Vehicle Services Americas Inc. Provider Recognition Award for Rail Services*](#)
- Union Pacific Foundation: Association of Fundraising Professionals Oklahoma Chapter's Outstanding Philanthropic Foundation of the Year
- Creighton University Presidential Medallion
- [State of Illinois Proclaimed July 1, 2012, Union Pacific Railroad Day](#)
- [General Motors Supplier of the Year*](#)
- [Lowe's Home Improvement Rail Carrier of the Year*](#)
- [Newmont Mining Corporation North American Supplier of the Year](#)
- [Toyota Logistics Services President's Award for Top Rail Transportation Provider*](#)
- [Toyota Logistics Excellence Award for On-Time Service Performance*](#)
- [Toyota Logistics Excellence Award for Customer Service*](#)
- [Wisconsin, Iowa and Central Illinois Minority Supplier Development Council Award of Excellence](#)

**Awarded in 2012 for 2011 performance.*

Engaging Employees

2012 Sustainability and Citizenship Report

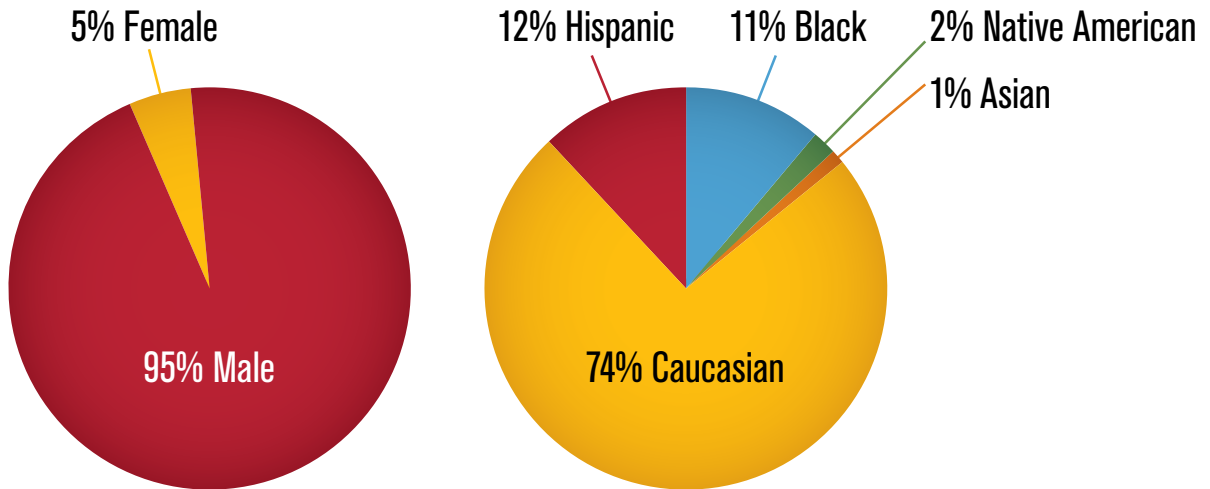


We continue to uphold the same values upon which Union Pacific was founded – the highest levels of performance, ethical standards and teamwork. We want to remain as vital to our nation’s future as we’ve been to its history.

We work for our customers, our shareholders and one another. Each person who works for Union Pacific is part of a community that accomplishes the task at hand and does so safely, ethically and respectfully.

Our Workforce

Nearly 46,000 in 23 states



Benefits

Our health care programs rely heavily on the involvement of our employees. In 2012, 91 percent of employees who elected medical coverage enrolled in High Deductible Health Plans (HDHP).*

Employees paid an average of only 10 percent of the total premium for their Union Pacific medical coverage. This is significantly less than the national average of 23 percent (2012 Towers Watson/National Business Group on Health Employer Survey on Purchasing Value in Health Care).*

In addition to medical coverage, Union Pacific provides flexible retirement planning options and other financial tools to help employees make informed investment decisions. The benefits programs, which vary based on whether employees are non-union or part of a collective bargaining agreement, include:

- **Life Insurance:** Significant improvements to life insurance plans have allowed us to keep rates in check for employees while improving plan features, including additional family protection flexibility and added services such as will preparation and estate resolution.
- **401(k) Discretionary Roth:** A new 401(k) feature allows participants a greater opportunity to diversify tax risk.
- **Financial Well-Being Site:** We built a financial well-being website, designed to provide a simple but informative conversation about employee benefits and address questions most important to employees at various stages of their careers.
- **Benefits Statements:** We added new features to the modeling tools already in place, allowing participants to project the impact of Roth and personal savings into their retirement planning.
- **Benefits Education Program:** We continued developing the Annual Employee Education Campaign, which provides support through instructor-led courses, video conferencing and one-on-one consultations.

*Refers only to non-union employees

Labor Agreements

Union employees make up a substantial part of our workforce. More than 86 percent of Union Pacific employees are covered under Collective Bargaining Agreements (CBAs) unique to each of 14 different unions. These agreements cover wages, benefits and work rules.

Last year, Union Pacific and the nation's other rail carriers closed the current bargaining round, reaching voluntary agreements with 13 unions representing 132,000 freight rail workers. The completion of these negotiations underscores the continuing vitality of national collective bargaining in our industry. These agreements are a vital step in ensuring that we will continue to work together to help drive America's economic growth in the years ahead.

