

NORFOLK SOUTHERN CORP
Form DEF 14A
March 21, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

CHECK THE APPROPRIATE BOX:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
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Norfolk Southern Corporation

(Name of Registrant as Specified In Its Charter)
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PAYMENT OF FILING FEE (CHECK THE APPROPRIATE BOX):

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this proxy statement are forward-looking statements within the meaning of the safe harbor provision of the Private Securities Litigation Reform Act of 1995, as amended, including but not limited to statements included in the section titled Business Highlights. In some cases, forward-looking statements may be identified by the use of words like believe, expect, anticipate, estimate, plan, consider, project, and similar references to the future. Forward-looking statements are made as of the date they were first issued and reflect the good-faith evaluation of Norfolk Southern Corporation's (Norfolk Southern or the Corporation) management of information currently available. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the Corporation's control. These and other important factors, including those discussed under Risk Factors in the Corporation's Form 10-K for the year ended December 31, 2017, as well as the Corporation's other public filings with the Securities and Exchange Commission (SEC), may cause our actual results, performance or achievement to differ materially from those expressed or implied by these forward-looking statements. Forward-looking statements are not, and should not be relied upon as, a guarantee of future performance or results, nor will they necessarily prove to be accurate indications of the times at or by which any such performance or results will be achieved. As a result, actual outcomes and results may differ materially from those expressed in forward-looking statements. We undertake no obligation to update or revise forward-looking statements, whether as a result of new information, the occurrence of certain events or otherwise, unless otherwise required by applicable securities law.

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NORFOLK SOUTHERN CORPORATION

Three Commercial Place, Norfolk, Virginia 23510

NOTICE OF 2018 ANNUAL MEETING OF SHAREHOLDERS

DATE AND TIME

Thursday, May 10, 2018, 8:30 A.M., Eastern Daylight Time

LOCATION

Hilton Norfolk The Main
100 East Main Street
Norfolk, Virginia 23510

AGENDA

At the Annual Meeting, shareholders will vote on the following items:

1. Election of 12 directors for a one-year term.
2. Ratification of the appointment of KPMG LLP, independent registered public accounting firm, as our independent auditors for 2018.
3. Approval of advisory resolution on executive compensation.
4. Shareholder proposal regarding the right to act by written consent.

Such other business as properly may come before the meeting and any adjournments or postponements.

RECORD DATE

Only shareholders of record as of the close of business on March 1, 2018, will be entitled to notice of and to vote at the Annual Meeting.

VOTING

Each share of common stock is entitled to one vote on each of the items to be voted on at the Annual Meeting.

ADMISSION

Only shareholders or their legal proxies may attend the Annual Meeting. To be admitted, you must bring an admission ticket and a valid, government-issued photo identification. Please refer to page 82 for more information about attending the Annual Meeting.

By order of the Board of Directors,

DENISE W. HUTSON
Corporate Secretary
Dated: March 21, 2018

YOUR VOTE IS VERY IMPORTANT

If you do not expect to attend the Annual Meeting, we urge you to vote by telephone or Internet as described below, or, if you received your materials by mail, by completing, dating, and signing the proxy card/voting instruction form, and returning it in the accompanying envelope. You may revoke your proxy or instructions at any time before your shares are voted by following the procedures described in "Voting and Proxies" beginning on page 80.

PROXY VOTING METHODS

Even if you plan to attend the Annual Meeting in person, please vote right away by using one of the following advance voting methods (see "Voting and Proxies" beginning on page 80 for additional details). Make sure to have the proxy card/voting instruction form or Notice of Internet Availability in hand, and follow the instructions. You can vote in advance in one of three ways:

Visit the website listed on the proxy card/voting
instruction form or Notice of Internet Availability to vote
VIA THE INTERNET

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Call the telephone number on the proxy card/voting
instruction form or Notice of Internet Availability to vote
BY TELEPHONE

Complete, sign, and date, and then return the
proxy card/voting instruction form in the
enclosed envelope to vote
BY MAIL

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS
FOR THE SHAREHOLDER MEETING TO BE HELD ON MAY 10, 2018**

Pursuant to rules promulgated by the Securities and Exchange Commission ("SEC"), we have elected to provide access to our proxy materials by notifying you of the availability of our proxy materials on the Internet. On March 21, 2018, we are sending an Important Notice Regarding the Availability of Proxy Materials (the "Notice of Internet Availability") to certain of our shareholders of record, and we are sending a paper copy of the proxy materials to employee plan participants and those shareholders of record who have requested a paper copy. Brokers and other nominees who hold shares on behalf of beneficial owners may be sending their own similar notice.

