

Union Pacific

2013 Sustainability and Citizenship Report



BUILDING AMERICA®

About this Report

Our vision – Building America – symbolizes the Union Pacific experience for all the people whose lives we touch. It connects the importance of Union Pacific’s rail transportation to America’s economy, honors the generations that preceded us and is a promise to the generations that will follow. We live our mission by safely delivering the products people need for daily living and companies require for successful operations, providing good jobs, operating ethically and investing in our country by investing in our communities.

We are proud to report our progress in 2013 in four key areas: operating safely, strengthening communities, engaging employees and preserving the environment. In this report, we also recap our economic performance and impact.

We follow the Global Reporting Initiative’s 2011 [G3.1 sustainability framework](#) as guidance. The information in this report applies to railroad and select other operations. This publication primarily focuses on initiatives and accomplishments from the 2013 calendar year and includes 2013 data, unless otherwise noted.

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Our Company

Our Values

Focus on performance.

Ensure high ethical standards.

Work as a team.

Letter to Stakeholders



Union Pacific is committed to providing safe, efficient and environmentally responsible freight solutions. Delivering on this promise, we support the workforce's need for good jobs, communities' expectations of a corporate neighbor and businesses' growing demand for transportation. As the marketplace becomes increasingly more global, Union

Pacific helps connect America's manufacturing, food production and natural resources with countries beyond our borders.

U.S. freight shipments are forecasted to increase by 62 percent from 17.6 billion tons in 2011 to 28.5 billion tons in 2040. As Union Pacific aims to provide even more value for our customers, we are making strides to support the nation's imminent and long-term freight transportation needs. Keeping our vision – Building America – in focus, we are preparing for increasing demand and evolving access to critical resources while dedicating ourselves to providing the service necessary to sustain the country's economic prosperity.

In the course of moving nearly everything Americans rely upon for daily living, our company collaborates with many groups to identify sustainable paths for us all. Recent examples include:

- **Establishing a UP CARES public safety grant program.**

Crossing accidents on our railroad decreased by nearly 7 percent from 2012 to 2013; however, motorists nationwide continue to make unsafe decisions at crossings with tragic results. Responding to the need for more engagement with our neighbors, we established a grant program to fund community-owned initiatives that enhance railroad safety and promote accountability for safe behaviors.

- **Conducting emergency training and response outreach.**

To safeguard the chemicals our customers produce and that Americans require, we are connecting with local, state and federal first responders, training nearly 5,500 people in emergency-response preparedness approaches.

- **Hiring 3,450 employees, about 25 percent of whom are military veterans.** Union Pacific has a strong commitment to hiring veterans, whose backgrounds make them ideal candidates for many railroad jobs. Through a military-specific recruiting plan, we are attracting talented veterans to our workforce and providing them with competitive benefits and salaries above the national average.

- **Spending \$484 million with minority- and women-owned businesses.** Every \$1 spent with a minority-owned firm produces \$1.74 of economic impact in its community. To establish contracts with companies representing the populations and communities with whom we do business, we increased our ongoing spending with diverse suppliers by approximately 11 percent over 2012.
- **Innovating to reduce our environmental impact.** We continue to assess how climate change-related issues can affect our company, as well as our customers. Union Pacific's actions to increase fuel efficiency and reduce greenhouse gas emissions are reflected in our best-ever performance in CDP climate change reports. Union Pacific customers eliminated an estimated 33.7 million tons of greenhouse gases in 2013 by choosing rail over truck transportation.

We cannot predict all events that will impact our business, as evidenced by Colorado floods that bore a 7-story-deep hole along our route and the "polar vortex" that blanketed two-thirds of our network. Fortunately, more than 150 years of service has taught us that the unexpected is inevitable and resiliency will be critical to our viability. Investments in track and equipment made years prior were essential to our ability to adapt quickly and reallocate resources, providing service for our customers when Mother Nature dealt her worst.

We continue to invest, spending \$3.6 billion in 2013 to further strengthen our infrastructure; purchase 100 new, more fuel-efficient locomotives, 950 freight cars and 2,000 domestic containers; and install nearly 100 miles of new track.

This report illustrates how Union Pacific is progressing in efforts to operate safely, strengthen communities, engage employees and preserve the environment. We also discuss our goals across these key areas. Challenges we have encountered, such as the decline in our fuel efficiency, also are identified as we recommit with shared resolve to achieve objectives resulting in the greatest benefits for our business and stakeholders.

Jack Koraleski
Chairman and CEO

Key Performance Indicators

OPERATING SAFELY

	2012	2013
Rail crossing accidents <i>(per million train miles)</i>	2.38	2.22
Reportable injury rate <i>(per 200,000 employee hours)</i>	1.01	1.05
Public outreach	About 8,500 events reached 704,000 people	About 9,000 events reached more than 616,300 people

STRENGTHENING COMMUNITIES

	2012	2013
Reported net income	\$3.9 billion	\$4.4 billion
Operating revenue	\$20.9 billion	\$21.96 billion
Total capital investment <i>(private funds, no taxpayer dollars)</i>	\$3.7 billion	\$3.6 billion
Spend with minority- and women-owned businesses	\$430 million	\$484 million

ENGAGING EMPLOYEES

	2012	2013
Percentage of unionized employees	86%	86%
Workforce Diversity	95% Male, 5% Female	94% Male, 6% Female
<i>U.S. Population</i>	1% Asian	1% Asian
<i>2011 Census Data</i>	11% Black	11% Black
<i>(permits reporting of more than one race)</i>	74% Caucasian	74% Caucasian
	12% Hispanic	12% Hispanic
	1% Native American	2% Native American
	2% Native American	

PRESERVING THE ENVIRONMENT

2012

2013

Energy use	45.6 million MWh	45.7 million MWh
*Water usage withdrawals	2.82 billion gallons	2.55 billion gallons
*GHG emissions		
Locomotive fossil fuel emissions (scope 1)	11,149,798 metric tons	11,153,933 metric tons
*Fossil fuel emissions (scopes 1 and 2)	11,940,205 metric tons	11,953,871 metric tons
Employee travel (scope 3)	16,932 metric tons	18,210 metric tons
*Waste		
Total waste generated	1.12 million tons	1.08 million tons
Tonnage diverted from landfills	76%	77%
*E- waste	approximately 444,000 pounds recycled or reused	approximately 410,000 pounds recycled or reused

**2012 indicators have been restated due to increased precision in estimating based on new data and more in-depth analysis.*

2013 Sustainability Highlights

OPERATING SAFELY

- Decreased the rate of grade crossing incidents from 2.38 to 2.22.
- Promoted rail safety in 12 key Union Pacific communities through the company's public safety advertising campaign.
- Awarded 21 grants to community-owned railroad safety initiatives, reaching an estimated 230,000 people.
- Held about 9,000 UP CARES public safety outreach and training events, reaching more than 616,330 people.



STRENGTHENING COMMUNITIES

- Hired approximately 3,450 employees, about 25 percent of whom are military veterans.
- Supported more than 2,500 nonprofit organizations.
- Increased the company's spending with women- and minority-owned suppliers by approximately 11 percent since 2012.
- Invested \$3.6 billion of total capital in Union Pacific's network and operations to support America's freight transportation infrastructure.

ENGAGING EMPLOYEES

- Employed nearly 46,500 people primarily in 23 states.
- Hosted 2,000 employees at the company's wellness expo to meet with benefit plan providers and learn from health experts.
- Conducted more than 3.3 million hours of formal employee training.
- Provided financial assistance through Union Pacific's Friend to Friend Network to approximately 700 families of active or retired railroaders who suffered a health- or dwelling-related tragedy.

PRESERVING THE ENVIRONMENT

- Eliminated an estimated 33.7 million metric tons of greenhouse gases thanks to our customers choosing rail over truck transportation.
- Diverted from landfills more than 830,000 tons of waste, which accounts for an estimated 77 percent of our waste.
- Recycled or distributed more than 400,000 pounds of electronic equipment and nearly 1.4 million pounds of signal batteries.
- Completed testing an ultra-low emitting Genset locomotive fitted with diesel particulate filters to further reduce particulate matter emissions beyond its normal low level.

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.

Broadly, 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 possible.
- Constantly improve employee, customer and public safety through innovation, 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 so we can 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 our ultimate goals continue to be:

- 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 each year from 2011 to 2015. Measured on a gross-ton mile basis, this will result in a greenhouse gas emissions reduction of 1 percent annually. Attaining our goal would improve our fuel efficiency by 23 percent over that five-year span, using 2000 performance as the benchmark. We did not make our goal in 2013 primarily because of a change in our freight traffic mix (e.g., we experienced a 9 percent decrease in the volume of coal transported). Our [Preserving the Environment](#) section features information about new technologies we are exploring to improve our fuel efficiency.



Challenges and Opportunities

Safety

Operating safely is of utmost importance to our company. We oversee what essentially amounts to a 32,000-mile outdoor factory. Because of challenges associated with monitoring such a large area, we collaborate with other agencies to help ensure security. Also, last year across all United States railroads 2,087 vehicle-train collisions occurred at highway-rail grade crossings.* Through education, infrastructure projects and enforcement of trespasser and grade crossing regulations, Union Pacific dedicates resources to changing the at-risk behavior of pedestrians, motorists and truck drivers on railroad property and at grade crossings.

Read more about our safety investments in this report's [Operating Safely](#) section.

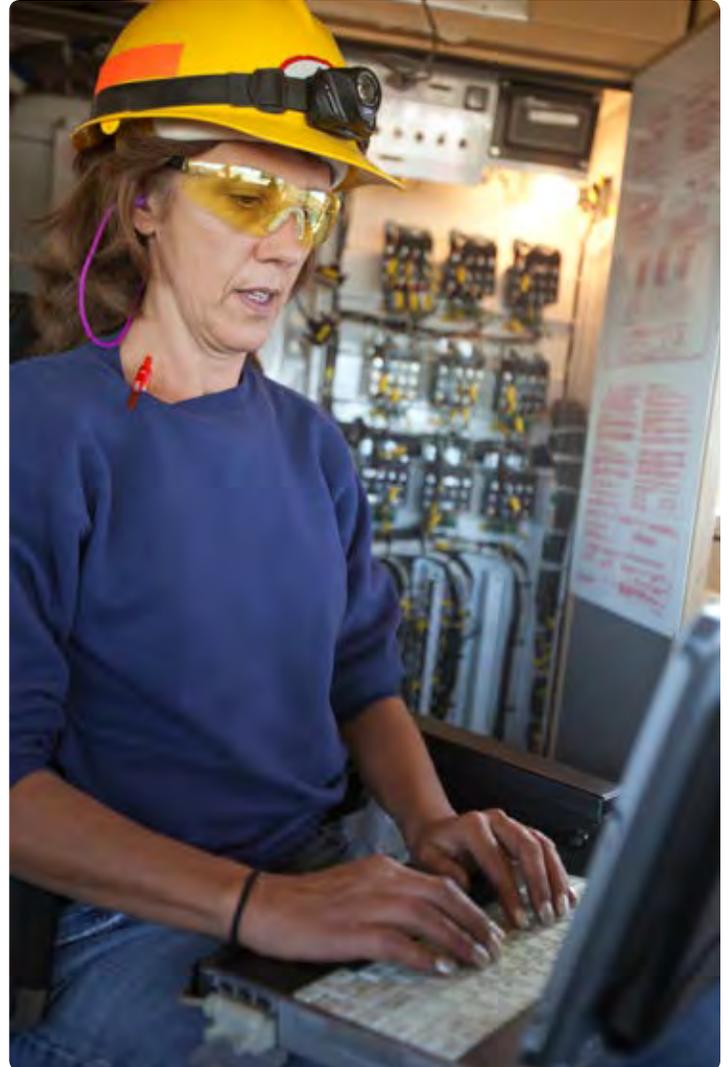
**Source: Federal Railroad Administration, Preliminary 2013 statistics*

Fuel efficiency

Improving our fuel efficiency offers the greatest singular opportunity to reduce our greenhouse gas emissions. As the mix of commodities we ship changes, improving fuel efficiency remains a challenge. We're committed to exploring fuel-efficient technologies. In addition, we continue to evaluate alternative fuels for powering our locomotives. Though diesel is the most efficient and effective fuel to power the locomotives on our network today, we anticipate a combination of fuels and technologies will power tomorrow's railroad. We are once again working closely with locomotive and engine manufacturers, and other suppliers to study the benefits of converting locomotive engines to liquefied natural gas fuel. Read more about these efforts in the [Preserving the Environment](#) section.

