

# 2012 CORPORATE SOCIAL RESPONSIBILITY REPORT





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## Chairman's Message

Dear Stakeholders:

For more than 180 years, CSX has offered a competitive advantage to customers, value for shareholders, rewarding careers for employees and a vital transportation service to America. We understand that succeeding as a business requires a relentless commitment to promoting safety, protecting the environment and engaging with local communities.

Our vision is to be the safest, most progressive North American railroad. Our commitment to corporate social responsibility is moving the company closer to this goal. This report highlights milestones in safety, environment and community engagement achieved in 2012.

The culture of safety at CSX is built upon continuous improvement, training, strong communication, community engagement and industry collaboration. In 2012, we achieved the best personal injury rate in our history and a near-best train accident rate.

CSX is committed to reducing greenhouse gas emissions intensity by 6 to 8 percent by 2020. We have made progress toward this goal through fleet upgrades and technological advancements. In addition, the company's fuel efficiency improved by 2 percent from 2011 to 2012. This means that a CSX train can move freight 466 miles on a single gallon of fuel, up from 456 miles in 2011.

The company also acts "Beyond Our Rails" ([beyonourrails.org](http://beyonourrails.org)) through community investment and partnerships. CSX provided more than \$14 million in community investments and nearly \$230,000 via in-kind transportation donations in 2012. We exceeded our goal of increasing community investment spend to \$10 million. Furthermore, CSX strengthened partnerships that develop tomorrow's leaders, in particular with City Year and Future Farmers of America.

We are proud of our 2012 performance and remain committed to the uncompromising pursuit of excellence. Our future success will rely on continuous improvement in safety, environmental and social performance that also meets customer and financial expectations.

It is my pleasure to share the 2012 Corporate Social Responsibility report with you. Thank you for your interest in CSX.

Sincerely,



Michael J. Ward



Michael J. Ward  
Chairman, President and CEO





## OVERVIEW

The 2012 Corporate Social Responsibility (CSR) report provides an overview of CSX's initiatives and partnerships that promote sustainability across its 21,000-mile rail network. This annual CSR report aligns with CSX's core values and describes the company's sustainability commitments. Measuring and disclosing its sustainability efforts allows the company to engage with and learn from its many stakeholders. CSX strives to promote safety, protect the environment, develop and retain employees and actively engage in the communities where we operate.

This report was prepared in accordance with the Global Reporting Initiative (GRI) G3.1 Sustainability Reporting Guidelines. CSX also had a GRI check of our self-declared application Level B report. We are committed to producing a report annually and our 2012 CSR report follows the 2011 report. Please see the GRI Index on page 90 for a list of all disclosures and indicators referenced in this report.

All of the information contained in this report is fully representative of the company's principal operating subsidiary, CSX Transportation, as well as its other subsidiaries, including CSX Intermodal Terminals, Inc. ("CSX Intermodal Terminals"); Total Distribution Services, Inc. ("TDSI"); Transflo Terminal Services, Inc. ("Transflo"); and CSX Technology, Inc. ("CSX Technology"). Information in this report covers 2010 through 2012, with a focus on fiscal year 2012 activities (from December 31, 2011 to December 28, 2012). There are no significant changes in the boundary or scope of this report compared to the 2011 report.

Any restatements of prior years' data are noted throughout the report where appropriate. Units are metric where noted. CSX's greenhouse gas (GHG) emissions were verified by a third party as part of the company's participation in the Carbon Disclosure Project investor and supply chain surveys.



21,000 miles of track across 23 states, serving major markets east of the Mississippi including New York, Philadelphia, Boston, Baltimore, Atlanta, Miami, New Orleans, St. Louis, Memphis and Chicago

### **CSX at a Glance**

Headquartered in Jacksonville, Fla., CSX is one of the nation's leading transportation companies. The company provides rail-based transportation services, including traditional rail service and the transport of intermodal containers and trailers in 23 states east of the Mississippi, the District of Columbia and the Canadian provinces of Ontario and Quebec. Our network reaches more than 70 ocean, river and lake ports along the Atlantic and Gulf Coasts, the Mississippi River, the Great Lakes and the St. Lawrence Seaway. CSX also connects thousands of production and distribution facilities through approximately 240 short-line and regional railroads.

CSX's 21,000-mile network is essential to America's continued economic growth. We help make it possible to efficiently transport a broad portfolio of products for our nation's farmers and manufacturers, energy producers and users, ports, retailers, plants, mills and more. CSX's network is positioned to reach nearly two-thirds of the nation's consumers. We serve major markets east of the Mississippi, including New York, Philadelphia, Boston, Baltimore, Atlanta, Miami, New Orleans, St. Louis, Memphis and Chicago.

### **Business Strategy**

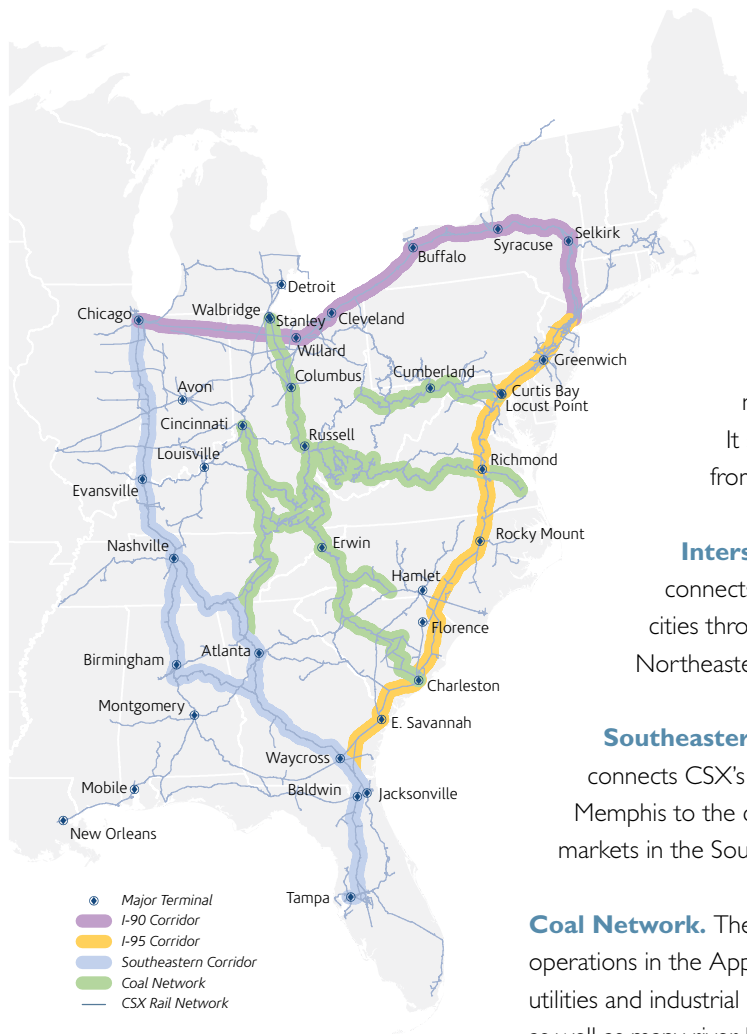
At CSX, our vision, purpose and core values are the foundation for how we operate. CSX aspires to be the safest, most progressive North American railroad, relentless in the pursuit of customer and employee excellence.

We strive for all CSX employees to practice our guiding principles:

- It starts with the customer.
- People make the difference.
- Safety is a way of life.
- Fact-based.
- Right results, right way.

When all employees are aligned with these core values, CSX can better serve our customers, shareholders and other stakeholders. Please see page 26 for a more detailed description of CSX's core values.

**Public-private partnerships.** Expanding capacity on U.S. rail networks will provide substantial public benefits, including job creation, increased business activity at ports, reduced highway congestion and lower air emissions. Therefore, CSX and its government partners are working jointly to invest in multiyear rail infrastructure projects such as the National Gateway, a public-private partnership that will increase intermodal capacity on key corridors between Mid-Atlantic ports and the Midwest. Such partnerships provide a foundation for volume growth, productivity improvement, enhanced customer service, increased market access potential and continued advancements in the reliability of operations. We include examples of some of our public-private partnerships throughout this report.



## CSX Network Geography

With 21,000 miles of track, access to 70 ports and nationwide transloading and warehousing services, CSX serves America's transportation needs through the major transportation networks defined below.

**Interstate 90 (I-90) Corridor.** This CSX corridor links Chicago and the Midwest to metropolitan areas in New York and New England. It serves as a primary route for import traffic coming from Asia through western ports.

**Interstate 95 (I-95) Corridor.** The CSX I-95 corridor connects Charleston, Jacksonville, Miami and many other cities throughout the Southeast with the heavily populated Northeastern cities of Baltimore, Philadelphia and New York.

**Southeastern Corridor.** This portion of the CSX network connects CSX's western gateways of Chicago, St. Louis and Memphis to the cities of Nashville, Birmingham, and Atlanta and markets in the Southeast.

**Coal Network.** The CSX coal network connects the coal mining operations in the Appalachian mountain regions and Illinois Basin with utilities and industrial areas in the Northeast, Mid-Atlantic and Southeast, as well as many river, lake and deepwater port facilities.

## CSX Moving Through History

The railroad industry has always been an integral contributor to America's progress and continues to evolve to meet the demands of today's markets. CSX operations date back to 1827 when the Baltimore & Ohio (B&O) became the nation's first common carrier. Within a decade, the B&O was joined by the Chesapeake & Ohio (C&O) and the Richmond, Fredericksburg & Potomac Railroad. Each of the railroads that combined into the CSX family brought

new geographical reach to valuable markets, gateways, cities, ports and transportation corridors. CSX was incorporated in 1978 under Virginia law.

In 1980, the company completed the merger of the Chessie System and Seaboard Coast Line Industries into CSX. The merger allowed the company to connect northern population centers to growing southeastern markets. Later, the company's acquisition

of key portions of Conrail, Inc. permitted CSX to link the Northeast, including New England and the New York metropolitan area, with Chicago and midwestern markets as well as the growing areas in the Southeast already served by CSX. This current rail network allows CSX to directly serve every major market in the eastern U.S. with safe, dependable, environmentally responsible and fuel-efficient freight transportation and intermodal service.





## Our Fleet

CSX operates an extensive fleet of locomotives and freight cars capable of meeting the growing customer demand for rail-based transportation. In addition, a portion of our customers own or lease their own railcars.

### LOCOMOTIVES

A CSX locomotive has the power to pull freight cars that together stretch more than a mile long. The image of the CSX locomotive embodies our company brand.

CSX currently operates more than 4,000 locomotives. More than 97 percent are owned by the company and the rest are long-term leased. The fleet consists of 3,650 freight locomotives, 319 switching locomotives used in rail yards and 209 auxiliary units that are used to produce extra traction for heavy trains in hilly terrain.

Ongoing investment in new, technologically advanced and fuel-efficient locomotives is critical to the company's future success. CSX has started to invest in low-emission locomotives like the GE Evolution® Series, which generates less particulate emissions and offers fuel efficiency improvements compared with an average fleet locomotive.




### FREIGHT CAR FLEET









On any given day, approximately 190,000 freight cars and containers travel the CSX network. In 2012, CSX transported 6.4 million carloads of products and raw materials to valued customers. More than half of the railcars on the CSX system are not owned or leased by the company. These cars include railcars owned by other railroads, shipper-furnished or private cars, and multilevel railcars shared among railroads to transport automobiles.

### Financial Performance Highlights

Fostering profitable growth and providing healthy returns for shareholders are key priorities for our business. In 2012, CSX delivered earnings growth and margin expansion despite challenging economic conditions. For full-year 2012, net earnings were \$1.9 billion, or \$1.79 per share – up from \$1.8 billion, or \$1.67 per share, in 2011.



Locomotives	Number	Percent of Fleet
Freight 	3,650	87%
Switching 	319	8%
Auxiliary Units 	209	5%
<b>Total Locomotives</b>	<b>4,178</b>	<b>100%</b>

Railcar Type	Number	Percent of Fleet
Gondolas 	26,432	38%
Open-Top Hoppers 	12,226	18%
Covered Hoppers 	10,668	15%
Multilevel Flat Cars 	10,456	15%
Boxcars 	8,268	12%
Flat Cars 	1,082	2%
Other 	287	<1%
<b>Subtotal Railcar</b>	<b>69,419</b>	<b>100%</b>
Containers 	17,927	
<b>Total Equipment</b>	<b>87,346</b>	

Operating income increased 1 percent to \$3.5 billion and operating ratio improved 30 basis points to 70.6 percent during the same period.

CSX remains highly committed to delivering value to shareholders through a balanced approach to deploying cash that includes investments in the business, dividend growth and share repurchases. In 2012, the company invested \$2.3 billion<sup>(1)</sup> to further enhance the capacity, quality, safety and flexibility of its network. In addition, CSX continues to return value to its shareholders in the form of dividends and share repurchases. As of year-end 2012, the company has increased its quarterly cash dividend 10 times over a seven-year period, which represents a 33 percent compounded annual growth rate. In 2012, CSX completed a \$2 billion share repurchase authority that was announced in 2011. While delivering shareholder value through this balanced approach to cash deployment, the company remains committed to an improving investment-grade credit profile.

#### KEY FINANCIALS (DOLLARS IN MILLIONS)

	Fiscal Year		
	2010	2011	2012
Volume (thousands of units)	6,384	6,476	6,409
Revenue	\$10,636	\$11,743	\$11,756
Expense	\$7,565	\$8,325	\$8,299
Operating Income	\$3,071	\$3,418	\$3,457
Operating Ratio	71.1%	70.9%	70.6%

For additional information, refer to the Results of Operations section of CSX's 2012 Annual Report on Form 10-K.

1. Included in this amount is \$166 million of investments related to reimbursable public-private partnerships where reimbursements may not be fully received in a given year.





## Committed to Sustainability

CSX aspires to be a leader in sustainability. We are committed to the relentless pursuit of excellence – as a business partner, an employer, a community member, an environmental steward and a value creator for shareholders.

Prioritizing sustainability and innovation is crucial to delivering excellent customer service and strong financial results, which helps position the company for a strong future. CSX is committed to transparency and accountability and reviews the company's sustainability strategy on a periodic basis.

### CSX Sustainability Statement

At CSX, sustainability is the way we manage and operate our business to best serve our customers, care for the environment, secure profits and drive long-term prosperity.

Sustainability is a business method that ensures safety, efficiency and responsibility in a manner that protects CSX employees, communities, shareholders and the environment, now and in the future.

Our daily operations align business performance with a commitment to environmental, social and community stewardship encompassing three elements:

#### REDUCE THE ENVIRONMENTAL FOOTPRINT OF OUR OPERATIONS.

- Transport goods in a manner that minimizes community and environmental impacts.
- Reduce fuel, energy, water and other resources needed to move each ton-mile of freight.
- Increase recycling and reuse efforts through waste minimization.
- Strive to manage the CSX supply chain in consideration of environmental effects and good governance.

#### ENGAGE OPENLY ON SUSTAINABILITY ISSUES.

- Communicate regularly with customers, employees and external stakeholders on sustainability issues, goals and efforts.
- Provide opportunities to customers, suppliers, employees and communities to actively participate in sustainability programs.
- Increase transparency and disclosure of our sustainability performance through our annual Corporate Social Responsibility report and related sustainability disclosures.

#### SUPPORT SUSTAINABLE DEVELOPMENT.

- Collaborate with customers and communities to grow sustainably, considering social, economic and environmental effects.
- Build innovative infrastructure to support operations and minimize resource use.

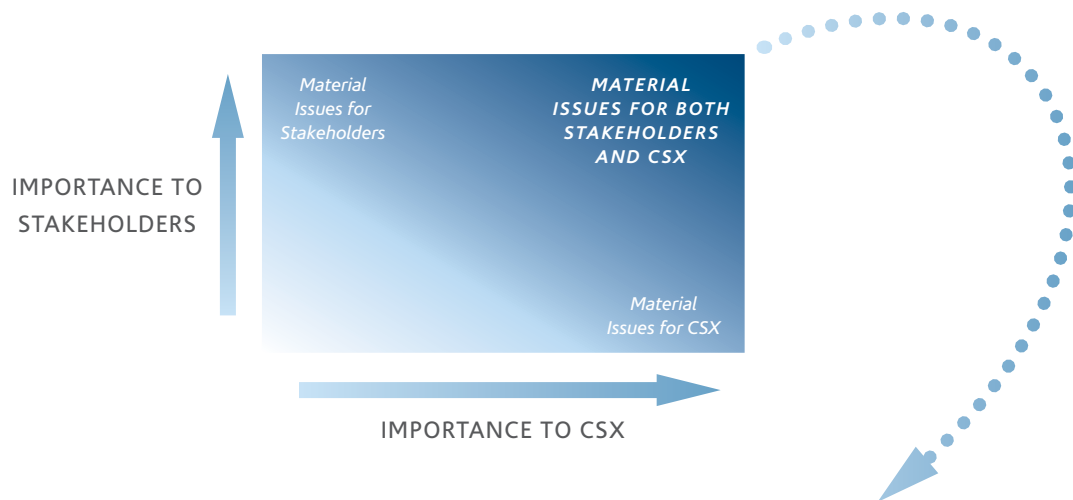
## Understanding Material Issues

CSX is committed to addressing stakeholder concerns and reporting on our progress. To determine the content for the 2012 CSR report and ongoing sustainability efforts, CSX performed a materiality analysis.

The materiality analysis helps CSX understand the issues that are of the greatest importance to our stakeholders. In particular, the process examines internal and external stakeholder concerns, enabling CSX to understand and manage areas of risk and opportunity. This analysis involved interviews with key stakeholders, a media review and feedback on the 2011 CSR report. In addition, investor

questionnaires, sustainability ratings and rankings, GRI guidelines, industry trends, peer reports and customer inquiries helped further prioritize the issues.

Each of the broad issues shown in the materiality list below is composed of sub-issues. CSX does not include these sub-issues on our materiality matrix. Issues that fall in the upper-right corner of the example materiality grid represent the most pertinent issues for CSX and have the most coverage in the report. The company recognizes that both stakeholder and business priorities change over time, and we will continue to refine and evolve our materiality process.



MATERIAL ISSUES FOR CSX (in alphabetical order):

Economic	Executive compensation; Local economic contributions; Operations and infrastructure; Shareholder returns; Supply chain management
Governance	Core values; Corporate governance; Risk management; Sustainability integration; Transparency (advertising, reporting and company communications)
Environment	Air quality; Biodiversity and land management; Carbon management and climate change; Environmental benefits of rail transport; Waste reduction; Water conservation
Social	Benefits and training; Community engagement and collaboration; Community safety and security; Diversity; Employee safety; External stakeholder engagement; Government engagement; Health and wellness; Human rights; Labor management practices; Talent acquisition and retention; Workforce planning



## Engaging with Stakeholders

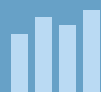
Active engagement with all of CSX's stakeholders is a business imperative for the company. Two-way communication allows us to gain and maintain our license to operate. CSX regularly engages with each stakeholder group listed in the table below through a variety of mechanisms.

Key topics and concerns raised by each stakeholder group are then addressed by CSX as appropriate. We realize that our stakeholders care about a variety of different issues – this is our method of ensuring we are addressing the most relevant topics.

Stakeholder Group	Engagement Approach	Topics
Employees	Awareness campaigns; Ethics helpline; Intranet sites; Leadership meetings; Newsletters; Town hall meetings; Training; Voice of the Employee survey	Benefits; Environment; Safety and wellness; Satisfaction surveys; Service excellence; Training; Volunteer opportunities
Customers	CSX National Partner Service Days; Customer events and trade shows; E-business tools; Voice of the Customer survey; Website	Customer service; Environmental benefits of rail transport; Safe handling of freight; Service reliability
Investors	Annual shareholder meeting; Earnings conference calls and investor conferences; Quarterly and annual SEC reports	Capital investments; Corporate governance; Financial and operating results; Safety; Shareholder returns
Communities and Non-Governmental Organizations	Employee volunteerism; Public meetings; Safety education campaigns; TellCSX helpline	Collaboration and partnerships; Economic benefits in local communities; Environment; Network safety and security; Safety
Public and Regulatory Officials	CSX Environmental Management System; CSX Police; Public policy advocacy; Training	Collaboration and partnerships; Compliance with laws and regulations; Environment; Safety
Suppliers	CSX supplier web-portal; Supplier diversity initiatives; Supplier quality program	Contractor management; Safety; Supplier development; Supplier diversity
Media	Company website; Press releases; Social media	Community; Emergency response; Environment; Financial highlights; Safety; Workforce



# MARKETS



CSX serves three primary lines of business: Merchandise, Intermodal and Coal.

## MERCHANDISE:

The merchandise business includes eight markets in three sectors.

### *Agricultural Sector:*

- Agricultural Products
- Phosphates and Fertilizers
- Food and Consumer

### *Industrial Sector:*

- Chemicals
- Automotive
- Metals

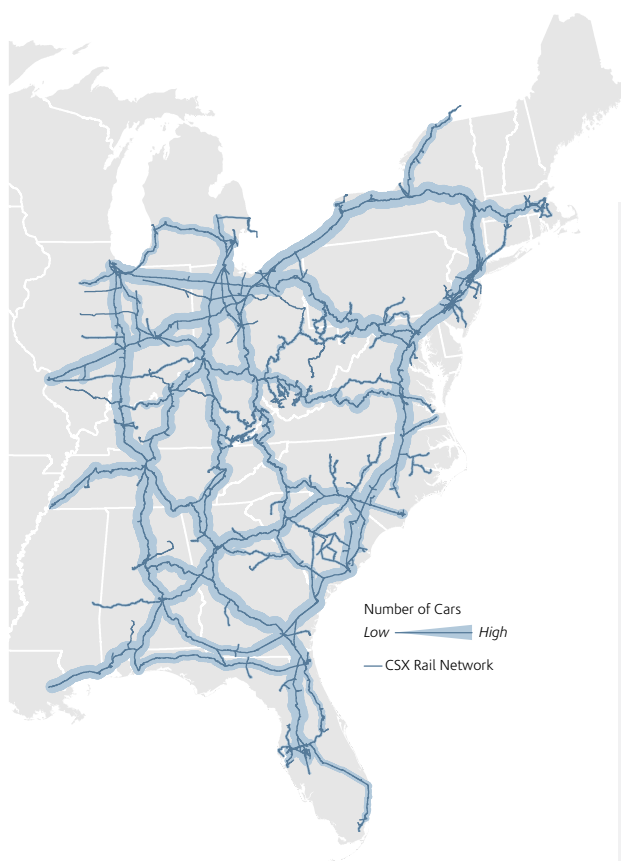
### *Housing and Construction Sector:*

- Emerging Markets
- Forest Products

## INTERMODAL

## COAL

## Merchandise



## TOP 10 MERCHANDISE CUSTOMERS

(in alphabetical order)

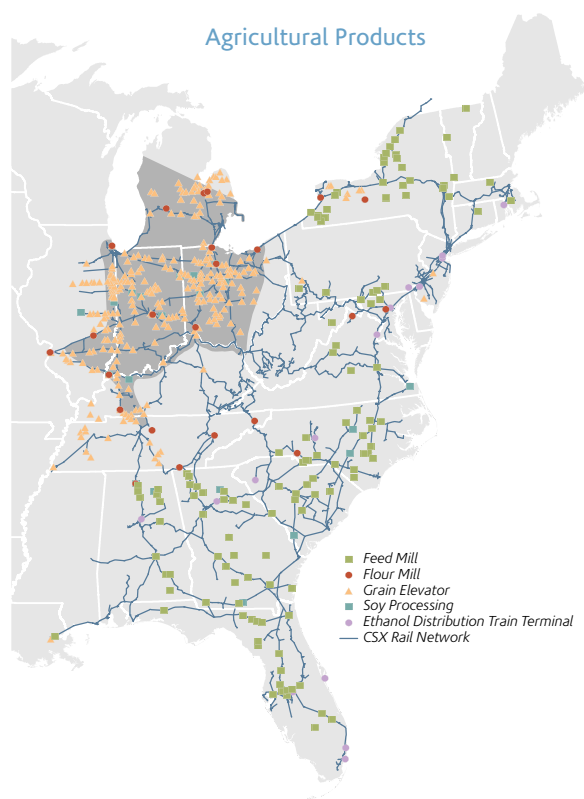
- AK Steel Corp
- Chrysler Group
- Ford Motor Co
- General Motors Co
- Honda Motor Co
- International Paper Co
- Koch Industries
- Mosaic Co
- Nucor Corp
- United States Steel Corp



## Agricultural Products Market

CSX moved a total of 394,000 carloads of agricultural products in 2012 for revenues of more than \$1 billion – a 4 percent decrease from 2011.

Volume decreased due to reduced shipments of corn and ethanol. Corn shipments for animal feed declined as drought conditions in the Midwest impacted harvest levels and drove corn prices higher. Further contributing to this decline, customers in the Southeast took advantage of lower-cost imported grains and a strong local crop, both of which are transported by truck. Ethanol shipments declined as a result of higher corn prices and reduced gasoline demand.



The majority of CSX's agricultural traffic is domestic shipments that fit into two distinct markets:

- Whole grain product market, consisting of corn, soybeans and wheat.
- Processed grains, consisting of feed ingredients, flour, edible oils, corn sweeteners and ethanol.

## MARKET STRENGTHS

Our network is well-positioned to meet the growing needs and demands of the country's agricultural sector. We currently serve:

- More than 300 grain elevators across the greater Midwest, transporting 23 million tons of grain and feed ingredients annually.
- 97 feed mills in the Southeast, 42 of which are unit train-capable facilities.
- 47 grain-processing facilities, as well as a number of bakeries and soft drink production facilities throughout the eastern U.S.
- Five export grain facilities to support a growing export environment.
- 18 ethanol unit-train unloading stations throughout the eastern U.S.

CSX continues to focus on improving efficiency and maximizing asset utilization within the grain markets. During the fourth quarter of 2012, 40 percent of our grain train business moved in our most efficient 90-car train product. CSX also continues to emphasize our Express Load and Unload program, which offers additional savings on trains that our customers load, or unload, within 15 hours. CSX continues to improve the efficiency of our ethanol network, as 10 of our 18 unit train ethanol facilities can unload directly into storage tanks, thereby improving the utilization of equipment and improving terminal efficiency. Both of these improvements reflect a continued focus on asset utilization in addition to larger unit size, and have helped CSX improve customer efficiencies within the agricultural market of our business.

## MOVING FORWARD

CSX continues to develop new and more efficient facilities to serve our customers, including feed mills, ethanol unit-train unloading stations and grain terminals. With global demand for food and grain continuing to grow and U.S. crop yields increasing, CSX expects the agricultural business to remain a consistent, long-term strength for the company.

## Phosphates and Fertilizers Market

In 2012, CSX's phosphate and fertilizer business moved 321,000 carloads for revenues of \$512 million – a 4 percent increase over 2011.

Volume was flat year-over-year. Fertilizer shipments were lower in the first half of the year as the expectation of moderating prices resulted in delayed purchases by farmers. This decline in the first half was offset by growth in fertilizer in the second half resulting from low river levels that shifted business that traditionally moves via barge to rail. Additionally, producers advanced shipments of fertilizer in the fourth quarter in anticipation of an expected increased application by farmers in 2013.

With strategic access to one of the world's largest phosphate reserves, combined with valuable import and domestic nitrogen production facilities, CSX plays a vital role in meeting the world's fertilizer needs. CSX is the steady leader in nitrogen, phosphate and potash fertilizer transportation with unmatched access to key product resources.

### MARKET STRENGTHS

A central asset in CSX's fertilizer market is the 1,977-square-mile "Bone Valley," located in central Florida's phosphate mining area. About 55 percent of the North American phosphate market and 10 percent of the global market is served from central Florida production. Shipments depart from Tampa Bay area terminals and arrive at global destinations like India, Pakistan, South America, China and Australia. The company also dispatches shipments of processed phosphates and fertilizers to other railroads routed with Midwestern and Canadian receivers. In total, CSX serves four phosphate mines and four processing plants in the Bone Valley, plus six port facilities. In addition, CSX has access to phosphate production facilities in North Carolina and Mississippi and nitrogen production plants in Georgia, Ohio, Virginia and Ontario. Key strengths include:

- Service to six Tampa Bay port facilities providing water access for exports and trans-Gulf shipments, including CSX's Rockport facility at the Port of Tampa. Rockport has 100,000 tons of storage capacity and handled more than 770,000 tons of phosphate exports in 2012. This facility has the capacity to handle more than 1 million tons per year.
- Shuttle train operations that moved almost 18.5 million tons of phosphate rock, other outputs and finished phosphate product within the Bone Valley, with much of the equipment in this service cycling within 36 hours.
- Domestic phosphate unit-train service that travels from the Bone Valley to the Midwest within four days and has the ability to handle four truckloads of dry or liquid fertilizer product with one railcar.
- Access to 95 domestic fertilizer warehouses capable of handling unit trains and five nitrogen production facilities with both liquid and dry nitrogen for direct shipment.
- Access to 18 East Coast and Gulf Coast import terminals for handling foreign-produced liquid nitrogen fertilizer; dry nitrogen fertilizer; phosphate and potash.
- Excellent connections at western gateways, which allow CSX to deliver potash originating in Saskatchewan, New Mexico and Utah to fertilizer receivers in the Midwest, Northeast and Southeast via unit-train and carload service.
- Service to two deepwater nitrogen solution import terminals in Wilmington, N.C., and Theodore, Ala.

### MOVING FORWARD

The outlook for fertilizer is positive, thanks to an increase in global crop demand, rising commodity prices and the need to replenish nutrient levels of potash and phosphates in soil. Domestic and export phosphates will continue to grow as global demand increases for corn and grain consumption. In addition, low natural gas prices in the U.S. have resulted in a resurgence of interest in domestic nitrogen production. Several nitrogen production expansion projects have been announced in 2013, spurred by the shale gas boom. While in the early stages, the increase in production could contribute to significant growth opportunities for CSX. Going forward, this could also result in the U.S. becoming a net exporter of some nitrogen fertilizer commodities. Continued market fundamentals that support nitrogen and phosphate import opportunities, combined with new product offerings based on government regulations, will provide additional rail opportunities for urea-based solutions.

We will continue positioning the company for future growth by actively developing additional port and inland facilities in response to projected demand, efficiency and market expansion improvements. As a result, the overall market outlook for phosphate is moderately strong, with expected growth in the nitrogen, potash and phosphate markets.

## Food and Consumer Market

CSX's food and consumer business moved a total of 100,000 carloads in 2012 for revenues of \$273 million – a 4 percent increase over 2011.

Volume declined year-over-year as a result of lower appliance shipments due to intermodal conversions, lower sales incentives by manufacturers and a moderating economy. The decline in appliances was partially offset by growth in refrigerated products due to highway-to-rail conversions.