Well-Being

We encourage employees to “Take Charge. Feel Better. Live More.” Since our [wellness program](#) launched more than a quarter-century ago, we have expanded the number of tools available to help our employees make healthy choices and proactively address mental and physical health concerns. Our efforts include:

- **Wellness Portal.** A wellness portal on our company intranet site allows employees to take a wellness assessment, set goals, build plans and track their progress.
- **Health Coaching.** We offer personalized health coaching to all employees and spouses for health risks including stress, depression, smoking, diabetes, nutrition and weight management.
- **Occupational Health Nurses.** More than 40 occupational health nurses are available in field locations. These nurses are equipped with special training on railroad culture and safety to serve as trusted resources for health and wellness.
- **System Health Injury Protocol II (SHIP II).** Offered to employees at risk for injury due to lower fitness levels, this program pairs employees with personal trainers to improve overall wellness. In 2012, participation increased by 25 percent.
- **System Health Facilities.** We make fitness facilities available across our network to employees free of charge. Union Pacific has about 34,500 employees enrolled in more than 2,800 contracted fitness facilities or the on-site Health and Fitness Center at our headquarters.
- **Employee Assistance Program.** Short-term counseling, guidance and referral services are available to employees and their families.
- **Peer Support.** A team of more than 1,000 employee volunteers is trained to support fellow employees and their families through physical, psychological or emotional stress.
- **Tobacco Cessation.** Union Pacific supports a smoke-free work environment. We offer a tobacco cessation program that pairs lifestyle coaching and pharmacological assistance for those trying to quit.
- **Annual Health Wealth Expo.** Every year, approximately 2,000 employees take this opportunity to meet with benefit plan providers and learn from health experts. The expo includes seminars, free health screenings, flu shots and a farmers' market. It is open to both employees and their spouses.
- **Friend to Friend Network.** Financial assistance is available to active or retired railroaders and their immediate families who have suffered a health or dwelling-related tragedy. This nonprofit, voluntary employee-driven organization helps an average of 700 families every year.

In 2012, Union Pacific celebrated 25 Years of Wellness by awarding the first annual B.W. Schaefer Individual Wellness Award. This award was developed to recognize an employee who demonstrates a personal commitment to wellness, is a role model and leader, and who promotes a healthy culture at work, home and within the community.

NURSE BRINGS WELLNESS RESOURCES TO RAILROAD EMPLOYEES, FAMILIES

Rosemary Delarosa, RN, CCM: *Occupational Health Nurse, El Paso, Texas*



Occupational health nursing is a specialized field of professional nursing. My work encompasses a broad spectrum of services from providing employees initial care and treatment to offering guidance on health-related issues, with a focus on wellness and health promotion.

I've developed partnerships with employees and managers to help us all become better healthcare consumers. Part of my job is identifying what employees need to be healthy and then finding opportunities to make those wellness resources available to them. Hosting health fairs and booths during service unit family days and other railroad events, as well as community health expert visits, are now part of our business culture.

I'm thrilled to see a great deal of interest and energy put toward living healthier from not just our employees, but also their families. Participation in health programs, such as SHIP II, increased 300 percent in my territory last year. Our flu shot program also continues to reach more employees and family members.

I'm headquartered in El Paso, Texas, but cover a large territory, which makes it challenging to be physically accessible to everyone. I tell employees I'm only a phone call away, and I take calls around the clock.

It is extremely rewarding to positively impact my co-workers and their health. My success was truly evident when an employee came to me and said, "I'm glad you're here. You've made a difference in my health and how I feel."

Employee Furloughs and Auxiliary Work and Training Status (AWTS)

Global and domestic economic challenges impact demand for the products Union Pacific ships. As a result, fluctuating demand for train/yard service employees can cause some employees to be furloughed or placed on Auxiliary Work and Training Status (AWTS) boards.

We invest in our employees during a furlough to get them back to work as soon as possible. Through initiatives such as our AWTS agreements, furloughed employees on about 65 percent of our railroad are given the opportunity to work and train on a part-time basis. Often, it can take up to 90 days for an employee to complete the necessary refresher training and examinations when returning to work. The AWTS program helps employees maintain their training and proficiency while working on a part-time basis, thereby making it possible for them to return more quickly once they have been recalled to work. Employees taking advantage of this program retain full healthcare benefits and accrue service time toward Railroad Retirement benefits.

Recruiting

In 2012, we added approximately 3,900 employees to our team at Union Pacific and we plan to hire 3,000 to 4,000 in 2013 based on attrition and business growth. Currently, we recruit in the communities and at the colleges near our operations to find [the most qualified employees](#).

In communities, we:

- Participate in diversity events and job fairs.
- Attend career days at local high schools.
- [Educate military veterans about career opportunities](#) at military career fairs.
- Develop partnerships with area employment organizations and workforce development offices.

On college campuses, we:

- Meet with multicultural business and specialized student groups, and participate in diversity leadership symposiums.
- Conduct classroom presentations about career opportunities.
- Lead career services roundtables.
- Meet students at networking events and hold mock interviews.
- Sponsor executive luncheons.



Union Pacific's recruiting activities are wide ranging, helping the company hire the most qualified employees.