Employee diversity and retention

Attracting and retaining a diverse workforce is an ongoing priority for our company. Through focused recruiting programs for women and minorities, as well as improved training, we persistently strive to be the employer of choice. Read more in our [Engaging Employees](#) section.



Stakeholder Outreach

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

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

These groups include:

- Customers
- Communities
- Investors
- Advocacy groups
- Employees
- Suppliers
- Policy makers and regulators



COMMUNICATION AND ENGAGEMENT 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 and communities joint emergency response committees
- Employee recruiting
- State-specific [public affairs contacts](#) and outreach
- Public-private partnerships
- [Facebook](#), [LinkedIn](#), [Twitter](#), [YouTube](#) and other social media channels
- [Community Ties](#)
- Event sponsorships

Customers

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

COMMUNICATION AND ENGAGEMENT CHANNELS *(continued)*

Employees and Retirees

- UPOne daily news updates
- Employee website
- Employee ethics hotline
- Business ethics bulletins
- 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
- Peer Support
- Chairman's Letters
- Family Days

Investors

- [Annual reports and proxy statements](#)
- Investor conferences
- Shareholder meetings with management
- Earnings conference calls
- [SEC filings](#)
- [Quarterly earnings reports](#)
- 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](#)
- Participation in the Association of American Railroads
- Ongoing commitment to meet voluntary agreements with the California Air Resources Board and other states
- 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

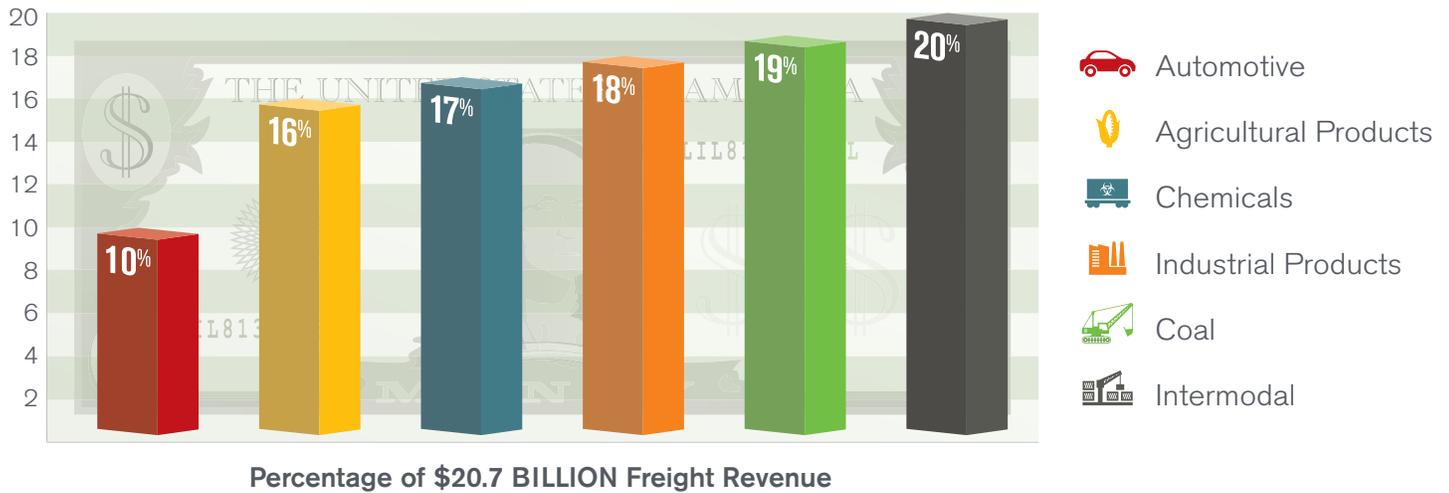


Union Pacific Railroad is the principal operating company of Union Pacific Corporation (NYSE: UNP). One of America's most recognized companies, Union Pacific Railroad connects 23 states in the western two-thirds of the country by rail, providing a critical link in the global supply chain. From 2004 to 2013, Union Pacific invested approximately \$30 billion in its network and operations to support America's transportation infrastructure. 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.

For more than 150 years, Union Pacific has been committed to customer service, investment and innovation. 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.

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 by 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 whole grains and other agricultural products. Among innovative transportation solutions is our coast-to-coast refrigerated produce transportation service that expedites fresh produce from production regions to major consumption areas.

Automotive | Revenue: \$2.1 billion

Union Pacific operates vehicle distribution centers for major automotive manufacturers and provides expedited parts shipping. We are the largest automotive carrier west of the Mississippi River.

Chemicals | Revenue: \$3.5 billion

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

Coal | Revenue: \$4.0 billion

Coal generates around 40 percent of the U.S. electricity supply. We deliver more than 20 percent of the coal American businesses and consumers need, which is enough to power 32 million homes.

Industrial Products | Revenue: \$3.8 billion

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

Intermodal | Revenue: \$4.0 billion

Intermodal freight transport uses multiple modes of transportation (rail, ship and truck) to transport freight in an intermodal container or vehicle, without any handling of the freight itself when changing modes. This method reduces cargo handling, and improves security and efficiency. 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 rail transportation services provider to and from the United States/Mexico border. Revenue from our six business units includes \$2.1 billion in Mexico trade in 2013.

GOVERNANCE AND ETHICS

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

Setting Policy

Union Pacific strives to be a source of pride for employees and to create a bond with customers, investors and community partners. To support these objectives, employees are expected to comply with applicable laws and regulations and adhere to high ethical standards, including honesty, fairness, integrity and respect. For more information, read our complete [Statement of Policy Concerning Business Conduct and Ethics for Employees](#).

[Union Pacific's board of directors](#), with input from the Corporate Governance and Nominating Committee, adopts governance policies for the company. Both the board and the committee assess the [Corporate Governance Guidelines and Policies](#) to include best practices to ensure effective governance of the company.

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, is operated under a written charter and is provided specific oversight responsibilities. Members of the board and committees self-evaluate to assess performance, 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.

The corporate governance and nominating committee is responsible for developing and reviewing the appropriate skills and characteristics required of our board members. The committee also oversees the company's Code of Business Conduct and Ethics for Directors.

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. The board has appointed and authorized the secretary of the company to facilitate communications between interested parties and the directors. Communications from shareholders are forwarded directly to the appropriate board members.

Employees and third parties also can communicate on governance issues. The Union Pacific Values Line allows employees to anonymously report governance concerns. Reportable issues could include questionable accounting, auditing matters or safety concerns. Employees also can report directly to the company's internal audit department or the company's general auditor. Third parties can communicate directly with the company's general auditor.

Audit Committee

The Audit Committee meets regularly with the independent registered public accounting firm of the company, financial management, the internal auditors, the chief compliance officer and the general counsel to provide oversight of the financial reporting process, internal control structure, and the company's compliance requirements and activities. The Audit Committee also reviews the company's compliance program and risk assessments, including the annual enterprise risk management plan. The Audit Committee oversees administration of the company's Code of Ethics for the chief executive officer and senior financial officers and the Statement of Policy on Ethics and Business Conduct for employees, as well as policies concerning derivatives, environmental management, use of corporate aircraft and insider trading.

GOVERNANCE AND ETHICS *(continued)*

Equal Employment Opportunity and Anti-Harassment Policies

A discrimination-free workplace and fair treatment are fundamental rights of all Union Pacific employees. Union Pacific has an [Equal Employment Opportunity \(EEO\) Policy](#) that extends to all employees and applicants regardless of race, color, gender, national origin, age, religion, sexual orientation, gender identity, veteran status, disability or genetic information. In addition, our 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 and encouraged 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 chief executive officer 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. We continually assess the appropriateness of these codes and policies, and recommend changes that comply with federal regulations to continue to promote and support effective governance. In 2013, 89 percent of all employees were trained on the company's Statement of Policy Concerning Business Conduct and Ethics. 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 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.

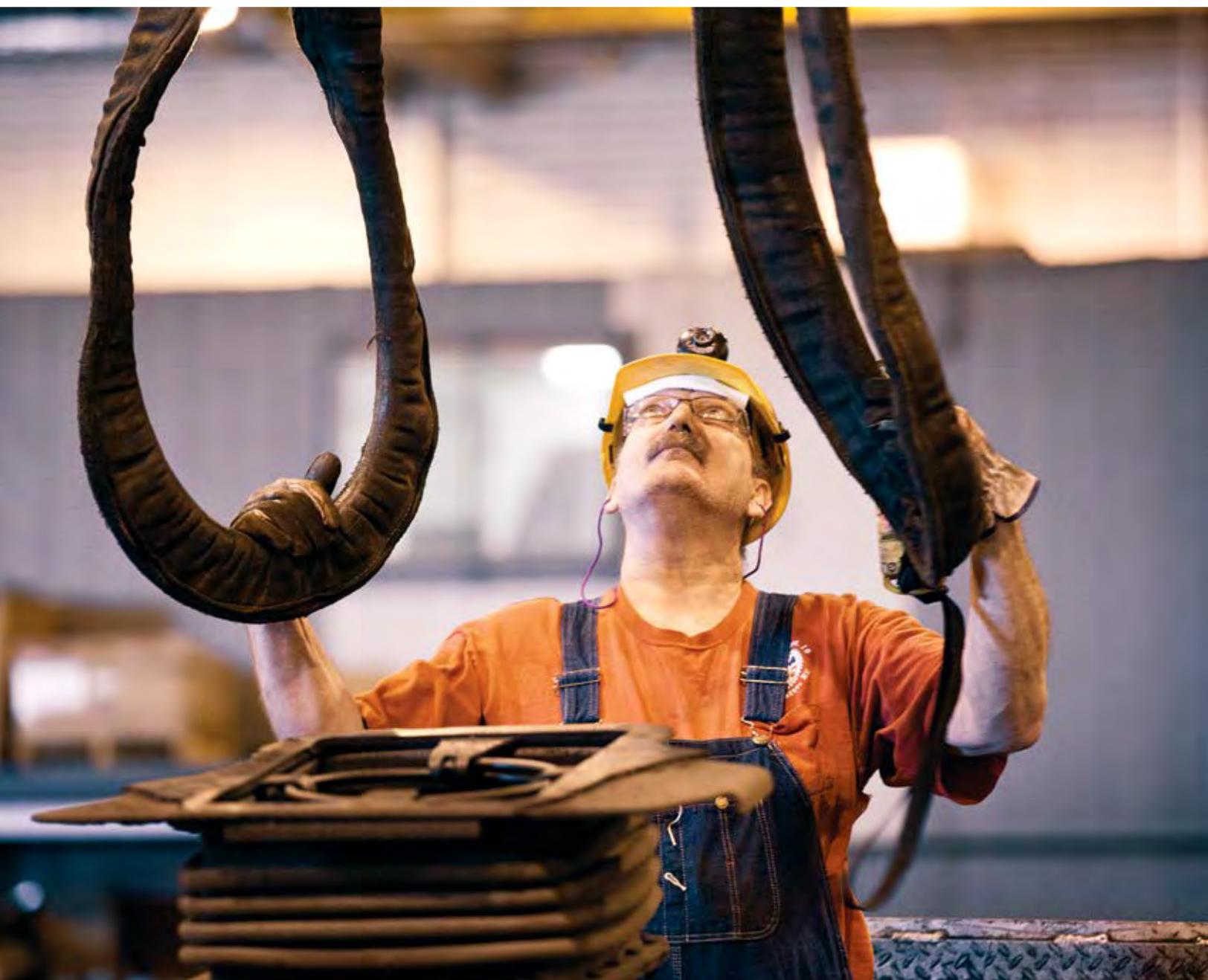
[Government Relations Program and Political Contributions](#)

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 to participate in the political process through a government relations program to educate and inform public officials about the company's position on issues that affect its business. Through these efforts, we further public policy goals that are consistent with the company's values and the sustainability of our 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, lobbying activities and any applicable guidelines and procedures. For more information, read our complete [Political Contributions Policy and Procedures](#).