### MARKET STRENGTHS

CSX serves our customers through the reach and reliability of our network, and with strategic partnerships with other transportation providers that help increase our speed of service and market reach. In addition, we offer:

- Direct lines to processing plants that produce food and beverage products, appliances and other consumer products.
- A large network of CSX-served warehouses that provide rail-to-truck transfers for non-rail-served receivers.
- Links to beverage producers and appliance manufacturers in Mexico via interline rail connections. While much of the company's food and consumer volume is domestic, a growing portion of consumer goods originate in Mexico.
- A state-of-the-art service that transports a wide variety of cargo, primarily fruits and vegetables, from producer markets in California and Washington to key consumer markets in the Northeast. CSX and Union Pacific partner with Railex, an innovative distribution platform, to provide five-day service from the West to East Coast. The refrigerated boxcars used for Railex service feature enhanced insulation, energy-efficient cooling systems and GPS monitoring to ensure that customer goods remain properly stored throughout their entire journey. This service is expanding to Southeast markets in 2013.
- In late 2013, CSX will expand other expedited service offerings to include Central Florida and the Chicago area. The platform will handle a variety of food commodities providing round-trip service to and from these metropolitan regions. The nonstop temperature-controlled service will provide 2.5-day service twice a week.

## MOVING FORWARD

CSX's food and consumer network is well-positioned to serve the food, beverage and appliance industry's growing demand for rail service. Imports from Mexico are expected to increase "on-shoring" in the appliance manufacturing sector and are expected to continue through 2013. As our food network extends into the Southeast and Midwest in 2013, we will also offer additional service lanes in key growth markets throughout 2014 and 2015. Overall, volume of the company's food and consumer shipments is steady, and is poised for long-term growth.

The main ingredients of CSX's food and consumer market are:

- Dry grocery goods, which include alcoholic and non-alcoholic beverages, canned goods and dry packaged goods, accounting for half of consumer unit shipments.
- Temperature-controlled products, representing more than one-third of shipments.
- Consumer products, including manufactured goods and appliances, making up the balance.

## Chemicals Market

CSX moved a total of 471,000 carloads of chemical commodities in 2012 for revenues of nearly \$1.7 billion – a 5 percent increase over 2011.

Volume growth was driven by an increase in energy-related markets – including fracturing sand, liquid petroleum gas (LPG) and crude oil – that was mainly due to the nationwide increase in shale drilling activity. Additionally, plastics shipments grew in response to increased demand in the automotive, housing and packaging markets.

The strength of CSX's chemicals market lies in our ability to safely move thousands of carloads of chemicals each day over the breadth and location of the company's network. We serve hundreds of chemical consumers, plastics converters, glass manufacturing plants, chemical plants and refineries. In recent years, shale drilling has had a positive impact on the market, representing a growth opportunity for chemical-related transportation at CSX, given our network access to the Marcellus and Utica shale regions.

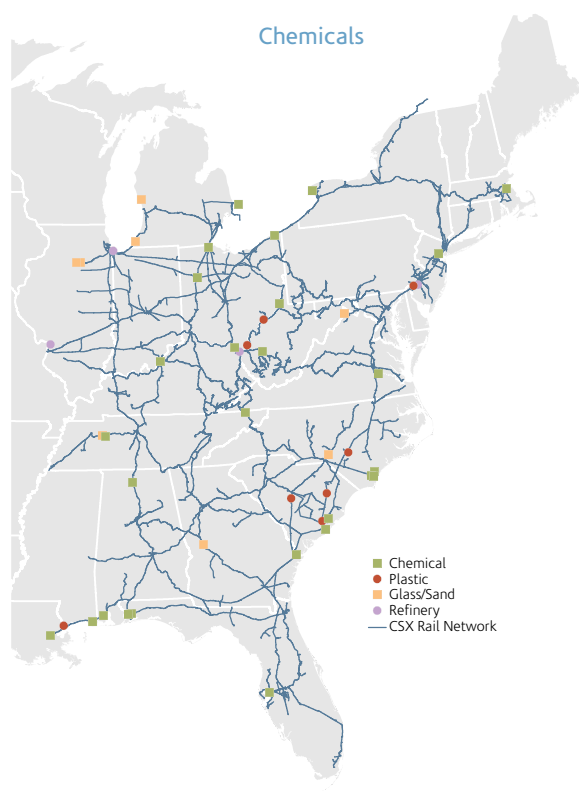


## MARKET STRENGTHS

CSXT is a major transportation service provider to the North American chemical and petroleum industries. The business is highly diversified, with dozens of customers shipping hundreds of different commodities.

Chemical-related shipments primarily move in CSX's single-car merchandise network. A significant amount of the traffic originates on other railroads, due to the large concentration of chemical production located in the Gulf states, with CSX serving the chemical receiver market in the eastern U.S.

While many of the traditional chemical and petroleum markets that CSX serves have been growth-challenged over the last decade, several new emerging markets have developed over the last couple of years, driven by a surge in natural gas and oil drilling activity in the U.S. The key commodities – crude oil, natural gas liquids and fracturing sand – present an opportunity for above-average growth over the next few years. And, over the long term, the improved energy supply outlook for the U.S. creates a sustainable competitive advantage for domestic chemical producers.



Shale drilling activity is driving a significant level of industrial development activity in the Marcellus and Utica shale regions as customers seek strategic locations to handle drilling-related raw materials. In support of that activity, CSX's fracturing sand business has grown four-fold over the last five years. The beneficial impact of increased natural gas supply is also drawing potential new chemical plants to the area for the first time in several decades.

### CSX's chemical market:

- 38% Plastics and plastic feedstocks (chemicals used to make plastics).
- 35% Industrial chemicals, silica sand.
- 27% Petroleum products, liquefied petroleum gases.

CSX is in a strong position to compete for opportunities presented by eastern U.S. refineries interested in receiving crude oil from the Bakken shale region in the west. Historically, crude oil has been supplied to East Coast refineries via vessels, but the abundance of low-cost oil in the Bakken region and the lack of pipeline infrastructure to the east have changed that supply model. Rail service is now essential to quickly bridging the gap from oil field to refinery. CSX can move a unit train of crude oil from the Chicago gateway to the Northeast market in less than 48 hours, making this the premier rail route to the east. Several crude-by-rail opportunities are expected to come to fruition in 2013 and 2014, as the infrastructure required to handle these large-volume movements is completed.

In addition to CSX's network strengths, the company also provides the most comprehensive access to bulk rail-to-truck transloading sites in North America through our TRANSFLO subsidiary. TRANSFLO enables chemical shippers to leverage the economic and productivity benefits of bulk transloading to reach customers that are not directly served by rail or that lack the volume to justify rail carloads.

## MOVING FORWARD

Due to the shale gas boom that is sweeping the country, the proliferation of natural gas supply in the U.S. has pushed prices down to the lowest level in over a decade. Since natural gas is a primary basic component in the production of a wide range of petrochemicals, the U.S. is now among the lowest-cost production regions in the world.

U.S. chemical companies are capitalizing on this newly improved competitive position by investing billions of dollars in domestic production capacity. For example, recent announcements suggest that U.S. ethylene capacity could increase by 30 percent or more over the next five years. Though U.S. demand for ethylene-derived petrochemicals is expected to grow at near-gross domestic product growth rates, the capacity additions that will take place over the next several years will far outstrip increases in U.S. demand. As a result, it is likely that U.S. exports of many of these petrochemicals, especially polyethylene, will see significant growth in the latter part of this decade.

All of this activity suggests that the transportation of chemicals and energy-related commodities presents a growth opportunity for the company.

## Automotive Market

CSX's automotive business generated 425,000 carloads in 2012 for revenues of \$1.2 billion – a 23 percent increase over 2011.

Volume grew with North American light vehicle (NALV) production, increasing 18 percent year-over-year. The average vehicle age in the U.S. reached a record high of 11.4 years, and currency exchange rates contributed to increasing North American production. In addition, inventory shortages following the tragic Japanese tsunami and Thai floods escalated U.S. production levels in 2012.

The general U.S. economic recovery and structural changes within the auto industry are contributing to the revival of the domestic auto business, increasing demand for CSX services. The company's automotive market is benefiting from the industry's overall recovery, improved credit availability, new vehicle launches and plant expansions.

### MARKET STRENGTHS

CSX serves automotive manufacturing plants and assembly centers in eight states, and provides a network of world-class vehicle distribution centers with cutting-edge inventory and facility management technology. Total Distribution Services, Inc., a CSX subsidiary, manages vehicle distribution centers

in 15 states. These attributes – in conjunction with industry-leading quality performance, operational excellence and ongoing investments in its multilevel fleet – distinguishes CSX and creates value by accelerating its customers' product to market. CSX has developed strong relationships with traditional domestic manufacturers General Motors, Ford and Chrysler, as well as "New Domestics" Honda, Nissan, Toyota, Kia, Hyundai and Volkswagen.

- CSX transports 30% of all North American light vehicles produced.
- The auto industry enjoyed three consecutive years of double-digit growth in U.S. vehicle sales, and is projecting 5% year-over-year growth in 2013.

CSX partners with automotive manufacturers:

**Ford.** Reopened the CSX-served Louisville, Ky., assembly center following re-tooling for the 2012 Ford Escape.



**GM.** Reopened the CSX-served Spring Hill, Tenn., assembly center building the Chevrolet Equinox.



**Toyota.** Opened a new assembly center; manufacturing the Corolla, in December 2011 in Tupelo, Miss., served by BNSF in partnership with CSX.



**Volkswagen.** In September 2011, began production at its new Chattanooga, Tenn., assembly center; which CSX serves via a shortline railroad partner.



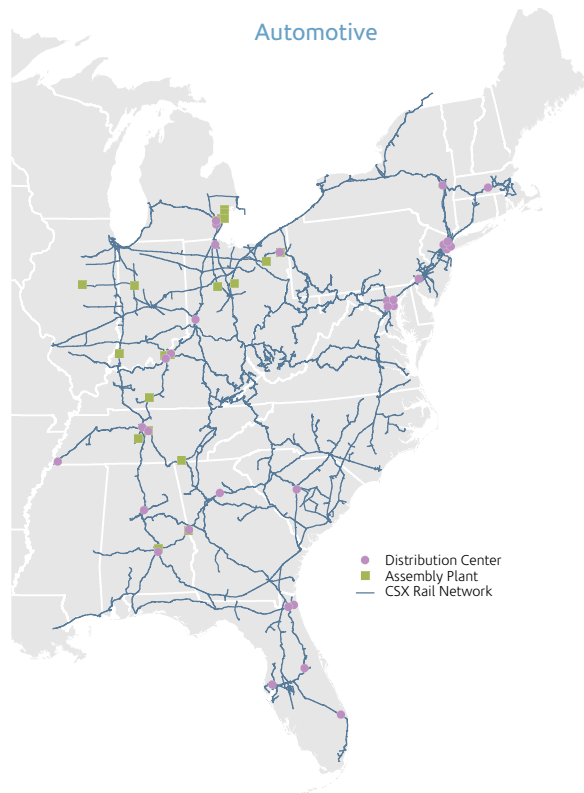
**Kia.** Completed an expansion in late 2011 to accommodate production of the KIA Optima, increasing annual production capacity and added incremental railcar loading capacity.



### MOVING FORWARD

The automotive market outlook for 2013 and beyond remains bright for CSX. While sensitivities to fuel prices, jobs and U.S. fiscal policy may moderate progress, U.S. auto sales are projected to grow 5 percent in 2013. Credit availability has led to the resurgence of both new vehicle sales and vehicle leasing and will continue to positively impact production. This, in conjunction with growth in the

U.S. vehicle population for the first time since 2007, and the increasing average vehicle age in the U.S., underscores our confidence in the forward-looking NALV production projections. Vibrant year-over-year growth projections are expected to result in NALV production surpassing the historic highs set in 2000 by calendar year 2016.



In addition, labor costs and favorable exchange rates are encouraging manufacturers to expand or move production back to the U.S., resulting in increased exportation of U.S.-assembled vehicles. This “on-shoring” of manufacturing extends to Mexico, where the next North American assembly centers for Honda, Mazda, Nissan and Audi are under construction. The CSX franchise – in conjunction with capital investments in multilevel equipment and vehicle distribution centers, and its commitment to quality, operational excellence and applied technology – constitutes a strong, long-term value proposition that differentiates the company.

### CSX-SERVED ASSEMBLY PLANTS

- Detroit, Mich.: Dodge Durango, Jeep Grand Cherokee
- Sterling Heights, Mich.: Dodge Avenger, Chrysler 200
- Warren, Mich.: Chrysler Ram
- Dearborn, Mich.: Ford F-150, Lincoln Mark LT
- Louisville, Ky.: Ford Escape, Lincoln MKC
- O'bannon, Ky.: Ford Super Duty, Expedition, Navigator
- Wayne, Mich.: Ford Focus, Ford C-Max
- Bowling Green, Ky.: Chevrolet Corvette
- Lordstown, Ohio: Chevrolet Cruze
- East Liberty, Ohio: Honda CR-V, Honda Crosstour, Acura RDX
- Greensburg, Ind. (via short line): Honda Civic, Acura ILX
- Marysville, Ohio: Honda Accord, Acura TL
- Montgomery, Ala.: Hyundai Sonata, Hyundai Elantra
- West Point, Ga.: KIA Sorento, Hyundai Santa Fe, KIA Optima
- Normal, Ill.: Mitsubishi Outlander Sport
- Smyrna, Tenn.: Pathfinder, Rogue, Altima, Maxima, LEAF, Infiniti JX
- Lafayette, Ind.: Toyota Camry, Subaru Legacy, Tribeca, Outback
- Princeton, Ind.: Highlander, Sequoia, Sienna
- Chattanooga, Tenn. (via short line): Passat
- Spring Hill, Tenn.: Chevrolet Equinox

### Metals Market

CSX's metals business moved a total of 263,000 carloads in 2012 for revenues of \$635 million – a 4 percent increase over 2011.

Volume in 2012 was slightly lower, primarily due to the decline in ferrous scrap shipments as a result of depressed steel mill utilization rates and lower ferrous scrap exports driven by moderating global demand.

CSX's metals market is closely tied to the performance of the steel industry. Since the 2009 recession, economic and fiscal uncertainty in the U.S. and abroad has limited the pace and scope of the steel industry's recovery.



## MARKET STRENGTHS

Steel has long played a crucial role in the U.S. and global economies, so it is no surprise that the international steel marketplace has a direct impact on our domestic production, demand and transportation needs. Overall, CSX has more than 700 metals customers in its network and serves more metal-producing states east of the Mississippi than any other carrier. We transport:

- More ferrous scrap than any other North American railroad.
- Sheet steel from every major producer to processing facilities and key end-use markets.
- Millions of tons of bar, coiled rod and structural steel annually for the construction industry.
- Hundreds of thousands of tons per year of alumina, ferroalloy and other raw materials to aluminum and steel producers.

In fact, 87 percent of U.S. steel is produced within the footprint of CSX's network. Our traffic is heaviest in the Indiana-Ohio region and along the East Coast, but the market is also expanding globally. Our service and

competitive pricing help steel customers expand their market reach. CSX de Mexico, for example, has been a key part of both import and export solutions and growth opportunities for CSX customers. The CSX metals market also benefits customers who are not directly served by rail with MetalNet, a specialized logistics service that connects our customers with a system of metal warehouses and transloading facilities.

- 55% of metal products moved by CSX are ferrous scrap and sheet steel.
- 45% includes semi-finished products, steel plate, pipe, nonferrous products and long products like rebar and beams.

## MOVING FORWARD

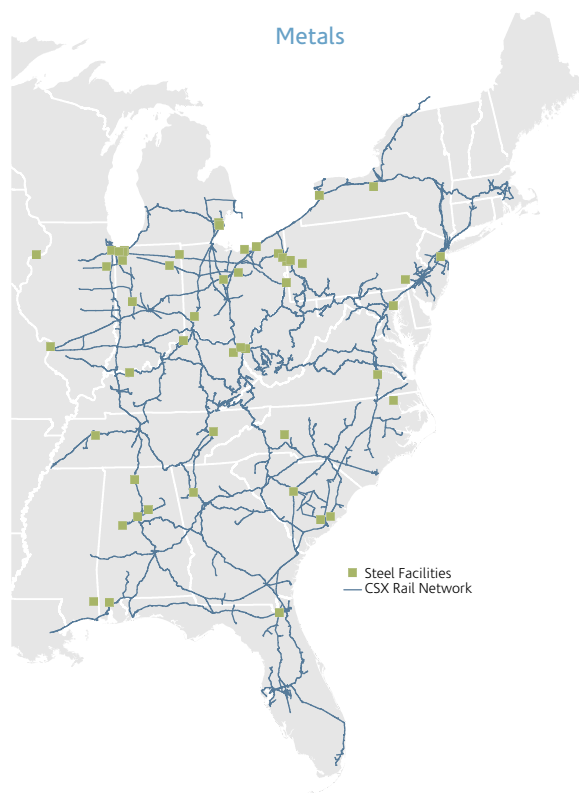
CSX's metals franchise is strategically positioned for growth in the coming years as domestic steel production makes steady improvements, with automotive, energy and construction end-markets driving growth. With our valuable customer network, strength in U.S. steel production and position in the steel market, CSX expects to deliver sustainable growth, not only as the economic environment continues to improve, but also in the form of share gains from modal conversions and new product development.

## Emerging Markets

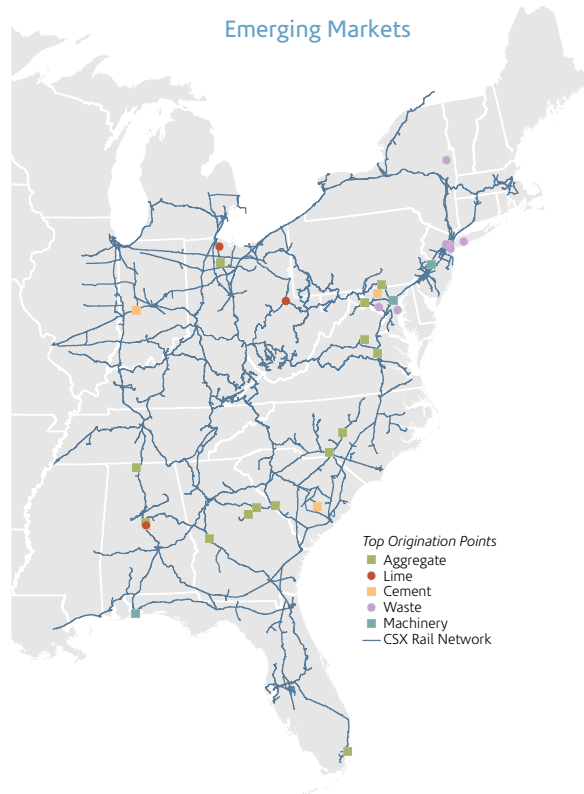
CSX's emerging markets business moved a total of 408,000 carloads in 2012 for revenues of \$671 million – relatively flat compared to 2011.

Volume declined due to reduced aggregate shipments (which include crushed stone, sand and gravel) resulting from the completion of several road construction and government stimulus projects versus the prior year. Also, there was a decline in salt shipments for road application, as inventories remained high due to the mild winter.

Overall, this business generated flat revenues in 2012 on a moderate decline in volume. These markets represent minerals, waste, machinery and transportation equipment – all critical bellwether industries in the U.S. economy.



Aggregates are among the major minerals shipped over the CSX network and are used in producing asphalt and concrete for the construction of homes, retail and office buildings, and roads.



## KEY DRIVERS

Three key drivers in our emerging markets business are minerals, waste and machinery.

- Volumes were depressed in 2012 across all segments in minerals. The completion of several stimulus projects, the mild winter and low steel capacity utilization were the major factors impacting the business unit.
- The company also saw a small decrease in municipal, construction and remediation waste shipments in 2012, driven by less construction and demolition debris. Revenues, however, were up versus 2011 due to a favorable mix change with additional remediation shipments.
- With respect to the machinery market, shipments increased in the first half of 2012, but softened in the

second half. This was primarily attributed to less wind energy component traffic due to the uncertainty as to whether Congress would extend a crucial industry production tax credit. Other segments of the market – including boilers and turbines, as well as farm and construction machinery – performed well, the result of which had the machinery market flat compared to 2011.

Emerging markets for CSX consist of:

- Minerals
- Waste
- Machinery
- Transportation equipment

## MARKET STRENGTHS

Each of the businesses affords opportunities for CSX to work with customers to identify new rail movements. There are many opportunities to grow rail volume for the major commodities within this portfolio, such as minerals (aggregates, cement, lime, clay), waste (industrial, municipal, remediation) and machinery (agricultural, construction, power generation).

- CSX has a number of quarries, distribution yards and lime kilns along its network that serve large power plants, steel mills and mining operations. Our presence in the Southeast, especially in Florida, puts us in a favorable position in one of the fastest-growing regions as the U.S. economy recovers.
- The CSX system makes it possible to move waste streams long distances to large regional landfills with more competitive pricing than local disposal facilities. We serve a diverse set of customers, including metal processing, steel, paper, chemicals and waste-hauling companies.
- Machinery shipments typically consist of heavy agricultural and power-generation equipment. CSX is a low-cost alternative to trucking, especially when moving domestic shipments, as well as those headed for export through various ports along the Eastern seaboard.

## MOVING FORWARD

Residential and commercial construction markets are gradually recovering. In addition, CSX is increasingly optimistic about greater highway construction spending

in 2013. CSX is expected to benefit from the demand for cement and aggregate materials. An increase in steel capacity utilization will aid lime volume growth. Additionally, an expected increase in commercial activity in the Northeast should result in more opportunities to handle construction and demolition debris shipments by rail. The sustained revival of the construction market will be a key growth driver; as will our continuing efforts to stimulate demand for our service by selling the value of rail and CSX's economically and environmentally friendly supply chain solution.

In addition, CSX has many long-term opportunities in municipal solid waste disposal projects, as well as several major remediation ventures that will keep waste moving on our lines for many years to come. Power generation is also poised to rebound as major infrastructure replacement projects are developed in the future. The renewal of the wind energy production tax credit in early 2013 will support further development and provide additional transportation opportunities for CSX.

### Forest Products Markets

CSX's forest products business moved a total of 286,000 carloads in 2012 for revenues of \$722 million – a 6 percent improvement over 2011.

In 2012, an improvement in carload volumes was primarily related to the strengthening home construction market. While consumption of packaging paper and woodpulp remained stable, expanded use of electronic media created less demand for printing paper and related products. Despite this overall market shift, forest products remain an integral part of CSX's portfolio.

### MOVING FORWARD

As the construction sector and the general economy continue to gain momentum, we expect concurrent growth to follow in the building products, packaging products and woodpulp markets. CSX also sees potential biomass growth in Europe, where regulations are demanding the increased consumption of renewable fuels.

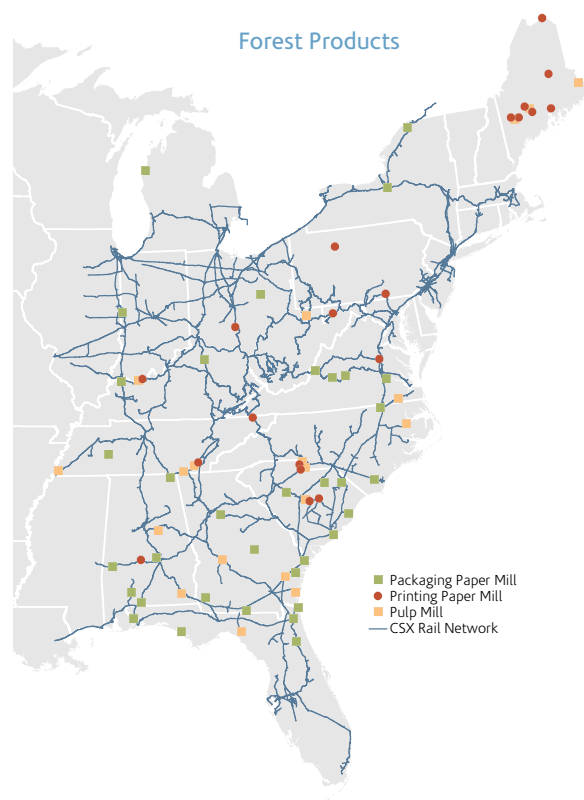
### CSX AND THE NORTH AMERICAN FOREST PRODUCTS MARKET

CSX plays a critical role in the North American forest products industry. To better dedicate our services to meet customer and market requirements, CSX's forest products business is separated into two primary groups:

**PAPER PRODUCTS.** Consists of packaging products (containerboard, linerboard and corrugated medium), printing paper, newsprint, magazine and catalog paper; woodpulp and scrap paper. CSX has access to 67 paper and woodpulp mills, along with numerous box plants and printing facilities throughout our network.

**BUILDING PRODUCTS.** Includes lumber, panel products, wallboard, bricks, roofing products and other materials related to the residential and commercial construction industries.

Other important commodities include biomass (wood pellets) as a sustainable fuel source, and woodchips, used as a feedstock for both paper and biomass production.





## Intermodal Market

CSX's intermodal business delivered 2.5 million units in 2012 for revenues of \$1.6 billion – an 11 percent increase over 2011.

In 2012, intermodal volume increased due to growth in both domestic and international markets. Domestic shipment growth resulted from highway-to-rail conversions and

increased demand from both new and existing customers. International growth was driven by new customers and expanded service offerings primarily enabled by the Northwest Ohio terminal.

- 52% Domestic intermodal traffic
- 48% International intermodal traffic

Intermodal provides key benefits to shippers looking to optimize their transportation networks and supply chains:

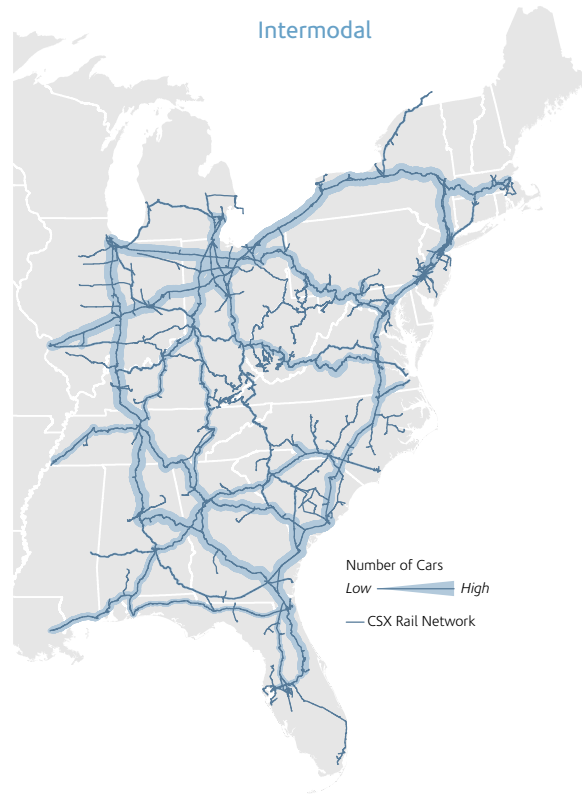
**Scalable Capacity.** Intermodal solutions provide access to a large and growing fleet of both rail-owned and privately owned containers, easing shippers' capacity concerns year-round, including during peak seasons. Intermodal scales to meet shipping needs efficiently, with the ability to move the load of 280 trucks on one train.

**Sustainable Savings.** Intermodal advantages, such as lower fuel consumption and freight density through the double-stacking of containers, produce cost savings for shippers and their customers. Additionally, the environmental favorability of intermodal provides a responsible growth engine for sustainable freight transport (see page 85).

**Flexibility.** With the most intermodal lanes in the Eastern U.S. and nationwide connectivity, CSX meets the dynamic needs of today's freight flows.

### PUBLIC-PRIVATE PARTNERSHIPS

Expanding capacity on U.S. rail networks provides substantial public benefits, including job creation, increased business activity at U.S. ports, reduced highway congestion and lower air emissions. This is why CSX and its government partners are working jointly to invest in multiyear rail infrastructure projects such as the National Gateway. Spanning multiple



states, this approximately \$850 million public-private partnership will increase intermodal capacity and create substantial environmental and efficiency advantages by clearing key corridors between Mid-Atlantic ports and the Midwest for double-stack intermodal trains.

CSX provides intermodal service to major markets east of the Mississippi, scheduling more than 600 trains per week through the 48 terminals it serves.

The company's Northwest Ohio intermodal terminal, which became operational in 2011, is the cornerstone of the National Gateway and the company's long-term growth initiatives. This high-capacity terminal expands service offerings to customers, improves market access to and from East Coast ports and consumption centers, and enhances the fluidity of the network.

During 2012, the company completed construction of a new intermodal terminal in Louisville, Ky., and completed major

## INTERMODAL TERMINALS

CSX directly serves 48 intermodal terminals on its network in 19 states and in one Canadian province. These terminals serve as transfer points between rail and trucks. Cities with more than one terminal are listed with a number.

(in alphabetical order by state/province)

- Bessemer, Ala.
- Mobile, Ala.
- Jacksonville, Fla. (2)
- Orlando, Fla.
- Tampa, Fla.
- Atlanta, Ga.
- Fairburn, Ga.
- Savannah, Ga. (2)
- Chicago, Ill. (2)
- East St. Louis, Ill.
- Evansville, Ind.
- Indianapolis, Ind.
- Louisville, Ky.
- New Orleans, La.
- Baltimore, Md.
- Springfield, Mass.
- Worcester, Mass. (2)
- Detroit, Mich.
- Kansas City, Mo.
- Kearny, N.J.
- North Bergen, N.J. (2)
- New York/New Jersey Port (3)
- Buffalo, N.Y.
- Syracuse, N.Y.
- Charlotte, N.C.
- Wilmington, N.C.
- Cincinnati, Ohio
- Cleveland, Ohio
- Columbus, Ohio
- Marion, Ohio
- Marysville, Ohio
- Northwest Ohio
- Chambersburg, Pa.
- Philadelphia, Pa.
- Montreal, Quebec
- Charleston, S.C.
- Memphis, Tenn.
- Nashville, Tenn.
- Portsmouth, Va. (3)

terminal expansion projects in Worcester, Mass.; Charlotte, N.C.; and Columbus, Ohio. In addition, the company began construction on a new intermodal terminal in Winter Haven, Fla., during 2012. These projects further enhance CSX's intermodal offering and will support future growth in this market.

## ADDITIONAL MARKET STRENGTHS

Intermodal continues to gain momentum as a go-to transportation mode for a variety of products across highly complex supply chains, including consumer goods, appliances, manufacturing, packaging products, electronics, food and beverage items, furniture and more. The need for intermodal transportation in the U.S. is on the rise. At CSX, we are positioned to capitalize on that growing demand with:

- A strong presence in key population centers, including 48 directly served terminal locations predominantly east of the Mississippi River.
- Access to all major ports on the Atlantic and Gulf coasts.