Social Media

Through our [Facebook](#) and [Twitter](#) pages, we connect with potential employees, diversity organizations, universities and student groups, military installations and other audiences in new ways.

Training & Career Development

To support continued growth, we continually teach employees how to navigate new technologies safely and successfully, and we encourage them to develop the skills that will keep them at the top of our industry. Our training and career development programs include:

- [Operations Management Training](#): We offer training (lasting from 6 to 36 months) in engineering, mechanics and transportation logistics for degreed, non-union professionals.
- [Field Management Training](#): Employees with railroad operating experience can obtain hands-on experience managing transportation operations in field locations across the Union Pacific system.
- [Education Assistance](#): Union Pacific provides up to 100 percent of tuition costs for full-time employees to enroll in job- or career-related courses at accredited schools, colleges and universities, up to a maximum of \$5,250 per calendar year. Participation has increased from 83 students in 2011 to 116 students in 2012, a 40 percent increase year-over-year.
- [Management Training](#): We regularly offer leadership and skills performance training throughout individuals' careers. In total, employees completed almost 7,400 development courses in 2012, including Union Pacific's popular Communicating for Results class.

Our Commitment to Veterans

Union Pacific has a long-standing connection to the U.S. military, dating back to when we hired Civil War veterans to help construct America's first transcontinental railroad.

Today, Union Pacific supports the military by shipping thousands of rail cars of military equipment to support our armed forces. In addition, about 23 percent of Union Pacific's 2012 new hires are military veterans. They joined more than 9,000 other veterans at Union Pacific who represent 18 percent of our total workforce.



Military Recruiting

Veterans easily adapt to the culture and fabric of Union Pacific. They are dedicated, committed and trained – traits that allow for a smooth transition into the quality jobs we provide.

In 2012, Union Pacific attended 122 military recruiting events throughout the country. We actively partner with military transition and education offices, reserve units, military panels, National Guard units, career organizations and local military committees and boards.

We are part of the Army Reserve's Employee Partnership Initiative and support the Army Partnership for Youth Success program. Union Pacific also has received the U.S. government's highest employer recognition, the Freedom Award, as well as the Military Officers Association of America's Distinguished Service Award.

Supporting the Wounded Warrior Project

We are extremely honored to contribute to Wounded Warrior Project, a national organization that serves military service members who incurred service-connected injuries or illnesses on or after Sept. 11, 2001. More than 1,600 employees participated in person or via live Web stream in a Veterans Day celebration last November when [Union Pacific donated \\$60,000 to the project.](#)

Transitioning from the Military

Recognizing there are thousands of veterans each month transitioning from active duty, Union Pacific organized and hosted its first military transition event in San Antonio, Texas, in September 2012. The event educated top military talent on how to make a successful and smooth transition to the corporate world, while highlighting career opportunities at Union Pacific.

LATINO EMPLOYEE NETWORK SPREADS SAFETY MESSAGE TO RAILROAD'S NEIGHBORS



The San Antonio chapter of Union Pacific's Latino Employee Network (LEN) is bringing the rail safety message to the Hispanic community and other railroad neighbors. LEN partnered with the Select Employees Credit Union, located next to our East Yard tracks, to educate its members about safe rail crossing procedures.

Since many credit union members are Spanish-speaking, tellers distributed bumper stickers reading "Cuidado con el tren" (Use caution with trains) and wore T-shirts with the safety slogan "Yo ferno por los trenes" (I brake for trains). LEN members assisted with the effort. Additionally, with LEN's support, an overview on rail crossing safety education is being presented at UP hiring sessions in San Antonio, especially in areas with large Latino populations.

Employee Diversity and Inclusion

A [diverse workforce](#) benefits our company, bringing a wide range of ideas, experiences and backgrounds. Our employee resource groups provide a vehicle for workers seeking to expand their networks within the company and across the railroad industry.

Our Employee Resource Groups

- Asian Employee Resource Organization
- Black Employee Network
- BRIDGES (network for lesbian, gay, bisexual and transgender employees launched in 2013)
- Council of Native American Heritage
- Latino Employee Network
- Lead, Educate, Achieve and Develop (women's network)
- UP Ties (emerging professionals network)
- UPVETS (military veterans)

Volunteerism

Many of Union Pacific's employee resource groups coordinate community volunteer activities, and in some instances, have committees established for this purpose. As an example, Union Pacific's Omaha-based [DREAM](#) program coordinates mentoring opportunities among employees and students with a focus on developing the students' self-esteem and confidence.

Beauty and the Beach

Concrete Cluster Tie Gang's 8566 employees were some of the railroaders who volunteered to participate in [Union Pacific 2012 Earth Day events](#). Employees helped create a cleaner and safer environment in one of the communities through which the railroad operates. Five of the Tie Gang employees cleaned the beach at Lake McConaughy's Martin Bay near Ogallala, Neb.

"As we worked on the project, citizens drove by, honked their horns and gave us the thumbs up," said Nathan Weirich, supervisor. "It was a positive experience for everyone. There also was a strong camaraderie among the employees."

The Fight Against Cancer

In honor of his grandparents who were taken by cancer, Locomotive Engineer Howard Locke raised \$500 in 2012 for LIVESTRONG by participating in a May 26 cycling race, the Iron Horse Classic. In the event, cyclists race a train to the top of a mountain pass near Durango, Colo., where elevations reach 10,900 feet above sea level.