KEY AWARDS AND RECOGNITION

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



Operating Safely

Safety is the primary consideration in everything that we do. It's vital for our employees and our communities. Through highly visible public safety campaigns and strategic partnerships, the UP CARES public safety initiative, improved reporting, investment in innovative technology and ongoing support of our own highly trained police force, we are always working toward the ultimate goal of eliminating accidents completely.

Public Safety

ADVERTISING CAMPAIGN

Union Pacific's 2013 public safety [advertising campaign](#) utilized billboards and public safety outreach to promote rail safety in 12 Union Pacific communities. These billboards reached more than 2 million people and the associated proactive media efforts reached more than 3 million people.

Each billboard included the reminder "Always Expect a Train," along with an eye-catching visual and attention-grabbing headline, such as:

- "Life is Worth the Wait."
- "Signal On. Brake On."
- "High Centered. High Danger."
- "Every Crossing. Extra Caution."
- "Be Alert. Be Aware. Stay Alive."

Through these campaigns, Union Pacific encouraged drivers and pedestrians to follow all laws regarding grade crossings and railroad safety.

UP CARES

Through our [UP CARES](#) public safety initiative, nearly 9,000 outreach and training events reached more than 616,300 people in 2013. UP CARES activities include:

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

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.

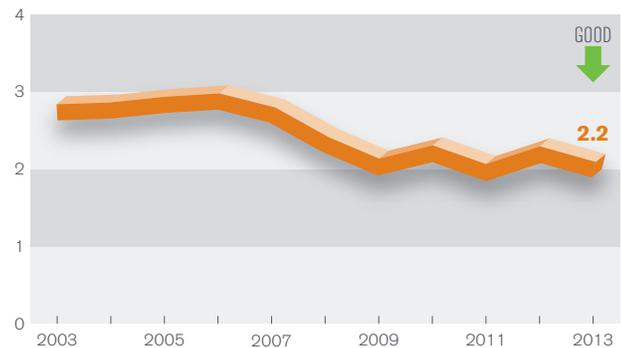
UNSAFE MOTORIST AND PEDESTRIAN BEHAVIOR REPORTING

To protect the communities we serve, we must be vigilant in educating neighbors about the dangers of violating grade crossing laws. We created the first-of-its-kind unsafe motorist and pedestrian reporting process for train crews, pinpointing high-risk locations. Collected through this process is data accessible to both Union Pacific and outside agencies that use the information to determine which grade crossings receive active warning devices or other road improvement projects.



2013 Crossing Accident Rate

(Accidents per million train miles)



2013 Safety Grant Program

Union Pacific [awarded 21 grants](#) to community-owned railroad safety initiatives. Ranging from \$500 to \$5,000, the grants support initiatives developed by community organizations to enhance railroad safety and promote community accountability. Examples of grant-funded initiatives include police department-led educational and enforcement activities (grade crossing patrols, commuter station blitzes, etc.), school safety days, targeted in-school media and integrated community outreach. The estimated audience reach of grant-funded initiatives exceeds 230,000 people.

Safety Technology and Innovations

Our reportable derailment rate increased by 1 percent in 2013 but decreased by 23 percent from 2003 to 2013. We know there is room for more 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:

- **Big Data Variability Analysis.** We analyze top causes of rail equipment incidents and identify where and when to focus efforts to reduce them.
- **Subdivision (a specific section of track) Sensitivity Studies.** Sensitivity studies identify the risk of incident through computer modeling. These models pinpoint worst-case scenarios within identified subdivisions where exposure may be the greatest if an incident occurred. We use this data to enact countermeasures that proactively address risk.
- **Post-Derailment Simulations.** The use of computer modeling allows us to further define the cause of a derailment after an incident and fully understand what occurred to prevent future events.
- **Distributed Power Units.** These locomotives operate in the middle and/or end of trains instead of only at the front. This placement makes trains less prone to derailments and facilitates more even braking that, in turn, reduces wheel and track wear. This technology also improves fuel efficiency, resulting in fewer emissions.
- **Ultrasonic Wheel-Defect Detection.** Our robotic system scans each wheel in our coal-car fleet every 60 to 90 days to eliminate derailments caused by broken wheels.
- **Wayside Detectors.** Our systems analyze daily 20 million data points collected at more than 4,700 special detectors deployed across our network. This helps us more accurately identify and repair potential failures in rail equipment components. We continue to maintain, install and improve our wayside technology infrastructure. For wheel impacts, this translates to further definition of our defect thresholds. It also helps us improve our wayside detection network coverage based on changes in our traffic volume, ensuring we have the right detector(s) at the right place at the right time.
- **Hot Bearing (“Hotbox”) Detectors.** These detectors use infrared sensors 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 the safety of bearings. Acoustic 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.

LOCOMOTIVE CAMERAS

After careful consideration, Union Pacific decided to install in-cab cameras aboard its locomotives. The inward-facing cameras join the locomotive fleet's outward-facing cameras, called Track Image Recorders (TIR). Since 2005, TIRs have provided images of track, crossings and signals directly in front of locomotives. The video is used in conjunction with the locomotives' event recorder data, which records train speed, throttle and brake settings, traction power levels and horn use.

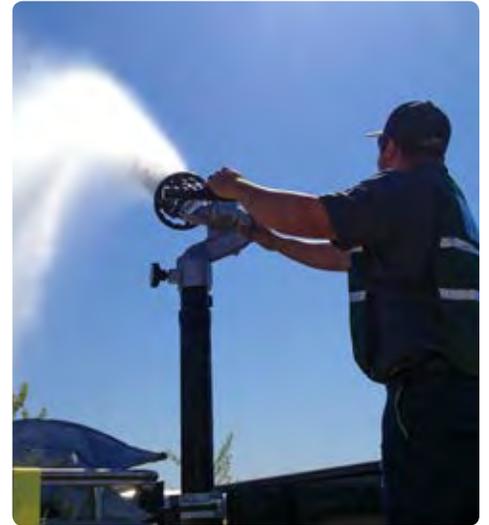
Through the years, the TIR/event recorder data has validated the professionalism of train crews and the same results are expected from inward-facing cameras.

Combining inward-facing camera recordings with TIR/Event Recorder data is another step toward preventing the most catastrophic incidents. Video reviews of accidents and performance can increase understanding of crew behaviors to improve training and coaching.

In 2014, Union Pacific began installing inward-facing cab cameras in the first of more than 5,000 locomotives scheduled for the technology, a process that is expected to continue through 2016.

Emergency Training and Response Systems

Union Pacific annually trains local, state and federal first responders on ways to minimize the impact of a derailment on a community. In 2013, we completed our 52nd class at the Association of American Railroads' Security and Emergency Response Training Center. We also participate in industrywide training tours. Last year, our outreach programs trained nearly 5,500 public responders.



Hazmat and Chemical Risk Reduction

Participating in [TRANSCAER](#) (Transportation Community Awareness and Emergency Response), we annually coordinate drills reaching thousands of participants to help communities prepare for and respond in the event of an incident involving hazardous materials. Union Pacific requires our [hazardous materials managers](#) to participate in state and local planning committees. They work alongside representatives from local fire and health departments, schools, transportation departments and members of the public. During these interactions, Union Pacific managers provide information about chemicals moving through committee members' communities and help establish safety plans.

We further invested in our preparedness efforts. Our education equipment fleet now includes two training tank cars and 12 training trailers used in our community outreach programs. During these programs, Union Pacific hazmat managers instruct emergency response teams on hazmat incident response procedures for scenarios including derailments, spills and collisions.

Union Pacific was the first Class I railroad with the internal capability to transfer liquids or compressed gases between two rail cars in the field, ensuring continuous freight movement to customers' destinations. A transfer typically occurs if a car has been damaged en route and cannot be safely transported to its destination.

CRUDE BY RAIL

We take our responsibility to ship crude oil safely very seriously. We follow the [strictest safety practices](#) and, in many cases, exceed federal safety regulations. Our goal is to have zero derailments. We are working with the Association of American Railroads, the Pipeline and Hazardous Materials Safety Administration and our customers and others in the industry, including the American Petroleum Institute, to improve crude-by-rail transport.

UNION PACIFIC AGAIN SECURES RESPONSIBLE CARE CERTIFICATION

Union Pacific's hazmat transportation efforts focus on four key principles: prevention, preparedness, response and recovery.

Union Pacific has once again successfully met stringent certification requirements under the American Chemistry Council's [Responsible Care](#) Management System (RCMS) program, demonstrating for the public and chemical customers its commitment to safely handling hazardous materials.

Visit our website to learn more about our [hazardous material management and chemical risk reduction policies and practices](#).

Union Pacific's Pinnacle Awards for Chemical Transportation Safety

In 2013, Union Pacific named 63 companies as annual [Pinnacle Award](#) recipients for chemical transportation safety. The award recognizes Union Pacific customers that implemented successful prevention and corrective plans and achieved zero non-accident releases (NARs) for regulated hazardous materials shipments.

NARs declined by more than 13 percent on Union Pacific's network from 2004 to 2013, partly due to increased inspections by the railroad's hazardous materials safety field personnel and customers adhering to the Pinnacle Award criteria.

Safety through Security



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

Employees' efforts led to a reportable injury rate of 1.05 per 200,000 employee hours, as reported to the Federal Railroad Administration. From 2002 to 2013, Union Pacific employees improved their reportable injury rate by 56 percent.

Our injury-rate improvement is evidence of our employees' personal commitment to working safely. The Courage to Care Pledge and our Total Safety Culture reinforce this goal.

In addition, Union Pacific offered nearly 900 safety-related courses last year directly targeting safety-related tasks.

TOTAL SAFETY CULTURE

Total Safety Culture (TSC) is a voluntary employee-led initiative that teaches employees safe 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.

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."

Railroadwide safety "stand down" meetings were held twice in 2013. During these events, normal operations are suspended for in-depth conversations on Courage to Care's role in employees' lives.

TECHNOLOGY'S ROLE IN EMPLOYEE SAFETY

Telematics

More than 1,700 company vehicles are outfitted with telematics. This technology uses a telecommunications device to transmit real-time information about motorist behavior, including seat belt use, speed, and acceleration and deceleration, to provide feedback that informs safe driving habits.

Electronic Device Awareness Campaign

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 about at-risk behaviors such as the unsafe use of electronic devices. Our 2013 "[Don't Text while Driving](#)" Pledge helped reinforce it.