- Seamless network interchange with other rail carriers to enable efficient intermodal solutions with truck-like service levels across the U.S. and into both Mexico and Canada.
- Superior service connectivity between markets – not only in major freight corridors, but also in traditionally difficult to serve, lower-density, second- and third-tier markets due to CSX's hub and spoke network.
- Cutting-edge technologies that increase operational and service efficiencies and promote sustainable supply chains, while enhancing safety and security.
- Continued success stimulating Highway-to-Rail (H2R) conversions, thanks to increasingly competitive and reliable service, a focus on customer needs, and efforts to educate the Beneficial Cargo Owners directly on the value of intermodal.

## INTERMODAL TOP 10 CUSTOMERS

(in alphabetical order)

- APL
- CMA CGM
- Hapag Lloyd
- Hyundai
- J.B.Hunt
- Maersk
- Mediterranean Shipping
- Pacer
- Schneider National
- UPS

## MOVING FORWARD

The company expects steady intermodal growth, and international growth in this area will be guided by continuing economic recovery, expansion in international trade, a sustained intermodal service product and the strong relationships CSX has with the port and ocean carrier communities. CSX's domestic intermodal business has grown seven years in a row – a trend we expect to continue. CSX will pursue incremental growth opportunities through new market and service expansion and accelerated H2R conversion by working with shippers to realize supply chain optimization. These efforts target the roughly 9 million addressable loads in the eastern freight market.

### Coal Market

CSX's coal business moved 1.3 million carloads in 2012 for revenues of \$3.2 billion – a 14 percent decrease from 2011.

Demand for utility coal declined due to low natural gas prices, reordering the priority in which coal-fired plants are dispatched. In addition, the 2011 to 2012 heating season was extremely mild, reducing the demand for electricity. As a result, utility coal stockpiles remain well above target levels. Utility coal declines were partially offset by higher export shipments driven by increased shipments of thermal coal. In 2012, CSX shipped a record 47.8 million tons of export coal.

The company has made great strides in carload productivity by expanding coal car capacity and improving loading effectiveness. In 2012, we improved lading-per-car by 1,700 pounds through initiatives to replace smaller, older cars with higher-capacity cars, and to use higher-technology batch-weigh loading systems and computer support tools to aid the customer loading process. The improved lading, combined with pricing, produced a 2 percent increase in revenue per car versus 2011.

### MARKET STRENGTHS

CSX serves approximately 120 active mining operations. We participate in the delivery of coal to nearly 170 different destinations. The vast majority of the coal we move originates in the Appalachian and Illinois Basin coal fields that lie within our 21,000-mile network. We take great care to ensure that

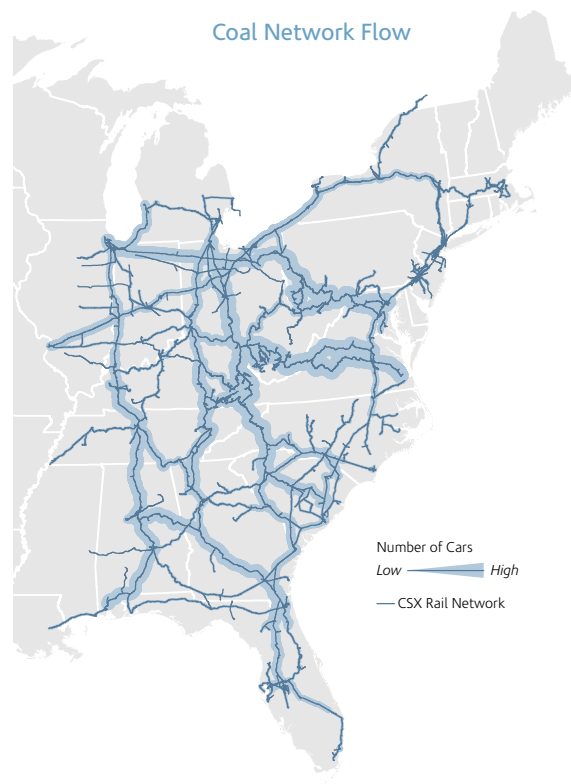
the value of our network, as measured by our customers, continues to grow and evolve with their changing needs.

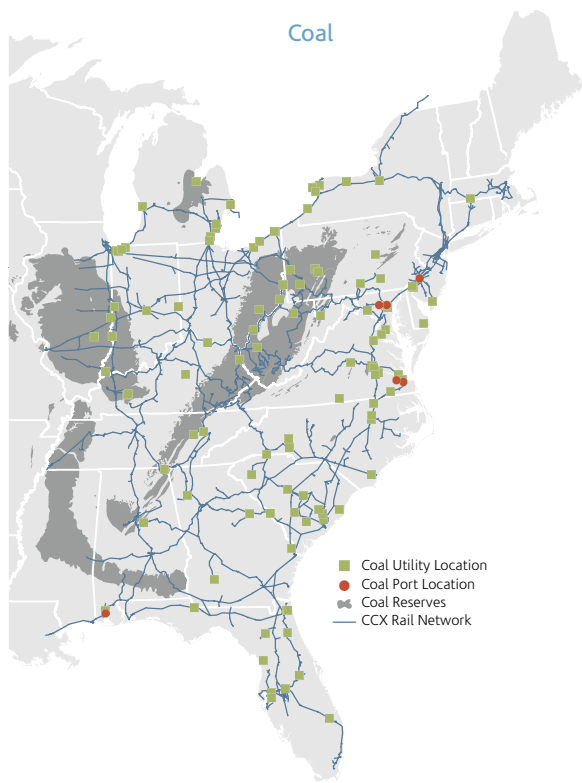
The CSX network:

- Runs through the heart of the Appalachian coal fields.
- Serves the growing Illinois Basin coal fields and major interline connections to railroads originating Western coal.
- Reaches major coal export terminals at Newport News, Va., Baltimore, Md., and Mobile, Ala.; as well as Great Lakes coal terminals at Ashtabula and Toledo, Ohio, and several terminals along the inland river system.

## MOVING FORWARD

During 2013, coal-fired generation is expected to increase as natural gas prices rise. Volume increases will follow as inventories return to normal by year-end. In the longer term, CSX expects coal-fired generation to remain an integral source of electricity given its low cost and the utility industry's ability to adapt to regulatory changes. While the industrial markets will likely remain challenging, the integrated steel market for coal is forecasted to be positive through 2017.





The export coal market is a growth segment for CSX. Volumes in 2013 are expected to be strong by historic standards, but less than the record tonnage of 2012. Over the long term, CSX expects its export business to continue to grow, benefiting from increasing coal demand in Europe, Asia and South America. CSX is well-positioned to capitalize on international market growth through our access to large U.S. coal suppliers and multiple port facilities.

### COAL TOP 10 CUSTOMERS

(in alphabetical order)

#### PRODUCERS

- Alliance Resource Partners
- Alpha Natural Resources
- Arch Coal
- CONSOL Energy
- Eagle Industries
- James River Coal
- Patriot Coal
- Peabody
- TECO Coal
- Walter Energy, Inc.

#### RECEIVERS

- AK Steel
- Alpha Coal Sales
- Consumers Energy
- EDF Trading North America LLC
- Georgia Power
- Jim Walter Resources Inc.
- South Carolina Electric & Gas
- South Carolina Public Service Authority
- Tennessee Valley Authority
- XCoal Energy & Resources





## GOVERNANCE



### IN THIS SECTION:

Executive  
Leadership

Board of  
Directors

Leadership  
Structure

Board  
Committees

Governance  
Policies

Political Activities  
and Lobbying

### Successes:

- *Updating and training employees on the CSX Code of Ethics in 2012, for which we received an A rating from Corpedia.*
- *100 percent of management employees completed ethics training and 100 percent of supervisors received Ethical Leadership Training in 2012.*
- *Proactively engaging with shareholders on governance issues.*

### Challenges:

- *Ensuring that all of our union employees are trained annually on ethics.*
- *Providing updates and easy access to information about company policies to employees, suppliers and other key stakeholders.*

## Management Approach and Plans Ahead

At CSX, our vision to be the safest, most progressive North American railroad begins with good corporate governance. To be a company that consistently demonstrates integrity, we live by a set of core values that every employee at CSX is responsible for adopting, and we embed these values into our daily work practices. Looking ahead, CSX plans to expand the company's risk management approach to continue increasing awareness on ethics topics.

## Executive Leadership

The CSX Executive Team works to guide the company in the pursuit of long-term business success and the creation of shareholder value. Our Executive Team includes the following members:

**Michael J. Ward**, chairman, president and chief executive officer (CEO) of CSX since January 2003, has been a member of the CSX team for 35 years. Mr. Ward's railroad career has included key executive positions in nearly all aspects of CSX's business, including sales and marketing, operations and finance.

**Fredrik I. Eliasson** has served as executive vice president and chief financial officer (CFO) since January 2012 and is responsible for the management and oversight of all financial strategic planning activities. He previously served in a variety of leadership roles at CSX during his 17-year tenure, including vice president of sales and marketing for CSX's chemicals and fertilizer business, vice president of emerging markets, vice president of commercial finance and vice president of financial planning and analysis.

**Oscar Munoz** was named executive vice president and chief operating officer (COO) in January 2012. He is responsible for managing all aspects of CSX's operations, including transportation, service design, customer service, engineering, mechanical and technology. Prior to this role, Mr. Munoz served as executive vice president and CFO from 2003 to 2012.



**Clarence W. Gooden** has been CSX's executive vice president and chief commercial officer since April 2004. Mr. Gooden is responsible for generating customer revenue, forecasting business trends and developing CSX's model for future revenue growth. He has been with CSX for 42 years and previously held numerous executive positions in operations and sales and marketing.

**Ellen M. Fitzsimmons** currently serves as executive vice president of law and public affairs, general counsel and corporate secretary. Ms. Fitzsimmons has been CSX's chief legal officer and has overseen all government relations and public affairs activities since December 2003. During her 21-year tenure with the company, her broad responsibilities have included key roles in major risk and corporate governance-related areas.

**Lisa A. Mancini** was named senior vice president in January 2009 and currently serves as the company's chief administrative officer. Her responsibilities include employee compensation and benefits, labor relations, employee staffing and development, purchasing, real estate, aviation and facilities. Previously, Ms. Mancini served as vice president of strategic infrastructure initiatives and vice president of labor relations.

Opposite page: Executive Leadership Team at Earnings Live event. From left to right: Michael Ward, Lisa Mancini, Oscar Munoz, Ellen Fitzsimmons, Fredrik Eliasson and Clarence Gooden.

## CSX CORE VALUES

### **It starts with the customer.**

*Reliable service to our customers is key for growth, which we will achieve through understanding and meeting their needs.*

### **People make the difference.**

*Engaging every employee and adding value, with an emphasis on professional and personal growth, is imperative to differentiating ourselves as a progressive railroad.*

### **Safety is a way of life.**

*Taking time to be safe, for ourselves, our fellow employees and our families, is entrenched in everyday life at CSX.*

### **Fact-based.**

*Focusing on fixing the problem and not its symptoms by using a fact-based approach is important for both our business and our customers.*

### **Right results, right way.**

*Rewarding our shareholders and the process through which we are a positive influence in the communities and environments in which we operate matters.*

## Board of Directors

CSX's Board of Directors is composed of a diverse group of experienced individuals who ensure the company is making good decisions to support long-term growth. With the exception of Michael Ward, chairman of the board, all of our directors are independent.

**Donna M. Alvarado** has served as a CSX director since September 2006. Ms. Alvarado is the founder and current president of Aguila International, a business consulting firm. She has extensive experience in both the public and private sector and brings workforce planning expertise.

**Senator John B. Breaux** has served as a director since his retirement from the U.S. Senate in 2005. He has held numerous leadership positions during his 18-year tenure in the Senate and his 14-year tenure in the U.S. House of Representatives. Mr. Breaux brings comprehensive public policy and regulatory experience to the Board.

**Pamela L. Carter** joined the Board in June 2010. Ms. Carter is president of Cummins Distribution, a designer, manufacturer and marketer of diesel engines and related components and power systems. She brings strong operational experience and extensive experience in government to the Board.

**Steven T. Halverson** has served as a director of the Board since September 2006. Mr. Halverson is the CEO of The Haskell Company, one of the largest design and construction firms in the country. He provides broad leadership experience, particularly with perspective on the economy and construction industry.

**Edward J. Kelly, III**, has served as a director of CSX since July 2002. Mr. Kelly is currently chairman of the Institutional Clients Group at Citigroup, Inc., where he also previously served as vice chairman, CFO and head of global banking. He brings extensive financial and regulatory expertise to the Board, including important perspective on global financial markets.

**Gilbert H. Lamphere** joined the Board in July 2008. Mr. Lamphere is currently the chairman of the board of FlatWorld Capital, a private equity firm, and is managing director of Lamphere Capital Management, a private investment firm that he founded in 1998. He brings broad railroad industry experience to the Board as a previous director of Canadian National Railway and previous chairman of Illinois Central Railroad.

**John D. McPherson** joined the Board in July 2008 following his retirement from his position as president and COO of Florida East Coast Railway in 2007. Mr. McPherson also previously served as president and CEO at Illinois Central Railroad. He brings expertise in the railroad industry to the Board.

**Timothy T. O'Toole** has been a director of the Board since September 2008. Mr. O'Toole is currently the CEO of FirstGroup, plc, a leading transportation company that primarily provides rail and bus services. He brings 25 years of railroad industry experience to the Board, as well as operational experience in crisis management.

**David M. Ratcliffe** has served as a director since January 2003. Mr. Ratcliffe previously served as chairman, president and CEO of Southern Company, one of the country's largest producers of electricity. He provides broad expertise in the regulatory environment and public policy.

**Donald J. Shepard** has been a director of the Board since January 2003. Mr. Shepard was previously the chairman of the board and CEO of AEGON, N.V., an international life insurance and pension company. He provides the Board with financial and risk management expertise, along with significant insight into developing business trends and opportunities.

**Michael J. Ward** has been a part of CSX for 35 years and has served as chairman, president and CEO since January 2003. Mr. Ward's career with CSX has included key executive positions in nearly all aspects of the company's business, including sales and marketing, operations and finance.

**Congressman J.C. Watts, Jr.**, joined the Board in May 2011. Mr. Watts currently serves as the chairman and founder of J.C. Watts Companies, a multi-industry company, and served in the U.S. House of Representatives from 1995 to 2002. He brings both legislative and Class I railroad operational experience to the Board.

**J. Steven Whisler** has been a CSX director since May 2011. Mr. Whisler is the retired chairman and CEO of Phelps Dodge Corporation, a manufacturing and mining company. He brings invaluable railroad knowledge and a broad understanding of one of CSX's largest customer bases to the Board.

Size of Board, year-end 2012	13
Number of male Board members	11
Number of female Board members	2
Number of independent directors on the Board	12
Board member term length	One year
Separate chairman of the board and CEO	No
Lead independent director	Yes
Board member training/education provided annually	Yes
Annual Board member elections	Yes
Review of compensation for non-management directors	At least every three years
Director resignation policy	Yes
Annual review of Board independence	Yes
Annual evaluation of Board functioning/performance	Yes



## Leadership Structure

The CSX Board of Directors supports a joint chairman of the board and CEO. CSX received shareholder feedback recommending that we consider splitting the positions. However, we believe that combining the positions provides clarity of leadership that is in the best interests of the company and shareholders. We believe that the use of a presiding director with carefully delineated responsibilities provides appropriate independent oversight of management. The presiding director is an independent director selected annually by the Governance Committee. Currently, Edward J. Kelly, III, serves as the presiding director.

All CSX directors are re-elected each year through a majority voting process. This provides additional transparency for our Board of Directors and the leadership direction of our company.

The CSX Board of Directors evaluates the independence and performance of each director. In making the independence determination, the Board considers the New York Stock Exchange listing standards, as well as transactions or relationships, if any, between each director, director nominee or his or her immediate family and the company or its subsidiaries. The purpose of this review is to determine whether any such relationships or transactions are material and would therefore impair a nominee's or director's independence.

**Board activities.** The CSX Board of Directors holds at least five regularly scheduled meetings each year, with additional meetings scheduled on an as-needed basis. During 2012, all members of the Board attended at least 75 percent of the meetings of the Board and the committees on which he or she served. At every Board meeting, the non-management directors meet alone in executive sessions chaired by the presiding director. In addition, the Board tours sites along the network to gain further insight into CSX's operations, our customers' businesses, current projects underway and growth opportunities for the company. During the past few years, Board members have visited port facilities, rail terminals, training facilities and customer manufacturing plants.

The Board periodically, but at least once every three years, reviews and sets the compensation for non-management directors based on the recommendation of the Governance Committee. Director compensation includes both cash and stock-based components and CSX maintains a set of guidelines for director stock-ownership. In recommending the amount and form of director compensation, the Committee considers, among other factors, the level of compensation necessary to attract and retain qualified, independent directors.

**Risk management.** Risk management is central to CSX's continued business success. During 2012, CSX revised its risk oversight process and how we communicate and discuss



risk with the Board. CSX is increasing our emphasis on embedding risk assessment into our strategy development to facilitate quicker recognition of emerging risks. Risks are now organized into three categories: compliance risks, external risks and strategic risks. The Audit Committee of the Board of Directors will provide executive oversight to this enhanced risk-management process.

## Board Committees

Our Board of Directors comprises six standing committees, each of which is governed by a specific charter. Our committees meet at least five times per year to address issues related to our core business.

**Audit Committee.** The Audit Committee is responsible for oversight of CSX's financial statements; our legal and regulatory requirements; the qualifications, independence and performance of auditors; and our internal audit function.

**Compensation Committee.** The Compensation Committee develops and oversees the compensation strategy and design for CSX. This Committee is responsible for regularly reviewing, approving and monitoring compensation policies and plans along with associated financial impacts and risks to the business. It also conducts an annual CEO performance review and is responsible for approving equity-based incentive awards.

**Executive Committee.** The Executive Committee acts on behalf of the full Board during intervals between regular Board meetings. This Committee comprises the chairman of the board, the presiding director and the chairpersons of each standing committee.

**Finance Committee.** The Finance Committee provides oversight and recommendations on the company's financial responsibilities, which include CSX's capital structure, cash flows, key financial ratios and credit ratings.

**Governance Committee.** The Governance Committee's primary function is to identify qualified individuals for possible election to the Board of Directors. It is also responsible for evaluating the Board's performance and recommending potential changes in committee structure, governance policies and procedures.

**Public Affairs Committee.** The Public Affairs Committee assists the Board of Directors by addressing important and emerging public policy issues that could potentially affect CSX. The Committee oversees compliance with legal requirements and internal policies relating to equal employment, diversity in the workplace, employee safety and environmental protection. It also monitors how CSX's activities and practices affect its public reputation and annually reviews our CSR report.

Director	Audit*	Compensation*	Executive	Finance*	Governance*	Public Affairs*
Donna M. Alvarado	X	X				
John B. Breaux			X		X	Chair
Pamela L. Carter					X	X
Steven T. Halverson	X	Chair	X			
Edward J. Kelly, III		X	X		Chair	
Gilbert H. Lamphere				X		X
John D. McPherson				X		X
Timothy T. O'Toole				X	X	
David M. Ratcliffe			X	Chair		X
Donald J. Shepard	Chair	X	X			
Michael J. Ward			Chair			
J.C. Watts, Jr.					X	X
J. Steven Whisler	X	X				

\* All Board committee members are independent.

**Executive compensation.** A strong, dedicated and engaged Executive Leadership Team is essential to driving performance and delivering shareholder value. Accordingly, the Compensation Committee of the Board of Directors designed the executive compensation program to motivate and reward the Executive Leadership Team and align their compensation with the short- and long-term performance of the company. In designing the compensation programs, the Compensation Committee considers shareholder input through its annual say-on-pay vote and believes that the positive 2012 vote – with 97 percent of shareholders voting in support of the compensation program – validates CSX's compensation philosophy.

In consideration of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Compensation Committee adopted a clawback provision for the annual incentive compensation program requiring executives to repay awards in the event CSX is required to restate its financial statements due to accounting irregularities. CSX also adopted a policy prohibiting hedging in CSX securities by officers and directors.

**Shareholder relations.** CSX did not receive any shareholder proxies in 2012. However, shareholders are always welcome to communicate with the Board of Directors at the address below. Shareholders may also request a free, printed copy of the CSX Corporate Governance Guidelines, the CSX Code of Ethics, the charters of each Board committee, and Board policies at the address below or by [visiting our website](#).

CSX Corporation  
500 Water St., C160  
Jacksonville, FL 32202

### **Governance Policies**

CSX firmly believes that good governance practices are the groundwork for a successful business for all of our stakeholders and ensure long-term shareholder value. Our Corporate Governance Guidelines represent our values and the high standards that our employees, investors, customers, suppliers, communities and regulators expect. Our [Corporate Governance Guidelines](#) are available on our website.



**Ethics.** The CSX Code of Ethics (the Code) lays out the standards that all CSX employees must follow to put our governance commitments into practice. In 2012, CSX updated the Code to include guidance on social media, retaliation, and fraud and theft protection. In addition, we launched a new Ethical Leadership Training for Supervisors and achieved a completion rate of 100 percent.

Each year, management employees receive at least four training courses on ethics and compliance-related topics. All of our management employees completed this training in 2012. CSX union employees also have the opportunity to take the ethics training, although it is not mandatory. In 2012, approximately 70 percent of union employees voluntarily took ethics training. While this participation rate is high for voluntary training, the company aims to increase this participation in future years.

CSX encourages employees to speak up any time they suspect a violation of the Code of Ethics or are unsure about undertaking certain actions. To provide guidance, the company maintains a 24-hour CSX Ethics Helpline. This Helpline, along with an associated website, allows employees to report suspected misconduct and raise questions without fear of retaliation. CSX received an increase in calls to the CSX Ethics Helpline after the launch of the new Code of Ethics, which indicates employees are comfortable calling for advice about ethical matters and reporting unethical behavior. Management discusses Helpline call activity, including nature of calls and substantiation percentages, with the Audit Committee at least once a year.

The updated Code of Ethics received an A rating from Corpedia, a leading company in governance and compliance education, for its public availability, values and commitments, and readability and tone. This rating places CSX's Code of Ethics in the top 2 percent of all ethics policies reviewed by Corpedia. Looking ahead, CSX plans to continue increasing awareness, engagement and training on ethics topics.

### ***Spotlight: Ethical Leadership Training for Supervisors***



With the launch of the updated CSX Code of Ethics, all CSX management employees received a printed Supervisors' Guide specific to ethical leadership and took a related training course. CSX expects all managers to comply with the Code and lead by example. The course focused on advising supervisors on how to respond if an employee comes to them with an ethical issue. Expanding the avenues of communication beyond the CSX Ethics Helpline gives our employees more opportunities to discuss ethical issues.

"Right results, right way is one of our core values at CSX. The company invests the time and resources to make sure that supervisors have clear guidelines when addressing ethical issues. The ethics trainings reiterate what CSX expects of its employees and the importance of ethical leadership at all levels."

— Janis Liotta, CSX Director of Income Tax Compliance

**Antitrust and corrupt practices policies.** At CSX, we believe that competing fairly and without corruption provides the foundation for our license to operate. We expect all employees to comply with all U.S. antitrust and competition laws. As a result, we include detailed responsibilities for each employee in the Code of Ethics, particularly in dealings with competitors.

As a company that operates ethically and honestly, CSX continues to ensure that bribery and corruption do not occur within the business. CSX is informed and aware of various laws governing giving or offering money or anything of value in all countries in which we conduct business. The Code of Ethics explains to our employees and third parties doing business on our behalf how to act in dealings with government officials, customers, competitors and suppliers.



## Political Activities and Lobbying

CSX works with officials and employees of federal, state and local governments and regulatory organizations on a daily basis in many aspects of our business. Our commitment is to treat them with respect and demonstrate responsibility and accountability in our dealings. CSX complies with all laws and regulations when lobbying and making political contributions.

**Lobbying.** CSX employs lobbyists and is subject to the federal laws governing lobbying contacts and providing gifts, entertainment and travel to public officials. Because these rules are complex, employees are prohibited from giving anything of value to a member of Congress, their staff and officials, and staff of the executive branch. The company conducts annual training sessions for all its registered lobbyists and has made lobbying compliance part of the company's overall ethics training for all management employees. CSX also complies with all rules at the state and local levels, and the Internal Audit department conducts periodic audits of the company's compliance with these lobbying regulations. The company's Ethics Helpline also serves as a resource for employees to raise potential issues or concerns.

During 2012, CSX spent \$4.6 million on lobbying activities on a variety of topics important to the company, including:

- Seeking common ground on expanding passenger and high-speed rail systems without compromising the freight rail system.
- Transportation regulation and legislation, such as protecting limited antitrust exemptions.
- The need for certainty in government regulations and consistent funding to continually invest in railroad infrastructure.
- Lowering corporate income tax rates to encourage investment in U.S. rail infrastructure.

**Political support.** Through our government relations programs, CSX directly engages with public policymakers at the federal, state and local levels about the potential implications and consequences of legislative and regulatory actions on the business and our stakeholders. CSX recognizes the responsibility to represent the interests of shareholders and stakeholders in government, regardless of the topic. CSX uses direct lobbying, written communication, executive testimony and contributions to political candidates and committees, where allowed.

CSX is committed to transparency regarding the company's involvement in government relations and political contributions. We make political contributions using our employee-funded Political Action Committee (PAC), the CSX Good Government Fund. As a matter of company policy, CSX does not contribute to independent expenditure-only committees, otherwise known as Super PACs.

Many complex laws govern the use of company funds and resources for political activity. CSX is not permitted to contribute, directly or indirectly, to any federal political campaign. Various state laws permit direct corporate political contributions, but often impose restrictions on the amount of contributions and on the conduct of lobbyists and government contractors.

**Political contributions.** Corporate political contributions are permitted under certain conditions in 12 of the 23 states in the CSX network. Those states are Alabama, Florida, Georgia, Indiana, Illinois, Louisiana, Maryland, Mississippi, New Jersey, New York, South Carolina and Virginia. For a detailed listing of contributions made in those states, please see the [political contributions page of our website](#).

CSX makes contributions to state and local candidates based on criteria such as an elected official's location within CSX's service territory, committee membership, voting record and positions on issues of interest to the railroad industry, with a strong emphasis on economic development and job creation.

Individual political contributions to state and local candidates are determined by the vice president for state government and community affairs, with input from the regional vice president responsible for the state in which the candidate resides. These decisions are based on general guidance consistent with the above criteria and subject to oversight by the executive vice president for law and public affairs and the Board of Directors' Public Affairs Committee.

In 2012, CSX sponsored events at both the Republican and Democratic National Conventions (RNC, DNC). At the RNC in Tampa, Fla., and at the DNC in Charlotte, N.C., CSX supported the Governors' Associations and Transportation Leadership. At the RNC, CSX also provided meals around the clock to public security and emergency response personnel working at the event.

### Independent expenditures and ballot measures.

In January 2010, the Supreme Court of the United States ruled in *Citizens United v. Federal Elections Commission* that independent political advertising by corporations in support of, or in opposition to, candidates may not be prohibited. As a result, corporations and unions are no longer subject to bans on independent spending for campaign advertising, but these and other political activities continue to be highly regulated. For example, corporate contributions to candidates are still prohibited under federal law and under the laws of 22 states.

On a semiannual basis, the company will disclose expenditures, including independent expenditures and expenditures related to electioneering communications made by the company and contributions made to third-party organizations such as public advocacy groups organized under Section 501(c)(4) of the Internal Revenue Code. For a complete list of the company's expenditures in these areas, please see the [political contributions page of our website](#).

**Trade associations.** CSX belongs and pays membership dues to a number of trade associations that promote and further the company's business interests, from the railroads' economic regulatory framework to corporate tax reform to policy with the potential to impact key customer segments. We periodically evaluate the company's participation and support of these trade associations to ensure continued alignment with our business trajectory. Any portion of those dues and other payments used for political purposes is nondeductible under Section 162(e)(1)(B) of the Internal Revenue Code. For a list of those organizations where the company's annual aggregate payments are \$50,000 or more, as well as the non-deductible portion of those payments, please see the [political contributions page of our website](#). For more information on how these organizations utilize these dues or contributions, please contact them directly or visit their websites.

**Good Government Fund.** To support candidates and elected officials whose voting record and position on key issues benefit the rail industry and CSX, we established the CSX Good Government Fund (GGF). The GGF is a nonpartisan, employee-funded PAC that supports the election campaigns of qualified state and federal candidates for public office. An employee-comprised board of directors governs the GGF and contributions are based



on specific criteria. Federal regulations strictly prohibit CSX as a corporation from making corporate campaign contributions to federal candidates; many state laws also prohibit corporate contributions to state candidates. The GGF supports public officials who advocate public policy in the best interest of our company, specifically related to economic development and job creation.

All contributions made to the CSX GGF go directly to support candidates seeking public office. Federal law requires CSX to make its best efforts to obtain and report to the Federal Election Commission (FEC) the name, mailing address, occupation and name of employer for individuals whose aggregate contributions exceed \$200 in a calendar year. The CSX GGF must also report all aggregate receipts and expenditures to the FEC and to Congress under the Lobbying Disclosure Act. State reporting requirements vary. For the GGF's most recent FEC report, please see our [Lobbying Contribution Report](#).

# COMMUNITY



## IN THIS SECTION:

Beyond  
Our Rails

Selection for  
Charitable Giving

Power of the  
Program

National  
Partnerships

Local  
Partnerships

Employee  
Volunteerism

Community  
Engagement

### Successes:

- CSX provided more than \$14 million in corporate giving to communities, including more than \$630,000 to support disaster relief in 2012.
- CSX's collaboration with our strategic national partners continued in 2012, with a 30 percent increase in logged volunteer hours.
- Employee volunteer and board service participation led to a 45 percent increase in CSX Foundation contributions through our Dollars for Doers program.

### Challenges:

- Providing a greater number of employees the opportunity to participate in our National Partner Service Days and other CSX-coordinated volunteer service projects.
- Developing a formal system to measure and capture corporate giving and service-related activities.
- Finding ways to encourage all volunteers to log their community service hours and take advantage of the Dollars for Doers program to support our communities.
- Refining our approach to community engagement during the project development process to better address social needs.



## Management Approach and Plans Ahead

Establishing and maintaining our license to operate throughout our service area begins with successful community engagement and partnerships. CSX is committed to being a socially responsible company through strategic community investments and employee volunteerism in the areas where we live and work. In 2013, the company plans to increase the level of corporate contributions to our local communities and partner organizations. CSX also plans to coordinate National Partner Service Days to include customer participation and collaboration.

### Beyond Our Rails

The Beyond Our Rails program ([beyondourrails.org](http://beyondourrails.org)) encompasses company-wide initiatives such as community investments, national partnership support, in-kind transportation moves, in-kind donations of products and services, volunteer and board service grants, and disaster recovery assistance.