"It's not for the faint of heart," Locke said. "It was the hardest ride of my life."

Prior to the railroad, Locke served in the Army as a mechanized infantry lead gunner. He joined stabilization forces at Camp McGovern in Bosnia, where he provided anti-aircraft support near the Serbian border. During his service, he earned awards as his battalion's top gun and soldier of the month.

Harriman Dispatching Center Supports Women, Children in Need

Women should never need to choose between buying diapers or food for their children. The Lydia House, a branch of the Open Door Mission in Omaha, Neb., attempts to make that choice unnecessary by providing diapers to an average of 40 children every night. But they can't do it alone.

In December, the Union Pacific Harriman Dispatching Center hosted a diaper drive to support the Lydia House. Employees donated 1,383 diapers to the facility.

"You should have seen their faces when we pulled up in four SUVs loaded with diapers," said Beth Fanksmann, Union Pacific director-network operations. "We do what we can to help the less fortunate. This is something small we could do to make others' lives a little better."

DIVERSITY, INCLUSION ATTRACTS QUALIFIED APPLICANTS

Ken Kuwamura: *Senior Recruitment Manager, San Antonio, Texas*



To improve employee relations throughout the San Antonio Service Unit, I have taken an active role in our Employee Resource Groups, specifically the Latino Employee Network. In 2012 alone, our LEN chapter registered more than 80 members, implemented a mentoring program for union and non-union employees, and held community activities to raise awareness of diversity's role in the success of Union Pacific and the towns where we have tracks.

Union Pacific has set the rail industry's standard for diversity and inclusion. Throughout our 150 years, our employee demographics have changed, and it's obvious that workplace diversity has become a business necessity. Our company's workforce must be a reflection of the diverse communities we serve, allowing us to use a broad range of talents to fulfill our commitment to providing the best service and being the best neighbor possible.

Without a doubt, Union Pacific's reputation is important to my success. As a recruitment manager, I go into our communities and sell Union Pacific. Being known for our ethics, fair employment practices and appreciation for diverse talent helps me attract a wider pool of qualified applicants.

As our railroad's diversity and inclusion efforts continue to grow, so will our reputation, which leads to increased profitability, and ultimately, opportunities for employees.

Key Awards & Recognition

- Women's Transportation Seminar (WTS) Greater Chicago Chapter Employer of the Year
- [National Business Group on Health Best Employers for Healthy Lifestyles](#)
- [G.I. Jobs America's Top Military-Friendly Employer](#)
- [Military Times EDGE 40 Best for Vets Employer](#)



Eric Butler

Executive Vice President-Marketing & Sales

Black Enterprise magazine [100 Most Powerful Executives in Corporate America](#)



Ivan Jamie

Director-Border Policy and Community Affairs

The [Hispanic Association on Corporate Responsibility Young Hispanic Corporate Achievers™ Award](#)



Rob Knight

CFO and Executive Vice President-Finance

[Wall Street Journal's Top 25 CFOs](#)



Gayla Thal

Senior Vice President-Law and General Counsel

[Profiles in Diversity Journal Women Worth Watching](#)



Jim Young

Chairman

[Progressive Railroading's Railroad Innovator Award](#)

Preserving the Environment

2012 Sustainability and Citizenship Report



As Union Pacific continues to lead through the 21st century, we know that working to lessen our environmental impact must be an integral part of our business efforts. Being good stewards of natural resources is important to running an efficient and resilient business.

UP 9900, A NEW LOCOMOTIVE THAT TESTS EMISSIONS-REDUCTION TECHNOLOGY

Since August 2012, Union Pacific has used an advanced experimental locomotive at our J.R. Davis Yard in Roseville, Calif., to test three emissions-reducing technologies: exhaust gas recirculation (EGR), diesel oxidation catalysts (DOC), and diesel particulate filters (DPF). [UP 9900](#) is the signature unit in a series of 25 locomotives that Union Pacific is testing in California.

Union Pacific engineers worked closely with locomotive manufacturer Electro-Motive Diesel (EMD) to reduce the standard freight locomotive engine size in UP 9900 to create the space needed to install these technologies. Union Pacific and the California Air Resources Board will jointly analyze the locomotive's emissions-reductions performance over the next 18 months and we anticipate an 85 percent reduction in particulate matter. Years in development, UP 9900 is based in Roseville and will be used for operations in northern California.

Union Pacific's Environmental Advantage

Trains remain the most fuel-efficient way to transport bulk cargo on land. A single Union Pacific train can replace 300 trucks carrying the same load. If just 10 percent of the nation's long-haul freight currently moved on highways was diverted to rail, annual fuel savings would exceed 1 billion gallons. According to the EPA, trains emit an average of 75 percent less greenhouse gas emissions than trucks.

In 2012, initiatives in the building industry reinforced rail's environmental value. Recognizing rail is more fuel-efficient than trucking, the International Green Construction Code and the National Association of Home Builders Residential Green Standard now recognize the value of rail for shipping over long distances.

Improving Fuel Efficiency

In 2000, on average, we could move a ton of freight 375 miles on one gallon of diesel fuel. By 2012, our initiatives helped improve that to 480 miles per gallon. We continue to upgrade and increase the fuel efficiency of our locomotive fleet. Union Pacific uses a three-pronged approach: improving operations, incorporating technology and engaging employees.