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.

Video Gaming Technology

[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 that allow them to learn in the safety of a classroom rather than in a 6,000-ton train. We also use avatars in our Mechanical Department for car inspection training.



Bobby Caughron Honored as Union Pacific's 2013 J.C. Kenefick Safety Award Winner



Union Pacific awarded Bobby Caughron, signal safety foreman, with the railroad's highest safety honor, the 2013 J.C. Kenefick Safety Award.

Caughron has led safety initiatives throughout his 36-year career, as well as maintained a strong Total Safety Culture (TSC) role.

Caughron's Signal Construction team comprises most of the railroad's Centralized Signal group. From 2011 to 2013, Centralized Signal's injury rate improved 58 percent and lost work days were reduced by 92 percent – an impressive accomplishment considering Signal Construction's workforce increased more than 40 percent.

Caughron actively works to reduce workplace risk by:

- Establishing a method for a single person to safely close new security doors on equipment houses.
- Identifying a tool to cut cable ties and changing how employees apply them, eliminating the risk of sharp edges.
- Consolidating best practices from across our railroad and developing a job aid that improves risk assessment and efficiency.
- Leading a TSC team that changed processes to reduce material handling injuries by 71 percent in 2013.

Since its inception in 1986, the J.C. Kenefick Safety Award is presented annually to a unionized employee who has demonstrated outstanding job safety achievement through leadership and exemplary work performance.

Proper Training Saves a Life

In October 2013, Union Pacific employee Eric Avelar was enjoying his lunch during a staff meeting when a piece of chicken became lodged in his throat.

Unable to speak or breathe, Avelar, a field management training supervisor, recalled a recent safety course lesson: If the throat is completely obstructed, get someone's attention and make choking gestures.

"Right away, I looked for my good friend Paul," said Avelar. "I ran up to him and pointed at my throat and stomach. He reacted right away, getting behind me and administering the Heimlich maneuver until the obstruction was removed."

Paul Rojas' instincts kicked in from previous Union Pacific training. Instincts had a hand in Avelar's and Rojas' initial reactions. Both agree that training ultimately saves lives.



Paul Rojas, left, and Eric Avelar

Key Awards and Recognition

- **Tim Neumaier**, *Regional Construction Coordinator*
 National Utility Contractors Association of Arizona
 Mark Dryer Safety Award
- [Commission on Accreditation for Law Enforcement Agencies Inc. Accreditation](#)



Strengthening Communities

Across the nation, our company connects thousands of communities by providing strong infrastructure, good jobs and a commitment to giving back. Our supplier initiatives empower companies that are committed to the highest ethical standards and foster success among diverse suppliers.

2013 State-by-State Economic Impact

STATE	Employees	Payroll [*]	Route Miles	Capital Spending [*]	In-State Purchases [*]
Arizona	1,253	109	639.94	79.1	120.4
Arkansas	2,874	230	1,326.56	173.3	41.3
California	4,860	429	3,267.08	326.7	228.4
Colorado	1,325	120	1,512.45	77.8	222.9
Idaho	889	82	847.72	42.5	9.6
Illinois	3,967	351	2,197.86	181.6	1427.9
Iowa	1,706	139	1,386.39	79.0	72.0
Kansas	1,487	140	2,204.90	75.5	244.6
Louisiana	1,245	120	1,151.61	131.7	16.1
Minnesota	547	45	646.46	8.3	106.1
Missouri	2,734	209	1,483.50	77.0	362.0
Montana	13	1	125.22	0.0	1.6
Nebraska	7,864	995	1,066.79	237.9	196.0
Nevada	565	43	1,192.61	77.9	47.6
New Mexico	294	26	618.15	244.0	1.0
Oklahoma	402	40	1,172.77	36.8	129.9
Oregon	1,619	137	1,072.82	105.9	144.1
Tennessee	56	4	14.14	0.1	94.6
Texas	8,196	726	6,314.32	589.0	2454.0
Utah	1,458	131	1,247.65	91.9	175.2
Washington	336	26	531.85	18.6	100.1
Wisconsin	392	39	927.12	21.6	54.1
Wyoming	1,221	96	874.44	98.4	70.2

^{*}Millions of dollars

Providing Good Jobs

Union Pacific provides good jobs in our communities in an industry critical to America. We pride ourselves on hiring the best candidates and providing them with the resources, training and support they need to reach their potential. We hired approximately 3,450 employees and plan to hire almost that many again in 2014, depending on attrition and business needs. You can read more about our commitment to our employees in this report's [Engaging Employees](#) section.

OUR COMMITMENT TO VETERANS

Since our inception in 1862, Union Pacific has supported the military by transporting troops, supplies and equipment, and by hiring veterans.

Approximately 25 percent of Union Pacific's new hires in 2013 were military veterans. They joined more than 9,000 other veterans at Union Pacific who represent more than 19 percent of our total workforce. In addition, Union Pacific continues to support the military by shipping thousands of rail cars of equipment to support their efforts.



Military Recruiting

Veterans often easily adapt to the culture and fabric of Union Pacific. They have proven leadership skills, early career management skills, experience working in challenging environments and a performance-oriented work ethic – traits that allow for a smooth transition into the quality jobs we provide. Representatives from Union Pacific attended 99 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 also part of the Army Reserve's Employee Partnership Initiative and support the Army Partnership for Youth Success program. Union Pacific 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.

Community Giving

PUBLIC-PRIVATE PARTNERSHIPS

Union Pacific's involvement in public private partnerships (P3s) helps boost local economies and develop long-lasting relationships.

In August 2013, Union Pacific and its partners announced completion of the [Colton Crossing public-private project](#), which supports business growth in Los Angeles and California's Inland Empire.

Construction on the Colton flyover began in 2011. The project involved elevating Union Pacific's east/west tracks over BNSF's existing north/south tracks to dramatically improve fluidity at the 131-year-old rail intersection. Before the flyover's construction, Colton Crossing was one of the nation's busiest at-grade rail-to-rail crossings, accommodating more than 100 freight and passenger trains daily. Federal, state and local government funding, coupled with private dollars from Union Pacific and BNSF, made the project possible.

PASSENGER RAIL

Each weekday, more than 250 commuter trains carrying 120,000 passengers travel on Union Pacific rail lines. By comparison, Amtrak operates about 300 trains with 87,000 daily passengers.

UNION PACIFIC FOUNDATION

Union Pacific, in conjunction with the [Union Pacific 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.

Interactive Learning Takes On New Level

Union Pacific partnered with its foundation for the third consecutive year to purchase hands-on educational supplies that foster student success.

Pre-kindergarten and kindergarten classrooms at Fifth Ward Elementary in St. James, Louisiana, received books for a reading center, as well as magnets and weather charts for a science center.

The school's library also received an interactive whiteboard package, featuring a laptop, whiteboard with speaker system, and response system allowing students to actively participate in lessons.

New Bridge Helps Eliminate Delays for Passenger and Freight Trains



In November 2013, Federal Railroad Administrator Joseph Szabo, along with representatives of Union Pacific, the Missouri Department of Transportation (MoDOT), Amtrak and contractor OCCI Inc. officially opened a new \$28 million 1,200-foot railroad bridge across the Osage River. The new bridge adds capacity and aids in the continued improvement of on-time performance for freight trains and the Amtrak® Missouri River Runner passenger trains sponsored by MoDOT between Kansas City and St. Louis.

The new bridge enables all trains using the corridor to operate more efficiently. According to MoDOT, 90 percent of the Missouri River Runner trains arrived on-time or ahead of schedule in fiscal year 2013. These same passenger trains were operating an average of 64 percent on-time in 2008. Subsequently, ridership has increased for six consecutive years to nearly 200,000 passengers.

MoDOT received a multimillion dollar award under the Recovery Act, which funded a majority of this project. Union Pacific provided the remainder of the project cost. The bridge was constructed by OCCI, Inc., from Fulton, Missouri. These and other improvements, directly linked to capital investments made by Union Pacific, the Missouri General Assembly and the federal government, continue to add capacity, improve on-time performance and increase the efficient movement of goods along the corridor.

GIVEPLUS

Through GivePLUS, employees are encouraged 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 that host employee volunteers.

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, along with [Union Pacific's Supplier Code of Conduct](#).

Supply Chain Risks

As stated in our annual report, cap and trade programs could affect our customers who use the commodities we carry to produce energy or use significant amounts of energy to produce or deliver the commodities we carry. Cap and trade programs also could affect businesses that manufacture or produce goods that consume significant amounts of energy or burn fossil fuels, including chemical producers, farmers and food producers, and automakers and other manufacturers.



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. The program permeates the entire organization, impacting purchases of fuel, engineering services, railroad maintenance and construction materials, rolling stock maintenance and technology. From a direct spend of \$10 million in the 1980s to more than \$484 million in 2013, we continue to expand opportunities to support the success of minority- and women-owned businesses.

In our bid process, we work to include qualified diverse businesses where they exist. We measure and report on their inclusion in our bids, as well as how often bids are awarded to these businesses. In addition, we request critical suppliers report how much they spend with diverse businesses and review their performance.

As a result of our supplier diversity initiatives, many of our suppliers have been motivated to develop similar programs of their own. Diverse businesses and the communities in which they operate realize economic benefits from our program.

2013 Supplier Diversity Facts and Figures

- Union Pacific spent \$484 million 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 an average of approximately 12 percent each year from 2008 to 2013, including an approximately 11 percent increase over 2012.
- Approximately 45 percent of Union Pacific's critical suppliers reported purchasing goods or services with diverse suppliers, demonstrating their support of our supplier diversity initiative.
- Union Pacific hosts quarterly "Lunch and Learns," a training program designed to build awareness of our supplier diversity program's significance, initiatives and supporting tools.

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

Minority Business News named Sheila Estes, senior manager-supplier diversity, an Ambassador for Supplier Diversity.



"This recognition means my peers notice the work I'm doing, but more importantly, it means Union Pacific Railroad values diverse supplier inclusion," Estes said. "Our program continues to develop, and we are evolving our processes to ensure diverse suppliers are given the opportunity to compete. Union Pacific's support of supplier diversity means stronger competition, healthier local economies and corporate responsibility."

Key Awards and Recognition

- [Iowa State University College of Business Administration Russ and Ann Gerdin Award](#)
- Union Pacific Women in Technology: University of Nebraska Omaha Outstanding Community Service Award
- [Children's Square U.S.A. Jason Award](#)



Engaging Employees

Our employees are our most valued asset. Their commitment to teamwork, high ethical standards and exemplary performance drives our success. Investing in programs to attract, develop and retain skilled and diverse workers is one of our top priorities.

Our Workforce

NEARLY 46,500 EMPLOYEES IN PRIMARILY 23 STATES



Diversity

Asian	1%
Black	11%
Caucasian	74%
Hispanic	12%
Native American	2%

Senior Management Diversity

Asian	1%
Black	5%
Caucasian	89%
Hispanic	4%
Native American	1%

Gender

Female	6%
Male	94%

Senior Management by Gender

Female	17%
Male	83%

Four Generations in Union Pacific's Workforce

Traditionalists (<i>born before 1946</i>)	>1%
Baby Boomers (<i>born 1946-1964</i>)	37%
Generation X (<i>born 1965-1981</i>)	48%
Millennial (<i>born after 1981</i>)	15%

Benefits

A total of 92 percent of employees who elected medical coverage enrolled in High Deductible Health Plans (HDHP).*

Employees paid an average of only 9 percent of the total premium for their Union Pacific medical coverage. This is significantly less than the national average of 24 percent (2013 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.