CSX's strategic community investments are structured around key focus areas embedded in the company's business strategy and core values. We align our strategic community investments around the following areas:

**Safety.** Safety is a way of life at CSX and one of our core values. CSX is committed to ensuring the safety of our employees, customers and the communities within our service area. We work to prevent injuries and accidents through education, training, advocacy and strategic community investments, including:

- Providing railroad transportation safety education to all citizens.
- Keeping communities safe and providing safe havens for children and young adults to avoid dangers and abuse.
- Providing safety, CPR and disaster-response training.
- Donating equipment and other resources to first responders.

**Community.** Our community engagement approach is collaborative and respectful. We assess the particular needs of each community and provide support where it is needed most, including:

- Spearheading youth leadership education.
- Helping to reduce school dropout rates.
- Promoting community service.
- Supporting programs identified by community leaders as vital for that community's success.
- Recognizing civic and charitable employee service.
- Celebrating and rewarding leadership and service.

**Environment.** CSX recognizes the responsibility to protect and restore the environment in the areas in which we operate. We believe that improving all aspects of the environment is critical and we provide assistance in the following areas:

- Teaching environmental stewardship.
- Planting trees and improving local habitats.
- Leading and supporting environmental cleanups.
- Recycling and minimizing waste.
- Promoting energy efficiency and carbon reduction.





**Wellness.** The wellness of our workforce is crucial for the continued success of our business. We believe that our commitment to wellness extends beyond our workforce and into the community. CSX works to share the wellness program that makes our employees healthier with the community by:

- Encouraging healthy lifestyles.
- Promoting disease prevention.
- Decreasing childhood obesity.
- Driving wellness and preventive health education.
- Supporting physical activity programs for children.

### Selection for Charitable Giving

Beyond Our Rails provides CSX with a platform to engage with many nonprofit organizations and local communities. We consider requests for grants, sponsorships, volunteers and in-kind transportation that support the above-mentioned focus areas. A set of publicly available giving guidelines govern our dealings with all organizations seeking financial support. We provide these guidelines, along with detailed application instructions, in the nonprofit corner found at [beyondourrails.org](http://beyondourrails.org).

There are four steps to our giving process: qualify, evaluate, notify and report. Requests for grants, sponsorships, volunteers and in-kind transportation must qualify and meet eligibility requirements as detailed in our giving guidelines.

Next, we evaluate the organizations that meet our eligibility requirements to determine if they are aligned with the CSX strategic focus areas. We then notify grant and sponsorship applicants of the funding decision within 90 days of application. Requests for volunteers and in-kind transportation are communicated within 10 days of application. Within one year of receiving CSX support, we request that organizations complete a written evaluation of their key accomplishments tied to the resources that CSX contributed. This giving process has allowed us to more efficiently contribute to

### CSX Beyond Our Rails

#### Elements of the Program

- Community Investments
- Employee Volunteerism – CSX Foundation
- National Partner Engagement
- Giving Guidelines

#### Implementation Mechanisms

- Service Days
- Dollars for Doers
- Employee Disaster Relief Fund
- Board Service Training and Grants
- Regional Councils

organizations clearly aligned with our key focus areas. For detailed information on this program and the organizations we have supported, please visit [beyondourrails.org](http://beyondourrails.org).

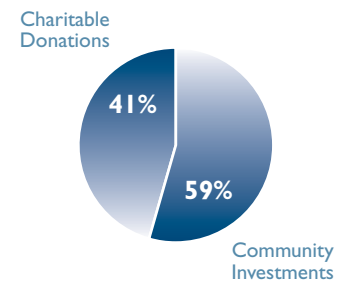
### Power of the Program

Monetary contributions, in conjunction with volunteering and collaborative partnerships, provide a vehicle for an effective and meaningful community investment program. In 2012, CSX provided more than \$14 million in community investments and nearly \$230,000 via in-kind transportation donations. We exceeded our goal of increasing community investment spend to \$10 million and continued growth is expected.

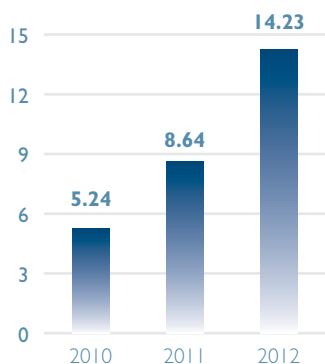
As needs have grown the past few years in our service area, the company has evaluated and enhanced community investments to have more meaningful and authentic outreach.

CSX has a decentralized regional council governance structure that helps identify the most pressing local community outreach opportunities throughout the network. In 2013, the company will continue to evaluate the portion of community investment relative to total spending and adjust charitable giving as appropriate.

#### Corporate Contributions Breakdown



#### Total Value of Corporate Contributions (\$ millions)



## National Partnerships

The company partners with six national organizations aligned with our key focus areas of safety, community, environment and wellness. The CSX Corporate Responsibility team stewards these partnerships for the company as a whole.

CSX's corporate sponsorship of the **National FFA Organization**, also known as Future Farmers of America (FFA), continued for a second year in 2012. With more than \$1 million in donations to the organization to date, CSX is one of the largest sponsors of FFA. We fund FFA Chapter Leadership programs in 22 states and offer leadership scholarships in each of CSX's 10 divisions. CSX employees also participate in community service, leadership and career training, and job interview preparation with FFA members.

CSX's sponsorship of FFA has been extremely beneficial for our business. Connecting with FFA members has strengthened our recruiting approach. Our rural rail networks often overlap with active FFA communities, making the broad membership of FFA an important audience to learn about rail safety information. For more information on how FFA aligns with our recruiting approach and safety programs, please see page 48.

CSX participated in the 2012 National FFA Convention & Expo held in Indianapolis, Ind., in October. The CSX booth at the event provided FFA members with an overview of the company's role in the transport of food products and the environmental benefits of rail transport. As part of CSX's involvement at the convention, employees worked beside



students at the FFA Rally to Fight Hunger. FFA members, CSX employees and community volunteers packed meals that were loaded onto CSX trucks and transported to local food pantries and a Florida port for delivery to Haiti.

**National Safe Place**, a national youth outreach program, educates hundreds of young people each year about the dangers of running away. This organization also teaches conflict resolution through a network of youth-friendly business schools, fire stations, libraries and other public buildings. CSX serves as a sponsor and safety advocate, providing volunteer service, program funding and leadership support.

"I think it's really important for CSX to be out there in the community. For many years, we were just kind of in the background. Today we have a whole new approach. We're proactive, we're in the communities. We're being good corporate citizens."

— Jason Bradt, CSX Terminal Supervisor

**Dignity U Wear** is an organization that believes that children, veterans, and women and girls coming out of crisis situations deserve clean, new clothing. CSX, as a national sponsor, provides fundraising and volunteer hours. CSX also assists Dignity U Wear by transporting hundreds of thousands of dollars of clothing, shoes and accessories to communities impacted by natural disasters.

**Alliance for Community Trees (ACTrees)** has more than 200 member organizations in 44 states that provide and promote urban and community tree planting, care, conservation and education. Together with ACTrees and CityYear, we have planted more than 17,000 trees as part of CSX's Trees for Tracks program. Trees for Tracks aims to plant one tree for each of the 21,000 miles of track CSX owns. This partnership builds upon the company's focus on communities and the environment.

Our national partnership with **CityYear** is described in detail on page 39 of this report.

**The Nature Conservancy**, a leading conservation organization, preserves and protects ecologically important lands and waters. Its mission to educate and protect the environment is aligned with our core values. CSX is the official railroad sponsor of “All Hands on Earth,” a public education campaign for environmental protection.

In 2013, CSX initiated our newest national partnership with **Action for Healthy Kids**. This organization addresses the epidemic of overweight and undernourished children by focusing on changes in schools to increase nutrition and physical activity. This partnership will continue our focus on improving the wellness of our community members.

CSX hosts **National Partner Service Days** in conjunction with our partners. As part of CSX’s community outreach program, each service day is planned in an area where CSX has significant train operations and community impact. In 2012, we held 20 service days, with more than 1,100 volunteers contributing 9,474 volunteer hours that benefited 19 organizations. Through activities such as tree planting and landscaping, playground restoration, painting, building projects and packing essentials kits, the service days helped 19 different communities.

These events have become very popular among CSX employees, who are eager to sign up before openings are filled. This has prompted the company to explore additional



ways to accommodate employee volunteer groups beginning in 2013. We are also working to include and collaborate with our customers on these valuable community engagement exercises with our national partners.

All of these partnerships, along with videos and pictures from National Partner Service Days, are highlighted in greater detail on [beyondourrails.org](http://beyondourrails.org).

### Spotlight: Board Service Program

In 2012, in conjunction with Jacksonville University, CSX developed a Board Service Training Program for employees who have served on boards of charitable organizations and those who will be on boards in the future. Matching our senior leadership with nonprofit boards leverages our charitable giving program. When a CSX representative participates on the board of a charitable organization, CSX presents the charity with a grant payment. Our vice presidents receive \$5,000, associate vice presidents receive \$2,500, and directors receive \$1,000 toward their charitable organizations. CSX provided \$142,500 in board service grants in 2012. Our chairman and CEO Michael Ward leads by example by sitting on City Year’s Board of Trustees.

“I’m proud to serve on City Year’s Board of Trustees. I’ve developed a deep respect for the organization’s values and their commitment to helping others. I’m particularly impressed by their dedication to guiding young people on the path to personal, academic and professional success, and in the process, building important leadership skills for the future.”

— Michael Ward, CSX Chairman, President and CEO

## Spotlight: Partnerships in Action

For more than 18 years, CSX has been an active partner with City Year, a national youth service organization focused on reducing student dropout rates. In 2012, CSX provided almost

Anacostia Watershed Society to clean up the river in Washington, D.C. More than 50 CSX volunteers removed invasive species and revitalized a community garden. In Charlotte, N.C.,

in September 2012, CSX and City Year held a service day at Fran's Boys and Girls Center. Volunteers built bleachers for the athletic fields, painted murals in the center's main building and planted trees in the park.

In 2012, CSX was a founding sponsor and played a leading role in bringing City Year to two new cities in Florida – Jacksonville and Orlando.

City Year provided some thoughts on the CSX and City Year partnership from the City Year perspective.

"CSX is a tremendous company. We are incredibly proud to have CSX as not only our largest team sponsor, but a sponsor of all three of our sites

in Florida," said Michael Brown, CEO and Co-Founder of City Year. "Over the past 18 years, CSX's support and leadership has helped us grow and grown with us. We look forward to continuing to work with CSX to deepen the impact both organizations have on the communities we serve."

Throughout the year, City Year's Care Force division partnered with CSX to lead 18 service days to create inspiring, welcoming and safe environments in the communities where CSX employees live and work. For example, the goal of the "Trees for Tracks" initiative is to plant one tree for each of the 21,000 miles of track that CSX owns. CSX brought together ACTrees, local community partners and City Year's Care Force division to create powerful service days for the CSX family to plant each and every tree. In 2012, City Year Care Force helped lead five service events that planted 578 trees towards the goal. In 2012, CSX sponsored teams in 13 communities across the Eastern Seaboard and the Midwest.

"So much of today's youth does not believe in themselves or in their potential. It's devastating. I serve because not too long ago that was me, unaware of the impact I could have or the limitless possibilities open to me. I want to be a positive and personal reminder that anything is possible through hard work and determination."

— Katrina "Kat" Hill, 2012-2013 Corps Member serving on the CSX team at Meadowbrook Middle School in Orlando, Fla.

\$3 million to City Year to recruit and support 2,500 young leaders, serving in 238 schools across the country. CSX is City Year's largest team sponsor and directly sponsors 14 teams of corps members. The sponsorships provide opportunities for CSX employees to participate in high-impact service projects, transform schools and contribute to the individual leadership and professional development of the corps members on the teams it sponsors.

City Year and CSX co-hosted 18 service days in 2012, during which we painted murals, refurbished playgrounds, renovated schools and planted trees across across the CSX network. For example, in April 2012, CSX held a service day with City Year and the





## Local Partnerships

In addition to our national partners, we also foster partnerships at a local level that allow our employees to get involved in their communities. For example, we held our 70th annual Santa Train in November 2012. This program has been a tradition in local communities throughout the southern United States. Specifically, in Kingsport, Tenn., CSX volunteers worked with the Kingsport Chamber of Commerce, Dignity U Wear and Food City to pack and distribute bags filled with clothing and toys to community members in need.



“We partner with people, we come into communities that really need help and we bring a lot of joy and a lot of happiness to the littlest members of those communities.”

— Dave Scott, Chemical Sales Group, CSX

## Employee Volunteerism

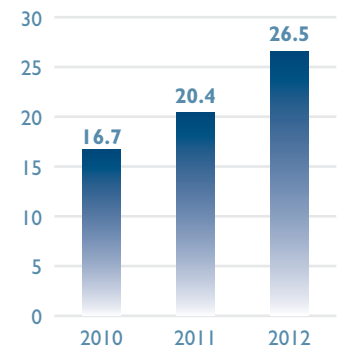
CSX appreciates the voluntary work our employees do in local communities. We have an internal system to track the personal time employees have committed to helping others.

In 2012, CSX employees logged 26,538 hours of volunteer time, an increase of more than 6,000 hours from 2011. We are always looking for ways to expand our local- and national-level service partnerships to fulfill the demand for

more volunteer opportunities for our employees.

The CSX Foundation provides support to charitable organizations in recognition of the good work employee volunteers are doing within communities throughout our service network. CSX Foundation funding supports the Dollars for Doers Program and the Board Service Program, both of which are designated based on employee interest.

**Total Employee Volunteer Hours**  
(thousand hours)



**Dollars for Doers.** Dollars for Doers is a valuable program that provides funding to eligible community organizations and schools where CSX employees are active volunteers. Dollars for Doers is CSX's way of supporting essential services in the communities where our employees live and work. For every hour an employee volunteers at an eligible nonprofit organization, CSX will donate \$10 to an eligible nonprofit organization of the employee's choice. Employees must volunteer at least 15 hours and can receive a Dollars for Doers contribution for up to 40 hours of volunteer work per year – for a total contribution of up to a \$400 per year. Employees often work together and pool their Dollars for Doers contributions to benefit one organization. Through this program, we donated \$79,000 to more than 150 organizations in 2012.

To support this important work, the company has an internal, web-based system that allows employees to find volunteer opportunities, track hours and make Dollars for Doers contributions. Employees have direct access to this website through the CSX Employee Gateway. Organizations can also apply to post volunteer opportunities on this system for CSX employee participation. It includes a skills-based field that allows organizations to request volunteers with specific talents that would be of value (e.g., legal work, marketing, technology, etc.).

**CSXcares.** CSX also matches all monetary donations that employees provide through our CSXcares website. CSXcares.com is activated within 24 hours of a natural disaster or other emergency to provide employees with



the opportunity to support those in need. This website allows employees to donate funding in support of those that have been impacted through either the American Red Cross or CSX's Employee Disaster Relief Fund.

**Disaster relief.** Disaster relief represented a significant focus area for CSX in 2012 due to Hurricane Sandy and tornadoes in the Ohio Valley. Our employees donated more than \$34,000 for Hurricane Sandy relief efforts, leading to more than \$630,000 in total donations from CSX and our employees. We also provided in-kind transportation for more than \$1 million worth of clothing to those hardest hit by Hurricane Sandy in New Jersey and New York. We delivered two truckloads of ice to the American Red Cross in New York immediately after the storm. CSX also transported a fire truck from a Chicago suburb to Union Beach, N.J., where an entire fleet of fire trucks was lost in the storm. In addition, CSX provided unrestricted gifts of \$5,000 to 100 American Red Cross chapters in the Hurricane Sandy impact area. Following the Hurricane Sandy response efforts, CSX provided in-kind transportation of 119 Red Cross emergency response vehicles to their home states across the country. CSX also provided \$75,000 to the Red Cross to use in preparation for the projected Gulf Coast landfall of Tropical Storm Isaac in August 2012.

**Employee Disaster Relief Fund.** The CSX Employee Disaster Relief Fund is a public charity that was founded during Hurricane Andrew in 1992. The Fund provides short-term financial assistance to CSX employees and their dependents that are experiencing financial hardship due to a catastrophic natural disaster or severe medical situation. The Fund is governed by a team of directors as well as an employee advisory committee. In 2012, \$140,000 was distributed from the Fund to help our employees in need, bringing the total over the last three years to more than \$388,000.

## Community Engagement

As CSX expands our rail network, the company is building infrastructure in new communities. Active and early engagement with these communities is a business priority. CSX works with local government officials to understand the economic and social conditions of a community and



considers these aspects in project plans. When appropriate, the company holds community meetings and keeps residents apprised of project developments.

We partner with governments to support growth and share resources where possible. The State of Florida is building the SunRail commuter rail system on 61 miles of track formerly owned by CSX. The company is reinvesting the \$432 million transaction proceeds in building and expanding our rail network in Florida to meet the state's growing transportation needs. One of these projects is a state-of-the-art intermodal terminal in Winter Haven, Fla. CSX broke ground on the project in November 2012, and is working closely with the state and local government, communities and private businesses.

Many residents are interested in potential jobs the terminal may bring to the area. CSX is working with the county's employment and training agency to identify employment opportunities and assistance and to source local vendors and contractors.

CSX's Northwest Ohio Terminal Facility is a 185-acre freight distribution hub – and the center of CSX's intermodal network. This facility opened in 2011, and CSX supports continued engagement efforts with local community members. At the terminal opening, residents were invited to tour the site and learn about rail operations. To ensure a stable base of local employees, CSX is working with community colleges to facilitate interest in transportation and logistics.

## Case Study: Partnering for the High Line

The history of Manhattan's High Line dates back more than a century. In the mid-1850s, street-level trains began running through central Manhattan and their close proximity to pedestrians created a hazard. In an effort to improve safety along the line, city, state and railroad officials agreed to construct an elevated rail line. The High Line was active from 1934 to 1980.

CSX acquired 1.5 miles of the abandoned High Line in 1998 as part of the Conrail acquisition. Many New Yorkers considered the High Line an eyesore and a safety hazard. CSX faced a challenge of working with the city, community members, local property owners and other key stakeholders to find a beneficial use for the property. Aside from demolition, CSX determined that creative reuse of the line should embrace both public and private alternatives. Ideas for possible uses included elevated parking lots, billboard space and rail banking, a way to reuse the right-of-way of the defunct rail line and establish a city park. The company presented these options at a public meeting in 1999. The majority of stakeholders wanted to see the High Line demolished. However, two meeting attendees – Joshua David and Robert Hammond – saw the value in revitalizing the space as a community park, and subsequently formed the community group, Friends of the High Line.

After additional research and stakeholder engagement activities, CSX decided to move forward with the rail-banking approach and support efforts to help Friends of the High Line and the City of New York make the High Line a

public park. This became part of a larger effort to plan for the future of the surrounding West Side neighborhood. The New York City Department of City Planning created a framework for the rezoning of the neighborhood to allow for the transfer of development rights. This allowed people who owned property under the High Line to sell property rights to neighboring landowners as if the property were unencumbered by the line. The rezoning process created real estate value for these sites, giving the owners a viable alternative to demolishing the line – a true win for creative city planning.

In 2005, CSX and the City of New York entered into a Trail Use Agreement for the 1.5-mile-long High Line. Construction of the High Line park began in 2006. The first and second sections opened in 2009 and 2011, respectively. The park has become much more popular than anticipated, attracting 4.5 million visitors annually. CSX donated the third and final section of the High Line to the City of New York and construction began in 2012, with a target completion date of 2014. The company received some tax benefits for this donation, but CSX is glad to have played a part in transforming the neighborhood.

We are continuing our support of the High Line by serving as a Corporate Member of Friends of the High Line. Through the collaborative partnership between CSX and the City of New York, this once-eyesore and safety hazard is now a city landmark, becoming one of the biggest attractions in Manhattan.

“In the three short years since the first section opened as a park, the High Line has become a treasured neighborhood oasis, a significant generator of economic activity for the entire city and a celebrated icon for planners, designers and leaders around the world.”

— Michael Bloomberg,  
Mayor of New York City

“CSX made it possible for to Joel Sternfeld to go up and photograph the High Line in its current state, which allowed the world to see what was on top of the High Line. There was a mile and a half of wildflowers running through the middle of Manhattan, with views of the Empire State Building and Statue of Liberty.”

— Joshua David and Robert Hammond,  
Co-Founders of Friends of the High Line



"It has been a great privilege to work with Mayor Bloomberg, his skilled administration and the thoughtful and visionary leadership at Friends of the High Line. We view the donation of the High Line as not simply a transfer of ownership, but a contribution to the vitality of the area, and we are thrilled that the entire length of this iconic rail structure will be available for the public to enjoy."

— Michael Ward, CSX Chairman, President and CEO

*The High Line and its Neighborhood by the Numbers:*

**\$2 BILLION** IN PRIVATE INVESTMENT

**12,000** JOBS CREATED

**2,558** NEW RESIDENTIAL UNITS

**1,000** NEW HOTEL ROOMS

**423,000** SQUARE FEET OF NEW OFFICE SPACE

**85,000** SQUARE FEET NEW OF ART GALLERY SPACE

**10,000,000** VISITORS AND GROWING

Source: City of New York





# WORKFORCE



## IN THIS SECTION:

- |                        |                             |                                    |                            |                          |                      |                      |                    |                        |
|------------------------|-----------------------------|------------------------------------|----------------------------|--------------------------|----------------------|----------------------|--------------------|------------------------|
| Employee<br>Engagement | Training and<br>Development | Strategic<br>Workforce<br>Planning | Diversity and<br>Inclusion | Workforce<br>Composition | Employee<br>Benefits | Employee<br>Policies | Labor<br>Relations | Health and<br>Wellness |
|------------------------|-----------------------------|------------------------------------|----------------------------|--------------------------|----------------------|----------------------|--------------------|------------------------|

### Successes:

- CSX aligned strategic partnerships with recruiting and talent acquisition, such as hiring 630 military veterans in 2012.
- CSX continued to enhance the company's wellness programs to keep employees healthy.

### Challenges:

- CSX continues to focus efforts on recruiting and hiring diverse candidates for employment opportunities.
- CSX is working to refine the company's strategic workforce planning function to build the talent pipeline.

## Management Approach and Plans Ahead

CSX is committed to being a progressive workplace for our employees. In 2012, the company focused on developing our strategy to proactively plan and manage our workforce. CSX's long-tenured employees are core to the company's success. However, many of these employees are now nearing well-deserved retirements. In order for CSX to continue to grow and meet market demands, it is essential to hire and develop new talent. We will continue these efforts through 2013, and concentrate on attracting candidates in the science, technology, engineering and math fields to ensure we have the skills needed for future growth.

### Employee Engagement

Conductors, rail yard staff, operators, engineers and administrators – these are the people that comprise CSX's many workforce functions. Whether they are working in the field ensuring smooth operations, our mechanical shops maintaining our locomotives and railcar equipment or our offices to support our business processes and resolve problems, CSX employees make it possible for us to be a leader in rail transportation.

A core value at CSX is that "People make the difference." CSX instills a company-wide culture that treats employees fairly and respectfully, supports inclusion and provides training opportunities while staying compliant with all labor and employment laws. This is key to driving our culture of performance accountability.

**Voice of the Employee.** Following feedback from our first Voice of the Employee survey in 2011, the company focused on identifying opportunities to improve our employee programs.

More than 43 percent, or about 13,000 employees, participated in the 2011 Voice of the Employee survey and the company wants to expand participation in the 2013 survey. We are looking into new ways of distributing the survey, specifically to contractor employees, to encourage a greater participation rate.

CSX facilitates employee engagement, providing updates and access to company policies and procedures. Communication channels for our employees include:

- Formal knowledge and learning networks with regular meetings and staff support.
- Broadcasted lunch-and-learn opportunities and formal development networking programs.
- Web-based knowledge repositories and databases on the company intranet site.
- TrainingTrax, our online learning platform.

In addition, in 2012, we instituted the following new employee engagement mechanisms based on feedback from the survey:

- Focus groups based on feedback from the Voice of the Employee survey led by groups of employees including supervisors.
- Let's Talk sessions led by labor relations. These sessions, held at 17 supply points in 2012, aim to drive engagement through increased communication and problem solving, focused on issues ranging from contract provisions and pay to training and service alternatives.
- CSX Connect, an employee service center that serves as a call-in resource for employees with benefits-related questions.
- Annual kick-off leadership meetings. Senior executives travel to each division in January to meet with division leadership in an informal setting to level-set on company strategy and to discuss local challenges and opportunities. These meetings are intended to drive more meaningful dialogue and to equip the local leadership with tools to share the same company-wide strategic messages to their employees.

CSX rolled out our second Voice of the Employee survey in 2013.



These resources provide opportunities for employees to learn about the company, ask questions and raise concerns. We strive for open, two-way communication with employees to ensure all issues are heard and understood.

### ***Training and Development***

The company believes that every employee can benefit from professional growth, and therefore, CSX offers a variety of training programs to employees. In 2012, each CSX employee attended an average of 39.62 hours of training. The company utilizes several platforms to develop and train employees, including:

- The CSX Railroad Education & Development Institute (REDI) in Atlanta, Ga., where the majority of new CSX employees receive training. Since its opening in 2005, thousands of employees and contractors have obtained professional training as conductors, locomotive engineers, management trainees, yardmasters, communications and signal workers, track workers and more. REDI is the starting point for training that is critical to a professional railroader.
- Technical skill development in each organizational unit, such as the Commercial Training Program and CFO University.
- CSX's Associate Development Program, a mentoring program focused on matching employees with experienced coaches. Each phase lasts one year, offering participants an opportunity to act on career goals and areas for professional growth.
- The Management Trainee Program at CSX, which helps develop leadership skills while applying academic and prior work experiences in an actual work environment.
- The Career Progression Program, designed to develop contract employees who have a safety mindset, strong work ethic, leadership skills and a desire to build a career committed to the CSX's core values. The program is ongoing or lasts until the employee is promoted into management ranks.

### ***Spotlight: "Earnings Live" Town Hall Meetings***

The CSX Executive Team hosts a company-wide town hall meeting immediately after the second and fourth quarterly earnings release and investor calls. The company developed these sessions as a way to improve engagement with employees and help instill increased responsibility around CSX's operational and financial performance. At each session, Executive Team members are available in person at our Jacksonville headquarters to talk about CSX's performance during the quarter; to look ahead at opportunities and challenges and to answer employees' questions. These meetings are broadcasted to all company computers and television screens, expanding the opportunity to include employees from outside Jacksonville. Employees who watched live were able to send questions via text message. Nearly 1,400 employees logged on to view the fourth quarter 2012 live earnings broadcast, and about 600 employees attended the town hall meeting in person. Recorded highlights of Earnings Live sessions are available to employees on the company intranet site, as well.



CSX managers are responsible for developing their employees and ensuring that they are engaged, coached, evaluated and rewarded for excellent performance. In addition, a leadership development road map is used to help set goals for future professional development and achievements.

**Performance management.** Calibration sessions are conducted twice per year as part of performance management. In these sessions, senior leaders review and discuss the performance scores of employees in their organizational units. Doing so helps ensure consistency of the rating process and create awareness of high- and low-performing employees. These calibration sessions are then forwarded on for additional discussion at the Executive Team level.

CSX makes systematic use of agreed-upon measurable goals and targets and behavioral competencies by line supervisors for 100 percent of all non-union employees. Bonus levels are determined based on performance category level and company performance. In 2012, CSX added three transportation unions to the Pay for Performance Plans, further aligning the contract workforce with the goals of company management. This allows them to receive annual bonuses and stock incentives. CSX is committed to maintaining these plans in the future and is actively pursuing similar plans for other unions in the contract workforce.

**Employee recognition.** In order to recognize employees that have made significant contributions to the CSX vision, the company provides an annual Chairman's Award of Excellence. Outstanding performance demonstrating initiative, ingenuity and strategic success by an individual or a team related to areas such as safety, diversity and customer service are reviewed by the Executive Team. Anyone may nominate a fellow employee for the award with supervisory approval. The winners receive a cash award and a weekend trip.

CSX employees show their appreciation for the efforts their peers put into helping the company succeed using "ThanX" awards. These awards are given by coworkers and managers to employees who have gone above and beyond to help out and have exemplified outstanding customer focus, leadership or teamwork. In 2012, 10,805 ThanX awards were granted, redeemable for gift cards to more than 300 regional and national merchants. In addition, 1,035 employees who achieved outstanding performance over a sustained period were recognized with Spot Awards in 2012. Spot Awards are given to management employees and recipients receive a cash payment between \$500 and \$2,000. These programs have helped reward employee excellence in a meaningful way, increasing employee engagement and job satisfaction.

## Strategic Workforce Planning

Workforce demographics are changing as our many of our valued employees are approaching retirement age. It is a business priority to grow and develop the company's workforce to account for these upcoming retirements. CSX needs the right people in place today and in the years to come.

The company is also monitoring demographic shifts across the United States. For example, people are migrating away from regions of the country like Upstate New York where CSX has operations. The company is working to better understand these shifts and how they may impact CSX's future recruiting and workforce planning efforts.

CSX operations require personnel with technical and engineering expertise. The United States continues to face a shortage of labor in these areas. As CSX engineers and technicians move into retirement age, it is crucial to foster talent in these fields. A key aspect of our strategic workforce planning is aligning our national partnerships and community investment programs with our recruiting efforts (see page 48).

In 2012, in the greater five-county area around Jacksonville, Fla., we have provided National Merit Scholarships to five students planning to study finance. Prior to receiving the scholarships, these students did not have financial support to attend college. Engaging with local students is important for CSX in our recruiting strategy, as we are continually looking to hire qualified skilled workers to address our aging workforce.

## Diversity and Inclusion

Developing and sustaining a strong, diverse organization is essential to achieving our business objectives. It underpins our ability to stay competitive in a changing marketplace and creates a work environment that attracts, develops and retains top talent.

Inclusion at CSX means engaging all employees regardless of age, gender, race, tenure, railroad affiliation, physical challenges, sexual orientation, geographic location, education level, income or life experiences.

## Spotlight: Partnerships in Action

CSX is now in its third year of sponsoring the National Future Farmers of America (FFA) Foundation and nearly 560,000 FFA members in grades 7 through 12 who belong to one of 7,498 local FFA chapters throughout the U.S., Puerto Rico and Virgin Islands. CSX and FFA are committed to developing future leaders and inspiring FFA members to reach their maximum potential. CSX's strategic partnership with FFA supports the company's recruiting efforts. Since many of the company's job functions are located in rural areas, require shift work and involve outdoor activities, FFA members are ideal candidates for potential employment at CSX.