In accordance with SEC rules, you may access our Notice and Proxy Statement, our Annual Report, and our form of proxy at <http://www.proxyvote.com>, which does not have "cookies" that identify visitors to the site. The Notice of Internet Availability also includes instructions for shareholders to request, at no charge, a printed copy of these materials. In addition, our Notice and Proxy Statement and Annual Report are available on our website at www.norfolksouthern.com.

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Notice of 2018 Annual Meeting of Shareholders | 2018 Annual Meeting and Proxy Statement

March 21, 2018

Fellow Shareholder,

On behalf of your Board of Directors, I invite you to join us at our 2018 Annual Meeting of Shareholders on Thursday, May 10, 2018, in Norfolk, Virginia. Details of the meeting's location and time are provided in the Notice of Meeting. I encourage you to review the proxy materials and vote as soon as possible even if you are planning to join us at the Annual Meeting. You may vote by telephone or over the Internet, or, if you receive these materials by mail, by completing, signing, dating and returning the enclosed proxy card/voting instruction form. Your vote is important to us.

Over the past year, the Board has remained focused on overseeing the successful implementation of Norfolk Southern's strategic plan. That plan - which we launched in early 2016 - focuses on four core principles: safety, service, productivity, and growth. The Board strongly supports Norfolk Southern's senior management team and is confident that this team provides the right leadership to achieve our strategic plan goals and continue to drive shareholder value. I am pleased to report that the management team continues to achieve record results through the successful execution of the strategic plan.

In 2017, Norfolk Southern achieved an all-time record full-year operating ratio and double-digit earnings per share growth. Balancing our capital deployment remained a key focus. Your Board approved \$703 million in total cash dividend payments and \$1 billion in share repurchases, while continuing to ensure proper investment in our rail network.

The Board has maintained its commitment to effective corporate governance practices, including soliciting and taking action on input from you, our shareholders. Our shareholder engagements this past year provided us with valuable feedback on issues of importance to you, including board diversity, risk oversight, and executive compensation alignment. We also remained focused on executive succession planning, ensuring the Company has a pipeline of highly qualified executives that encourage innovation to ensure we continue to reduce costs, drive profitability, and accelerate growth.

Thank you for your continued confidence and investment in Norfolk Southern Corporation. I remain proud to serve as your Lead Independent Director and look forward to the continued achievement of our strategic plan goals that will drive long-term shareholder value.

Sincerely,

Steven F. Leer
Lead Director

YOUR VOTE IS IMPORTANT TO US

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2018 Proxy Summary | 2018 Annual Meeting and Proxy Statement

2018 PROXY SUMMARY

This summary highlights information contained elsewhere in this proxy statement. This summary does not contain all of the information you should consider, and you should read the entire proxy statement before voting.

VOTING MATTERS

Item	Description	Board Recommendation	Page
1	Election of directors	FOR EACH NOMINEE	7
2	Ratification of the appointment of our independent auditors	FOR	27
3	Approval of advisory resolution on executive compensation	FOR	29
4	Shareholder proposal regarding right to act by written consent	AGAINST	72