Benefits programs, which vary based on whether employees are non-union or part of a collective bargaining agreement, include:

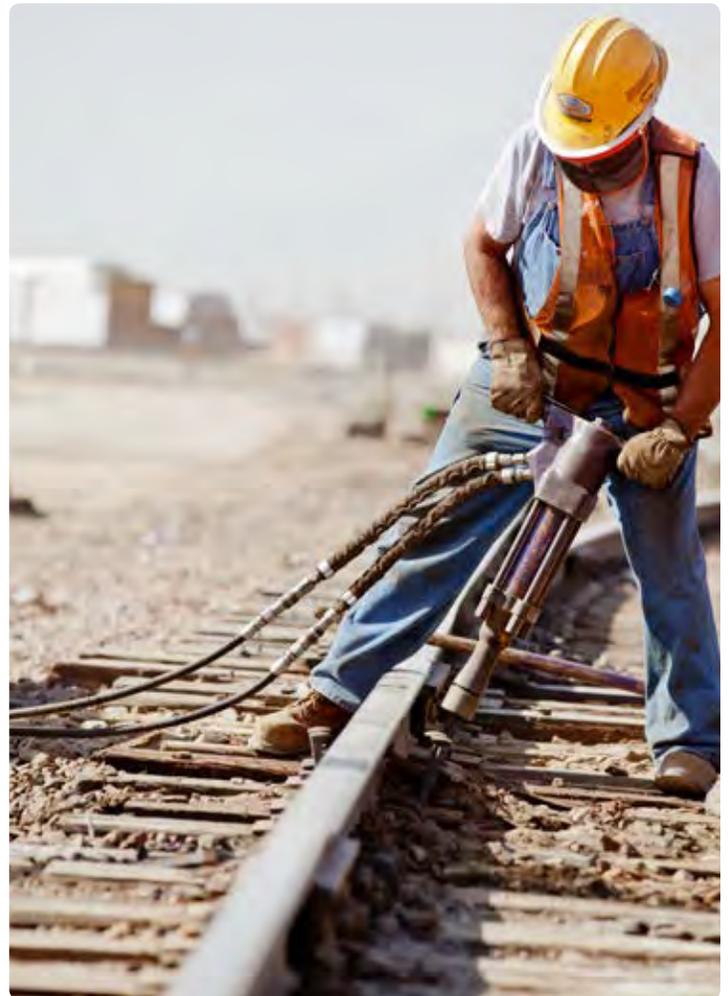
- [Life Insurance](#)
- [401\(k\) Thrift Plan](#)
- **Financial Well-Being Site:** A simple but informative description of employee benefits that addresses questions most important to employees at various stages of their careers.
- **Benefits Statements:** Modeling tools that include an option for employees to project the impact of the pension, Railroad Retirement or Social Security benefits, a 401(k)(including Roth), and personal savings into their retirement planning.
- **Benefits Education Program:** Provides support through instructor-led courses, video conferencing and one-on-one consultations.
- [Pension Plan](#)

* Refers only to non-union employees

Labor Agreements

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.

In late 2014, Union Pacific and the nation's other major rail carriers will again commence negotiations on a national basis with the 13 major unions, representing more than 132,000 U.S. freight rail workers. As always, Union Pacific will try to reach voluntary and equitable agreements with each union. Union Pacific recognizes that reaching voluntary agreements with its unions is a vital and beneficial step to ensuring long-term goals are reached, and that Union Pacific and its employees can continue to work together to help drive America's economic growth.



Well-Being

Through our [wellness program](#), we encourage employees to “Take Charge. Feel Better. Live More.” To support that philosophy, we have been expanding 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 allows employees to take a wellness assessment, set goals, build plans and track their progress.
- **Health Coaching.** We offer personalized health coaching to employees and spouses for health risks including stress, depression, smoking, diabetes, and nutrition and weight management.
- **HSA Incentives.** We offer annual incentives to employees and their spouses enrolled in high-deductible health plans for completing a wellness assessment, being a non-smoker or participating in a smoking-cessation program, and completing an annual physical.
- **Occupational Health Nurses.** More than 40 occupational health nurses are available in field locations.
- **System Health Injury Protocol II (SHIP II).** This program is offered to employees at risk for injury due to lower fitness levels and pairs employees with personal trainers to improve overall wellness.
- **System Health Facilities.** Fitness facilities including 2,800 contracted facilities and an on-site Health and Fitness Center at our headquarters are available to employees free of charge.
- **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.
- **Annual Health Wealth Expo.** Every year, approximately 2,000 employees attend the expo to meet with benefit plan providers and learn from health experts.
- **Worksite Wellness Challenge.** This program provides annual recognition to individual work units that have adopted and fostered world-class wellness programs.
- **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 network has helped an average of 700 families every year.

B.W. Schaefer Award Winner Committed to Wellness



Each year, Union Pacific celebrates workplace wellness by awarding the B.W. Schaefer Individual Wellness Award. In 2013, Andres C. Flores, a third-generation railroader who works in the Palestine, Texas, Car Shop, received the award for his commitment to health and wellness, his performance as a role model for fellow employees, and his record of exhibiting exemplary work performance and safety awareness. Flores wakes up at 3:30 a.m. to exercise, regularly completes wellness assessments, shares recipes for healthy meals with co-workers, and coaches a little league football team.

Employee Furloughs and Auxiliary Work and Training Status

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 furloughs to get them back to work as soon as possible. Through our AWTS agreements, surplus employees on approximately 75 percent of our railroad are given the opportunity to work and train on a part-time basis in lieu of being furloughed. Often, it can take up to 90 days for an employee to complete the necessary refresher training and examination when returning to work. The AWTS program helps employees maintain their training and proficiency while working on a part-time basis. Employees taking advantage of this program retain full healthcare benefits and accrue service time toward Railroad Retirement benefits.

Employee Diversity and Inclusion

A [diverse workforce](#) benefits our company by bringing a wide range of ideas, experiences and backgrounds to Union Pacific.

Our employee resource groups help Union Pacific attract, hire, develop and retain diverse talent. They also provide a vehicle for workers seeking to expand their networks within the company and across the railroad industry, as well as in our communities through volunteer activities.

Our Employee Resource Groups

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

An important way that we're working to increase employee diversity is through our recruiting process. See this report's [Recruiting section](#) to learn more.



Recruiting

Union Pacific hired approximately 3,450 employees in 2013 and plans to hire almost that many again in 2014, depending on attrition and business needs.

Additionally, we unveiled a new careers site, www.UP.jobs, that features a total revamp of the mobile platform to make the job-seeking and application process seamless and efficient.



In communities, we:

- Participate in diversity events and job fairs.
- Attend career days at local high schools.
- [Educate military veterans military career fairs about career opportunities.](#)
- 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.
- Invite students and faculty from our partner schools to an annual College World Series networking event. Hired 183 summer and year-round interns.
- Launched and maintain @UPCampus, a Twitter account designed to interact and engage college students interested in working or interning at Union Pacific.

Training and Career Development

About 45 percent of the railroad's executives and management personnel are expected to leave in the next five years due to retirements and other attrition, which will result in about 1,500 promotions. This makes training an imperative.

Among our training and career development programs are:

- **New Employee Onboarding Program.** Company and department orientation are a primary focus of our new employee orientation process. Along with communication and industry-specific training, we provide an interactive electronic-learning experience and an instructor-led orientation program.
- **Skill Development.** We offer a variety of technical, communication, safety and environmental training.
- **Transitional Training.** Union Pacific is dedicated to preparing degreed and non-degreed employees for key transition points in their career.
- **Emerging Leaders.** We seek to maintain a strong pipeline of leaders. This means developing individuals who we see moving into higher levels of organizational leadership. We offer a series of leadership programs, which can vary from a three-day course to a 10-month intensive training.
- **Transportation Operations Training.** Operational excellence is a core competency for Union Pacific, especially as we seek to grow our business through superior service. Our Field Management Trainee (FMT) program for employees with prior experience in field operations and Operations Management Trainee (OMT) program for those with little background in operations provide a hands-on opportunity to manage transportation operations.

Total hours formal company training as of December 31, 2013

Union employees	2,917,580
Non-union employees	436,155

Education Assistance

Higher education provides professional and personal development opportunities for those seeking to advance in the company. Union Pacific offers educational assistance to all full-time employees who have fulfilled at least six months of employment when classes begin. Tuition reimbursement is given to full-time employees who enroll in job- or career-related courses at accredited schools, colleges and universities, up to a maximum of \$5,250 per calendar year, potentially covering up to 100 percent of tuition over the course of a degree.

OMT	2009	2010	2011	2012	2013
Hired	13	64	124	125	126
Retention Rate	54%	64%	67%	80%	97%

FMT	2009	2010	2011	2012	2013
Hired	5	60	73	75	85
Retention Rate	60%	75%	82%	83%	95%

Key Awards and Recognition

- [National Business Group on Health's Best Employers for Healthy Lifestyles](#)
- [G.I. Jobs America Top Military-Friendly Employer](#)
- [Military Times EDGE 40 Best for Vets Employer](#)
- [Diversity Careers in Engineering and Information Technology Best Diversity Company](#)
- [U.S. Veterans Magazine Top Veteran-Friendly Company](#)
- [Young Professionals Choice Award](#)

Warren Beach

Assistant Vice President-Finance and Insurance

- [Association of Railroads David W. Fries Award](#)

Kate Betsworth

Vice President-Intermodal Operations

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

Paul Hammes

Vice President and General Manager-Agricultural Products

- [Agriculture Future of America Industry Leader](#)

Shawntell Kroese

Assistant Vice President-Intermodal Sales

- Progressive Railroading Rising Stars List

Zoe Richmond

Director, Public Affairs-Arizona and New Mexico

- [Metropolitan Phoenix Chapter of Women in Transportation Woman of the Year](#)

Lynden Tennison

Chief Information Officer

- [AIM Institute Technology Leader of the Year](#)

David Young

Assistant Vice President-Law

- [Fort Bend Regional Council on Substance Abuse Helen Cordes Award](#)



Preserving the Environment

Understanding and caring about our environmental impact improves our long-term vitality. We are investing in new technologies to improve fuel efficiency and reduce greenhouse gas emissions, implementing programs to improve resource management and engaging employees and outside groups to accelerate our progress. In addition, our industry is uniquely positioned to enable our customers to reduce their own supply chain environmental impacts, as we offer the most fuel-efficient way to transport bulk cargo on land.

Environmental Management

To support railroad operations, Union Pacific's environmental management efforts begin with our [Environmental Policy](#). The policy outlines three primary commitments every employee must make:

- **Pollution prevention**
- **Regulatory compliance**
- **Continuous improvement**

These commitments ensure that we align our environmental focus with our overall corporate mission of service – working for the good of our customers, shareholders and one another. To ensure our network accurately reports our environmental performance, we use sophisticated systems and programs that track detailed metrics. The goal of our environmental initiatives is to ensure we meet or exceed all applicable laws regulating our environmental impact. Our environmental management mission includes:

- **Prevention.** Prevent the causes of environmental damage that result from railroad operations.
- **Preparedness.** Develop partnerships with internal and external customers to prepare for effective emergency response and tomorrow's environmental issues.
- **Response.** Respond to emergencies involving environmentally sensitive materials to minimize health, environmental, operational and financial impact to Union Pacific Railroad.
- **Recovery.** Cleanup contamination for which Union Pacific is responsible.



Increasing Fuel Efficiency

Diesel fuel accounts for more than 20 percent of operating expenses, so improving fuel efficiency is important because of its impact on the bottom line, as well as the environment.