CSX's sponsorship reaches thousands of FFA members through its support of the National FFA Organization's annual Washington Leadership Conference, the FFA Job Interview career development event and collegiate scholarships. The Washington Leadership Conference emphasizes civic engagement through leadership and draws more than 2,200 students and advisors each year through a six-week course that teaches leadership skills through transformational models. At the conference, students create community service programs that they and their local FFA chapter will enact in local communities. Events like the FFA Job Interview career development event help students develop skills necessary to pursue and secure employment. CSX also supports ten \$1,000 renewable scholarships for FFA members who attend a secondary education institution to further their life skills.

"CSX emphasizes education and leadership in its community programs and its daily business. FFA is dedicated to developing students' potential for premier leadership, personal growth and career success. CSX is committed to the future of agriculture and its support of FFA is vital to the organization's ability to make a meaningful difference in the lives of its members."

— Robert K. Cooper,  
Executive Director, National FFA Foundation



"Thanks to CSX's support, FFA members throughout the country have been given opportunities to grow as leaders and in turn use their leadership skills to serve and improve communities around them."

— Clay Sapp, 2012-13 National  
FFA Organization President

**Disability inclusion.** The company is always looking to expand both CSX's reach and ability to attract qualified disabled candidates. Efforts in 2012 included:

- Supporting disability internships.
- Conducting lunch-and-learns for better awareness.
- Working closely with the CSX Disability Affinity Group.
- Participating in targeted job fairs for persons with disabilities.
- Providing 24/7 access for education on persons with disabilities.
- Providing a suite of accessibility tools to view and use the company website.

CSX received a Disability Matters Workforce Award for the second year in a row.

This award considers how a company's recruiting and training initiatives provide reasonable accommodations according to the Americans with Disabilities Act. It also recognizes strategies for integrating disabled individuals into the organization.

**Military inclusion.** As part of the White House Joining Forces initiative, CSX committed to hiring 1,000 veterans during 2012. Joining Forces is a national partnership organized by First Lady Michelle Obama and Dr. Jill Biden to support America's military service members and their families. CSX's commitment



## Spotlight: Our Diverse Workforce

Raquel Clark, a veteran of the Navy and a computer scientist, is a CSX technical director overseeing the geographic data management department. Her team maintains geographic data on tracks and other railroad assets in 23 states. She manages six direct reports and 23 contractors. "Signals are replaced, tracks are added or changed or removed, or new areas of traffic are added. It's constantly changing," says Ms. Clark. As a manager, she coaches and develops her team, oversees projects and coordinates business and compliance efforts.

Ashley Roffe is using her mechanical engineering background as the first female to manage CSX's Russell Locomotive Shop in Russell, Ky. She is responsible for ensuring the safety of everyone in the shop, meeting production goals and serving the many needs of the company's customers. Ms. Roffe started out in CSX's management training program. "There I was, fresh out of college, in an industry that I didn't know much about, learning about the business, traveling and working on both the railcar and locomotive sides of the mechanical department. I worked side by side with some of the craftsmen to truly understand what it takes to keep the railroad running mechanically, as well as safely and reliably." She believes that everyone has something to bring to the table – a fresh perspective on how to do things better or an experience that's taught them what not to do. "Railroads are an important part of the global economy. It's our responsibility to work together to deliver the benefits of rail transportation to everyone."

supports an industry-wide initiative, led by the Association of American Railroads (AAR), to hire more than 5,000 veterans in 2012. CSX hired approximately 2,400 employees in 2012, of which 630 were military veterans. While we did not meet our goal of hiring 1,000 veterans due to business conditions in the second half of 2012, 26 percent of our new employees were military hires. CSX expects to maintain or improve upon that rate going forward.

Nearly one in five CSX employees has served in the military and the company supports employees who are National Guard or Reserve members by extending salary and benefits to employees called to active duty. In addition, CSX serves more military facilities than any other major U.S. railroad, handling thousands of carloads annually for overseas deployments and training exercises. CSX also supports the Jacksonville-based Wounded Warrior Project, which provides programs and services for injured service members





to aid their transition from active duty to civilian lives. In addition, CSX offers internships through the Wounded Warrior Project. To date, 10 interns have worked for CSX, and two have stayed on the CSX team in full-time positions.

**Inclusion in practice.** CSX employees participate in more than 30 Inclusion Groups and Councils plus numerous employee interest groups throughout the network. Inclusion Groups are employee-driven and focused on a shared interest such as age, race, ethnicity or gender or support groups to help deal with today's challenging times. Each group's primary purpose is to establish an open discussion for idea exchange and fortify the connection to and within diverse communities. Every inclusion organization must be open to any and all employees of CSX. Groups are required to establish goals that align with CSX business imperatives.

Some CSX inclusion groups include:

- African Americans
- Asian Americans
- Hispanics
- Young Professionals
- Women's Network

- Military
- Working Parents
- Gay, Lesbian and Transgender Employees
- Adults Caring for Elders

To support inclusion at all levels of the company, CSX created an oversight committee to set the goals and direction for diversity efforts called the Global Inclusion Council. Volunteer members of the company meet monthly to discuss initiatives and chart progress. All departments and company units are represented as part of the Global Inclusion Council. To encourage collaboration and further support the inclusion groups, an Inclusion Forum is held annually, with employees from across the CSX network participating in a series of executive and leadership panel discussions, social networking events, workshops and study circles.

In 2012, CSX began work to link recruiting functions with members of inclusion groups. For example, our military inclusion group is a critical partner in our efforts to expand our recruitment of individuals that have served in the military. We plan to make formal changes within our business structure to further enhance our connections to these inclusion groups.



**Promoting diversity.** In addition to promoting diversity within the company, CSX also supports diversity in business practices. Since 2004, CSX has maintained a credit facility arranged and syndicated solely by minority-owned financial institutions. In 2012, seven banks located within CSX's geographic footprint participated in this facility totaling \$15 million.

In 2012, CSX continued to be recognized for our diversity and inclusion efforts. In several instances, CSX was the only named Class I railroad. These recognitions include:

- The No. 3 military-friendly employer on G.I. Jobs' 2012 Top 100 Military Friendly Employers ranking out of 4,500 applicants, leading the transportation industry for the second consecutive year.
- DiversityInc Magazine's Top 50.
- The Military Officers Association of America named CSX the recipient of the 2012 Distinguished Service Award, a recognition of CSX's continued emphasis on hiring and supporting active duty and veteran men and women.
- Named finalist in CivilianJobs.com's 2012 Most Valuable Employer for military ranking. CivilianJobs.com is a leading career resource organization dedicated to connecting American employers with experienced military talent.
- Diversity MBA Magazine – No. 3 of Top 50.
- Department of Defense Employer Support for Guard and Reserves Freedom Award Winner – Top 3 large companies in U.S.
- Military Officers Association of America – Most Outstanding Military Employer Award.
- Enlisted Association of the National Guard of the United States – Al Schneider Memorial Award for superior support to Guard and Reserve Employees.
- Florida "Above and Beyond" Award – For superior support to Florida Guard and Reserves by ESGR.
- Florida National Guard "Ring of Honor" Member – For support of Florida "Yellow Ribbon" Post Deployment Programs.
- Association of Diversity Councils Honors Award – No. 8 of Top 25.
- National Disability Matters – Workforce Award Honoree.

## Workforce Composition

CSX employs more than 30,000 people in a variety of management and non-management, office and field, union and non-union roles. We are committed to fairness and equal opportunity and adhere to all labor and employment laws wherever we operate.

"I am proud of CSX's continued efforts in bringing diversity and inclusion to the forefront of our recruiting efforts. An organization's success and ability to compete depends largely upon its ability to open up the playing field and find great talent. These efforts have enabled us to attract individuals who might never have considered a career in the rail industry. Inclusion at CSX means building a culture around we and us, not you or them."

— Ron Macomb, CSX Asian Inclusion Chair

CSX keeps a thorough record of our employee base, including composition, compensation and annual turnover statistics. The rail industry has historically been a caucasian, male-dominated industry – a trend currently reflected in our employee composition. Through increased communication with the public in advertising, community outreach and recruitment efforts, we are working to attract greater diversity to sustain our workforce for the long term. In 2012, of 2,370 new hires, 171 were women and 468 were diverse candidates.

**TOTAL WORKFORCE (YEAR-END 2012):\* 30,399**

Union Employees: **25,657** (84%)

Management Employees: **4,742** (16%)

\*Excludes INRD, PAL, and CSX de Mexico.

## WORKFORCE DEMOGRAPHICS

	2010	2011	2012
Total Workforce	29,916	31,838	30,399
Union Employees - Total	25,515	27,242	25,657
Union Employees - %	86%	86%	84%
Management Employees - Total	4,240	4,596	4,742
Management Employees - %	14%	14%	16%
Part-Time Employees	4	0	1
Contract/Temporary Employees	3,221	3,707	4,060
Union Employees Covered by Collective Bargaining Agreements	100%	100%	100%
Female Employees - Total	1,956	2,035	2,061
Female Employees - %	7%	6%	7%
Minority Employees - Total	4,370	4,701	4,607
Minority Employees - %	15%	15%	15%
Female Managers - Total	944	1,031	1,087
Female Managers - %	22%	22%	23%
Minority Managers - Total	699	811	882
Minority Managers - %	16%	18%	19%
Employee Turnover Rate - Management	9%	6%	6%
Employee Turnover Rate - Union	12%	11%	9%
Managers Receiving Annual Performance Reviews	100%	100%	100%
Number of Inclusion Groups	44	44	30
Number of Employees/Contractors Trained	32,464	34,681	34,609
Average Hours of Training per Employee	25.35	35.09	39.62

For more detailed workforce information, please see page 99.





## FULL-TIME / PART-TIME BENEFIT ELIGIBILITY COMPARISON

Full-Time Employees (40 hours per week)	Part-Time Employees* (20 - 39 hours per week)
All Medical and Dental Plans	CDHP (no H.S.A.)/ No Dental
Basic Life Insurance (2x salary)	\$10,000.00
Basic AD&D (2x salary)	Not Eligible
Bereavement Leave	Bereavement Leave
COBRA	COBRA
CSXtra (401(k))	CSXtra (401(k))
Flexible Spending Account	Flexible Spending Account
Holidays	Holidays
Medical LOA, STD, LTD	Not Eligible
Military Leave	Military Leave
Optional AD&D	Optional AD&D
Optional Life Insurance	Not Eligible
Pension	Pension
Prepaid Legal Plan	Prepaid Legal Plan
Service Award Program	Service Award Program
Severance Pay Plan	Not Eligible
ThanX Employee Recognition	ThanX Employee Recognition
Travel Accident Insurance	Not Eligible
Tuition Reimbursement	Not Eligible
Vacation	Vacation
Vision Plan	Vision Plan

\* Part-time employees that work less than 20 hours per week are not eligible for the benefits listed in this table.

Female Employees: **2,061** (7%)

Minority Employees: **4,607** (15%)

Management Turnover Rate: **6%**

Union Turnover Rate: **9%**

### Employee Benefits

Our employees make a commitment to CSX through the hours of hard work they put in away from their families. CSX aims to reward full-time employees for that commitment by providing highly competitive benefits and compensation programs, including medical and dental plans, life insurance, pension plans and more. CSX also extends medical benefits to spouses of full-time employees in registered, same-sex domestic partnerships.

If an employee works 20 to 39 hours a week, they do not receive basic accident, death and dismemberment insurance; short- and long-term disability along with the Medical Leaves of

Absence Policy; optional life insurance; severance pay plan; travel accident insurance; or tuition reimbursement. If the employee works less than 20 hours per week, he or she is not eligible for any benefits, such as 401(k), pension and health and group benefits. Benefits vary by craft and union for contract or agreement positions; please see our website for more information.

## Employee Policies

CSX does not tolerate discrimination or retaliation and it ensures that its policies against discrimination and retaliation are widely disseminated and reinforced through continuing and comprehensive training programs, mailings to each employee's home, postings throughout workplaces, postings on the CSX employee services intranet homepage and periodic company-wide e-mails. Discrimination of any type, including harassment based on race, color, religion, sex, age, national origin, sexual orientation, disability or any other basis protected by federal or state law is prohibited and violates company policy. Retaliation against an individual who brings a complaint of harassment or discrimination or against an individual who participates in the investigation of a complaint of harassment or discrimination is strictly prohibited.

CSX maintains a 24-hour confidential hotline and website on which employees can submit complaints or concerns about the company, anonymously if preferred. Information about the hotline is widely distributed throughout the company. The CSX Code of Ethics also includes specific whistle-blowing provisions. All complaints and reports remain confidential and are thoroughly investigated.

## Labor Relations

CSX negotiates and administers its collective bargaining agreements together with the country's other Class I railroads. CSX and its labor organizations work collaboratively regarding safety, with union representatives participating in the safety overlap process across 100 percent of the system. We have programs in place for each of the 13 labor organizations. For more information on this program, please see page 58.

The company's policies for working with labor organizations are embodied in the collective bargaining agreements negotiated with each organization. These agreements are enforceable by law and establish individual as well as collective rights. The collective bargaining agreements cover virtually all aspects of the employment relationship, except where terms and conditions are covered by federal law. This includes wages, hours and all terms and conditions of employment, while pension, disability and unemployment are covered by the Railroad Retirement Board.

## Health and Wellness

At CSX, we encourage all employees to take action and responsibility for their health. To that end, we offer a wealth of resources to promote physical activity and proper nutrition that support a healthy lifestyle, including 29 programs that address nutrition, physical activity, safety and health awareness. The CSX Health & Wellness team is composed of licensed dietitians, health fitness specialists®, health coaches, certified diabetic educators and ergonomists.

CSX's headquarters in Jacksonville, Fla., houses a full-scale workout facility complete with daily fitness classes and certified trainers. It is one of 39 on-site health and wellness centers in which the company has invested. CSX also supports a Health & Wellness Inclusion group, one of more than 30 diversity and inclusion groups available to employees.

CSX is committed to improving and sustaining the health and well-being of all CSX employees and their families. Spouses are eligible to participate in the Weight Watchers™ and Tobacco Cessation programs. The Small Steps program is designed to help individuals take charge of their health and increase their level of physical activity. It encourages them







to consciously decide to make walking part of their lifestyle. CSX also believes that a smoke-free employee is a healthy employee. We offer tools and support for any individual who has committed to quit smoking.

CSX offers a confidential Employee Assistance Program for employees and their family members dealing with personal relationship problems, alcohol or drug abuse, depression or anxiety, or any other emotional challenges. CSX counselors are trained professionals who provide assessment, counseling, guidance, information and referral services to assist with personal problems. Counselors also provide support to employees experiencing distress from derailments or crossing-related incidents.

**Awareness programs.** Managing health begins with prevention and CSX encourages employees to stay aware of their health through a variety of awareness programs including metabolic, heart health, lung function, diabetes and sleep apnea screenings. We also offer health risk appraisals for our employees to help identify issues before they become larger problems.

**Nutrition and fitness programs.** CSX encourages employees to eat right and get the exercise they need to stay healthy. By offering weight management programs such as our Eat Right and meal planning programs and Weight Watchers™, CSX provides tools to help employees make

informed choices. The company also provides programs such as our Small Steps pedometer program and physical fitness assessments to encourage increased physical activity.

**Health promotion.** In addition to prevention, eating right and exercising, CSX offers additional health promotion services such as health coaching, medical self-care, tobacco cessation, flu prevention, health and wellness forums and healthy mothers programs.

**Workplace safety programs.** CSX believes safety is a way of life, and keeping our employees safe is our top priority. Programs around workplace safety include medical emergency response training, an automated external defibrillation (AED) program, stretching, heat-related illness prevention, office ergonomics, physical abilities testing and physical capabilities testing.

CSX also believes in maintaining a workplace that is free from violence. The Infrastructure Protection (IP) team provided workplace violence awareness training to CSX employees in 2012, including mailing an instructional brochure to all employees. Increased awareness of warning signs and indicators allows for early intervention and prevention of workplace violence. The IP team also trained employees on how to keep themselves safe if an incident occurs.



# SAFETY



## IN THIS SECTION:

Employee Safety

Network Safety and Security

Public Safety

### Successes:

- CSX set a company record in safety and led the Class I railroads in their safest year ever.
- CSX supported a labor-initiated program, "Think Before You Tech," to help deter distractive behaviors onboard CSX locomotives.
- The CSX police department achieved Commission on Accreditation for Law Enforcement Agencies reaccreditation.

### Challenges:

- Understanding and finding the root causes of serious injuries and near-misses.
- Continuing to educate local communities on how to be safe around CSX train tracks.

## Management Approach and Plans Ahead

At CSX, safety is a way of life. Ensuring the safety of our employees and the communities in which we operate is one of our core values. We expect all of our employees to leave work and return to their families safely each day. CSX manages safety through effective training programs, strong communication, community engagement and collaboration with the railroad industry. In 2012, CSX experienced one of our safest years ever. We are proud of this achievement, but will always be focused on and committed to continuous improvement. In 2013, CSX will expand employee engagement and empowerment around safety topics so our employees and the public continue to have fewer accidents and injuries.

## Employee Safety

### 2012 SAFETY PERFORMANCE

Ensuring the safety of our workforce is a commitment that starts with CSX leadership and is a responsibility of each CSX employee. The company encourages every worker to take time to be safe and to look out for others. The safety culture fostered throughout the company helps us ensure we are preventing and reducing accidents and injuries.

In 2012, the company's Federal Railroad Administration (FRA) personal injury rate, which measures the number of FRA-reportable injuries per 200,000 man-hours, improved to a record low of 0.69 – a 26 percent improvement over 2011. This means that in 2012, more CSX employees went home safely than ever before. This accomplishment shows extraordinary employee dedication to our safety initiatives. There were no employee fatalities in 2012.

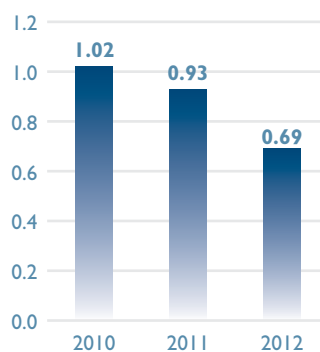
CSX's FRA train accident rate also decreased from 2011 to 2012, by 18 percent to 1.98. This was due in large part to many of the initiatives described in this section. CSX is proud to have led the railroad industry in safety in 2012, but we are aware of our responsibility to continue our focus on safety in the years to come. We are working with the Association of American Railroads to develop forums to share best practices that prevent injuries and train accidents across the industry.

Despite the continuous improvement of our safety performance, we sometimes experience derailments. CSX is committed to understanding the root causes of these events and working to implement corrective measures to prevent future incidents.

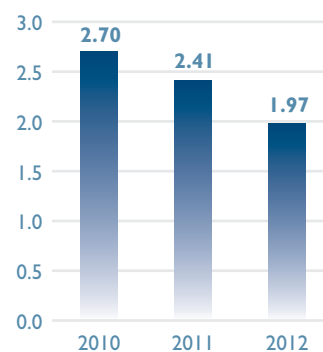
### LIFE-CHANGING INDEX

While the FRA rates are a good indicator of our annual safety performance, CSX wanted a more comprehensive measure of how we are truly performing. In 2012, we developed an internal measure known as the Life-Changing Index. The index accounts for the potential risk exposure from specific railroad activities. This approach provides greater clarity on behaviors that have the most impact on employee safety, allowing for more refined and precise corrective measures.

FRA Personal Injury Rate\*



FRA Train Accident Rate\*\*



\* FRA personal injury rate: number of FRA-reportable injuries per 200,000 man-hours.

\*\* FRA train accident rate: number of FRA-reportable train accidents per million train-miles.

Each injury is measured on a scale from 0 to 2:

- **Level 0:** A non-reportable injury with no severity implications to the employee, such as an insect bite.
- **Level .5:** An injury with minor severity implications to the employee, such as a strain or sprain that occurred while dismounting equipment.

- **Level 1:** An injury with moderate implications, such as an employee being struck by a sliver of metal.
- **Level 1.5:** An injury with potentially severe injury implications, such as a fall from a stationary railcar.
- **Level 2:** An injury with potentially catastrophic or fatal implications to the employee, such as a fall from a moving railcar or a head-on collision in a motor vehicle.

After categorizing injuries, the CSX Safety team analyzes the types and levels of injuries and from which job functions they originate. This allows the team to have a better understanding of whether there are particular tasks or locations within CSX that are more prone to the occurrence of significant injuries. CSX can then implement specific corrective measures or increase training to prevent each injury category. In 2013, CSX hopes to refine this index and continue to prevent all injuries with appropriate measures.

### INDUSTRIAL HYGIENE

The CSX Industrial Hygiene team focuses on anticipating, recognizing, evaluating and controlling occupational health hazards. In 2012, CSX conducted 54 workplace exposure assessments that included the collection of 674 samples for 58 different occupational health hazards. The Industrial Hygiene team monitors air quality and noise in our varied operations to ensure that work environments are safe and employees are utilizing proper protective equipment.

The Industrial Hygiene team also responds to emergency events throughout our network. In the event of an incident, the team works with contractors to perform air monitoring after hazardous materials releases. CSX ensures that community responders have the appropriate personal protective equipment and training necessary to safely and effectively respond to emergencies. In 2013, the Industrial Hygiene team will continue to improve the knowledge, skills and abilities of CSX employees, customers and community responders through our Health, Safety and Environmental University. By sharing our knowledge and expertise with attendees, we are supporting CSX's efforts to become the safest North American railroad.

### SAFETY TRAINING

Education and training are significant aspects of CSX's overall safety program. It is a priority to ensure that CSX employees are aware of their work environment, understand potential hazards and know how to identify and minimize risk. The company has experienced an influx of new employees, increasing the need for additional training and continued education around safety practices. CSX provides employees with a variety of training programs and a safe working environment. Investment in our employees' education and training has been key to achieving our performance results. We have noticed particularly strong safety performance rates among employees that have been with the company for fewer than five years, due in part to their training at the CSX Railroad Education & Development Institute (REDI) in Atlanta, Ga.

**Union safety coordinators.** To facilitate the implementation of safety initiatives throughout our operations, the CSX Safety team employs full-time union safety coordinators. Each of our 10 divisions has two union safety coordinators that serve as "eyes and ears on the ground" for the CSX Safety team. The representatives work with other union employees, observe their daily actions and facilitate safety meetings and trainings. The union safety coordinators also provide the CSX Safety team with ideas for potential training sessions and valuable feedback. The union safety coordinators and the CSX Safety team communicate constantly to ensure a continual focus on important safety issues and workplace improvements throughout the CSX network.

"A safety coordinator's role is to educate and communicate openly with all employees to make sure that everyone understands how to do their jobs safely. That could involve checking safety conditions on the ground, reviewing new safety bulletins with our teams or just talking freely about safety issues. We want to send every employee home the same way they came to work. That's our goal."

— David Stayton, CSX UTU Safety Coordinator, Huntington Division

**Operation RedBlock.** Operation RedBlock is a peer prevention program focused on eliminating drug and alcohol use in the workplace. This initiative is led by union membership and supported by CSX. Operation RedBlock provides employees an opportunity to be released from duty, without penalty, if they are not in condition to report to work. This allows for a safer work environment for our employees and reduces the potential for severe accidents. The FRA has recognized this initiative as the leading drug and alcohol peer program in the industry.

**Think Before You Tech.** Launched in 2012, the Think Before You Tech campaign is another peer intervention program intended to address unsafe use of electronic devices. This campaign was also initiated by union membership and supported by CSX management. The FRA played an instrumental role in the launch of this initiative.

The goal of this program is to eliminate unsafe acts by making the use of cell phones and other electronic devices while on duty socially unacceptable. Each employee is obligated to intervene and address an unsafe act the

moment it becomes apparent. When an electronic device is used in an unsafe manner, all operations must cease immediately. The conversation between peers should be fact-based and focused on the lack of employee attentiveness to safety-related operations. CSX was the first Class I railroad to launch a peer intervention program for electronic device use. We established an extensive internal marketing campaign around this initiative and provided informational brochures to employees.

**Safety innovations.** Following comprehensive training and an everyday focus on safety at CSX, our employees have developed several innovative technologies to improve safety while on the job. One such innovation was replacing the traditional railroad lantern with a multifunctional flashlight. This flashlight allows employees to perform job duties hands-free and provides better functionality. The design of this light was years in the making, stemming from a collaboration between the CSX Safety team and union safety coordinators. This flashlight underwent testing in the field and will be deployed to our conductors in 2013.





## Network Safety and Security

Our customers, employees and communities throughout our network expect CSX to maintain a safe and secure network. CSX has programs and training in place to protect infrastructure and cargo in collaboration with local, regional and federal governments and law enforcement agencies.

### CSX POLICE DEPARTMENT

The CSX Police Department serves to protect CSX personnel, critical infrastructure, customer property and the public against criminal acts, including terrorism, in order to preserve the safety and efficiency of rail transportation in America. CSX Transportation currently maintains this railroad police force that operates in 23 states. The officers of the CSX Police Department are strategically deployed throughout our network and often work with municipal, county, state and federal law enforcement and emergency response organizations. Relationships with these organizations enhance our ability to promptly and safely respond to any threats to security along our network.

The CSX Police Department, in conjunction with the CSX Human Resources team and Johns Hopkins University, is developing a police leadership and development education program to build a department of highly skilled police professionals who are forward-thinking, strategic and committed to our vision. This will serve CSX well going forward with succession planning in light of the high number of anticipated retirements at the company.

In 2012, the CSX Police Department received reaccreditation from the Commission on Accreditation for Law Enforcement Agencies (CALEA). The Police Department received its initial accreditation in 2009, becoming the only freight railroad police department to achieve this certification. CSX achieved this honor after a successful on-site assessment by a CALEA team, which reviewed all facets of CSX Police operations, including policies, procedures, evidence handling and arrests. Only 10 percent of law enforcement agencies nationwide have achieved this highly regarded accreditation, and CSX is



proud to be one of these agencies. The company has plans in place to train CSX police officers as hazardous materials managers to build additional capacity in this area.

The CSX Police Department regularly partners with FBI Joint Terrorism Task Force operations across our network. CSX receives continual updates on terrorism intelligence and homeland security issues, which helps us ensure employees, communities and physical infrastructure assets are safe and secure. We collaborate with all of the Class I railroads on this initiative, which allows us to share the most up-to-date data and information. As part of an ongoing commitment to assist other law enforcement agencies, the CSX Police Department conducts sophisticated training for other police departments using specialized railroad training cars. Recent training was provided for 55 members of the FBI SWAT team in Springfield, Mass.

The CSX Police Department also has highly specialized units that respond to specific threats to network security:

- **The Specialized Crime Unit (SCU)** focuses on prevention and investigation of crimes related to cargo theft and environmental issues (see page 77).
- **The Rapid Response Team** is responsible for rail counterterrorism, to monitor and protect all rail infrastructure from terrorists.
- **The Trespass Abatement Program** works to make the CSX network footprint safe and secure for all employees, customers and local communities.

The CSX Police Department also provides security at special events such as the national conventions, the Super Bowl, the presidential inauguration and other high-security events.

### INNOVATION AND ADVANCED ENGINEERING

By adding innovative technologies to our safety program, we are able to more fully understand and prevent potential safety hazards. In 2012, we made the following enhancements to our system:

**Web of Detectors.** The Web of Detectors uses various forms of detector technology to proactively identify mechanical risks on the network.

Wheel Profile Detectors combine lasers and cameras to detect mechanical defects on each train wheel as it rolls by the detector. CSX installed two innovative detector systems this past year. In addition, Thermal Imaging Cameras monitor heat generated during braking operations. Cold wheels can indicate ineffective braking, while hot wheels suggest stuck brakes.

Machine Vision Systems are also being installed on the network to automate the inspection process. These machines combine highly accurate cameras with specialized algorithms to categorize freight car components as trains pass at track speed. The systems are currently used to provide 24/7 inspection of brake shoes in certain locations and are being expanded to inspect coupler security in order to prevent train separations and derailments. During 2012, we began installation of these systems at eight sites across the network. Approximately 70 percent of CSX train cars pass through one of these systems every six weeks. This added layer of maintenance detection helps improve network safety.

**Acoustic Fiber Detection.** This technology continuously monitors vibrations along a track to detect train defects. As a train passes along the fiber cable on a track, every wheel contact creates a unique vibration and noise that can be

### Spotlight: Community Safety for National Gateway



The National Gateway project aims to improve the flow of rail traffic throughout the United States by increasing the use of double-stack intermodal container cars. CSX is participating in this project in Washington, D.C., working with the District of Columbia Department of Transportation and the Federal Highway Administration to expand the Virginia Avenue Tunnel to fit double-stack cars. To ensure community safety during this process, CSX established two Supervisory Special Agent positions in the neighborhood to handle community relations related to the project. These agents live in the community and provide security and a contact base for project information.

*"It's very rewarding to work with members of the community. People want to know that their concerns are taken seriously and that someone is there to help if an issue arises. Placing law enforcement officers in the communities where we operate shows CSX's commitment to providing immediate assistance, and protection if necessary, to our neighbors."*

*— Drew Ford, Supervisory Special Agent, Washington, D.C.*

used to identify causes of stress. These noises can identify train presence, flat or broken wheels, dragging equipment, broken rail or hot bearings. This technology, still in the early concept phase, has the potential to provide us with the ability to find and correct defects before they become mechanical failures. This system can also help monitor maintenance along the tracks. For example, acoustic fibers can pick up the noise associated with a tree falling on the tracks. Crews are able to easily locate the position and correct the problem with minimal service disruption.

### RAIL YARD CAMERAS

Providing reliable camera systems is essential to train operations. Our cameras, which comply with FRA regulations, offer complete coverage of the drill track (a segment of rail that connects to the main railway) and can

be viewed simultaneously by the switchman, controller and terminal supervisor. We added more than 500 cameras to our yards between 2010 and 2012.

### POSITIVE TRAIN CONTROL

The Rail Safety Improvement Act of 2008 includes a provision requiring each Class I freight railroad and passenger railroad to develop and install a positive train control (PTC) system by December 31, 2015. When fully developed, PTC is envisioned as a multifaceted computer-based system designed to prevent train-to-train collisions, over-speed derailments, incursions into established work zone limits, and train diversions into another set of tracks caused by switches left in wrong positions. PTC must be installed on mainline tracks over which passenger or commuter rail service is regularly provided and on certain mainline tracks over which hazardous materials that are poisonous or toxic by inhalation are transported. In total, PTC will be installed on roughly 60,000 miles of the railroad industry's tracks.

CSX currently estimates that the company's total multiyear cost of PTC implementation will be at least \$1.7 billion. The company is working with innovative partners to develop and deploy this new technology as soon as possible. To achieve that goal, we are hiring new employees throughout the network to install state-of-the-art new signal system equipment and to upgrade existing locomotives, technology systems and other equipment. Key software and hardware PTC components are still being developed, tested and installed on railroad networks.