Improving Operations

Since 2000, we have invested approximately \$6.5 billion to purchase locomotives that meet the EPA's updated emissions guidelines and an additional \$200 million to upgrade older locomotives. During this time period, Union Pacific retired more than 2,750 older locomotives and overhauled or rebuilt nearly 4,600 diesel engines with emissions control upgrades.

Nearly 90 percent of our 8,400 locomotives are certified under existing U.S. Environmental Protection Agency Tier 0, Tier 1, Tier 2 or Tier 3 emissions standards.

Our investments in new "switching" locomotives, which are designed to move trains or cars within a rail yard, also have helped us improve fuel efficiency.

Incorporating Technology

For years, Union Pacific has pioneered [locomotive technology](#) research and set the standard for railroads across the country. We have worked with locomotive suppliers, governmental organizations, engineering researchers and others to explore nearly a dozen technological improvements to our locomotive fleet in the past decade. Some, like Union Pacific's pioneering work in the [Genset](#) locomotive, resulted in worldwide application. Others laid the foundation for further research and development.

Employee Engagement

The employees operating our locomotives are key players in reducing the amount of fuel we use. Through simulator training and peer coaching, locomotive engineers are honing their train operating techniques to conserve energy. Additionally, the employee-driven Fuel Masters Unlimited conservation program provides incentives for fuel-saving efforts. Other employee efforts under way include assigning power by tons per axle to reduce fuel consumption and locomotive wear, and increasing use of distributed power to reduce in-train forces and drag while saving fuel and train starts.

Genset Switcher Locomotive

Locomotives do not require maximum horsepower all the time, so Union Pacific initiated development of a switching locomotive that uses multiple smaller diesel engines to produce the required horsepower when needed. This allows engines to be powered up quickly, instead of idling in the rail yard until needed.



The idea was to package the diesel engine, electrical generator and radiator in one compact, easily replaced module called a [Generator Set, or “Genset.”](#)

The latest Genset switchers are equipped with six traction motors instead of the four found on traditional rail yard locomotives. The two additional traction motors help to push rail cars over the “humps” in rail yards before gravity takes the cars into destination-specific tracks. Using the Genset switchers also reduces greenhouse gas emissions from the switchers by up to 37 percent.

Union Pacific began studies and tests of the prototype Genset switcher locomotive in 2002. Our fleet of 172 ultra-low emission Gensets working in California, Texas and the Chicago area represents the industry’s largest.

Our Responsibility to Pioneer Cleaner Locomotive Technology

In addition to the development and implementation of Genset locomotive technology:

- We developed a comprehensive plan to [reduce unnecessary locomotive idling time](#). Locomotive shutdowns can save 15-24 gallons of fuel, per locomotive, per day. All new locomotives have automatic Stop-Start equipment and older locomotives are being retrofitted with it. In total, approximately 70 percent of our locomotive fleet is equipped with this technology.
- We partnered with Electro-Motive Diesel to install EGR, DOC and DPF on the experimental [UP 9900](#) locomotive. The UP 9900 is the signature unit in a series of 25 locomotives expected to help us further pursue developing a locomotive that meets the EPA’s Tier 4 emission standards.
- We are continuing to test an ultra-low emitting Genset locomotive that has been fitted with DPF to further reduce particulate matter emissions beyond its normal low level.
- We evaluated [experimental technology](#), such as oxidation catalysts (Oxicat) and diesel particulate filters (DPF). Initial tests showed the Oxicats reduced particulate emissions by 50 percent, hydrocarbons by 38 percent and carbon monoxide by 82 percent. DPFs reduced particulate matter by more than 70 percent.

OUR EMPLOYEES' COMMITMENT TO SUSTAINABILITY

This year, Union Pacific won both awards presented by the Association of American Railroads that recognize employee excellence.

Mike Iden

John H. Chafee Environmental Excellence Award, Association of American Railroads

As a 38-year veteran of the railroad industry and general director of car and locomotive engineering at Union Pacific, Iden helped pioneer more than 40 new fuel efficiency and emissions reduction technologies, from improving batteries in locomotives to reducing friction on rails to lowering aerodynamic drag on double stack trains. Iden's work with distributed power on longer trains resulted in a 20 percent improvement in locomotive productivity, and his work with older locomotives on coal trains increased locomotive productivity and fuel efficiency by 20 percent. Today, due in large part to Iden's efforts, Union Pacific uses distributed power on 57 percent of our freight trains.

Lanny Schmid

2012 Professional Environmental Excellence Award, Association of American Railroads

The 2012 Professional Environmental Excellence Award is the highest honor for environmental professionals in the railroad industry. Union Pacific's Lanny Schmid has held responsibilities in almost all geographic regions and all environmental programs over the last 27 years. His conflict resolution skills have enabled him to bring together federal and state agencies, communities and key personnel from various railroad departments to find workable solutions to environmental issues. His successes have ranged from introducing more environmentally friendly technology in California to bringing Genset locomotives to Texas. He also has been instrumental in obtaining grants to replace 172 older locomotives with newer ones that reduce emissions.