In 2000, on average, we moved a ton of freight 375 miles on one gallon of diesel fuel. In 2010, our fuel efficiency peaked at 495 miles per gallon. In 2013, our efficiency rate was 471 miles per gallon. Working to improve this, we approach fuel efficiency in our locomotive fleet through a three-pronged approach: engaging employees, improving operations and incorporating technology.

ENGAGING EMPLOYEES

The employees operating our locomotives are critical to reducing the amount of fuel we use. Through simulator training and peer coaching, locomotive engineers are honing their train operating techniques. Additionally, the employee-driven Fuel Masters Unlimited conservation program provides incentives for fuel-saving efforts. Union Pacific also continues to implement and test onboard Energy Management Systems. Among the most advanced are:

- **LEADER** (Locomotive Engineer Assist/Display and Event Recorder): LEADER analyzes train operations through advanced GPS maps and provides throttle and brake prompts. It notifies the locomotive engineer of the train's position and displays track topology, train trajectory, break system status and in-train forces. Initial tests showed a 3 percent improvement in fuel savings. Since its rollout in late 2012, LEADER has been installed on 347 locomotives. In 2013, LEADER ran more than 6 million route miles, primarily on loaded coal trains in the Northern Region, and it will be installed on 900 more locomotives in 2014.
- **Trip Optimizer (TO)**: Similar to a vehicle's cruise control system, TO automatically controls a locomotive's throttle, which helps keep trains on schedule while minimizing fuel use. The TO system calculates the most efficient way of running by considering such factors as train length, weight, grade, track conditions, weather and locomotive performance. Currently, 60 Trip Optimizer units are in use.

Union Pacific Energy Consumption*

	2012	2013
Diesel	1,103.8 gallons	1,103.5 gallons
Gasoline	12.1 gallons	12.9 gallons
Other fuel	8.6 gallons	13.8 gallons
Electricity	603.5 kilowatt hours	652.9 kilowatt hours
Natural gas	1,000.8 standard cubic feet	761.8 standard cubic feet

*Estimated in millions

IMPROVING OPERATIONS

Since 2000, Union Pacific has invested approximately \$6.75 billion to purchase more than 3,800 locomotives that meet the Environmental Protection Agency's (EPA) Tier 0, Tier 1, Tier 2 or Tier 3 guidelines. During this time period, Union Pacific retired more than 2,900 older less-efficient locomotives and overhauled or rebuilt more than 5,400 diesel engines with emissions control upgrades.

Additionally, 92 percent of our locomotives are certified under existing U.S. EPA Tier 0, Tier 1, Tier 2 or Tier 3 emissions standards, which progressively add more stringent limits on engine air emissions. Our investments in new "switching" locomotives, which are designed to move trains or cars within a rail yard, also have helped improve fuel efficiency.

Evaluating Alternative Fuels

Union Pacific has evaluated alternative fuels for more than half a century including bio-diesel, propane, liquefied natural gas (LNG) and hydrogen. Union Pacific is the only major railroad worldwide with extensive gas turbine experience, and in 1952, the company kicked off a project using gas turbine-electric locomotives.

We are once again studying the benefits of converting diesel locomotives to LNG fuel, which emits fewer greenhouse gas emissions than diesel fuel. Through testing and analysis, we will determine whether it is a commercially reliable and economical option. See [Union Pacific and Liquefied Natural Gas](#) for factors being considered.

Union Pacific currently chairs the Association of American Railroads (AAR) team that is preparing performance standards for LNG fuel tenders (including safety and interoperability requirements for the nation's rail network). We also are working closely with locomotive and engine manufacturers, cryogenic fuel tank suppliers and natural gas/LNG suppliers.

INCORPORATING TECHNOLOGY

For years, Union Pacific has pioneered [locomotive technology](#) research and set the standard for railroads nationwide. In the past decade, we have worked with locomotive suppliers, governmental organizations, engineering researchers and others to explore nearly a dozen technological improvements to our locomotive fleet. For example, Union Pacific pioneered the [Genset](#) locomotive, which reduces greenhouse gas emissions by as much as 37 percent, emissions of oxides of nitrogen by up to 80 percent and emissions of particulate matter by 90 percent. The Genset's success in reducing emissions resulted in worldwide use.

We completed testing an ultra-low emitting Genset locomotive fitted with diesel particulate filters (DPF) to further reduce particulate matter emissions beyond its normal low level.

Improving locomotive fuel efficiency remains an imperative for us, as the EPA will require the more stringent Tier 4 emissions standards for locomotives purchased in 2015 and beyond. Union Pacific is actively collaborating with locomotive manufacturers in the research and development of new technology that meets the requirements.

We continue to partner with Electro-Motive Diesel to install exhaust gas recirculation, diesel oxidation catalysts and DPFs on the experimental [UP 9900](#) locomotive, the first in a series providing a foundation from which to develop a locomotive that meets the EPA's Tier 4 emission standards.

Other innovations include:

- **Wheel bearings on rail cars and locomotives:** Wheel bearings on locomotives and rail cars cause drag. Union Pacific is testing train cars with premium low friction bearing seals that reduce torque, contributing to energy savings.
- **Diesel Particulate Filters (DPFs):** We continue to evaluate [experimental technology](#), such as DPFs, which reduce particulate matter by more than 70 percent.

4x
 MORE FUEL
 EFFICIENT THAN
 TRUCKS

1 BILLION
 GALLONS
 SAVED
 ANNUALLY

10%
 OF FREIGHT
 WERE MOVED
 BY RAIL

AERODYNAMICS
 The propulsion of a freight train can be slowed by many factors that increase the amount of energy required to move it. Union Pacific is exploring multiple technologies to minimize these forces, including aerodynamic modifications for freight cars, such as the [Arrowedge](#).[®] This technology was unveiled in 2013 for fuel reductions on double-stack intermodal trains.

DISTRIBUTED POWER (DP)
 DP uses locomotives on the front, back, and if needed, middle, of a train to improve performance in corridors with steeper terrain.

STOP/START TECHNOLOGY
 Union Pacific has developed a comprehensive plan to reduce the amount of time locomotive engines idle, including the use of Stop-Start technology. This technology can save 15-24 gallons of fuel, per locomotive, per day.

ROLLING RESISTANCE
 By applying a friction modifier to the top of the rail, the friction between the wheels and the rail is lowered, which reduces the rolling resistance, making it more energy efficient to pull freight.

Greenhouse Gas (GHG) Emissions

OUR PERFORMANCE*

Locomotives account for nearly all of our GHG emissions.

Union Pacific produced a total of 11,953,871 metric tons of GHG emissions from fossil fuels in 2013. Our 2013 rate of emissions, as measured by gross ton miles, increased by 1 percent.

- Our overall emissions from locomotives were virtually flat compared to 2012, from 11,149,798 metric tons of CO₂e in 2012 to 11,153,933 metric tons of CO₂e in 2013.
- Union Pacific's emissions from biomass sources were 94,519 metric tons.
- Scope 3 emissions from employee travel totaled 18,210 metric tons. Employee travel includes rental car fuel and commercial air travel.
- We also collaborate with suppliers concerning their greenhouse gas emissions. For the first time, Union Pacific worked with suppliers to identify their Scope 3 emissions on behalf of Union Pacific. For suppliers representing an estimated 21 percent of our Scope 3 spend, emissions totaled 262,355 metric tons in 2013 compared to 290,848 in 2012.

**Union Pacific's 2013 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.*

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

OUR GOAL

In 2011, we set a goal to reduce our locomotive fuel consumption rate by 1 percent annually from 2011 through 2015, which would translate to an annual one percent reduction in our GHG emissions rate and a 23 percent reduction between 2000 and 2015.

In goal setting, the company seeks to find the appropriate balance between financial returns, environmental performance and social commitment. Union Pacific's freight mix has changed since we announced the goal, a function of macroeconomic changes and our diverse commodity structure.

Our fuel efficiency declined in 2013, as a result of a change in our freight traffic mix. The primary driver of the mix change was the reduction in coal volume, which is among our most efficiently transported commodities because it moves in unit trains and generally traverses less mountainous grades than other commodities.

Although we have encountered challenges progressing toward our goal, we believe the annual 1 percent reduction remains a viable objective as we forecast business mix and fuel saving initiatives.

We are dedicated to reducing our fuel consumption rate, and the goal remains a corporate priority.

GREENHOUSE GAS REDUCTION INITIATIVES

Locomotives account for 93 percent of our greenhouse gas emissions from fossil fuels, so related operational and [technological improvements](#) drive the majority of our greenhouse gas emissions reductions.

Vehicles, refrigerated rail cars and electricity drive the greatest amounts of other emissions.

Our total energy use for 2013 was 45.7 million MWh, up slightly from 45.6 million MWh in 2012.

To address non-locomotive related greenhouse gas emissions, in 2013, we:

- Continued efforts to reduce fuel consumption in vehicles by adding telematics in more than 1,400 vehicles, bringing the total to more than 1,700. Telematics involves using a telecommunications device to transmit real-time information to promote safe and fuel-efficient driving habits.
- Continued collaboration with the [Environmental Defense Fund Climate Corps](#), whose work has yielded energy conservation actions. In 2013, related conservation projects eliminated electricity consumption of 3.9 million kilowatt hours, equivalent to the annual GHG emissions of 573 passenger cars.
- Piloted LED lighting at crossings and in-track signals.

REDUCING CUSTOMERS' EMISSIONS

Union Pacific's Environmental Advantage

Trains remain the most fuel-efficient way to transport bulk cargo on land.

- According to the [Association of American Railroads](#), if just 10 percent of the nation's long-haul freight currently moved on highways was diverted to rail, annual fuel savings would approach 1 billion gallons and greenhouse gas emissions would decrease by 11 million tons.
- According to the EPA, trains emit an average of 75 percent less greenhouse gas emissions than trucks.

33.7 Million Metric Tons of GHG Emissions Eliminated in 2013 by Customers who Chose Rail

Union Pacific customers helped eliminate an estimated 33.7 million metric tons of greenhouse gases by choosing rail over truck transportation for their shipping needs. This is equal to the amount of carbon sequestered annually by 27 million acres (roughly the size of Tennessee) of forests in one year.

Through our [Carbon Emissions Estimator](#), our customers can calculate the carbon reductions they receive when we ship their goods. We also send customers their carbon emissions savings estimate for the previous year's shipments.

2013: Our Best Ever CDP Climate Change Questionnaire Performance

CDP, formerly Carbon Disclosure Project, 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 98 in the CDP S&P 500 Climate Change Report 2013, which placed the company on the Global 500 and S&P 500 Climate Disclosure Leadership Indices (CDLI). The Index rewards companies for their transparency and disclosure of climate change risks and opportunities, greenhouse gas emissions data and goals.

Union Pacific is the only North American railroad to appear on both the S&P 500 and the Global 500 CDLI, and our carbon disclosure score is an 11-point improvement over last year.

Reduce, Reuse, Recycle

WASTE MANAGEMENT INITIATIVES

Reducing waste and diverting as much as possible from landfills are two of our corporate objectives. It requires a significant effort to maintain a 32,000-mile network across the western United States, and we estimate that we generated approximately 1.08 million tons of waste. Our employees evaluate our waste stream for opportunities to reduce what we consume, re-use wherever possible and recycle items that have reached the end of their useful life.