### ASSET HEALTH STRATEGIC INITIATIVE

In order to prevent potential accidents, CSX is partnering with the other Class I railroads to implement an asset health strategic initiative. CSX is using devices across our railroad network to assess the condition of our infrastructure and railcar assets. Working with the Class I railroads allows us to pool resources and share information and trends to prevent asset failure and subsequent accidents.

### HAZARDOUS MATERIALS SAFETY

CSX and other railroads are common carriers, meaning they have a statutory obligation to provide rates and service upon request by a shipper. This common carrier obligation requires railroads to transport a wide variety of products and merchandise, including hazardous materials. The CSX Hazardous Materials team responds to emergencies throughout the CSX network, ranging from chemical releases, diesel fuel spills and other material releases. Due to our expansive network, CSX works in conjunction with state and federal emergency response organizations in order to ensure prompt and effective response to hazardous materials emergencies.

Training is an asset at CSX and we strive to partner with customers and local organizations to share our hazardous materials knowledge. Unique to CSX's training program is dedicated equipment such as safety trains used to train local response organizations. Safety Train, a partnership with The Firefighters Education and Training Foundation, provides realistic training scenarios for first responders. CSX provides 40-hour training events for emergency responders during which a derailment scenario is simulated. For organizations that cannot attend a face-to-face training session, CSX provides a variety of online training courses, as well as printed materials, to assist emergency responders.

CSX maintains a comprehensive prequalification process for hazardous materials response contractors, which analyzes these potential contractors on financial, operational, safety and training performance. A third-party review is completed for each potential contractor to ensure they meet the

#### Spotlight: Hands-On Training for FDNY

As New York City is one of the major cities along the CSX network, our Hazardous Material Systems department held a week-long training session for the Fire Department of New York (FDNY). This hands-on session involved derailment response, including using training equipment to simulate procedures for product transfer techniques. More than 100 FDNY members received this training in 2012. CSX also provided similar training to emergency responders in Cincinnati, Nashville, Boston and a variety of other places throughout our network.





strict CSX criteria for responding to hazardous materials emergencies. Once these contractors pass the third-party review, CSX coordinates with contractors on incident response. To ensure CSX contractors are continually qualified for emergency response, CSX reviews each contractor periodically.

### INFRASTRUCTURE PROTECTION

The CSX Infrastructure Protection (IP) team complements the resources of the CSX Police Department and the CSX Hazardous Materials Systems Department. IP works closely with local, state and federal agencies on improving the safety and security of rail transportation to help keep our employees, communities, and customers' employees safe.

CSX believes that partnerships and close coordination of security concerns are essential to enhancing public safety. As part of this effort, the IP team has established public-private partnerships to provide federal and state homeland security officials valuable, current information they can use to protect the communities they serve. These formalized partnerships allow CSX, state officials and first responders to effectively and seamlessly share information and work side-by-side protecting our communities and employees.

CSX uses a highly specialized Secure Network Operations Workstation (SecureNOW) system. This system, developed by CSX, provides CSX employees and trained state homeland security officials with a tool to promptly identify and independently track the nearly real-time location and status of CSX trains and railcars on our network. Access to SecureNOW also provides state and federal

officials with additional information about what is carried on our rails. This allows state officials to more efficiently allocate law enforcement resources, coordinate with CSX security officials and integrate rail security into ongoing law enforcement operations. CSX is the only Class I railroad that offers this solution to homeland security and emergency response centers. In fact, CSX has entered into partnerships with 17 states and two federal entities – the Transportation Security Administration's Transportation Security Operation Center and the Department of Transportation's Crisis Management Center.

CSX provides annual training on the SecureNOW system for federal and state officials. The IP team also works directly with the Department of Homeland Security, Transportation Security Administration, U.S. Customs and Border Patrol, State Intelligence Fusion Centers and Transport Canada. The IP team regularly performs assessments on CSX infrastructure such as bridges, tunnels and major rail yards. These assessments determine the placement of both technology-based and physical security enhancements at certain critical assets. Site-specific security countermeasures are also determined.

Rail security awareness is also important for CSX employees. In 2012, the IP team trained nearly 28,000 employees in rail security awareness in addition to hosting a rail security awareness week. In-depth rail security and security countermeasures training was provided to more than 1,000 employees, primarily managers. The IP team continued to expand its workplace violence awareness training in 2012, including mailing an informational brochure to all employees (see page 55).



## Public Safety

### INVESTING IN SAFETY

Ensuring that the communities in our network do not experience unsafe conditions due to CSX infrastructure is crucial to maintaining our license to operate. About 25 percent of CSX employees are dedicated to improving CSX's 21,000 miles of track, signals and grade crossings. Track inspections are the responsibility of approximately 500 of those employees. In 2012, CSX invested more than \$1.2 billion to improve and maintain track, bridges, signal systems and other infrastructure. CSX's total capital expenditures in 2012 were \$2.3 billion.

In July 2012, more than 900 CSX employees worked to complete the CSX Maintenance Jamboree on a section of track in the southeast portion of our network. This annual jamboree event compresses approximately a year's worth of track, signal and bridge maintenance and upgrades into roughly one week in order to minimize disruptions to customers and local communities. Nearly \$34 million of improvements were completed in sections of Kentucky, Virginia, Tennessee, North Carolina and South Carolina. This included safely replacing or installing nearly 176,000 crossties and 233,000 feet of mainline rail, along with repairing 10 bridges and 255 road crossings.

### COMMUNITY AFFAIRS

To respond to concerns in the communities in which we operate, CSX maintains a dedicated Community Affairs team located throughout the CSX network.

**Public Safety Coordination Center.** The CSX Public Safety Coordination Center (PSCC) acts as the company's 911 call center. Its mission is to protect the public, CSX employees and CSX property by fielding calls from employees, the public and other emergency response agencies on safety or security conditions. This is a challenging task, considering CSX operates in 23 states east of the Mississippi and covers nearly 23,000 miles of track. The PSCC handles emergencies from vehicles on the tracks to hazardous material spills, and is staffed 24 hours a day, seven days a week, with 25 dedicated employees.



We encourage the public, government agencies, employees and customers to alert CSX of any potential railroad incidents. These emergencies include crossing malfunctions, blocked tracks, crossing accidents, hazardous materials releases, thefts and vandalism, trespassing and unsafe employee driving. Each railroad crossing station contains signage indicating the emergency phone number. The PSCC handled 131,743 events in 2012, an average of more than 360 calls per day. When necessary, the PSCC dispatches police and other trained CSX safety and security personnel to respond to calls as quickly as possible using a transportation cross-functional information system containing specific location information. The PSCC received CALEA accreditation in 2012, becoming the first and only freight railroad crisis and communication center to receive this honor.

Another way that the PSCC provides valuable services is by facilitating contact with transportation employees in case of an emergency. CSX distributed educational material such as magnets and pamphlets to train engineers' and conductors' families and significant others so that they can call the PSCC number in the event of a family emergency. The PSCC will notify the appropriate train dispatcher who will radio the employee on the train to inform them of the message. This mechanism provides train operators with an alternative to using portable electronic devices while operating locomotives in emergency situations.

**TellCSX.** To respond to questions and concerns from the communities in which we operate, CSX also maintains a phone and internet hotline, TellCSX. Inquiries or concerns related to train horn noise, rough crossings, real estate, construction projects or other issues can be submitted to a live operator during normal business hours. This hotline is widely used and effectively provides CSX with information

to promptly address any potential safety hazards or community concerns. CSX is the only Class I railroad to provide a central place for the public to call about non-emergency issues. In 2012, TellCSX processed more than 30,000 calls, generating more than 14,000 issues raised by members of communities along CSX's network.

When an issue is identified by the TellCSX team, it is elevated to the appropriate CSX department. Community relations representatives then engage with local communities and members of the public regarding the concern and work with them to find a solution. CSX's goal is to provide a quick, informative response to community members using TellCSX. In 2012, CSX provided enhanced training to all TellCSX representatives to ensure the process is continuously improved and streamlined. While the phone hotline remains the most effective communication device, CSX also handles inquiries through our website at [csx.com](http://csx.com).

In instances when an incident such as a derailment occurs, CSX's Community Affairs team actively engages with community members in response to specific concerns and issues. When necessary, representatives provide lodging for residents who have been evacuated from their homes and assist with other daily essentials such as transportation, child and pet care, medication, clothing and other needs. The Community Affairs team works not only with local officials, but serves as a contact for the community members themselves.

### COMMUNITY SAFETY PROGRAMS AND PARTNERSHIPS

Wherever possible, CSX partners with organizations on safety programs and marketing campaigns to increase awareness about railroad safety within communities.

**Operation Lifesaver.** Operation Lifesaver is a national, nonprofit public information program dedicated to reducing collisions, injuries and fatalities at highway-rail crossings and on railroad property. This program provides free rail safety presentations to more than 1 million people each

### Spotlight: Emergency Responder Training



Safeguarding communities where we operate is critical for CSX to retain our license to operate. Developing the necessary skills and knowledge of first responders is one way we maintain good local relationships and improve safety. CSX provides training to community emergency responders, via printed materials, online training courses and in-person training at the CSX Railroad Education & Development Institute (REDI) in Atlanta, Ga. The company delivers training to community emergency responders free of charge. More than 4,000 emergency responders received training in 2012. CSX also maintains [CSXSafe.com](http://CSXSafe.com), a web-based training program to help local emergency responders manage incidents involving rail property and equipment and [csxhazmat.kor-tx.com](http://csxhazmat.kor-tx.com), a repository for more detailed training materials and guidebooks. For these initiatives, CSX was honored with the Transportation Community Awareness and Emergency Response (TRANSCAER) National Award in 2012.

year, including children, community groups, law enforcement officers and emergency responders. CSX partners with Operation Lifesaver to further safety messaging throughout our network. Looking ahead, CSX is working with Operation Lifesaver to use social media to maximize the impact of this important program.

**Crossing safety.** CSX is committed to eliminating redundant highway-rail crossings throughout our network. By eliminating these crossings, safety is improved within local communities, eliminating any possibility of a train-to-vehicle collision at those locations. In addition to improved safety, there are financial incentives for local governments to close these crossings. Municipalities or states are responsible for maintaining public crossings, so closing these crossings eliminates annual costs. CSX and various state-level Departments of Transportation also offer financial incentives for closing public crossings. In addition, crossing closures effectively close roadways, allowing for alternate uses of the land such as parking, culs-de-sac and potential expansion projects.

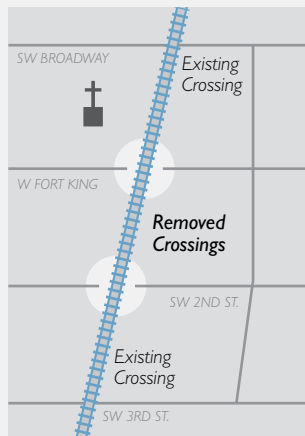
In 2012, we closed 352 crossings across the CSX network. The company is actively working with the U.S. Department of Transportation to upgrade the safety of our remaining crossings.

CSX HAS REMOVED  
**352**  
CROSSINGS IN 2012

## Spotlight: Eliminating Redundant Crossings

CSX works with local communities and roadway authorities to proactively eliminate redundant vehicle crossings throughout the company's service territory for increased safety and beneficial land use. Redundant crossings are vehicle crossings in which alternate access is very close in proximity – for example, where crossings exist at multiple points on the same block in a city neighborhood. The initiative to remove redundant crossings began with the FRA many years ago as a way to reduce the number of crossing incidents between trains and vehicles. Communities often have concerns about response time for emergency vehicles with removal of crossings; however, when CSX explores options for eliminating crossings, we ensure there are no response time delays or failures for services such as fire rescue and police.

In the city of Ocala, Fla., the Covenant Missionary Baptist Church approached CSX about potentially eliminating crossings near their church to expand their footprint and use the land for a community center. After receiving the request, CSX worked with the Florida Department of Transportation to identify the potential crossings for closure. The crossing closure request was then submitted for public hearing and reviews by the Florida Department of Transportation and local roadway authorities. The crossings at Fort King Street and southwest 2nd Street were then subsequently closed, while the crossings remain open on southwest Broadway Street and southwest 3rd Street. The community now has improved safety in this area, reused the land for a community center and received a financial incentive for the local government for use in future safety improvements.



We were one of the first railroads in the country to adopt a crossing sign program system-wide. The CSX Stalled Vehicle Emergency Information Sign Program ensures that identification signs are posted at each crossing along our system. This program allows local emergency responders and drivers to quickly and accurately report stalled vehicles directly to the CSX PSCC.

**Pilot and Flying J.** CSX began a partnership in 2012 with Pilot gas stations and Flying J truck stops to deliver safety messaging to commercial truck drivers. These drivers are a critical demographic for CSX since a significant portion of vehicle-related incidents on CSX property involve commercial drivers. Including our safety messaging in Pilot's monthly Challenge Magazine, distributing bumper stickers and providing free coffee at Flying J truck stops allows us to reach this important group.

**Play It Safe.** CSX partnered with NASCAR in 2012 to promote CSX's Play It Safe campaign, which stresses the importance of staying safe around trains and tracks. Partnering with NASCAR allows CSX to reach a large number of males aged 18 to 34 years old – the demographic most likely to be at risk for railroad crossing incidents. For the 2013 racing season, CSX is teaming up with Front Row Motorsports and driver David Ragan to support the Play It Safe initiative. CSX will serve as a sponsor of Ragan's entries at six events. David Ragan is a great spokesperson for this campaign, as he has already supported education regarding distracted driving, as well as other safety initiatives.

CSX also partnered with the University of Louisville and the University of Central Florida to spread the Play It Safe message to young adults in Louisville and Orlando, where CSX has a large presence, to further target the key demographic for railroad crossing incidents.

These programs and partnerships related to community safety are also highlighted on our Beyond Our Rails website at [beyondourrails.org](http://beyondourrails.org).



## Case Study: Human Performance

The strength, agility and endurance of our employees are critical factors for continued business success. In 2012, CSX established a Human Performance initiative to begin learning new ways to monitor, analyze and improve the health, safety and performance of our workforce. Human Performance is a multidisciplinary approach applying biomechanics, work physiology, psychology and engineering to identify and develop strategies and systems to improve an individual's performance.

This new research and analysis endeavor is one of many that will help CSX continue learning and innovating to meet our commitments to employee and community safety. In partnership with the Georgia Institute of Technology, the CSX Human Performance team is working to analyze how workers interact with equipment and their environment. Data from these studies are used to develop solutions to protect our employees and the communities we serve. For example, using human performance principles, we analyzed the human – machine interface of an Operator Control Unit (OCU), which is used to control movement of locomotives via a remote control. We shared the results with our internal and external business partners for their consideration in developing potential solutions.

CSX also launched a campaign in 2012 to heighten employee situational awareness. Current studies are seeking to understand how an individual responds to information being gathered from the work environment. The campaign improves awareness and alertness so that locomotive operators, for

example, do not miss warning signals or communications due to distractions, confusion or complacency. An expanded training program for situational awareness will be rolled out in 2013.

Understanding the physical performance of our employees is crucial to ensuring that they are performing work activities safely. Together with our research partners, the human performance team studies the unique physical characteristics of employees and the physical demands of the work being performed.

In the Human Performance lab, the team applies scientific principles and uses technology and software such as high-speed camera systems and three-dimensional modeling software. This information is used to identify techniques to enhance worker performance and safety. For example, this team is examining the causes of slips, trips and falls. The human performance team is conducting several walking studies in both real and virtual environments to better understand the impacts of walking over different

terrains. The results will be used to develop strategies to correct unsafe behaviors.

CSX's operations run 24 hours a day, 7 days a week. Therefore, many of our employees work in shifts. In order to help employees stay alert on the job, we are studying our work-scheduling practices to reduce disruptions to the normal sleeping patterns of our employees. As part of this process, the human performance team partners with sleep medicine researchers and utilizes fatigue management software programs. It is of the utmost importance to CSX to ensure that our employees are well-rested. This is important, not only to enhance job performance, but also to ensure a healthy quality of life away from work. CSX provides training to increase awareness of the risk factors for sleep disorders and helps employees undergo testing when necessary.

The innovative Human Performance initiative will continue focusing on understanding and improving the health and safety of our employees, who are the true engine of our business.







IN THIS SECTION:

Environmental Policy	Environmental Management System	Greenhouse Gas Emissions	Public Policy	Operational Efficiency	Water Use	Waste Management	Biodiversity and Land Management	Environmental Performance
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Successes:

- CSX developed a new greenhouse gas (GHG) emissions intensity reduction goal to reduce the company's GHG emissions intensity 6 to 8 percent from 2011 levels by 2020.
- CSX fuel efficiency improved by 2 percent in 2012 from 2011 performance.
- CSX implemented a waste-reduction opportunity, No Spike Left Behind, that has resulted in 50,000 tons of recycled material.

Challenges:

- Reducing environmental incidents on CSX property due to trespassing and unauthorized third-party dumping.
- Understanding the extent of our water footprint and identifying areas to reduce the company's water consumption.

## Management Approach and Plans Ahead

CSX is committed to meeting the needs of shareholders, customers and the communities we serve in an environmentally responsible way. Managing CSX's environmental footprint is a business imperative. We are focused on reducing potential impacts to air, land and water by improving the efficiency of our operations and remediating environmental issues of concern. CSX has set goals in several environmental performance areas and we are striving to achieve them.

### Our Environmental Policy

The CSX company-wide Environmental Policy lays out a set of expectations that all employees at every level of the organization put into practice every day. This Policy requires employees to follow environmental laws, regulations and CSX best practices and conduct operations safely. We also empower our employees to go beyond requirements where possible. We include guiding principles from the CSX Environmental Policy as part of the company's Code of Ethics, on which employees receive annual training. We make this Policy readily available to all employees.

Employees are expected to identify, report and address any environmental concerns. The Policy guides employees to contact the CSX Public Safety Coordination Center (PSCC) for information and centralized notifications (see page 64). Employees are expected to take action in situations that could impact the environment.

The company performs regular reviews and updates of the Environmental Policy. This Policy promotes best practices and underpins the company's approach to environmental management and responsible operations. The most recent version of CSX's Environmental Policy is available on our website.

### Environmental Management System

The CSX Environmental Management System (EMS) provides a framework to ensure adherence to the

company's Environmental Policy, maintain regulatory compliance and minimize environmental impacts. It establishes a consistent set of programs, processes and procedures for use across CSX operations.

Key components of the EMS include identification of legal compliance requirements, risk assessment processes, the assignment of roles and responsibilities, and required and recommended training. To facilitate consistent implementation across the CSX network, the EMS contains approximately 300 instructional documents that provide clear guidance on environmental requirements and CSX best practices.

Our EMS is customized for our operations. It incorporates elements from several well-recognized EMS standards such as International Organization for Standardization (ISO) 14001, the U.S. Environmental Protection Agency's National Enforcement Investigations Center's Compliance-Focused EMS and other industry-specific standards. Our formal EMS verification program includes annual inspections that involve a detailed review of process consistency and documentation. Additionally, we conduct independent compliance and management system reviews to ensure that CSX's environmental performance remains on track. We describe this process in more detail on page 79. CSX subject matter experts keep abreast of changes in the regulatory environment and all EMS documents are reviewed annually to include changes in regulations, best practices and operations.

## Greenhouse Gas Emissions

Managing GHG emissions is a vitally important issue and CSX is committed to reducing the environmental footprint of our operations. The company recognizes that our locomotive fleet generates approximately 88 percent of our GHG emissions, and we are working to further improve fleet fuel efficiency.

CSX set a goal during 2012 to reduce the company's GHG emissions intensity between 6 and 8 percent from 2011 levels by 2020. We have made strides towards this reduction goal, with a 1 percent improvement over 2011 performance (see chart on page 72). CSX achieved a previous GHG emissions reduction goal, decreasing GHG emissions intensity by 8 percent between 2006 and 2010.

Since 1980, CSX has improved its fuel efficiency by 90 percent, driven by cutting-edge technology and employee training programs. In 2012, CSX consumed approximately 490 million gallons of diesel fuel. The company tracks fuel reductions through a cross-functional Fuel Process Improvement team. Each year, this team sets annual intensity targets that align with CSX's voluntary 2020 reduction goal. The company has an incentive program for division- and management-level employees based on meeting certain goals, including annual fuel-reduction targets.

Shipping freight by rail is approximately four times more fuel-efficient than alternative means, as one CSX train can transport one ton of freight approximately 466 miles on one gallon of fuel. By comparison, a typical truck can move a ton of freight 120 to 140 miles with a single gallon of fuel.

**Air emissions.** Fuel combustion generates not only GHG emissions, but particulate matter, nitrogen oxide (NO<sub>x</sub>) and sulfur dioxide (SO<sub>2</sub>). CSX actively pursues the reduction of air emissions throughout our operations. For example, low-emission locomotives reduce GHG emissions by nearly 25 percent and nitrous oxide and particulate matter by more than 80 percent, benefiting both the climate and local air quality. The many improvements CSX makes in locomotive fuel efficiency go hand-in-hand with reducing the company's air emissions. Other air emissions sources at our operational sites include locomotive repair and paint shops, locomotive service centers and dry material handling facilities. These locations are regulated either by an air permit or by federal,

state and local air requirements. The company also has a standard purchasing agreement in place to purchase low-emission vehicles for the company fleet.

**Fuel efficiency.** CSX continues to invest in fleet upgrades to improve locomotive fuel efficiency. CSX has spent more than \$1.75 billion in the last decade to update our locomotive fleet with newer, more fuel-efficient locomotives and technologies. Over the past five years, we purchased 30 ultra-low-emission GenSet locomotives for our fleet and we are continuing to invest in additional fleet upgrades. For example, new locomotives such as the GE Evolution® Series locomotive offer improvement in efficiency compared to an average fleet locomotive, saving approximately 12,600 gallons of diesel fuel each year.

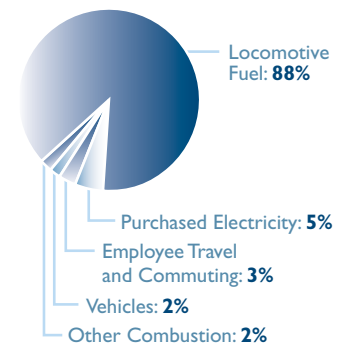
Due to these continued fleet enhancements and the technology advancements described below, the company's fuel efficiency improved by 2 percent from 2011 to 2012. This means that a CSX train can move freight 466 miles on a single gallon of fuel, up from 456 miles in 2011.

### Technological advancements.

New technologies help the company track and improve train operations while enhancing fuel efficiency.

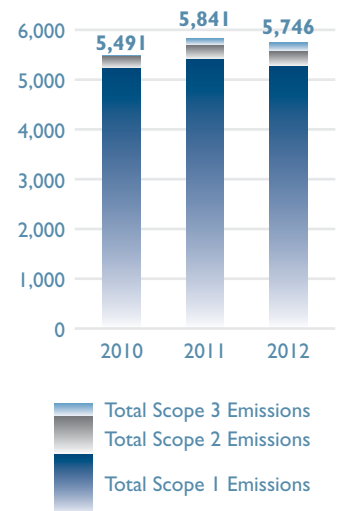
- CSX is testing a number of friction modifiers to reduce the amount of force necessary to pull freight cars across the railroad. These devices deploy a lubricant on the top of the rail behind the trailing locomotive to reduce the rolling friction between the car wheels and the track. This technology could increase annual fuel savings between 3 and 5 percent.
- CSX has invested in two separate idle-reducing

### 2012 Greenhouse Gas Emissions by Source\*



\*Includes scope 1, 2 and 3 GHG emissions.

### GHG Emissions by Scope\*\* (thousand metric tons CO<sub>2</sub>e)



\*\* Data reflect change in organizational boundary (see data table on page 72).

technologies: Auxiliary Power Units (APUs) and Automated Engine Start Stop (AESS). APUs reduce the need to idle by providing auxiliary power to a locomotive while shut down. AESS automatically shuts down the locomotive when not in use and automatically starts it when needed. Both technologies enhance fuel efficiency and reduce GHG emissions.

- CSX utilizes locomotive Event Recorder Automated Download operations data and provides feedback to the engineers on how to adjust their locomotive operation to improve fuel efficiency. CSX locomotive engineers are also trained on locomotive simulators, developing best practices and improving their awareness of fuel-efficient train handling.
- CSX also anticipates saving approximately \$1 million in fuel by moving to LED lighting throughout locomotives and engine compartments. Making retrofits to existing infrastructure is an important initiative at CSX.

The company is introducing a new technological advancement called Trip Optimizer. Developed in conjunction with GE, this sophisticated locomotive technology assists engineers in controlling the locomotive. The software creates a trip plan to optimize fuel use based on locomotive horsepower, trailing tonnage and the topography of the network along a given route. This information can assist the engineer in making sound train-handling decisions.

The implementation of Trip Optimizer has provided CSX many benefits, including:

- **Safety** – It minimizes end-of-train forces while cresting grades, thus reducing coupler damage and train separations, in addition to staying below the authorized speed.
- **Efficiency** – It automatically calculates and adjusts speeds, reducing delays in response to speed changes and increasing fuel efficiency, which currently leads to an average fuel savings of more than 7 percent.
- **Environment** – It controls the power output, reducing emissions of particulates and noxious gases, yielding an average 174,000-ton reduction in GHGs annually.

## Spotlight: Technology to Improve Air Quality



CSX, the U.S. Environmental Protection Agency and the Regional Planning Commission (RPC) for the New Orleans metropolitan area collaborated to help improve local air quality through a jointly funded, GenSet ultra-low-emission locomotive retrofit at CSX's Gentilly Yard in New Orleans. The GenSet retrofitting process was partially funded through a grant awarded to the RPC by the U.S. Environmental Protection Agency's National Clean Diesel Funding Assistance Program as part of the Diesel Emission Reduction Act. CSX funded the remainder of the project to support local environmental protection measures.

**"Continuing to invest in sustainable technology is critical as we continue to rebuild the city of New Orleans. Supporting this initiative with CSX will improve air quality in our region, and in turn, serve the people of the New Orleans metropolitan area."**

— Rebecca Otte, RPC's Southeast Louisiana Clean Fuel Partnership Coordinator

### 2012 Emissions by Kyoto Gas Type\* (metric tons)

CO <sub>2</sub>	5,688,902
CH <sub>4</sub>	629
N <sub>2</sub> O	143
HFCs	0.067

\* CSX does not generate PFC or SF<sub>6</sub> emissions.

### 2012 Energy Consumption (million BTU)

<b>Direct Energy Consumption</b>	
Diesel	69,664,385
Gasoline	1,124,085
Natural Gas	303,272
Propane	238,762
Jet Fuel	36,002

### Indirect Energy Consumption

Electricity	
Purchased	1,838,100

Currently, 1,150 of our 2,400 road fleet locomotives have been equipped with Trip Optimizer and we will continue to roll out this technology over the next five years. Trainers are working to familiarize experienced locomotive engineers with the technology, supplemented by programs being developed for CSX's locomotive simulators. Once



the technology is fully operational across the network, Trip Optimizer is expected to reduce CSX's company-wide locomotive fuel usage between 5 and 7 percent.

**Employee training.** CSX's employees take a comprehensive approach to fuel efficiency improvements, discovering new ways to reduce the energy required to pull trains. Locomotive engineers receive training on locomotive simulators, developing best practices and improving their awareness of fuel-efficient train handling. CSX also trains our employees on proper locomotive shutdown rules to eliminate unnecessary idling.



## ENVIRONMENTAL PERFORMANCE SUMMARY

Emissions	2010	2011	2012
Scope 1 (metric tons CO <sub>2</sub> e) <sup>(1)</sup>	5,214,936	5,400,086	5,268,905
Scope 2 (metric tons CO <sub>2</sub> e) <sup>(2)</sup>	255,738	295,354	300,170
Scope 3 (metric tons CO <sub>2</sub> e) <sup>(3)</sup>	20,608	145,362	177,381
Total Scope 1, 2 and 3 (metric tons CO <sub>2</sub> e)	5,491,282	5,840,802	5,746,456
Normalized Scope 1 and 2, GHG Intensity (metric tons CO <sub>2</sub> e per million revenue ton-mile) <sup>(4)</sup>	-	24.94	24.68
NO <sub>x</sub> Emissions (metric tons) <sup>(5)</sup>	96,238	97,316	81,039
SO <sub>2</sub> Emissions (metric tons) <sup>(5)</sup>	1,701	1,398	946
Consumption	2010	2011	2012
Annual Locomotive Fuel Use (gallons diesel fuel) <sup>(6)</sup>	491,384,085	503,208,348	490,902,017
Indirect Energy Consumed (electricity in megawatt-hours)	435,606	539,221	538,694
Water Consumed (thousand gallons) <sup>(7)</sup>	1,010,919	1,412,637	1,127,001
Locomotive Fuel Efficiency	2010	2011	2012
Fuel Efficiency (revenue ton-mile per gallon diesel consumed)	468	456	466

1. In 2011, CSX expanded its operational boundary to reflect inclusion of all major CSX subsidiaries - this includes CSX Intermodal Terminals, Inc., Total Distribution Services, Inc., CSX Technology, Inc., Transflo Terminal Services, Inc., and CSX Real Property, Inc. in addition to CSX Transportation, Inc. The 2010 value includes only CSX Transportation.

2. In 2012, CSX completed the expansion of its operational boundary to reflect inclusion of Canadian operations. Emission factors for purchased electricity were obtained from the U.S. Environmental Protection Agency's Emissions & Generation Resource Integrated Database (eGRID2012 Version 1.0) and used in the recalculation of both 2011 and 2012 Scope 2 emissions.

3. The 2010 value includes emissions from employee business travel in personal and rented vehicles. The 2011 value includes these sources along with air travel and employee commuting. The 2012 value includes all above-mentioned sources and contracted taxi service.

4. A figure for 2010 normalized emissions is not included due to the changes in operational boundary.

5. Reported emissions of NO<sub>x</sub> and SO<sub>2</sub> include direct, or Scope 1, emissions.

6. Annual locomotive diesel fuel consumption is reported in the Annual Report to the Surface Transportation Board. A detailed breakdown of other direct energy sources is available on page 71.

7. Water consumed (in thousands of gallons) is estimated from total cost of water and from actual water usage data when available at certain facilities.

## Public Policy

CSX understands that improving energy efficiency and maximizing clean and affordable domestic energy resources are crucial to continued economic growth, improved quality of life and environmental stewardship, and can help address the complex global challenge of climate change. Railroads play an essential role in moving this objective forward. For more information on the company's position, please see our Carbon Disclosure Project investor and supply chain survey responses and [climate statement](#).