Locomotive GHG Emissions
Metric Tons

Union Pacific's 2012 greenhouse gas inventory verified by Conestoga-Rovers & Associates. Union Pacific works with Trinity Consultants to compile our GHG inventory. Conestoga-Rovers & Associates and Trinity Consultants are independent organizations. Excludes biomass sources.

Emissions restated to include Alton & Southern Railway and updated emissions factors.

*Low point of the recession reduced carload volume, leading to reduced GHG emissions.



Greenhouse Gas Emissions

Our Goal

We set a goal to reduce our locomotive fuel consumption rate by 1 percent annually from 2011 through 2015, which will translate to an annual 1 percent reduction in our greenhouse gas (GHG) emissions rate and a 23 percent reduction between 2000 and 2015.

Unfortunately, we did not make our goal in 2012. Fuel efficiency in 2012 mirrored 2011, a result of a change in our freight traffic mix. Specifically, coal volumes were down 14 percent. Coal is our most efficiently transported commodity because it moves in unit trains. Despite these challenges, we remain committed to achieving our goal.

Our Performance

Locomotives account for nearly all of our GHG emissions.

Union Pacific produced a total of 12,002,685 metric tons of GHG emissions from fossil fuels in 2012. Our 2012 rate of emissions, as measured by gross ton miles, remained constant.

- In 2012, our overall emissions from locomotives decreased 2 percent compared to 2011, from 11,380,842 metric tons of CO₂e in 2011 to 11,149,798 metric tons of CO₂e in 2012. Gross ton miles also decreased by 2 percent.
- Union Pacific's emissions from biomass sources were 41,054 metric tons.
- Scope 3 emissions from employee travel totaled 16,932 metric tons. Employee travel includes rental car fuel and commercial air travel. This is the second time we reported these Scope 3 emissions, which increased slightly.

Since 2000, operational and technological improvements have resulted in a 19 percent improvement in fuel efficiency, the equivalent of more than one and a half years' worth of fuel used by our company (1.73 billion gallons). The efficiency gains saved nearly 18 million metric tons of GHG emissions, the annual equivalent of GHG emissions from more than 3.7 million passenger vehicles.

During 2012, our customers reduced an estimated 33.5 million metric tons of GHG emissions by choosing Union Pacific over other transportation for their shipping needs. This is equivalent to eliminating the GHG emissions of nearly 7 million passenger cars each year.

Other Greenhouse Gas Reduction Initiatives

We're also addressing our emissions in areas beyond the efficiency of our locomotives. These other areas represent less than 10 percent of the company's total GHG emissions. In 2012 we:

- Implemented recommendations from the [Environmental Defense Fund Climate Corps](#), whose work in 2012 focused on improving air compressor management and turning off lights in soda machines in field locations. Based on the Climate Corps suggestions, Union Pacific added a position solely focused on utility energy efficiency opportunities.
- Added 10 electric vehicles to test their viability in Union Pacific's locomotive shop operating environments. The Climate Corps program also included pursuing a pilot to convert a vehicle to Compressed Natural Gas.
- Completed 15 energy-reducing projects focused primarily on lighting upgrades. We estimate these projects will reduce emissions by 1.5 million kilowatt hours a year, equivalent to the amount of energy consumed by 132 homes in a year.
- Developed initiatives to reduce fuel consumption in vehicles, including the addition of "telematics" in more than 400 vehicles. With telematics, a telecommunications device transmits real-time information to promote safe and fuel-efficient driving habits.
- Upgraded nearly 1,300 refrigerated cars to reduce diesel particulate matter emissions. Union Pacific has upgraded more than 4,700 refrigerated cars in the last five years.

2012: Our Best-Ever Carbon Disclosure Project Performance

The Carbon Disclosure Project (CDP) is an independent not-for-profit organization that collects and reports data from the world's largest public companies on behalf of 655 investors representing \$78 trillion in assets.

We achieved a disclosure score of 87 in the CDP S&P 500 Climate Change Report 2012, our best score ever and a 30-point improvement over 2011. The average disclosure score is 70 for all S&P 500 companies in the 2012 CDP report.

Carbon Emission Estimator

Just as measuring our environmental impact is important to Union Pacific, increasingly, customers are asking us to calculate the carbon reductions they receive when we ship their goods. To reinforce the environmental value of shipping with Union Pacific, in 2011, we added capability in the [Carbon Emissions Estimator](#) for customers to calculate their savings compared to other freight transportation. In early 2013, we also began sending customers their carbon emissions savings estimate for 2012 shipments.



33.5 MILLION TONS OF GHG ELIMINATED IN 2012

Union Pacific has been part of our country's fabric throughout the railroad's 150-year history. We understand the value of conserving resources and providing Americans with fuel-efficient, environmentally responsible and safe freight transportation.

Based on all 2012 Union Pacific shipments, our customers helped eliminate an estimated 33.5 million metric tons of greenhouse gases by choosing Union Pacific over truck transportation for their shipping needs. This is equal to the amount of carbon sequestered annually by 27 million acres of forests.

Environmental Management, Governance and Compliance

To ensure our network is accurately reporting our environmental performance, we use sophisticated systems and programs that track detailed metrics. Union Pacific consistently manages our [environmental policy](#) and performance to ensure we are meeting or exceeding all applicable laws that regulate our impact on the environment.