We diverted from landfills more than 830,000 tons of waste, an estimated 77 percent of our waste. Our waste reduction efforts include:

- Expanding our recycling of cardboard, paper, plastics and other solid waste. By the end of 2013, Union Pacific had implemented recycling at nearly 300 locations in 150-plus cities.
- Shredding organic materials used during landscaping projects instead of sending them away as waste. This leaves valuable nutrients for the soil and reduces erosion. We also repurchase refabricated metal, rail, ties and oil.
- Crushing used concrete ties, repurposing them as a raw material for our roadbed.
- Working with suppliers to minimize packaging where possible. In 2013, we switched to new bottled water packaging that reduced cardboard consumption by more than 8 million square feet of material. For safety purposes, our company provides bottled water to train crews and employees who maintain our track.
- Exploring waste diversion techniques for several parts of the company's waste stream through a program with Massachusetts Institute of Technology students. The project also identified new communication approaches for engaging employees in waste reduction.
- Establishing a composting program at our Omaha, Neb., headquarters with a farmer's cooperative.

E-WASTE

Union Pacific recycles 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 more than 1.4 million pounds of signal batteries.

FUEL AND OIL

We recycled more than 4.95 million gallons of oil and fuel. Our equipment and maintenance processes capture used oil and fuel at our facilities for recycling. In addition, we place drip pans and other collection systems under our engines to catch spills, separators to extract engine oil from wastewater and fuel nozzles that shut off automatically to prevent overflow when a tank is full.



Employee Stewardship

Our employees are a powerful resource for improving our environmental citizenship. In 2008, we formally began encouraging employees to suggest tips and ideas for improving our sustainability. So far, we have received more than 2,600 ideas, and more than 40 percent have led to changes in our programs and processes.

Union Pacific employees participated in 50 events in connection with Earth Day. We collaborated with elementary school leaders to create a lasting stewardship message through engaging and fun activities. In each of the last four years, volunteers have donated more than 3,000 hours to our Earth Day initiatives in communities across our system.



Environmental Collaboration

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

California Air Resources Board

Union Pacific has worked with the [California Air Resources Board](#) (CARB) to reduce emissions and improve 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, with a continuing commitment through 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 and further confirmed in 2013 that we met requirements for 2011.

GEMI

Union Pacific has been a member of the [Global Environmental Management Initiative](#) (GEMI) since 2010. GEMI brings together companies from diverse industries to solve environmental stewardship problems and provide tools for the public's use. In 2013, Union Pacific expanded our involvement with GEMI, and one of our employees served on the GEMI board.

VOX Global and Pacific Institute

Union Pacific participated in a [case study](#) conducted by VOX Global and Pacific Institute to provide insight on corporate actions and perceptions of risks associated with [water issues](#).

See our [website](#) for more information on our collaborative efforts.

Climate Change

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

Limiting our exposure to the risk of climate change is good business. 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 strengthening our railroad's ability to withstand future changes and events that might be associated with climate change. Temperature extremes could create a harsher work environment for employees who work outside, increase rail maintenance costs and impact service by decreasing the velocity of operations. In addition, severe weather events, such as hurricanes, could impact Union Pacific's safe operating speeds, requiring slower speeds, which would lead to service interruption, or increase track repair and recovery costs.

In October 2013, for example, early snow impacted shipments from the Southern Powder River Basin with tonnage down 12 percent for the fourth quarter.

Union Pacific seeks to educate the public and elected officials about how the rail industry's growth can mitigate some impacts of climate change. We also work closely with public agencies to consider opportunities to study and advance technology that will reduce emissions on our network and in our yards, and to strategically locate the newest, lowest-emitting locomotives in parts of the country with air quality challenges.

In addition, Union Pacific utilizes an Enterprise Risk Management process to incorporate input from several internal departments including Strategic Planning, Operations, Law and the Environmental Management Group, to identify potential climate change risks and opportunities. Each element plays a role in the management of risks and opportunities, and evaluation of materiality and priorities.

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. We are committed to exploring new ways to reduce our fuel consumption by developing innovative locomotive technology, strengthening engineer training and teaching employees to conserve.



Union Pacific and the Land

The U.S. government's award of land grants to the company as part of building the transcontinental railroad also established Union Pacific as a manager of the land. With ownership of 1 million acres, an area about the size of the state of Delaware, Union Pacific plays an active role in managing land and creating environmental and social value.

Union Pacific balances its commitment to transporting goods efficiently with other considerations including safety, as well as its impact in communities, wildlife and the environment.

Rail operations can contribute to land and water contamination. Union Pacific actively works to prevent contamination by employing best practices in operations, overseeing lease tenants and proactively working with customers. The company also restores land contaminated by prior rail operations. In some cases, Union Pacific works with regulators to go beyond the minimum remediation requirements to further protect the land and waterways.

Over time, rail-owned lands provided value as community resources, and Union Pacific has helped transition properties for community enjoyment.

Activities that benefit the land include:

- **Recreational projects.** Union Pacific donations and site improvements have opened outdoor venues for public use across the west. For instance, Union Pacific's efforts to create the Trail of the Coeur d'Alene in Idaho's Panhandle, a 72-mile trail for residents, earned a [Phoenix Award](#) for excellence in brownfield redevelopment. Residents in Utah, Wyoming, Colorado and other locations benefit from additional recreational projects.

- **Protection of ecological and endangered species.** Union Pacific assesses habitats and establishes effective plans for preserving them. For instance, our Habitat Conservation Plan establishes operational processes and protects the desert tortoise, an endangered species in southern Nevada. In the Southwest, the company has made efforts to protect the endangered willow flycatcher. Since 1959, Union Pacific has maintained 30 miles of trees that serve as a windbreak from blowing sand in the Mojave Desert. Union Pacific also actively employs phytoremediation, the use of plants to remove contamination from the ground. The company also manages wetlands areas.
- **Commercial and residential redevelopment.** Union Pacific operations are frequently at the heart of redevelopment opportunities. Union Pacific has transitioned holdings to bring new life to cities. Whether through transferring iconic depots or developing land into sports, entertainment, or other venues, Union Pacific helps improve skylines and build new neighborhoods. Parts of Denver; Dallas; Houston; Omaha, Neb.; Sacramento, Calif.; Salt Lake City and San Jose, Calif., offer examples of Union Pacific's ongoing connection to redevelopment.



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 2013. Using tools developed by the [Global Environmental Management Initiative](#), we determined our water risk from operations is low.

The company's role in water management stretches back 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. Water, like energy, is challenging to manage, as we have thousands of water utility accounts across our 32,000-mile network. In addition, older structures can make it challenging to reduce our energy and water usage. For this reason, we continue to update outdated facilities.

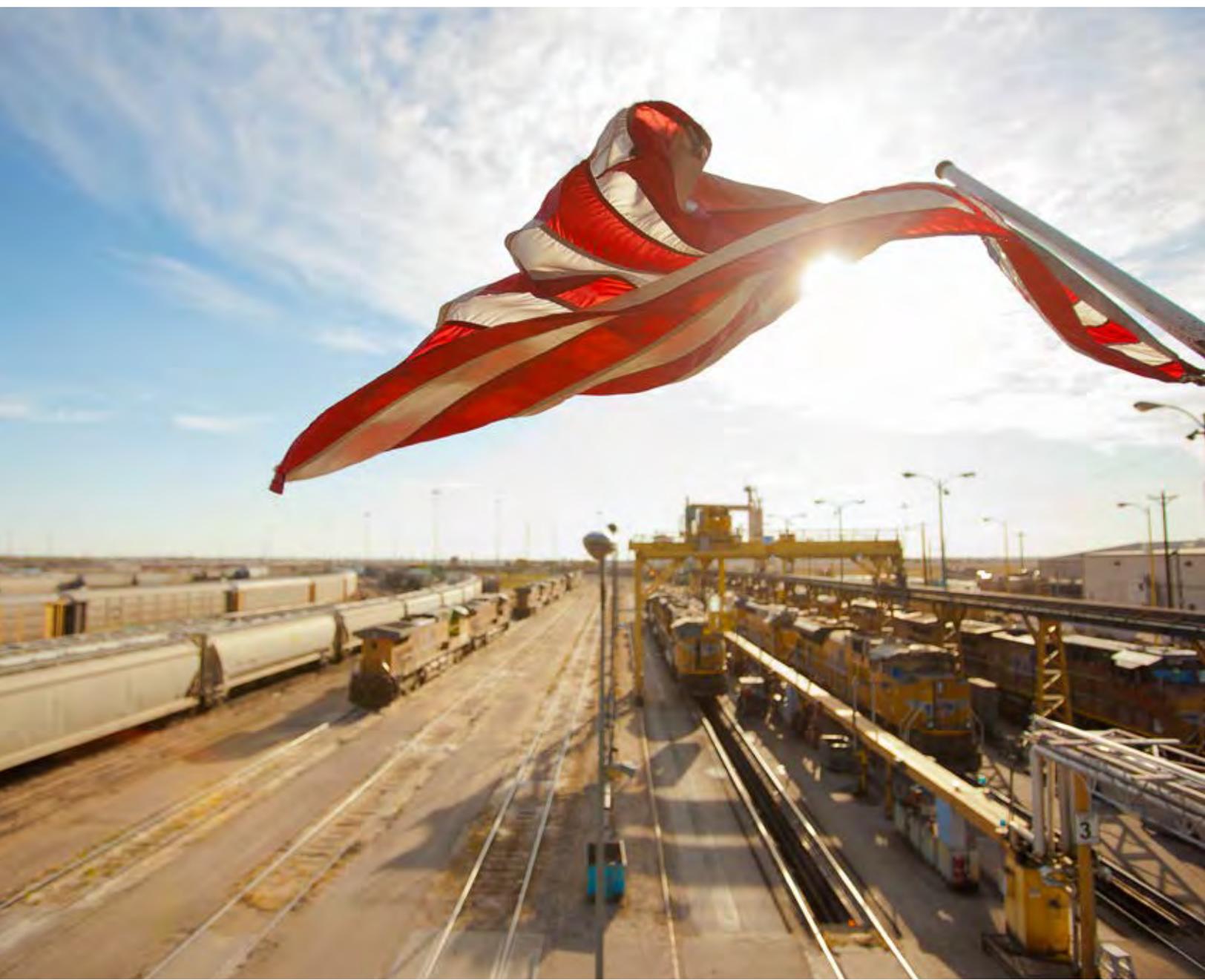
Protecting groundwater is also important to our company. Spill Prevention Control and Countermeasure (SPCC) plans have been prepared and implemented at more than 130 Union Pacific facilities. We also operate and maintain 90 wastewater treatment facilities. Our wastewater treatment facilities capture wastewater created during equipment washing, locomotive fueling and maintenance, intermodal crane and truck maintenance, track and roadway equipment shop maintenance, and stormwater accumulation at shop facilities. Once captured, wastewater undergoes treatment, a process that requires stringent compliance with governmental regulations and wastewater discharge permits, to ensure it meets acceptable cleanliness levels.

To support regulatory compliance, the railroad recently implemented a new wastewater treatment facility management system at 32 locations. The system allows operators to gather and analyze wastewater treatment facility data in real time from the equipped locations. The system also allows for remote operation of certain facility components.

We contributed to a [case study](#) regarding U.S. companies' preparations for and perceptions of water challenges.