**Responding to a changing climate.** CSX considers potential climate change impacts as part of the company's overall process for risk management. The company maintains strategic plans in order to maximize responsiveness to events that could include those resulting from extreme weather, a changing climate or shifting populations. The vast majority of CSX employees work in an outdoor environment and planning for potential weather-related shifts is a priority. CSX's business continuity plans address extreme weather and are adaptable across our 23-state network. CSX also maintains site-specific operating plans and continues to invest heavily in track infrastructure, which will help protect assets from the impacts of extreme weather. In 2013, we plan to raise a portion of our track along the Gulf Coast in preparation for potential severe weather in the area.

By far, railroads are the most environmentally friendly and energy-efficient way to move goods on land. By moving freight by rail, our customers reduce GHG emissions by approximately 75 percent, which allows for cleaner air and helps the United States reduce its dependence on foreign oil. CSX is taking significant voluntary actions – going beyond our legal requirements – to reduce locomotive emissions (including GHGs) and fuel use to make even greater strides in fuel efficiency. Please see page 85 for more information on how rail transport is benefiting our customers' product carbon footprints.

## Operational Efficiency

CSX has improvement teams focused on finding new ways to reduce the environmental footprint of our buildings. As a company, we have nearly 4,800 buildings across our operations. We periodically upgrade the infrastructure and interiors of these buildings. We incorporate Leadership in Energy and Environmental Design (LEED) standards to new construction projects that meet specific criteria. As the CSX network grows, particularly in our intermodal business, we are implementing a set of best practices for efficient, sustainable construction projects. For example, at the Jacksonville Intermodal Terminal, CSX installed energy-efficient LED fixtures on high-mast light poles, the administration building and the gate canopy that reduce energy consumption at the facility by nearly 25 percent.

The company purchased carbon offsets for 2012 and 2013 electricity use at our headquarters building in Jacksonville, Fla., totaling nearly 1,363 metric tons in carbon offsets – equivalent to planting nearly 245,000 trees or removing more than 1,800 passenger cars from the road for one year. CSX has set a target to increase the mix of renewably sourced electricity from 6 percent to 8 percent by 2020.

### Spotlight: Innovation in Worcester, Massachusetts



CSX is partnering with the Commonwealth of Massachusetts to increase freight and commuter rail service within the state. Specifically, the company is expanding our Worcester, Mass., terminal into a state-of-the-art terminal for the safe and efficient distribution and transfer of goods around the New England region. CSX collaborated with the Massachusetts Department of Environmental Protection to integrate sustainable elements into the terminal design. The site's administration building is powered by on-site solar panels and has a solar hot water heater. CSX identified and procured hybrid diesel-electric cranes, which are 40 percent more fuel-efficient than the standard diesel equipment being replaced. These hybrid cranes use a small diesel engine briefly during start-up and run on batteries when operating. This minimizes the amount of emissions and noise disturbances on site and in the surrounding community. We will continue to look for innovative technologies and practices to enhance the Worcester terminal and others throughout our network.



**Energy efficiency.** CSX continues to seek ways to reduce the company's energy usage. In 2012, CSX participated in Environmental Defense Fund's (EDF) Climate Corps program for the third time. An EDF fellow worked with CSX environmental management personnel to identify and implement energy efficiency improvements. Recommendations included a lighting retrofit project and installing power factor correction equipment on the air compressors at CSX rail yards – a total of 33 compressors. Together, these projects could save CSX \$1.7 million in net operating costs, reduce annual energy usage by 5,900,000 kilowatt-hours and reduce GHG emissions by 4,200 metric tons per year.

**Renewable energy.** CSX is evaluating the potential for renewable energy applications across the network as an additional means to improve energy efficiency. The company installed a 53-kilowatt solar photovoltaic array at the Queensgate yard in Cincinnati, Ohio. The system connects with the local electricity grid and any excess power generated is sold back to the area's electric utility as an offset. The renewable power generated in one year is equivalent to burning 4,000 gallons of diesel. Since installation in April 2012, the solar-powered system has produced more than 63 megawatt-hours of renewable energy. In Worcester, Mass., two new CSX buildings feature solar panels to heat water and power the building. The company also utilizes solar power for signaling systems in remote field locations across the network.

**Technology applications.** CSX engineers have begun utilizing hydrogen fuel cells for use as power sources during commercial power outages for crossing and signal systems. During natural disasters, the company deploys hundreds of electricity generators to power crossing signals and other equipment. Hydrogen fuel cells are a safer and cleaner alternative to gasoline backup generators. The company is gradually rolling out this technology.

Wide-span electric cranes are another new application that reduces energy consumption, improves efficiency and reduces diesel particulate and carbon dioxide (CO<sub>2</sub>) emissions. These cranes, which transfer cargo containers between trains and trucks, emit fewer emissions than diesel cranes and operate more quietly. Electric cranes are also more efficient, as they have the ability to store the braking energy when lowering loads similar to regenerative braking systems on hybrid automobiles. To learn how our customers are benefiting from these efficiency initiatives, please see page 85.

**Employee engagement.** The company looks for opportunities to engage employees and create behavioral changes around environmental performance. For example, CSX subsidizes transportation expenses for employees who take public transit to work at CSX corporate headquarters in Jacksonville. The company also provides reduced parking fees for carpoolers and individuals at the Jacksonville headquarters who drive low-emission or hybrid vehicles.

(meeting the requirements of the U.S. Environmental Protection Agency's National Low Emission Vehicle Program) to work.

Raising awareness around sustainability issues at every level of the company continues to be a priority at CSX. Each year, we hold Earth Day events throughout our network to engage employees. In Jacksonville, CSX hosts a series of environmental education sessions and an expo for employees. In addition, CSX partners with the Anacostia Watershed Society's annual Earth Day Cleanup and Celebration, where more than 2,000 volunteers remove trash from sites around the Anacostia Watershed in Washington, D.C. and Maryland. For other examples of employee engagement on environmental management and sustainability, please see page 40 and the Beyond Our Rails website at [beyondourrails.org](http://beyondourrails.org).

## Water Use

Water is an essential natural resource. CSX is working to understand the company's water footprint by looking for source reductions and recycling and reuse options throughout our network. In 2012, CSX consumed approximately 1.13 billion gallons of water, a decrease from 2011, primarily due to improved measurement techniques. Of that total, 15.5 million gallons were recycled, which includes collected rainwater:

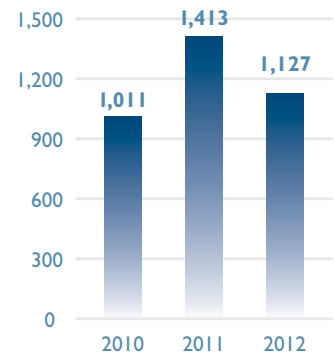
CSX is aware of potential water scarcity issues in areas of our network, primarily in the Southeast. During 2013, CSX plans to conduct surveys focused on freshwater usage at our larger facilities to understand water consumption patterns and identify opportunities for improvement. These initiatives will allow CSX to establish a comprehensive water baseline from which to set goals and management priorities for reducing water use.

At the Curtis Bay Piers site near Baltimore, Md., CSX implemented water management practices, which we are also in the process of implementing at other locations throughout our network. For example, the Curtis Bay site has a rainwater-harvesting system that will help the site reach near-zero water discharge.

The collected water is used for dust control for the material piles on site, reducing the need for purchased water. The company is compiling a set of best practices in water management for application at new and existing projects. For the first time, CSX also responded to the Carbon Disclosure Project water survey for 2012 performance.

The company is focused on reducing exceedances in wastewater discharges through enhanced treatment and water quality measures. In 2012, CSX developed a wastewater treatment facility centralized control system that allows for remote monitoring and control of our treatment facilities. This system automatically records data such as pH and flow rate and can graph trends. Implementing this system allows CSX to accurately manage our wastewater to ensure compliance with all appropriate regulations. As of the end of 2012, eight sites are operational and 15 sites will receive the system in 2013. The company is also reviewing enterprise-wide wastewater treatment infrastructure to identify places where wastewater chemicals can be minimized. For example, CSX maintains state-of-the-art wastewater treatment systems at our Euclid, Ohio, and Corbin, Ky., facilities that greatly reduce the need for wastewater treatment chemicals.

**Water Consumed**  
(million gallons)





## Waste Management

Managing our materials use, reuse and recycling, and ensuring proper disposal, are key focus areas for the company. CSX generates both hazardous and non-hazardous waste and we work to strategically manage waste generation and reduction. This approach, in turn, helps the company reduce environmental risks and identify opportunities for cost savings.

At the beginning of 2012, CSX set a goal to reduce hazardous waste generated through ongoing operations by 5 percent by year end. In 2012, we reduced hazardous waste by 7 percent compared with 2011 performance. Since exceeding our reduction goal, we are striving to further reduce hazardous waste generation from our ongoing operations. CSX also generates some hazardous waste from remediation and emergency response activities. While we track and report these values (see table below), there is often variation that is difficult to predict from year to year.

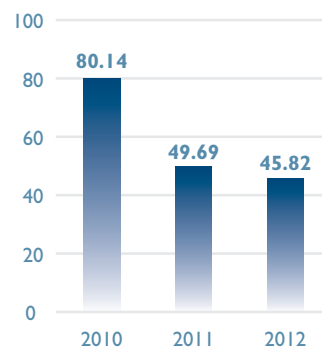
CSX continually looks to replace chemicals, paints and cleaners with safer and more sustainable products. As we find ways to reduce our use of substances and processes that produce hazardous waste, we are striving to reduce the U.S. Environmental Protection Agency designated generator status of each operating facility to the lowest

possible level. Our goal is to reduce the generator status of 25 percent of our facilities by 2020. We anticipate this goal will assist the company in reducing risk related to material-purchasing decisions, chemical use and waste-management practices.

CSX is also committed to reducing non-hazardous waste throughout our operations. We have identified the major waste streams from our ongoing operations and continually look for new ways to reuse and recycle all waste. For example, used lubricating oil from CSX locomotives is reused in some facilities to heat buildings. In addition, a third party also reprocesses portions of this used oil into vacuum gas oil, an important feedstock in the manufacture of unleaded gasoline and low-sulfur diesel fuel. CSX also recycles batteries, steel and crossties from our operations. We have set a goal to increase recycling and reuse of crossties from 95 to 99 percent by 2015.

In 2012, CSX continued the effort of recycling construction debris such as asphalt, concrete and brick. The company is developing an enterprise-wide program to achieve a

**Hazardous Waste from Ongoing Operations\***  
(tons)



\* Includes hazardous waste from fixed-facility waste generation (see data table below).

## WASTE AND RECYCLING PERFORMANCE

	2010	2011	2012
Hazardous Waste from Ongoing Operations (tons) <sup>(1)</sup>	80.14	49.69	45.82
Hazardous Waste from Remediation and Emergency Response Activities (tons) <sup>(1)</sup>	10,474.96	1,661.56	71.12
Non-Hazardous Waste from Ongoing Operations (tons) <sup>(2)</sup>	-	-	51,575
Non-Hazardous Waste from Remediation and Emergency Response Activities (tons) <sup>(2)</sup>	-	-	51,287
Used Oil Recycled (million gallons)	2.16	2.30	2.25
Batteries Recycled (tons)	427.44	354.67	337.10
Steel Recycled (tons)	389,685	348,388	245,087
Crossties Recycled (millions)	3.24	2.88	2.40

1. CSX is displaying hazardous waste data from ongoing operations and remediation and emergency response as two separate values to better reflect the distinction between fixed facility generation and waste that is generated from one-time cleanups. In the 2011 CSR report, hazardous waste generated from emergency response work was included as part of fixed facility hazardous waste data. This has been restated for the 2012 CSR report.
2. CSX continues to streamline and improve its data-collection system for non-hazardous waste. Non-hazardous waste data is included starting in 2012 and is considered an estimated value.

99 percent recycling rate for construction debris generated from these building products by 2020. One current program, No Spike Left Behind, developed in 2010, is a successful example of CSX's extensive recycling efforts. This program conducts extensive cleanups of our rail yards to reduce the amount of unused product and recyclable material stored on site. Since 2010, CSX has generated more than 50,000 tons of recycled material from this large-scale recycling program that is now running system-wide.

### ***Biodiversity and Land Management***

Limiting impacts to land and biodiversity throughout our network is another important aspect of CSX's environmental management approach. The company is the only Class I railroad to be a member of the Wildlife Habitat Council (see page 81). CSX also engages with state and federal regulatory agencies to remediate sites when appropriate. In some cases, real estate acquisitions are necessary

### ***Spotlight: Specialized Crimes Unit***

The CSX Police Department utilizes several highly specialized units, including the Specialized Crimes Unit (SCU), that respond to specific criminal activities or threats to network security. One of those units, the SCU, focuses on both cargo theft and environmental crimes as one cohesive unit led by a Special Agent in Charge. As one of its key responsibilities, the SCU works to protect air, land and water throughout the CSX network by investigating incidents and prosecuting violators for crimes against the environment committed on CSX property. With many portions of CSX track designed to be open, railroad property is often a target for the unauthorized dumping of construction debris, household trash and hazardous materials by third parties. To help combat this problem, CSX established the environmental crimes unit of the SCU in 2007, which has had a positive impact on combating environmental crimes such as illegal dumping, while protecting land, water and biodiversity.

The SCU has conducted joint investigations with other environmental investigators at the local, state and federal levels. In addition, increased awareness efforts throughout CSX have led to a rise in vigilant employees' reporting of illegal dumping. These results have proven that a relatively small unit of police specialists can have a sizable impact on a big problem.



## Spotlight: Environmental Management at the Facility Level

While CSX has a corporate Environmental Policy and goals, individual facilities have the responsibility to maintain environmental compliance and implement sustainable initiatives and programs. As plant manager of work equipment at CSX's Bryan Park Work Equipment Shop in Richmond, Va., Mr. Keith Ebbeskotte leads a team that maintains an outstanding record of compliance with environmental regulations covering hazardous and non-hazardous waste handling, recycling and wastewater treatment. The Bryan Park Shop is the largest of its type in North America.

In this position, Mr. Ebbeskotte has introduced environmentally conscious initiatives including a waste-reduction plan and specific programs to recycle diesel fuel, hydraulic oil, engine oil, antifreeze and batteries.

Employee engagement is an important aspect of the site's exemplary environmental performance. In addition to his leadership, Mr. Ebbeskotte is an innovator who initiated a wide variety of improvements that raised productivity and provided a more environmentally friendly workplace. Among his many accomplishments,

he assisted in reducing CSX's carbon footprint and air emissions by helping to install low-emission engines in all new and rebuilt equipment.

In recognition of Mr. Ebbeskotte's efforts to strive for high environmental performance, he was nominated for the John. H. Chafee Environmental Excellence Award in 2012. Presented by the Association of American Railroads, this award recognizes members of the railroad industry who have demonstrated outstanding environmental awareness and responsibility.



"Receiving the Chafee Award nomination is a huge honor, but caring for the environment is just a normal way of life for us. We take pride in our work space and realize that a clean work area is a safer work area. How we treat Mother Earth on a daily basis now determines how she will treat generations to come down the line."

— Keith Ebbeskotte, CSX Plant Manager - Engineering

to complete remediation and network expansion projects. CSX works with property owners to ensure that these transactions are completed fairly and respectfully.

In 2012, CSX partnered with regulatory agencies and local communities on key remediation projects. Activities at the intermodal expansion project in Cleveland, Ohio, are an example of how creative development and assessment of options can lead to sustainable solutions. CSX relocated and reused soil from a large mixed-debris stockpile in the expansion area to restore nearby CSX property. This initiative contributed to the company's goals of

GHG emissions reduction, beneficial land reuse, positive community impact and reduced financial expenditure.

As part of our commitment to protecting the environment, CSX performs detailed assessments of property impacted by railroad operations. We remediate contaminated property and work with appropriate environmental agencies and qualified contractors to ensure protection of human health and the environment. We apply this approach when derailments or other incidents occur that may necessitate cleanup or remediation.

## Environmental Performance

CSX has a dedicated team of environmental professionals who monitor environmental compliance activities and perform regulatory-required inspections of fueling systems, wastewater treatment facilities, hazardous waste storage areas, emergency generators and other facilities and equipment. Each year, CSX conducts thousands of specific inspections to remain in compliance with all environmental regulations. When environmental incidents do occur, CSX personnel respond promptly to minimize impacts to the environment. In 2012, CSX received 16 notices of violation and paid \$6,600 in fines.

**Compliance assurance reviews.** To maintain consistent environmental compliance, CSX established a series of compliance assurance reviews to verify our environmental and hazardous materials compliance. The environmental compliance assurance reviews include different tiers of evaluation, ranging from internal “peer” reviews to comprehensive external reviews performed by CSX employees alongside qualified environmental consultants. Each year, CSX performs reviews at approximately 75 sites using this tiered evaluation structure. The company maintains a program that supports accurate tracking and timely corrective actions for any non-conformances identified during these reviews. Additionally, CSX created the Compliance Assistance team, which is assigned to locations to mentor and support corrective action plans and the timely resolutions of non-conformances. The goal of this program, and the associated Hazardous Materials Confidential Campaign, is to ensure we are maintaining a high level of compliance assurance and remain focused on pursuing opportunities for continuous improvement.

**Training.** Ensuring that our employees are trained on technologies and best practices that contribute to reducing our environmental impact is a key aspect of our Environmental Policy. For example, our locomotive engineers are trained using simulators where they learn best practices in fuel-efficient train-handling. In 2012, CSX Environmental Field Services personnel received advanced training in inspection protocols to improve the program we use to evaluate compliance.

CSX annually provides both hazardous materials sentinel and environmental sentinel training programs at the Railroad Education & Development Institute (REDI) in Atlanta, Ga. These state-of-the-art, in-depth trainings are intended to broaden the knowledge of operations personnel and equip with them with the skills to serve as field-level experts or “sentinels” on training subject matter. In addition, the CSX Hazardous Materials and Chemical Safety team hosted a chemical shipper training event at the REDI. Chemical shippers received training on regulatory compliance, safe loading and unloading practices, tank car awareness and rail accident prevention and response.

Other environmental trainings offered in 2012 included:

- Facilitated, classroom-based environmental training for engineering and mechanical employees.
- Computer-based environmental training for transportation and non-operating employees.

CSX’s environmental training programs reached nearly 30,000 employees and contractors during 2012.





## 2012 Environmental Performance Recognition

- CSX was named to the Dow Jones Sustainability Index (DJSI) for North America for the second consecutive year and was the only U.S. railroad included in 2012.
- CSX earned a place on the Carbon Disclosure Project (CDP) S&P 500 Carbon Disclosure Leadership Index (CDLI) for the third consecutive year, and recognized for the second time on the CDP Global 500 CDLI.
- CSX was named to the Maplecroft Climate Innovation Leader Index, one of three Maplecroft Climate Innovation Indices that rank U.S. companies on their leadership in climate change mitigation and management. CSX was the highest-ranked Class I railroad included on the 2012 index, and the only railroad featured on the top 100 Climate Innovation Leaders list.
- CSX was included in Corporate Responsibility Magazine's 100 Best Corporate Citizens for the first time in 2012.

## Spotlight: Supporting the CREATE Program



CSX is collaborating with the U.S. Department of Transportation, the State of Illinois, the City of Chicago, Metra, Amtrak and other freight railroads to support the Chicago Region Environmental and Transportation Efficiency (CREATE) Program. Initiated in 2003, CREATE is a first-of-its-kind public-private partnership that aims to increase the capacity and fluidity of the region's freight and passenger rail infrastructure. The program will improve passenger rail service, reduce freight rail congestion and motorist delay, and enhance public safety in the country's busiest rail hub. The CREATE program reduces environmental impacts to air and land and promotes economic development by creating and retaining jobs in the region. The investment of billions of dollars to construct new overpasses and underpasses; upgrade tracks, switches and signals; and improve existing railroad grade crossings will benefit the community, customers and railroads that use this infrastructure. CSX has committed to significant capital funding and resources to support CREATE. For more information about this unique partnership, visit [createprogram.org](http://createprogram.org).



## Case Study: Gautier Remediation Project

In conjunction with the Mississippi Department of Environmental Quality (MDEQ), CSX utilized state-of-the-art remedial techniques and exceeded restoration requirements during the remediation of the former Gautier Oil site in Gautier, Miss. As stated on the historic marker located at the site, the West Pascagoula Creosote Works began operations in 1874 and it is known as the first continuously operated creosote treatment plant in the nation. Many of the treated pilings from the site were utilized in building the Panama Canal. Creosote has been used for decades in many applications as a wood treatment compound. When applied, creosote prevents rot in bridge timbers and other materials like railroad ties. The long operational history of this site preceded the development of U.S. environmental regulations, resulting in residual creosote contamination.

The remediation has been a long-term project for CSX with nearly \$20 million invested to date. CSX worked closely with MDEQ to evaluate environmental impacts associated with the site and adjacent West Pascagoula River and Bayou Pierre. Studies determined that there were environmental impacts at the site including soil and groundwater contamination, as well as at near-shore sediments of the River and Bayou. A remediation plan was developed and approved by MDEQ in 2010. Remediation activities began in 2011 and resulted in the safe disposal of more than 22,000 tons of contaminated soil and sediment from the site and adjacent Bayou. CSX also installed a containment cap, made with multiple layers, on approximately 6 acres of near-shore sediments in the River and Bayou.

Stakeholder engagement was a key success factor in the remediation process. Before any physical remedial actions started, CSX held a public information event for local residents and city officials. The community raised questions about increased truck traffic, closure of the Bayou and the end use of the property. CSX used the knowledge gained from this meeting and other communications with the community to conduct pre-construction inspections of roadways and ensure dedicated traffic control was in place in sensitive areas. CSX and our project partners communicated bayou closures to affected residents and provided temporary boat storage at the local marina.



Since the third-largest magnolia tree in Mississippi was near the site, we installed fencing to provide protection from construction vehicles and other project-related traffic.

To restore the West Pascagoula River and the Bayou Pierre shoreline, CSX placed stone and installed more than 3,000 cubic yards of sand. Additionally, hundreds of tons of submerged logs, concrete, poles and other debris were removed from the site. Once stable, the company replanted more than 100,000 native tidal wetland plants, improving the overall estuarine habitat and aquatic ecosystem. The site now offers more than 2.5 acres of shoreline habitat for several state species of concern, including the Mississippi Diamondback Terrapin and Gulf Saltmarsh Snake.

CSX is partnering with the Land Trust for the Mississippi Coastal Plain, a chapter of the Land Trust Alliance, to put a conservation easement on the site to conserve the land in perpetuity. The Wildlife Habitat Council granted the site Wildlife at Work Certification, which recognizes CSX's stakeholder-centric approach to create, conserve and restore wildlife habitat at the site. Land that was once an eyesore is now a thriving green space with ecosystems typical of natural undeveloped lands in this watershed. This space enhances local ecotourism opportunities via the surrounding waterways and educational opportunities associated with habitat and wildlife monitoring.

CSX's commitment to the Gautier site will continue for years to come. We will continue to monitor groundwater to ensure further remediation activities are not necessary. This project illustrates CSX's willingness to put our sustainability commitments into practice across our service area.

## CUSTOMERS AND SUPPLIERS: OUR VALUE CHAIN



### IN THIS SECTION:

Customers

Suppliers

#### Successes:

- More customers participated in our Voice of the Customer survey than ever before, and CSX received an all-time high customer satisfaction score.
- Continuing to deliver service that provides customers with the most efficient form of product transport.
- Working with suppliers to ensure CSX is using the highest-quality and most cost-efficient materials.

#### Challenges:

- Finding diverse and locally based suppliers within the CSX network.
- Continuing to identify new ways to maximize customer service efficiencies.

## Management approach and plans ahead

CSX customers and suppliers are integral components of the CSX value chain. Working with customers and suppliers to find service solutions and efficiencies throughout the supply chain yields collaborative results. We engage with our customers frequently to understand their needs and priorities. We partner directly with suppliers and expect them to uphold CSX values and policies. Going forward, we will maintain open communication with our customers and suppliers to ensure that the CSX value chain remains focused on sustainable solutions.

### Customers

At CSX, "It starts with the customer." CSX's operational success is built on our employees' commitment to provide customer service at the highest levels. This means providing safe, efficient and reliable freight transportation solutions for our customers while creating value for shareholders.

#### COMMITMENT TO CUSTOMER SERVICE

CSX serves a broad array of transportation markets with freight rail and intermodal services (see page 10). The company strives to create competitive advantage for customers regardless of market conditions and has accomplished this consistently through the ebbs and flows of the economy over the past several years.

Our commitment to customer service and engagement extends across a variety of sectors, from large, multinational companies to small, local businesses. We connect with customers regularly through one-on-one meetings, industry conferences, formal surveys, customer councils, daily communications, ShipCSX e-tools and more as part of our "Voice of the Customer" initiative.

#### Voice of the Customer Survey

In 2002, CSX launched a customer satisfaction assessment program where customers can share their feedback and provide improvement suggestions. The company uses an independent firm to survey customers on a wide range of factors that influence their sense of satisfaction. These factors include speed and consistency of service, problem resolution and ease of order placement.

The survey asks customers to evaluate CSX's performance across three main areas:

- Planning: account management, rate inquiry and order management.
- Service: shipping instructions, local service, order fulfillment and equipment quality.
- Customer Assistance: damage prevention, tracking information, customer service and financial settlement.

In 2012, CSX received its highest score ever from customers, highlighting sustained operating success. The main driver of the increase in total score was the progress CSX has made in local service delivery. We also had a significant increase in survey participation, with 2,900 respondents in 2012 compared to 1,600 in 2011.

#### Voice of the Customer Survey Results

Overall Satisfaction Score, CSX Proprietary Survey





CSX sales and marketing personnel, accompanied by front-line operations managers, visited nearly 5,000 customer sites located throughout the CSX network during 2012. These personal visits provide a better understanding of customers' service needs, the design of their facilities and provide more accurate data to the CSX Customer Relationship Management database. CSX expanded this effort in 2012, to include 274 short-line interchanges and 400 additional customers jointly served with Conrail.

CSX offers many forums for customers to share their ideas, focused on topics such as railroad operations and electronic commerce. Two Customer Advisory Councils enable intermodal and merchandise customers to provide insights to CSX regarding rail solutions and service improvements, especially in the first and last mile. Council events are held two to three times per year, creating an opportunity for CSX to listen to customers' perspectives and provide them with an update on initiatives underway as a result of their feedback.

Customer interaction is an integral part of the CSX culture and in line with our core value, "It starts with the customer."

"There's no greater feeling than hearing a customer say they value their relationship with you and your company, and that you add value to their supply chain. Those moments create the energy for our continued improvements in training, process and technology, and those enhancements lead to more positive experiences for our customers."

— Susan Arko, CSX Assistant Vice President,  
Customer Service Operations

## Spotlight: Reducing Transport-Related Emissions



As companies begin to look at the environmental impact of their supply chains, particularly related to product transport, CSX anticipates growth in freight rail. A typical CSX freight train is approximately four times more fuel efficient than highway freight transportation and can carry the cargo load of 280 trucks. As a result of this efficiency, CSX enables our customers to reduce transport-related GHG emissions. This equates to a 60 to 80 percent reduction in GHG emissions when shippers switch from truck to rail. This has the same environmental impact as taking 1 million passenger vehicles off the road. These actions help CSX customers realize efficiencies in product environmental footprints. Rail also provides significant cost efficiencies relative to truck transport.

The company is also investing in major infrastructure projects, such as the National Gateway public-private partnership, which will further improve network efficiency and reduce overall transportation industry emissions by making existing rail routes accessible to double-stack freight trains. By improving the efficiency of intermodal transport, the project will avoid the release of 20 million tons of GHG emissions during its first 30 years of operation.

We recognize that CSX serves many different markets, and that our customers each have their own needs. Understanding the "Voice of the Customer" helps the company better serve them. CSX is committed to continuous customer service improvement going forward.

## SUPPORTING CUSTOMER PRODUCT EFFICIENCY

To demonstrate the efficiencies of CSX's network, the company developed an online carbon calculator that compares the emissions generated by freight rail to those of long-haul trucks over similar routes. Customers are able to choose from a number of variables – from the type and volume of goods transported to the length of the route – to estimate the average carbon emissions reduced by shipping via rail. The tool also plays an important role in helping customers optimize their supply chains as they bring goods to market more sustainably. The calculator provides shippers an opportunity to better understand the environmental benefits of transporting their goods via rail. The tool also shows how intermodal shipments – combining both truck and rail transport to maximize efficiency – can drastically

## Spotlight: Realizing the Environmental Benefits of Rail

CSX collaborates with shippers in order to achieve efficiencies throughout their own supply chains. One of our rail customers, General Electric Company (GE), is a diversified technology and financial services company with products that range from aircraft engines and household appliances to business and consumer financing. Transportation and logistics are a crucial link in GE's global supply chain. CSX's intermodal business – the movement of containerized freight via rail for the long-haul portion of a move and truck for the local pick-up and delivery – helps GE meet some of its transportation needs in a cost and environmentally efficient manner. For example, at the GE Appliances business, intermodal transport strikes a balance between cost and reliable service while providing consistency and predictability.

GE recognizes that intermodal can handle additional capacity as the economy continues to expand. The same capacity options do not exist in the U.S. trucking industry. GE views the growing transition to intermodal as a strategic, long-term commitment. CSX has a suite of analytical tools that have helped GE utilize additional intermodal lanes. For example, the Highway to Rail (H2R) Optimizer – a proprietary CSX tool – has identified GE truck freight that is a good fit to move by intermodal rail service.

Recently, GE expanded its intermodal usage at both the GE Appliances and Lighting businesses, demonstrating its commitment to energy efficiency throughout the product life cycle, including manufacturing and transportation. CSX's focus on customer centricity to profile shippers' supply chains and work through H2R conversion opportunities make intermodal an easy transition.

GE and CSX share common values around sustainability and collaboration, and recognize

the greater use of intermodal rail service as an opportunity to advance sustainability efforts. GE tracks the overall environmental impacts associated with its operations. Through GE's ecomagination<sup>SM</sup> initiative, GE has already reduced GHG emissions and energy use, and invested in product research and development. In the future, GE plans additional improvements to reduce the energy intensity of its operations by 50 percent and its water consumption by 25 percent by 2015. GE is also in the early stages of tracking its environmental footprint or Scope 3 emissions related to product transport.

**"CSX says that they want to be the most progressive railroad and they are demonstrating that in their intermodal business. The service that CSX offers to GE aligns cost, service, scalability and sustainability objectives. This is an excellent value proposition for GE."**

*— Laurie Davis, GE Transportation*

GE continually seeks opportunities to enhance operational excellence, improve the quality of its products and services, reduce costs and drive competitive advantage. The environmental, economic and service efficiencies GE realizes by collaborating with CSX on intermodal rail service help GE support these key business objectives.



reduce carbon emissions. CSX helps customers reduce or avoid transportation-related carbon emissions that would otherwise be generated from more carbon-intensive modes of transportation. CSX was the first Class I railroad to build a publicly available carbon calculator.