Reduce, Reuse, Recycle

Waste Management Initiatives

Reducing waste and diverting as much as possible from landfills are two of our corporate objectives. In 2012, Union Pacific began evaluating our waste stream more comprehensively. It requires a significant effort to maintain a 32,000-mile network across the western United States and we estimate that we generated approximately 1.25 million tons of waste in 2011 and 1.06 million tons in 2012. Our employees look across our waste stream for opportunities to reduce what we consume, re-use wherever possible and recycle those items that have reached the end of their useful life. Examples of our waste reduction efforts include:

- In 2012, we diverted from landfills an estimated 75 percent of our waste.
- Instead of sending organic materials away as waste, Union Pacific now shreds vegetation at its source where appropriate, leaving valuable nutrients for the soil and reducing erosion.
- In 2012, we began recycling concrete crossties as part of our recycling efforts.

- We improved programs for more specific waste types, such as toner cartridges and fluorescent and high intensity discharge lamps.
- We've also expanded recycling of cardboard, paper, plastics and other solid waste. By the end of 2012, Union Pacific had implemented recycling at over 200 locations in more than 100 cities across the country.

E-Waste

Union Pacific makes it a practice to recycle electronics that have reached the end of their useful life, commonly known as e-waste. The company recycled or distributed more than 400,000 pounds of electronic equipment and nearly 1.1 million pounds of signal batteries in 2012.

Where possible, our re-use initiative aims to find new homes for our used electronics, including nonprofit organizations in developing countries. In 2012, the initiative found new homes for 22 percent of Union Pacific's used electronic assets.

Fuel and Oil

In 2012, we recycled more than 4.2 million gallons of oil and fuel. Our processes and equipment capture used oil and fuel at our fueling and servicing facilities so they can be recycled. In addition, we use drip pans and other collection systems under our engines to catch spills, separators that extract engine oil from wastewater and automatic fuel nozzles that shut off to prevent overflow when a tank is full.

Railroad Ties

In recent years, Union Pacific has been laying two new types of railroad ties to replace the traditional wooden form.

- Concrete ties in our heavy-haul corridors last longer than conventional ties, reducing the need for maintenance and improving overall network fluidity.
- Composite ties are made of 100 percent recycled material and are 100 percent recyclable at the end of their useful lives. They are particularly effective in regions like the Gulf Coast, where moisture and insects shorten the life of traditional wooden ties. Union Pacific has laid more than 350,000 composite ties in the last five years, which is the equivalent of 385 million one-gallon milk jugs being recycled.



Hazmat and Chemical Risk Reduction

Union Pacific complies with all laws and regulations on hazardous materials and chemical transportation. In 2012, 99.99 percent of the chemicals we shipped for our customers moved without incident, but we will not be satisfied until we reach 100 percent. Visit our website to learn more about our [hazardous material management and chemical risk reduction policies and practices](#).

Employee Stewardship

Our employees are our best resource for cutting waste and improving our environmental citizenship. Starting in 2008, we formally encouraged employees to suggest tips and ideas for improving our sustainability. So far, we've received over 1,800 ideas and more than 40 percent of these have led to changes in our programs and processes.

Environmental stewardship also means engaging with our communities. In 2012, employees hosted more than 100 events in connection with Earth Day. Events ranged from park and community cleanups to fairs for employees and community members. In Omaha, nearly 80 employees volunteered to connect with 1,000 students at 11 elementary schools with the goal to create a lasting stewardship message through engaging and fun activities.

Environmental Collaboration

Collaborating with a range of public and private sector organizations amplifies our environmental efforts.

For example, Union Pacific has worked with the California Air Resources Board (CARB) to reduce emissions and improve California air quality since the mid-1990s. Our efforts began with a first-of-its-kind commitment to bring the then most advanced and environmentally friendly locomotive technology to the South Coast Air Basin by 2010 continuing into 2030. According to CARB, this effort would reduce locomotive NOx emissions in the South Coast Air Basin by 65 percent in 2010 compared to 1998 levels. In 2012, CARB confirmed we met the 2010 requirements.

In 2012, Union Pacific expanded efforts with the Global Environmental Management Initiative (GEMI) and hosted one of GEMI's meetings, which provided members a chance to see the company's LEED-certified Union Pacific Center first-hand.

See our website for more information on these and other important [collaborative efforts](#).



UP 9900 is the signature unit in a series of 25 locomotives Union Pacific is analyzing as part of a broad test of various emission-reducing technologies in California.

Climate Change and Risk Factors

Union Pacific continues to address climate change challenges proactively and regularly assesses the risk of climate change on our operations.

We made our commitment not only because we care about being good stewards of the environment but also because it's good business to limit our exposure to the risks of climate change. We believe that any long-term approach to the climate change challenge must include measures that fuse a reduced carbon footprint together with economic growth and prosperity. Our trains are part of this solution by providing a lower-emissions way to ship goods and connect buyers and sellers.

We are taking concrete actions today to strengthen our railroad's ability to withstand future changes and events that might be associated with climate change. Future legislative and regulatory action on climate change may affect our operations and financial performance (see the risk factors in our [Annual Report on Form 10-K](#)), but we cannot predict such impact. Instead, we explore new ways to reduce our fuel consumption by developing innovative locomotive technology, strengthening engineer training and equipping our employees with an eye toward conservation.