Key Awards and Recognition

- Union Pacific Headquarters: U.S. Green Building Council's Leadership in Energy and Environmental Design ([LEED](#)) [Existing Buildings Silver Certification](#)
- Union Pacific Center Dining Room Responsible Epicurean and Agricultural Leadership (REAL) Certification
- [Sacramento Business Journal Green Leadership Award](#)
- [Carbon Disclosure Project Standard & Poor's 500 Climate Change Report 2013](#)
- [Carbon Disclosure Project Global 500 Climate Change Report 2013](#)
- [Climate Disclosure Project Global 500 Climate Disclosure Leadership Index 2013](#)



Economic Impact

2013 Fast Facts

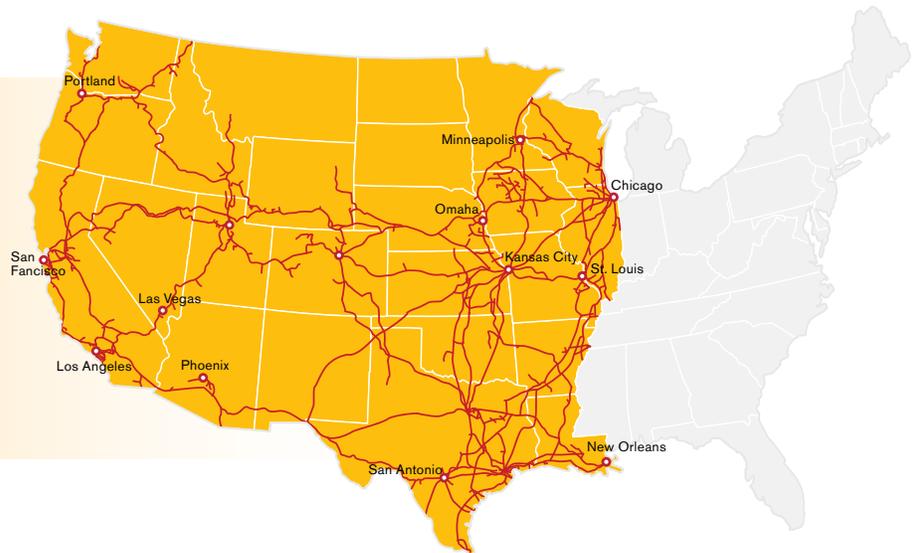
46,500 EMPLOYEES

32,000 ROUTE MILES

8,300 LOCOMOTIVES

23 STATES

7,300 COMMUNITIES SERVED



Delivering Value to Our Customers

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

Every decision we make, every project we undertake and every dollar we spend is measured against the yardstick of customer value. The Union Pacific franchise provides our customers access to diverse and growing markets. We are making targeted investments to continue enhancing it for the best service and future business growth.

Our passion for providing excellent service has allowed us to introduce innovative products that not only provide freight solutions for existing and new customers in our communities, but also secure reinvestible returns.

The capstone of Union Pacific's value proposition is our customer relationships, which we work hard to develop and maintain.

Union Pacific is a member of numerous 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

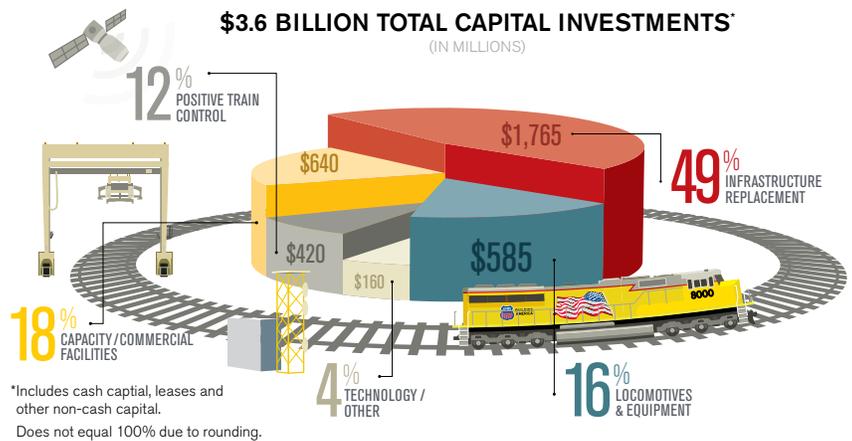
Financial Performance

For the full year 2013, Union Pacific reported net income of \$4.4 billion or \$9.42 per diluted share. This compares to \$3.9 billion or \$8.27 per diluted share in 2012, yielding 11 and 14 percent increases respectively. Operating revenue totaled a record \$21.96 billion versus \$20.9 billion in 2012. Operating income increased 10 percent to more than \$7.4 billion, up from \$6.7 billion in 2012.

In addition, we directly or indirectly support more than 1 million jobs, based on the U.S. Department of Commerce's economic model, and we generate nearly \$265 billion in total annual economic activity. Studies also show that \$1 billion in new rail investment equals about 17,000 jobs.

Accomplishments:

- Installed approximately 3.9 million ties
- Replaced more than 800 miles of rail
- Installed almost 100 miles of new track
- Purchased 100 locomotives
- Acquired 950 freight cars and 2,000 domestic containers



Capital investment supports America's freight transportation infrastructure needs

Union Pacific's capital investments – private funds requiring no taxpayer dollars – for 2013 totaled \$3.6 billion, following a record \$3.7 billion in 2012. The railroad's total investment amounts to approximately \$30 billion since 2004.

Key Growth Projects in 2013

Northern Region

- Yard expansion at Salem, Ill.
- Crossovers and Metra station upgrades on the mainline west of Chicago
- Ongoing CREATE projects to improve freight and passenger rail traffic flow in Chicago, America's largest rail gateway

Southern Region

- Siding installations and signal upgrades in the Louisiana Gulf
- [Tower 55 improvements in Fort Worth, Texas](#)
- Enhancements to the Eagle Pass and Laredo, Texas, gateways to Mexico

Western Region

- [Santa Teresa, N.M., intermodal and fueling facility construction](#)
- [Colton, Calif., flyover project](#)
- [Siding extensions, signal upgrades and terminal improvements in the Pacific Northwest](#)

Indirect Economic Impacts

A wide variety of stakeholders and industries benefit from Union Pacific's indirect economic impact. In addition to the examples below, more information is available in the [Strengthening Communities](#) section of this report.

ENERGY SECTOR

As America's energy mix shifts, so do the materials we ship.

Coal Is Largest U.S. Electricity Generation Source

Coal remains a significant energy source for U.S. consumers and businesses. In 2013, coal generated 39 percent of U.S. electricity compared to 37 percent in 2012, according to the U.S. Energy Information Administration.

Most of Union Pacific's coal traffic originates from the Southern Powder River Basin (SPRB) of northeastern Wyoming and the Uinta Basin of Colorado and Utah. SPRB coal, the largest segment of Union Pacific's coal business, is a reliable, low-cost, low-sulfur, sub-bituminous coal that is attractive to utilities in the competitive electricity generation market.

Our network supports coal transportation to independent and regulated power companies and industrial facilities throughout the United States. Through interchange gateways and ports, Union Pacific's reach extends to utilities in the eastern U.S., Mexico, Europe and Asia.

Shale Energy Emergence

According to the U.S. Energy Information Administration, U.S. crude oil production will reach 8.7 million barrels per day by the end of 2014 – up from just 5.2 million barrels per day in 2008.

As oil and gas companies increase production of crude oil from shale formations, they seek new and more efficient ways to transport their product to market. Rail is emerging as a reliable means to connect oil basins to U.S. refining hubs. Rail's role also includes shipping drilling materials, such as frac sand, minerals, pipe, fracking fluids, cement and construction aggregate, to numerous drilling sites.

Union Pacific works with crude oil and condensate producers, transloaders that transport shipments from one mode of transportation to another, and refineries across North America, to offer crude oil, and condensate unit and mixed freight train service.

See this report's [Operating Safely section](#) for information on Union Pacific's efforts to safely ship crude oil.

Union Pacific Distribution Services' (UPDS) Odessa, Texas, Railport Serves Energy Industry

UPDS' new [Odessa Railport](#) combines pipe and bulk transloading operations with direct Union Pacific service, delivering freight transportation solutions in the Permian Basin. This investment helps meet the growing logistics needs of the region's energy sector.

"This huge dollar investment that Union Pacific has made for additional rail infrastructure is proof that Union Pacific believes in the long-term viability of the local economy," said Mike George, president and chief executive officer, Odessa Chamber of Commerce. "Let me just say thank you to Union Pacific for assisting our 'bread and butter' industry – oil and gas. There's an ancillary benefit that drivers in this area will notice and appreciate – the reduction in the number of trucks hauling steel pipe, sand and heavy equipment on our local highways ... making our highways much safer."



INTERMODAL SHIPMENTS

The motor carrier industry faces continued challenges from regulations, highway congestion and a deteriorating infrastructure. Union Pacific offers a consistent and reliable mode of freight transportation, moving goods along our privately owned and funded network. In addition, our trains are almost four times more fuel efficient than trucks. If 10 percent of highway freight moved by rail instead, the nation would save more than 1 billion gallons of fuel annually.

GLOBAL SUPPLY CHAIN

Union Pacific serves as a key component in the worldwide supply chain, with more than 35 percent of our freight volume tied to the global marketplace. More specifically, near shoring to Mexico is a growing trend. Mexico has an open market with 44 trade agreements, and transit times from the country to the U.S. are a couple of days versus three to four weeks from China. This shift is evident in the Foreign Direct Investment Confidence Index. Mexico now holds ninth place as a preferred FDI destination up from 21st place in 2005. Companies expanding to Mexico include Caterpillar, P&G, Unilever, Lego, Siemens and Whirlpool. Rail access has been a decisive factor for companies investing in Mexico.

We are uniquely positioned to support cross-border trade with Mexico. Union Pacific connects with the two largest Mexican railroads and is the only railroad that serves all six major gateways to Mexico. Almost 70 percent of rail traffic moving across the U.S.-Mexico border travels on Union Pacific. Two-thirds of Union Pacific's 2013 automotive volume crossed an international border, driven primarily by traffic to and from Mexico, which represented approximately half of overall automotive volumes.

AGRICULTURAL INDUSTRY

The United States is one of the world's most productive agricultural economies, harvesting 25 percent of the world's corn, soybeans and wheat. Union Pacific's agricultural franchise plays a key role in transporting these products to market, as the railroad industry accounts for 36 percent of the total ton-miles of grain shipped within the United States.

The company's network provides customers access to major grain production, processing and feeding areas, as well as produce production and export gateways. This is important since the United States exports around 22 percent of its corn, soybean and wheat supply annually.

Union Pacific's market reach and extensive manifest network strengthens agricultural product service offerings, enabling them to account for 16 to 18 percent of the company's freight revenue base during the past three years.

Key Awards and Recognition

- [Logistics Management's Quest for Quality List](#)
- [China Federation of Logistics and Purchasing Significant Contribution Company Award](#)
- [General Motors Supplier of the Year*](#)
- [Lowe's Home Improvement Rail Carrier of the Year*](#)
- [Nissan Motor Company Logistics Carrier Conference Logistics Success Story Award](#)
- [Toyota Logistics Services Presidents Award for Logistics Excellence](#)
- [WWL Vehicle Services Americas Rail Carrier of the Year Award*](#)
- [Ford Motor Company Go Further Award*](#)
- [ConAgra Mills Appreciation Award](#)
- [ShipCarsNow: Better Business Bureau Integrity Award](#)
- Insight Network Logistics: Chrysler Group LLC Rail Carrier Service Excellence Award
- Treasury Management International Innovation and Excellence in Payments Processing Award

*Awarded in 2013 for 2012 performance.



Looking Ahead

Feedback

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

OUR COMMITMENT

Union Pacific has driven economic growth in America since its founding more than 150 years ago.

Our mission, strategy and workforce are all focused on completing tasks better tomorrow than we are today, enabling Union Pacific to remain critical to the American economy in the centuries to come.

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 for our environment.

The 2013 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. In the years ahead, we will continue to invest in our employees, communities and infrastructure because they shape our growth and success.

CAUTIONARY INFORMATION

Our 2013 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 the following: 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; and improving asset utilization.

Statements also include 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. 7, 2014](#), 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.

ADDITIONAL RESOURCES

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](#)