DIRECTOR NOMINEES

11 of 12 director nominees are independent

Highly-qualified directors with diversity of skills, background and experience

Average director tenure is 6.5 years

Name	Age	Director Since	Principal Occupation	Independent	Committee Memberships
Thomas D. Bell, Jr.	68	2010	Chairman Mesa Capital Partners, LLC		Compensation Executive Finance and Risk Management (Chair)
Wesley G. Bush	56	2012	Chairman and CEO Northrop Grumman Corp.		Compensation Finance and Risk Management Compensation (Chair)
Daniel A. Carp	69	2006	Former Chairman and CEO Eastman Kodak Company		Executive Governance and Nominating Compensation
Mitchell E. Daniels, Jr.	68	2016	President Purdue University		Governance and Nominating Compensation
Marcela E. Donadio	63	2016	Former Partner and Americas Oil & Gas Sector Leader Ernst & Young LLP		Audit Finance and Risk Management Compensation Executive Governance and Nominating (Chair)
Steven F. Leer (Lead Director)	65	1999	Former CEO and Chairman Arch Coal, Inc. Former Chairman, President and CEO		Audit Finance and Risk Management Audit (Chair) Executive Governance and Nominating
Michael D. Lockhart	68	2008	Former Chair and CEO Armstrong World Industries, Inc.		Executive Governance and Nominating Audit
Amy E. Miles	51	2014	Co-Founder Regal Entertainment Group, Inc.		Finance and Risk Management Compensation Finance and Risk Management
Martin H. Nesbitt	55	2013	President and CEO The Vistria Group		Executive Finance and Risk Management Compensation
Jennifer F. Scanlon	51	2018	Chairman, President and CEO USG Corporation		Finance and Risk Management
James A. Squires	56	2014	Former Senior Vice President and General Manager Norfolk Southern Corp.		Executive (Chair)
John R. Thompson	66	2013	BestBuy.com LLC		Audit Governance and Nominating

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Business Highlights | 2018 Annual Meeting and Proxy Statement

BUSINESS HIGHLIGHTS

This summary provides highlights from our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, as filed with the Securities and Exchange Commission (“SEC”) on February 5, 2018 (the “2017 Form 10-K”), and from our Fourth-Quarter Earnings Presentation, filed with the SEC on Form 8-K on January 24, 2018, to assist you in reviewing Norfolk Southern’s 2017 performance. The information contained below is only a summary, and you should refer to the more comprehensive discussions contained in our 2017 Form 10-K, as supplemented by our Form 8-Ks filed during 2018, for additional information about these highlights.

DELIVERING ON OUR STRATEGIC PLAN

Our achievements in 2017 show that our strategic plan to reduce costs, drive profitability and accelerate growth is driving increased shareholder value. Our plan is built on disciplined cost control and asset utilization, while balancing revenue growth through volume growth and pricing.

STRATEGIC PLAN TO INCREASE SHAREHOLDER VALUE

Key Focus Areas	Key Financial Targets (as conveyed December 4, 2015)	Progress Through 2017
<i>Optimize revenue – both pricing and volume</i>	<i>Disciplined pricing increases above rail inflation</i>	<i>Continued pricing gains over rail inflation</i>
<i>Improve productivity to deliver efficient and superior service</i>	<i>Operating Ratio < 65</i>	<i>8 consecutive quarters of year-over-year Operating Ratio improvement</i>
<i>Increase asset utilization</i>	<i>Double-digit compound annual EPS growth</i>	<i>Double-digit EPS growth in 2016 and 2017</i>
<i>Focus capital investment to support long-term value creation</i>	<i>CapEx ~19% of revenue through 2018</i> <i>CapEx ~17% of revenue thereafter</i>	<i>Total CapEx since 2015 ~18% of revenues</i>
<i>Reward shareholders with significant return of capital</i>	<i>Dividend payout target of ~33% over the longer term and continuation of dividend growth and significant share repurchases</i>	<i>Achieved dividend payout of >33% in 2016 & 2017; Over \$1.8 billion in share repurchases for 2016-2017</i>

We are on track to achieve our 2020 goals and expect to achieve \$650 million in annual productivity savings by the end of the five-year period.

We are focused on our core principles of safety, service, productivity and growth, and we believe we have the resources in place necessary to continue driving both growth and productivity. We remain steadfast in our commitment to meet customer expectations, support long-term growth, and increase shareholder value.

Our Board and management team are confident that this strategic plan will continue to drive long-term, sustainable value for all of our shareholders.

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Business Highlights | 2018 Annual Meeting and Proxy Statement

2017 BUSINESS HIGHLIGHTS

Norfolk Southern achieved record results in 2017, including record earnings per share and operating ratio:

earnings per share of \$18.61; and
full-year operating ratio of 66.0 percent.

These results include impact of the enactment of the Tax Cuts and Jobs Act of 2017 (the "Tax Act"), which increased diluted earnings per share by \$12.00 for the year and provided a 140 basis point improvement to the 2017 operating ratio.

Excluding the impact of the Tax Act, we achieved record results in 2017 for these same financial measures:

earnings per share of \$6.61*, an 18 percent improvement over 2016; and
full-year operating ratio of 67.4* percent, a 150 basis point improvement over the prior year's record.

