

[CSX] 2019 Annual Meeting of Shareholders Questions and Answers

1. **With the significant reductions in assets and headcount over the last few years, what are the next steps? How does the Company plan to grow revenues?**

Jim Foote, President and Chief Executive Officer:

As our service product has improved, we have been able to intensify our focus on leveraging our superior service to grow our merchandise business and become a much more effective competitor with the highway. As part of our merchandise growth strategy, we made key additions to the leadership team and completed a restructuring of our sales and marketing group. The realigned sales and marketing organization is part of the continuing effort to build a highly skilled team focused on finding creative ways to address our customers' key transportation needs and drive profitable, sustained growth.

On the intermodal side of the business, we have long-term relationships with various channel partners and are interested in jointly developing transportation solutions that are going to make us both more competitive in the marketplace. We have significant advantages in terms of cost in long-haul moves, and we'll continue to look at our partners to leverage that.

Our growth over the past 12 months in the merchandise business segment is directly related to the fact that we now have a product that customers can and are willing to rely upon. We are gaining a larger share of their transportation spend every day, and hopefully that will continue. We will continue our aggressive transformation with emphasis on top-line growth. We see significant growth opportunities, transformation of the merchandise franchise, a stable coal environment and intermodal network changes that will allow us to grow the business and make CSX the best run railroad in North America.

2. **In the last few years, CSX has sold off a number of assets. Will the Company continue to divest itself of rail lines going forward?**

Jim Foote, President and Chief Executive Officer:

We continue to evaluate every aspect of our network and operations to be sure that all assets are maximized for efficiency and add value to the company's long-term business strategy. When we identify underutilized lines and assets, we will continue to consider options to monetize some of those assets with the right partner. The goal of our line sales program is to obtain the highest value for non-core line segments after a thorough evaluation of each line's traffic, customers, potential value and impact on network efficiency.

Ultimately, the line sales program benefits all customers by enabling us to focus on improving service performance on the core network through higher velocity, faster equipment turns and greater consistency.

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3. I understand CSX has its own police force. What types of matters do they handle and how does their work differ from that of local law enforcement?

Nathan Goldman, Executive Vice President and Chief Legal Officer:

CSX police maintain a vital role in protecting the safety of our employees and the communities in which we operate. More specifically, our police force protects CSX personnel, critical infrastructure, property, and the public against criminal acts and the threat of terrorism and sabotage. Our special agents handle many of the same crimes as local law enforcement — from assault and battery to burglary and theft — but they also have a major advantage for investigating railroad-related crimes. Because crimes against the railroad typically cover many jurisdictions, our agents have the authority to pursue enforcement across jurisdictional boundaries that would be a barrier for traditional law enforcement.

The CSX police serve as a liaison to local, state and federal agencies in many of our communities on safety and service issues such as trespassing, blocked crossings, homelessness and first responder training and education. In addition, the CSX police participate in public safety activities including Operation Lifesaver, an education and awareness organization dedicated to ending collisions, fatalities and injuries at highway-rail grade crossings and along railroad rights-of-way.

4. Does the CSX Board strive to increase diversity in the Boardroom?

John Zillmer, Chairman of the Board:

Diversity and inclusion are vital to the success of our business, and we are proud of the women leaders on our board. As part of our succession planning efforts, the Board seeks candidates with varied age, gender and cultural and ethnic backgrounds who add to the overall diversity and viewpoints of the Board. In addition to making our company stronger at the highest level of leadership, a diverse board sets an example for the entire organization. At all levels of the organization, we embrace and promote diversity of all types through inclusion groups, development programs, recruiting initiatives and a wide range of cultural recognitions.

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5. How is compensation set for craft employees? Does CSXT benchmark its compensation against other Class 1 railroads?

Diana Sorfleet, Executive Vice President and Chief Administrative Officer:

We have a strong sense of shared purpose at CSX and a keen awareness that our people drive the company's success. To that end, providing our employees with competitive compensation and benefits is an important way we collectively celebrate our results.