Water

Union Pacific strives to be a responsible steward of America's water resources. We estimate that we consumed 2.55 billion gallons of water in 2012.

The company's role in water management stretches to our beginnings, as we frequently played the role of the first land developers across the western United States. To this day, Union Pacific is responsible for providing safe drinking water to the public in a handful of cities.

Besides encouraging water conservation, in 2012, we completed the company's most significant water initiative to close abandoned water wells across our territory, ensuring

environmental compliance and removing safety hazards. This seven-year project involved repurposing wells originally required to supply water for steam locomotives, shops and section houses. Our data review identified more than 2,500 potential sites. As a result of field visits, we completed the project and closed approximately 500 wells.

Protecting groundwater also is important to our company. Spill Prevention Control and Countermeasure (SPCC) plans have been prepared and implemented at more than 130 Union Pacific facilities. We also operate and maintain more than 90 wastewater treatment facilities across our system.

Key Awards & Recognition

- Union Pacific Headquarters: U.S. Green Building Council's Leadership in Energy and Environmental Design ([LEED](#)) [Existing Buildings Silver certification](#)



Mike Iden

General Director-Car and Locomotive Engineering

[Association of American Railroads John H. Chaffee Environmental Excellence Award](#)



Lanny Schmid

Director-Environmental Operations Center

[Association of American Railroads Professional Environmental Excellence Award](#)



Our Commitment

Since first laying rails in Omaha in 1865, Union Pacific has driven economic growth in America. At the core of our mission is the commitment to honor the generation that preceded us by promising to provide for future citizens.

Today, we continue to build our vision. Our system connects 23 states in the western two-thirds of the country by rail, and we continue to invest in new track to expand our reach. We will continue to strive to be the best in the business: in our safety initiatives, on our tracks, in our communities, across our workforce and to our environment. Trains are a fuel-efficient, environmentally responsible and safe mode of transportation that efficiently deliver our customers' products.

The 2012 Union Pacific Sustainability and Citizenship Report shares our initiatives and progress thus far. We are proud of our accomplishments and our work to improve our operations and invest in innovative technologies. In the years ahead, we will continue to invest in our employees, communities and infrastructure because they shape our growth and success.

ADDITIONAL RESOURCES

Union Pacific. For ongoing updates on our citizenship and sustainability efforts, visit www.up.com.

- [Media](#). Up-to-date information about Union Pacific and its work in the community
- [Environment](#). Sustainability commitments and progress
- [Employees](#). Programs and services available to the members of our workforce
- [Customers](#). Product offerings and business groups
- [Investors](#). Annual report, proxy statements and other SEC filings

Rail Industry

- [Association of American Railroads](#)
- [Freight Rail Works](#)
- [Federal Railroad Administration](#)

CAUTIONARY INFORMATION

Our 2012 Sustainability and Citizenship Report provides additional explanatory information regarding Union Pacific that may not be available, included or directly derived from information in the company's annual report.

This report includes statements and information regarding future expectations or results of the company that are not historical facts. These statements and information are, or will be, forward looking as defined by the federal securities laws. Forward looking statements and information can be identified by use of forward looking terminology (and derivations thereof), such as "believes", "expects", "may", "should", "will", "would", "intends", "plans", "estimates", "anticipates", "projects" and other words or phrases of similar intent. Forward looking statements and information generally include statements and information regarding: the company's expectations or forecasts with respect to general economic conditions in the United States and the world; the company's financial and operational performance; increases of the company's earnings; demand for the company's rail service; improving customer service; enhancing profitability; volume and revenue growth; efficiency improvements and increasing returns; improving asset utilization; the effectiveness or growth of new and newer services; management of network volumes; increasing shareholder value; total amount of capital

investments; completion and effectiveness of capacity expansion and other capital investments, and other investments in infrastructure improvements; returns on capital investments; improvements regarding safety of our operations and equipment; and effectiveness of plans, programs and initiatives to reduce costs and other efficiency improvements.

Forward-looking statements and information should not be read as a guarantee of future performance or results and will not necessarily be accurate indications of the times that, or by which, such performance or results will be achieved. Forward looking statements and information are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statements.

Forward-looking statements and information reflect the good faith consideration by management of currently available information and may be based on underlying assumptions believed to be reasonable under the circumstances. However, such information and assumptions (and, therefore, such forward-looking statements and information) are or may be subject to variables or unknown or unforeseeable events or circumstances over which management has little or no influence or control. The risk factors in Item 1A of the company's Annual Report on [Form 10-K, filed Feb. 8, 2013](#), could affect our future results and could cause those results or other outcomes to differ materially from those expressed or implied in the forward-looking statements and information. This report should be read in consideration of these risk factors. To the extent circumstances require or the company deems it otherwise necessary, the company will update or amend these risk factors in subsequent annual reports, periodic reports on Form 10-Q or current reports on Form 8-K.

Forward-looking statements speak only as of the date the statement was made. We assume no obligation to update forward-looking information to reflect actual results, changes in assumptions or changes in other factors affecting forward looking information. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect thereto or with respect to other forward-looking statements.

Feedback

For questions or to provide feedback, contact
Union Pacific via email at sustainability@up.com.