### CUSTOMER SERVICE INNOVATION

CSX customers require reliability and consistency in the logistics chain. CSX has a number of other initiatives underway to better anticipate and respond to customers' needs, including monitoring of customer satisfaction targets and goals. In 2012, we revised the set of metrics used to assess the customer experience in order to identify inefficiencies and improve service reliability.

Service Excellence is another new initiative, modeled after our successful safety overlap program. By focusing on service excellence across all operating departments, CSX is working to proactively address customer issues and respond quickly to their concerns. In 2012, we started giving full-day training sessions to front-line employees to help them understand how their work impacts customers and empower them to support customer service at the local level. For example, in Michigan, one of our terminal operators learned of a customer who was frustrated by frequent delays of weekly lumber deliveries from CSX. The employee visited the business and worked with them to correct the problem using CSX e-business tools. This enabled the customer to track the order from shipment to delivery.

CSX's Total Service Integration (TSI) initiative, launched in 2006, supports growth by improving service, optimizing train size and increasing asset utilization for unit-train shipments from origin to destination. CSX is now advancing this initiative to enhance service quality for customers who ship by the carload. TSI Carload focuses where the customer is impacted most – during the first and last mile of service. These enhancements aim to improve service levels and the reliability of rail transportation over other modes of transportation. These improvements to operational

### Spotlight: Supporting Regional Development



As the economic and ecological benefits of rail are becoming more widely known, many businesses want to identify potential operating sites along rail lines. However, the process to locate a site with viable rail access can be complicated and time-consuming. CSX's Select Site program reviews potential manufacturing and distribution development sites along its network that could easily utilize freight rail service. This designation confirms that standard land-use issues, utilities and environmental concerns have been addressed and that the site is ready for development. This program helps local communities to identify sites that can effectively compete for new jobs and capital investment.

CSX developed the Select Site program to offer customers potential locations for expansion opportunities that are ready for rail service. To receive Select Site certification, the location must meet a rigorous list of criteria. Once certified, the sites are featured on a web portal, [csxselectsite.com](http://csxselectsite.com), which features press releases, promotional materials and direct marketing to site-selection professionals. As of the end of 2012, CSX has certified 10 sites located in Ohio, Illinois, Indiana, Kentucky and South Carolina.

processes, customer communication and service will better align CSX's operating capabilities with customers' needs.

Safely handling and transporting customers' products is of utmost importance at CSX. Certain products we ship, such as chemicals or other liquid products, require special handling. On occasion, a minor release from a customer's shipment may occur. As a value-added service, CSX hazardous materials management specialists will go to the customer site to help correct the problem. CSX also partners with customers regarding chemical shipping and hazardous materials management training events. In 2012, CSX recognized 69 customers with the Chemical Safety Excellence Award. To qualify for the award, customers must ship more than 600 carloads of hazardous materials during a calendar year without a non-accident release. This year, 107 customers qualified for the award, representing more than 298,000 carloads shipped.

CSX proactively plans for potential natural disasters and communicates early and often with customers on potential delays. For example, in 2012, we experienced a temporary

shutdown due to Hurricane Sandy. The storm washed out segments of the network and impacted port operations. Employees responded quickly, and service was restored to ensure prompt delivery to customers. The company provided regular updates to customers via e-mail and notifications using our e-business tools.

### TECHNOLOGY SOLUTIONS

CSX works to constantly refine procedures and resources to create faster and more efficient service. Technology solutions, such as Customer Relationship Management applications and Customer Relationship Integrated Systems, help us to collect and analyze customer feedback.

CSX maintains ShipCSX.com, an e-business website with tools to help customers plan, ship, trace and pay for shipments quickly and efficiently. CSX e-business has a dedicated Marketing and Implementation team to help transition customers to our electronic tools. The company holds annual two-day training events for customers that want a detailed understanding of these tools. Since 2006, the E-business team has hosted six workshops across the CSX network, training more than 700 customers.

Other customer-focused technology includes iPhone and Android mobile applications for real-time shipment and train tracking information, and on-board work order devices to provide proactive, transparent, real-time notifications of customer requests and expectations. In 2012, we updated ShipCSX to include enhanced data-management tools.

### SERVICE SOLUTIONS

CSX has introduced a number of services to help customers utilize our rail services:

- **Regional Development** helps customers looking to build or expand a rail-served facility or find a property with rail access. Each year, CSX supports 100 to 150 companies in locating or expanding along our network.

- **Start Up & Integration** helps new and existing customers expanding to new locations complete critical pre-movement activities for a smooth, error-free experience.
- **Load Engineering & Design Services** helps shippers design loading patterns that maximize capacity and minimize the potential for damage.
- **CSX de Mexico** is a specialized service that offers coordinated, consistent cross-border service between the U.S. and Mexico.
- **International Sales & Marketing** assists with all areas of international logistics, container stripping/stuffing, warehousing, distribution services, industrial development options, port contacts and more.

### Suppliers

Reliable, efficient, ethical suppliers are essential to CSX's continued business success. Our suppliers are our partners – we treat them with the same respect, fairness and accountability that we extend to and expect from our own employees.

### SUPPLIER EXPECTATIONS

To meet CSX's core value of "Right results, right way," we have a set of guidelines and expectations used to manage





our supplier relationships. The company expects all business transactions to be fair, ethical and honest. All suppliers must abide by the CSX Code of Ethics. The company distributes the Code of Ethics every few years to ensure they have the most up-to-date version available. In addition, CSX suppliers that spend more than six weeks a year on CSX sites must undergo annual rail safety training.

A specially trained team of auditors reviews supplier policies and procedures for both product and service quality to determine the extent to which they reflect CSX values. These auditors undergo extensive training on a regular basis to ensure they stay abreast of the changing regulatory environment. The company focuses these audits on suppliers with larger CSX contracts in place. In particular, CSX will audit suppliers in situations where there are product quality concerns or where a supplier may have a new location or product line. A part of the audit involves physical walkthroughs of facilities to gauge safety, environmental and quality factors. When instances of non-compliance are identified, CSX provides a five-step corrective action plan to the supplier. In 2012, CSX performed audits at nearly 30 suppliers. The company's contract language requires that our suppliers uphold all laws and regulations, respect human rights and maintain corporate policies that support diversity and non-discrimination.

### SUPPLIER SELECTION

CSX procures all materials, supplies and services through a centralized, competitive supplier selection process. The company's procurement function uses a team-oriented and cross-functional approach that maximizes savings from a total cost perspective. At the start of the procurement process, which applies to purchases or contracts that are above a specified financial threshold, the CSX Procurement team establishes goals and a timeline for the project, conducts research and benchmarking, solicits supplier input, accepts supplier qualifications statements, and after careful evaluation, awards the contract. CSX makes purchasing decisions according to the following criteria:

- Value pricing resulting from efficient production facilities, sound engineering and research.
- Quality and logistics of materials and services.
- Health and safety programs and performance.

- Environmental performance.
- Labor policies and programs relating to diversity and non-discrimination.
- Service that meets the needs of our customers.

We weigh the cost of a product or service along with these other considerations and maintain very high standards for safety and quality. For example, CSX considered purchasing a reconditioned railcar component, but realized the product's packaging posed a safety hazard to CSX employees. As a result, we instead opted to purchase new components at a higher cost because it allowed for safer handling.

### SUPPLIER ENGAGEMENT

CSX collaborates with suppliers and other partners to identify process efficiencies, to implement cost reductions and develop innovative technological solutions. For example, Steel Dynamics, Inc. (SDI) provides rail products to several Canadian- and U.S.-based railroads. Several Class I railroads, including CSX, worked with SDI to expand product offerings to include construction of extra-long rails using a specialized manufacturing process. SDI customers can now purchase 320-foot-long rails instead of traditional 80-foot-long rails, providing both cost and long-term maintenance efficiencies to customers. CSX procurement managers also continue to assess a wide range of other new technologies to support its fuel-efficiency goals. Keeping pace with technological advancements in the rail industry is a business imperative for CSX.

### CONSIDERING SUPPLIER SUSTAINABILITY

CSX faces growing expectations around sustainability performance and disclosure on environmental, social and economic impacts, including those of CSX suppliers. To help CSX better understand how suppliers are addressing these issues, we developed a series of sustainability-related questions as a part of our annual supplier quality assessment. We review supplier responses to these questions and plan to include these considerations in our supplier evaluation process in 2013. To help our own customers understand this information, we submitted responses to the Carbon Disclosure Project's supply chain survey for the first time in 2012 and plan to continue this practice in 2013.

## SUPPORTING DIVERSITY

CSX extends our commitment to diversity to our suppliers and procurement processes. To that end, the company offers opportunities for all suppliers, regardless of any social or economic distinction, such as age, race, creed, color, sex, ancestry or national origin. The CSX Supplier Diversity Program ensures that all business enterprises have an equal opportunity to supply the required services and commodities. Through this policy, we implement processes to:

- Actively seek out and establish business relationships with diverse suppliers.
- Support and participate in the work of public and private organizations that promote purchases from diverse firms.

The company's current diversity-related spending includes 160 qualified minority-, veteran- and women-owned businesses, which accounted for \$138 million in spending in 2012. The company maintains a relationship with a third-party firm that reviews and confirms the qualifications of these diverse suppliers. CSX furthers our commitment in this area by serving as a corporate member of the National Minority Supplier Development Council (NMSDC) and the Women's Business Enterprise Network Council (WBENC). Representatives from our Procurement team participate in numerous NMSDC and WBENC national events each year. The company is always looking for opportunities to develop relationships with new diverse suppliers.



### Spotlight: Supporting Field-level Employees



The CSX procurement department constantly looks for new technologies to support field-level employees. For example, CSX has thousands of switches across our network. These switches are used to direct a train onto one set of tracks or another and necessitate application of grease, sometimes multiple times per day. Field-level employees raised concerns to the Purchasing team that this process was maintenance-intensive. As a solution, the team identified alternatives, including biodegradable grease, then found a newer product called the Ekoslide that eliminated the need for grease altogether. The Ekoslide reduces the amount of force required to operate a switch, which reduces potential for injury. Another benefit is improved switching speed, which reduces potential for misrouted cars and associated maintenance. CSX has installed this product at several yards, and employees prefer the ease of maintenance that Ekoslide offers. It is a precedent for the Procurement team to listen to employee concerns and help identify solutions.

## BUSINESS CONTINUITY

While the railroad industry currently has a relatively small pool of suppliers that can meet our ongoing demand for steel-based products and with few new entrants into the market, we are working to improve the sustainability behaviors of our existing suppliers and develop new suppliers consistent with our expectations. The CSX Procurement team plays a strategic role to ensure the company always has the materials needed to run our operations. Wherever there is a sensitivity or supply risk, the Procurement team actively works to mitigate that risk.

A key strategy to ensure availability of product inputs is supporting the development of our suppliers. After a series of business consolidations in our supplier base, we identified a need for additional suppliers of railroad tieplates. CSX searched the globe for an appropriate supplier; and did not locate any. Instead, CSX found a used tieplate machine no longer in service. CSX purchased this machine and had it re-furbished. Procurement managers are engaging with existing suppliers to identify a supplier willing to produce tieplates with this machine.

## CSX 2012 GRI Index

Please download our 2012 Corporate Social Responsibility report at [csxcsr.com](http://csxcsr.com).

GRI Indicator*	Indicator Description	Where Reported
<b>Standard Disclosures</b>		
1.1	Statement from the most senior decisionmaker of the organization about the relevance of sustainability to the organization and its strategy.	Page 1, Chairman's Message
1.2	Description of key impacts, risks, and opportunities.	Page 1, Chairman's Message
2.1	Name of the organization.	Page 3, CSX at a Glance
2.2	Primary brands, products and/or services.	Page 3, CSX at a Glance
2.3	Operational structure of the organization.	Page 3, <a href="#">CSX 2012 Form 10-K</a>
2.4	Location of organization's headquarters.	Page 3, CSX at a Glance
2.5	Number of countries where the organization operates.	Page 4, CSX Network Geography
2.6	Nature of ownership and legal form.	Page 3, <a href="#">CSX 2012 Form 10-K</a>
2.7	Markets served.	Back Cover; Pages 10-23, Markets
2.8	Scale of the reporting organization.	Page 6, Key Financials; Page 52, Workforce Demographics
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	Page 2, Overview
2.10	Awards received.	Page 31, Ethics; Page 51, Promoting Diversity; Page 65, Emergency Responder Training; Page 80, 2012 Environmental Performance Recognition
3.1	Reporting period.	Page 2, Overview
3.2	Date of most recent previous report.	Page 2, Overview
3.3	Reporting cycle.	Page 2, Overview
3.4	Contact point for questions regarding the report.	Back Cover
3.5	Process for defining report content.	Page 8, Understanding Material Issues
3.6	Boundary of the report.	Page 2, Overview
3.7	Limitations on scope or boundary.	Page 2, Overview
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities.	Page 2, Overview
3.9	Data measurement techniques and basis of calculations.	Page 57, Employee Safety; Page 72, Environmental Performance Summary; Page 76, Waste and Recycling Performance

GRI Indicator*	Indicator Description	Where Reported
3.10	Explanation of any restatements of information provided in earlier reports.	Page 57, Employee Safety; Page 72, Environmental Performance Summary; Page 76, Waste and Recycling Performance
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods.	Page 2, Overview
3.12	Table identifying the location of standard disclosures in the report.	Pages 90-97, GRI Index
3.13	External assurance.	Page 2, Overview
4.1	Governance structure of the organization.	Pages 25-29, Executive Leadership, Board of Directors, Leadership Structure
4.2	Indicate whether the chair of the highest governance body is also an executive officer.	Pages 28-29, Leadership Structure
4.3	Number and gender of members of the highest governance body that are independent and/or non-executive members.	Pages 26-27, Board of Directors
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Pages 29-30, Board Committees; Page 6, <a href="#">CSX 2013 Proxy Statement</a>
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives and the organization's performance.	Pages 29-30, Board Committees; Pages 28-39, <a href="#">CSX 2013 Proxy Statement</a>
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Pages 30-31, Governance Policies; Page 21, <a href="#">CSX 2013 Proxy Statement</a>
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body.	Pages 29-30, Board Committees; Pages 13-20, <a href="#">CSX 2013 Proxy Statement</a>
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance.	Page 7, Committed to Sustainability; Pages 30-31, Governance Policies; Page 69, Our Environmental Policy; Page 6, <a href="#">CSX 2012 Form 10-K</a>
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities.	Pages 28-30, Leadership Structure, Board Committees; Pages 22-24, <a href="#">CSX 2013 Proxy Statement</a>
4.10	Processes for evaluating the highest governance body's own performance.	Pages 29-30, Board Committees; Page 24, <a href="#">CSX 2013 Proxy Statement</a>
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	Pages 6-11, <a href="#">CSX 2012 Form 10-K</a>
4.12	Externally developed economic, environmental, and social charters, principles or other initiatives to which the organization subscribes.	Pages 58-59, Safety Training; Page 69, Environmental Management System



GRI Indicator*	Indicator Description	Where Reported
4.13	Memberships in associations and/or advocacy organizations.	Page 38, Board Service Program; Page 39, Partnerships in Action; Page 57, 2012 Safety Performance
4.14	List of stakeholder groups engaged by the organization.	Page 9, Engaging with Stakeholders
4.15	Basis for identification and selection of stakeholders with whom to engage.	Page 9, Engaging with Stakeholders
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and group.	Page 9, Engaging with Stakeholders Frequency of engagement as noted in the table on page 9 ranges by activity and stakeholder from every day to once a year.
4.17	Key topics and concerns that have been raised through stakeholder engagement and how the organization has responded.	Page 9, Engaging with Stakeholders
<b>Performance Indicators: Economic</b>		
DMA EC	All DMA EC	The CSX executive leadership team has ultimate organizational responsibility, overseen by the Board of Directors. We monitor performance and develop action plans in situations where we want to improve performance.
DMA EC	Economic performance	Pages 2-9, Overview; Pages 10-23, Markets
DMA EC	Market presence	Pages 2-9, Overview; Pages 10-23, Markets
DMA EC	Indirect economic impacts	Pages 2-9, Overview; Pages 10-23, Markets; Pages 34-43, Community
EC1	Direct economic value generated and distributed.	Pages 5-6, Financial Performance Highlights; Pages 56-58, <a href="#">CSX 2012 Form 10-K</a> (Income Statement on page 56, Balance Sheet on page 58).
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Pages 6-11, <a href="#">CSX 2012 Form 10-K</a>
EC4 (partial)	Significant financial assistance received from the government.	Page 6, Key Financials; Page 42, Partnering for the High Line; Page 71, Technology to Improve Air Quality
EC6 (partial)	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Page 41, Community Engagement
EC7 (partial)	Procedures for local hiring and proportion of senior management hired from the local community.	Page 47, Strategic Workforce Planning
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in kind, or pro bono engagement.	Page 36, Selection for Charitable Giving, Power of the Program; Page 41, Community Engagement

GRI Indicator*	Indicator Description	Where Reported
EC9 (partial)	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Pages 10-23, Markets; Page 80, Supporting the CREATE Program; Page 86, Supporting Regional Development
<b>Performance Indicators: Environmental</b>		
DMA EN	All DMA EN	The CSX executive leadership team has ultimate organizational responsibility, overseen by the Board of Directors. We monitor performance and develop action plans in situations where we want to improve performance.
DMA EN	Materials	Pages 68-81, Environment
DMA EN	Energy	Pages 68-81, Environment
DMA EN	Water	Pages 68-81, Environment
DMA EN	Biodiversity	Pages 68-81, Environment
DMA EN	Emissions, effluents and waste	Pages 68-81, Environment
DMA EN	Products and services	Pages 68-81, Environment
DMA EN	Compliance	Pages 68-81, Environment
DMA EN	Transport	Pages 68-81, Environment
DMA EN	Overall	Pages 68-81, Environment
EN1 (partial)	Materials used by weight or volume.	Pages 70-72, Fuel Efficiency
EN2 (partial)	Percentage of materials used that are recycled input materials.	Pages 76-77, Waste Management
EN3	Direct energy consumption by primary energy source.	Pages 70-72, Fuel Efficiency Diesel: 73,499,817 GJ Gasoline: 1,185,972 GJ Natural Gas: 319,969 GJ Propane: 251,907 GJ Jet Fuel: 37,984 GJ
EN4	Indirect energy consumption by primary source.	Pages 73-74, Operational Efficiency
EN5	Energy saved due to conservation and efficiency improvements.	Pages 70-74, Fuel Efficiency, Operational Efficiency
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Pages 73-74, Operational Efficiency
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Pages 73-74, Operational Efficiency
EN8	Total water withdrawal by source.	Page 75, Water Use. Sources of water include surface water; collected rainwater and, at certain sites, well water.

GRI Indicator*	Indicator Description	Where Reported
EN10	Percentage and total volume of water recycled and reused.	Page 75, Water Use
EN13 (partial)	Habitats protected or restored.	Pages 77-78, Biodiversity and Land Management; Page 81, Gautier Remediation Project
EN14 (partial)	Strategies, current actions, and future plans for managing impacts on biodiversity.	Page 81, Gautier Remediation Project
EN16	Total direct and indirect greenhouse gas emissions by weight.	Pages 70-72, Greenhouse Gas Emissions
EN17	Other relevant indirect greenhouse gas emissions by weight.	Pages 70-72, Greenhouse Gas Emissions
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Pages 70-72, Greenhouse Gas Emissions, Fuel Efficiency
EN20	NO, SO, and other significant air emissions by type and weight.	Pages 70-72, Air Emissions. NO <sub>x</sub> and SO <sub>x</sub> emissions are the only types of significant emissions generated by CSX.
EN22 (partial)	Total weight of waste by type and disposal method.	Pages 76-77, Waste Management
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Pages 77-78, Biodiversity and Land Management
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.	Page 79, Environmental Performance
EN29 (partial)	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations and transporting members of the workforce.	Pages 62-63, Hazardous Materials Safety; Pages 70-72, Greenhouse Gas Emissions
<b>Performance Indicators: Labor Practices and Decent Work</b>		
DMA LA	All DMA LA	The CSX executive leadership team has ultimate organizational responsibility, overseen by the Board of Directors. We monitor performance and develop action plans in situations where we want to improve performance.
DMA LA	Employment	Pages 44-55, Workforce
DMA LA	Labor/management relations	Pages 44-55, Workforce
DMA LA	Occupational health and safety	Pages 56-67, Safety
DMA LA	Training and education	Pages 44-55, Workforce
DMA LA	Diversity and equal opportunity	Pages 44-55, Workforce

GRI Indicator*	Indicator Description	Where Reported
DMA LA	Equal remuneration for women and men	Pages 44-55, Workforce  CSX supports a work environment focused on equal opportunities for all employees.
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	Pages 51-53, Workforce Composition; Pages 99-100, Appendix
LA2 (partial)	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	Pages 51-53, Workforce Composition; Pages 99-100, Appendix
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees.	Pages 53-54, Employee Benefits
LA4	Percentage of employees covered by collective bargaining agreements.	Page 52, Workforce Demographics; Page 54, Labor Relations
LA7 (partial)	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	Pages 57-58, 2012 Safety Performance
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Pages 54-55, Health and Wellness; Page 67, Human Performance
LA10	Average hours of training per year per employee by gender, and by employee category.	Page 46, Training and Development. Average hours of training by gender are reflective of our workforce composition. CSX provides training to all employees based on the specific requirements of the position. 39.62 hours of training per employee is average per employee category and by gender.
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	Pages 46-47, Performance Management
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	Pages 26-27, Board of Directors; Pages 47-51, Diversity and Inclusion
<b>Performance Indicators: Human Rights</b>		
DMA HR	<i>All DMA HR</i>	CSX only operates in North America and follows all North American labor laws and regulations.  The CSX executive leadership team has ultimate organizational responsibility, overseen by the Board of Directors. We monitor performance and develop action plans in situations where we want to improve performance.
DMA HR	Investment and procurement practices	-
DMA HR	Non-discrimination	-



GRI Indicator*	Indicator Description	Where Reported
DMA HR	Freedom of association and collective bargaining	Page 54, Labor Relations
DMA HR	Child labor	-
DMA HR	Prevention of forced and compulsory labor	-
DMA HR	Security practices	-
DMA HR	Indigenous rights	-
DMA HR	Assessment	-
DMA HR	Remediation	-
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	<p>CSX does not have operations in locations where the right to exercise freedom of association may be violated. 100 percent of our union workforce is covered by collective bargaining agreements.</p> <p>CSX does not have any knowledge of significant suppliers whose right to exercise freedom of association and collective bargaining may be violated or at significant risk. As part of our procurement process, we evaluate our suppliers in several performance areas, including those related to labor practices. Where risks are identified, we work with our suppliers to correct these issues, and we monitor continued performance through our annual supplier quality assessment program.</p>
<b>Performance Indicators: Society</b>		
DMA SO	All DMA SO	The CSX executive leadership team has ultimate organizational responsibility, overseen by the Board of Directors. We monitor performance and develop action plans in situations where we want to improve performance.
DMA SO	Local communities	Pages 34-43, Community
DMA SO	Corruption	Pages 24-33, Governance
DMA SO	Public policy	Pages 24-33, Governance
DMA SO	Anti-competitive behavior	Pages 24-33, Governance
DMA SO	Compliance	Pages 24-33, Governance
SO1 (partial)	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	Pages 64-65, Community Affairs
SO2 (partial)	Percentage and total number of business units analyzed for risks related to corruption.	Pages 30-31, Governance Policies; Pages 6-II, <a href="#">CSX 2012 Form 10-K</a>
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	Pages 30-31, Governance Policies

GRI Indicator*	Indicator Description	Where Reported
SO5	Public policy positions and participation in public policy development and lobbying.	Pages 32-33, Political Activities and Lobbying
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions.	Pages 32-33, Political Activities and Lobbying
SO9 (partial)	Operations with significant potential or actual negative impacts on local communities.	Page 41, Community Engagement; Pages 64-65, Community Affairs
SO10 (partial)	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	Page 41, Community Engagement; Pages 64-65, Community Affairs
<b>Performance Indicators: Product Responsibility</b>		
DMA PR	All DMA PR	The CSX executive leadership team has ultimate organizational responsibility, overseen by the Board of Directors. We monitor performance and develop action plans in situations where we want to improve performance.
DMA PR	Customer health and safety	Pages 82-89, Customers and Suppliers
DMA PR	Product and service labelling	Pages 82-89, Customers and Suppliers
DMA PR	Marketing communications	Pages 82-89, Customers and Suppliers
DMA PR	Customer privacy	Pages 82-89, Customers and Suppliers
DMA PR	Compliance	Pages 82-89, Customers and Suppliers
PR1 (partial)	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Page 62, Hazardous Materials Safety
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Pages 83-84, Voice of the Customer Survey
PR6 (partial)	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	Pages 83-84, Voice of the Customer Survey

\* Partially reported indicators are noted as such.



## Statement GRI Application Level Check

GRI hereby states that **CSX** has presented its report "2012 Corporate Social Responsibility Report" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level B.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see [www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf](http://www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf)

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 12 June 2013

A handwritten signature in blue ink, appearing to read "Nelmar Arbex", is written over a faint, large watermark of the GRI logo in the background.

Nelmar Arbex  
Deputy Chief Executive  
Global Reporting Initiative



*The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. [www.globalreporting.org](http://www.globalreporting.org)*

**Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 4 June 2013. GRI explicitly excludes the statement being applied to any later changes to such material.

## Appendix

### HEADCOUNT DATA

Gender	Contract	Non-Contract	Total
Female	974	1,087	2,061
Male	24,683	3,655	28,338
<b>TOTAL</b>	<b>25,657</b>	<b>4,742</b>	<b>30,399</b>
Gender	Contract	Non-Contract	Total
Female	4%	23%	7%
Male	96%	77%	93%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Ethnicity	Contract	Non-Contract	Total
Minority	3,725	882	4,607
Non-Minority	21,932	3,860	25,792
<b>TOTAL</b>	<b>25,657</b>	<b>4,742</b>	<b>30,399</b>
Ethnicity	Contract	Non-Contract	Total
Minority	15%	19%	15%
Non-Minority	85%	81%	85%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
US States	Contract	Non-Contract	Total
Floating	3,514		3,514
AL	1,060	79	1,139
AR	-	1	1
CA	-	5	5
CO	-	1	1
CT	6	1	7
DC	37	13	50
DE	43	5	48
FL	1,998	2,647	4,645
GA	2,381	299	2,680
IL	810	138	948
IN	1,307	111	1,418
KY	1,844	186	2,030
LA	135	9	144
MA	238	22	260

MD	1,421	164	1,585
ME	-	1	1
MI	351	44	395
MO	-	1	1
MS	33	1	34
NC	847	76	923
NJ	153	57	210
NM	-	1	1
NY	1,853	162	2,015
OH	2,588	224	2,812
PA	757	63	820
SC	754	74	828
TN	1,313	128	1,441
TX	-	8	8
VA	923	80	1,003
WA	-	5	5
WI	-	1	1
WV	1,244	134	1,378
<b>TOTAL</b>	<b>25,610</b>	<b>4,741</b>	<b>30,351</b>
Canada	Contract	Non-Contract	Total
Floating	40	-	40
NY	2	-	2
ON	2	1	3
QC	3	-	3
<b>TOTAL</b>	<b>47</b>	<b>1</b>	<b>48</b>
Mexico	Contract	Non-Contract	Total
	-	7	7

### HIRING DATA

Gender	Mgmt	Union	Total
Female	119	52	171
Male	218	1,981	2,199
<b>TOTAL</b>	<b>337</b>	<b>2,033</b>	<b>2,370</b>
Ethnicity	Mgmt	Union	Total
Minority	104	364	468
Non-Minority	233	1,669	1,902
<b>TOTAL</b>	<b>337</b>	<b>2,033</b>	<b>2,370</b>



## HIRING DATA (CONTINUED)

Age	Mgmt	Union	Total
19 - 29	140	932	1,072
30 - 39	116	717	833
40 - 49	57	323	380
50 - 59	20	59	79
60+	4	2	6
<b>TOTAL</b>	<b>337</b>	<b>2,033</b>	<b>2,370</b>
US States	Mgmt	Union	Total
AL	-	148	148
DC	4	-	4
DE	-	3	3
FL	281	171	452
GA	13	211	224
IL	6	76	82
IN	3	124	127
KY	1	66	67
LA	-	17	17
MA	-	55	55
MD	6	161	167
MI	1	18	19
MS	-	1	1
NC	2	40	42
NJ	1	20	21
NY	2	278	280
OH	3	233	236
PA	3	81	84
QC	-	5	5
SC	2	72	74
TN	1	101	102
TX	1	-	1
VA	3	73	76
WA	1	-	1
WV	3	58	61
	-	21	21
<b>TOTAL</b>	<b>337</b>	<b>2,033</b>	<b>2,370</b>

## TURNOVER DATA

By Gender	Mgmt	Union	Total
Female	68	86	154
Male	209	2,330	2,539
<b>TOTAL</b>	<b>277</b>	<b>2,416</b>	<b>2,693</b>
By Ethnicity	Mgmt	Union	Total
Minority	49	416	465
Non-Minority	228	2,000	2,228
<b>TOTAL</b>	<b>277</b>	<b>2,416</b>	<b>2,693</b>
By US State	Mgmt	Union	Total
	1	218	219
AL	5	100	105
CA	1	-	1
DC	1	1	2
DE	-	3	3
FL	166	221	387
GA	17	218	235
IL	5	79	84
IN	13	136	149
KY	8	154	162
LA	-	11	11
MA	2	41	43
MD	7	148	155
MI	2	44	46
MS	-	3	3
NC	4	59	63
NJ	4	17	21
NY	12	213	225
OH	11	250	261
PA	1	74	75
QC	-	1	1
RI	1	-	1
SC	4	61	65
TN	2	117	119
VA	4	115	119
WV	6	132	138
<b>TOTAL</b>	<b>277</b>	<b>2,416</b>	<b>2,693</b>

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Thank you for your interest in CSX. Please use the following index to direct your inquiries and comments.

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#### **Stock Listing**

CSX's common stock is listed on the New York Stock Exchange. The official trading symbol is "CSX."

#### **Stock Transfer Agent**

Computershare  
PO Box 43006  
Providence, RI 02940-3006  
1-800-521-5571  
[computershare.com/investor](http://computershare.com/investor)

**CSX Direct Stock Purchase Plan.** CSX Corporation offers a Direct Stock Purchase Plan for investors to purchase or sell CSX Corporation Common Stock. This plan is sponsored and administered by Computershare, the Company's transfer agent, and is available to both current shareholders of record as well as to individual investors who wish to make an initial purchase of CSX Corporation Common Stock. The CSX Direct Stock Purchase Plan is a convenient and flexible way for you to invest in the common stock of CSX Corporation.

#### **Independent Auditors**

Ernst & Young LLP  
Jacksonville, FL