CSX engages in collective bargaining to address matters such as compensation and benefits for our craft employees. We participate with the National Railway Labor Conference (NRLC), which is an association of all U.S. Class I freight railroads and many smaller freight and passenger lines.

In addition to national bargaining, the NRLC represents the railroads in the administration of the \$2.6 billion industry-wide health and welfare plans for rail employees.

We have also negotiated pay-for-performance provisions locally for employees represented by the Brotherhood of Locomotive Engineers Teamsters. Pay-for-performance provisions provide bonus opportunities, which supplement General Wage Increases that are tied to our company's business success. We believe that giving employees the opportunity to earn more in those years the railroad is doing well contributes to a shared interest in the company's success.

6. What is CSX doing to prevent trespass deaths, including suicides?

Jim Foote, President and Chief Executive Officer:

We're very active in communities across our network with CSX-sponsored programs, as well as industry initiatives like Operation Lifesaver, which attempts to constantly advise the communities and people who are on or near our tracks of the dangers associated with being there and what the consequences could be as a result of that. We are constantly trying to keep people away from the network to the best of our abilities, as well as, again, involve ourselves in any kind of community awareness programs and programs associated with people who may attempt to harm themselves on or around railroad property.

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7. Why do certain executives have agreements that provide for significant compensation following a change of control?

Similar to most public companies, CSX provides change of control benefits pursuant to agreements that are designed to ensure management objectivity as it makes strategic business decisions. The Company's policy for severance benefits under these arrangements requires not only a change-of-control, but also separation from employment to receive payments. In addition, without shareholder approval, the amount of these payments is limited.

For all executives, the Compensation Committee believes that a strong and engaged leadership team is critical to driving Company and employee performance and delivering shareholder value. Accordingly, the Committee has designed executive compensation programs to motivate performance improvement by aligning compensation with the short-term and long-term success of the Company.

8. Will CSX commit to reducing carbon emissions? How does CSX plan to offset / replace lost revenues as coal usage continues to decline?

CSX is committed to protecting the environment, and we've been working on several initiatives to continue to reduce our environmental impact. We have specific goals outlined in our Corporate Social Responsibility report to achieve by 2020 and are working toward those, which include reducing our greenhouse gas emissions intensity by 6 to 8 percent. We also invest in our infrastructure and facilities to improve energy efficiency and reduce local greenhouse gas emissions. It's also important to remember the inherent fuel efficiencies of rail. We move goods, on average, four times more efficiently than trucks.

Coal demand is expected to soften, but we are seeing strong growth opportunities in our merchandise business. Our scheduled railroading model has transformed our service, which puts us in direct competition with trucks in the merchandise segments. The growth we have seen over the past 12 months has been directly related to our service product, and we expect that growth to continue even as the coal market softens.

9. What steps can the Company take to improve morale among transportation workers?

It's important that we keep all employees throughout the organization engaged and invested in our success, especially with a field-based workforce like ours. To do that, we have formal and informal ways we're connecting with employees to reiterate the part they play in our overall mission.

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One way we regularly engage with field employees is through our front line supervisor training program. We have been holding small-group training events throughout our network that give employees a chance to engage with leaders from Operations and Human Resources. The events allow them to exchange ideas, give honest feedback and talk about successes and opportunities.

We've also eliminated many layers of bureaucracy and put more decision making in the hands of management in the field, which has had a profound impact. We've relocated key business partners to the field, so now the teams serving a particular geography are all together in that location. We have employees from Operations, Technology, Human Resources and other parts of the business working in the same location to support the same goals. This has streamlined decision-making and helped foster collaboration, which we know has a direct effect on our customer service and employee engagement.

10. Is CSX going to an hourly wage compensation structure?

While CSX is always willing to consider changes in its compensation, there is no current plan to seek an hourly wage structure with its trainmen and engineers.

