

SUPPLY OVERVIEW.

The procurement of materials and services is deemed critical to our daily operations and necessary to ensure the success and health of our railroad. Union Pacific depends on suppliers to be reliable, creative, innovative and cost-effective, creating an environment that fosters an open and competitive playing field. While our buying decisions are based on defined factors, it is our ultimate goal to acquire goods and services at the lowest total cost of ownership. It is the strength of our supplier relationships that is the foundation for ensuring mutual business success. Minority- and woman-owned businesses are also viewed as a critical component in our procurement process, and we are committed to the development and nurturing of these businesses. We invite all suppliers to read the information on how to become a valued supplier with whom we look forward to doing business.

SUPPLY MISSION

The Supply Department's mission is to provide materials, services and leased equipment to internal railroad customers that meet their business needs at the lowest total cost (incorporating price, quality, transportation, etc.). All activities of the Supply Department will be conducted in a manner that ensures ethical and safe business practices while providing seamless service to our customers (having the service/ material available when it is needed) thereby contributing to the growth of the railroad's overall business levels, reducing its cost structure and improving asset utilization.

SUPPLY DEPARTMENT POLICY

The Supply Department's objective is to provide an uninterrupted flow of materials,

supplies and services required to safely operate the railroad, while meeting our customers' requirements for quality, price, delivery and service. Our policies and procedures can be found at www.up.com, click on "Suppliers."

RELATIONSHIPS WITH SUPPLIERS

We believe that an open, competitive environment is beneficial to both buyer and seller, and it is our policy to foster this environment. We use a rigorous strategic sourcing process that stresses total cost of ownership and effective commodity management. This process emphasizes external, internal and joint cost opportunities while considering design and specifications, quality of products and service, pricing, operational impact, and new and innovative ideas from our suppliers.

QUALITY REQUIREMENTS

Our success depends on our ability to deliver quality service to our customers, and our suppliers play an important role in accomplishing our mission. Suppliers must provide satisfactory service at a competitive price, maintain an adequate quality control program, work effectively with us to correct problems, and deliver materials or services on schedule. We are always willing to discuss quality problems with our suppliers and also welcome proposals for design or other improvements in purchased items. As a part of our quality effort, from time to time, representatives from the Supply Department's purchasing and quality areas and our user departments will visit suppliers of major or critical materials.





SUPPLIER DIVERSITY PROGRAM

Our Mission

Union Pacific Railroad is committed to the utilization of minority- and women-owned business. We strive to develop, cultivate and promote these businesses while providing the highest quality materials and services at the lowest total cost to our customers, thereby impacting the economic growth and development of the communities where we operate.

Our Goals

- Increase spending and utilization with minority- and woman-owned businesses.
- Design programs that will assist minority- and woman-owned businesses with growth and development.
- Offer assistance to help educate and expand business networks for long-term stability and success.
- Offer minority- and woman-owned businesses the maximum opportunity to compete with other suppliers and contractors in the marketplace.

While Union Pacific does not provide preferential treatment to minority- or woman-owned businesses, which could result in unfair competitive advantages, we have internal controls that support our diverse supplier goals for inclusion.

Our Program

Union Pacific's Supplier Diversity program was implemented in 1982. Union Pacific was the first among the Class I Railroads to establish a formal, companywide Minority and Woman owned Business Enterprise (M/WBE) purchasing program. In the first year of the program Union Pacific spent \$10 million with M/WBEs. Today, our direct spending has grown to more than \$300 million.

Union Pacific's program offers: (1) competitive opportunities; (2) business guidance; (3) expanded business networks; and (4) educational opportunities to qualified minority- and woman-owned companies.

Becoming a Valuable Supplier

It is important that any supplier desiring to do business with Union Pacific Railroad first register (www.up.com and click on the "Suppliers" link). Additional information with regard to becoming a valuable supplier is also available at this Web site.