These strong financial results were achieved through the successful execution of our strategic plan. Railway operating revenues increased 7 percent compared to 2016 while railway operating expenses increased 2 percent, resulting in a 12 percent increase in income from railway operations for 2017 as compared to 2016. We achieved pricing gains over rail inflation and double-digit earnings per share growth during the year.

We achieved \$150 million in productivity savings in 2017. These productivity achievements included:

improved employee productivity, handling 5% more volume with 3% lower average headcount;
record locomotive productivity;
record fuel efficiency; and
record average train length.

We remained committed in 2017 to a balanced deployment of capital, investing over \$1.7 billion in our business in capital expenditures and also returning over \$1.7 billion to shareholders through dividends and share repurchases. We repurchased \$1 billion of Norfolk Southern stock to retire 8.2 million shares, and we paid \$703 million in dividends during the year. We recently announced an 18% increase in our quarterly dividend, and have delivered a 10% compound annual growth in dividends per share over the last 10 calendar years.

* Reconciliation of this non-GAAP financial measure is provided on page 83 of this Proxy Statement under "Reconciliation of Non-GAAP Financial Measures."

Total Shareholder Returns*

* Assumes that the value of the investment in Norfolk Southern Corporation common stock and each index was \$100 on Dec. 31, 2012, and that all dividends were reinvested. Data furnished by Bloomberg Financial Markets.

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Corporate Governance and the Board | 2018 Annual Meeting and Proxy Statement

CORPORATE GOVERNANCE AND THE BOARD

ELECTION OF DIRECTORS

The following individuals have been nominated for election as directors for a one-year term expiring at the 2019 Annual Meeting: Thomas D. Bell, Jr., Wesley G. Bush, Daniel A. Carp, Mitchell E. Daniels, Jr., Marcela E. Donadio, Steven F. Leer, Michael D. Lockhart, Amy E. Miles, Martin H. Nesbitt, Jennifer F. Scanlon, James A. Squires, and John R. Thompson. Erskine B. Bowles will retire from the Board of Directors effective the date of this Annual Meeting in accordance with the director retirement policy in Norfolk Southern’s Corporate Governance Guidelines.

If any nominee becomes unable to serve, your proxy will be voted for a substitute nominee to be designated by the Board of Directors, or the Board of Directors will reduce the size of the Board.

So that you have information concerning the independence of the process by which our Board of Directors selected the nominees, we confirm, as required by the SEC, that (1) there are no family relationships among any of the nominees or among any of the nominees and any officer, and (2) there is no arrangement or understanding between any nominee or director and any other person pursuant to which the nominee or director was selected. Additional information on the experience and expertise of the director nominees can be found on the following pages.

The Board of Directors unanimously recommends that shareholders vote FOR each of the nominees for election as directors.

NOMINEES

THOMAS D. BELL, JR.
Independent

Director since: 2010
Committees:
Compensation
Executive
Finance and Risk
Management
(Chair)

Mr. Bell, 68, is the Chairman of Mesa Capital Partners, a real estate investment company. Mr. Bell previously served as Chairman and CEO of Cousins Properties, a publicly-traded real estate investment trust that invests in office buildings throughout the South, from 2002 to 2009. He is also a director of Southern Company Gas (formerly AGL Resources) and was a director of Regal Entertainment Group, Inc. until its acquisition in March 2018.

Areas of Expertise: CEO/Senior Officer; Environmental and Safety; Governance/Board; Governmental and Stakeholder Relations; Human Resources and Compensation; Marketing; Strategic Planning

WESLEY G. BUSH
Independent

Director since: 2012
Committees:
Compensation
Finance and Risk
Management

Mr. Bush, 56, has been Chief Executive Officer of Northrop Grumman Corporation, a global aerospace and defense technology company, since 2010. He was elected to Northrop Grumman’s board in 2009 and named Chairman in 2011. Mr. Bush previously served as Northrop Grumman’s President from 2006 to 2017, and Chief Financial Officer from 2005 to 2006.

Areas of Expertise: CEO/Senior Officer; Environmental and Safety; Finance and Accounting; Governance/Board; Governmental and Stakeholder Relations; Human Resources and Compensation; Information Technology; Strategic Planning; Transportation

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Corporate Governance and the Board | 2018 Annual Meeting and Proxy Statement

Director since: 2006

Committees:

Compensation (Chair)

Executive

Governance and

Nominating