11. Does the Company have a policy regarding political contributions and does it disclose it make public disclosures regarding the recipients of such contributions?

Yes, the Company has a Political Giving Policy that can be found in the "About Us" section of CSX.com. In addition, the website also provides detailed disclosure of the Company's political and lobbying expenditures including the receiving organization or candidate and the amount contributed by the Company.

12. Why would the board recommend a compensation increase for themselves while they remain shrewd with their general workforce?

The Board periodically, but at least once every three years, reviews and sets the compensation for the non-employee directors based on the recommendation of the Governance Committee. Director compensation includes both cash and stock-based components and was last reviewed in 2017. In recommending the amount and form of director compensation, the Committee considers, among other factors, peer benchmarking data and the level of compensation necessary to attract and retain qualified, independent directors. This year, the size of the Board has decreased to 10 directors, down from 13 directors in the prior year.

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13. Help me understand how the container businesses of ocean carriers relate to CSX business. Do these relationships drive our business growth?

Containerized or intermodal shipping incorporates multiple modes of transportation to move goods, both domestically and internationally, through a mix of trains, trucks and ships. Ocean carriers make up the large majority of CSX's international intermodal customer base. On international intermodal moves, CSX trains are used to move containerized freight between CSX's inland, intermodal, rail terminals and the on-dock or near-dock port facilities that CSX serves. On each end of the rail service provided by CSX, these customers also arrange the ocean carriage and trucking required to move the containerized freight to/from its ultimate origin or destination. CSX provides the efficiency of rail, as well as expertise working across a complex intermodal supply chain involving truckers, equipment providers, port operators, and other railroads specific to each international customer. These differentiators, which are rooted in solid relationships, allow CSX to grow and to share in the growth of the ocean carriers we serve.

14. Several key people have left the Company in the last year and there is a concern that the future leaders' bench has been weakened. What is CSX doing as far as succession planning to identify and groom the future leaders of the Company?

We are extremely confident in the current management team and continue to build bench strength through ongoing training and development initiatives. In addition, the full Board engages in comprehensive management succession planning exercises where it analyzes potential succession candidates across senior management positions. Although the Board focuses on the senior executive team and CEO succession, directors also discuss the pipeline for other key roles in the Company. As part of this exercise, the Board reviews skills, competencies and readiness levels of succession candidates and recommends development plans to ensure that management succession candidates are adequately prepared for planned and unexpected transitions. As part of this process, employee development may occur through a combination of on-the-job opportunities, coaching and formal instruction.

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- 15. Most public companies directors in an uncontested election need a 'majority' of 'for' votes to be elected. If a director does not get this 'majority' he/she needs to tender their 'resignation'. So what happens (say a company is doing poorly and shareholders are upset) if NO director gets a majority vote?**

The CSX Bylaws provide that any director nominated for reelection who is not reelected by a vote of the majority of the votes cast in an uncontested election shall promptly tender his or her resignation. The Governance Committee shall consider the resignation offer and recommend to the Board whether to accept it. The Board will act on the Governance Committee's recommendation within 90 days following certification of the shareholder vote. However, if each member of the Governance Committee fails to receive a sufficient vote for reelection, then the independent directors who did receive a sufficient vote shall appoint a committee amongst themselves to consider the resignation offers and recommend to the Board whether to accept them. However, if the only directors who did receive a sufficient vote for reelection in the same election constitute three or fewer directors, all directors may participate in the action regarding whether to accept or reject the resignation offers.

In a situation where no director receives a majority vote, all directors would offer their resignations, and the Board would consider the resignation offers and determine whether to accept or reject them. In determining whether to accept or reject some or all of these resignations, the Board would need to consider the potential appointment of new directors, as well as ongoing compliance requirements under the Company's governing documents, contractual agreements, exchange listing standards and regulatory requirements at that time and throughout any subsequent transition period.