

DELIVERING ON OUR COMMITMENTS



**2016 Contributions
Annual Report**



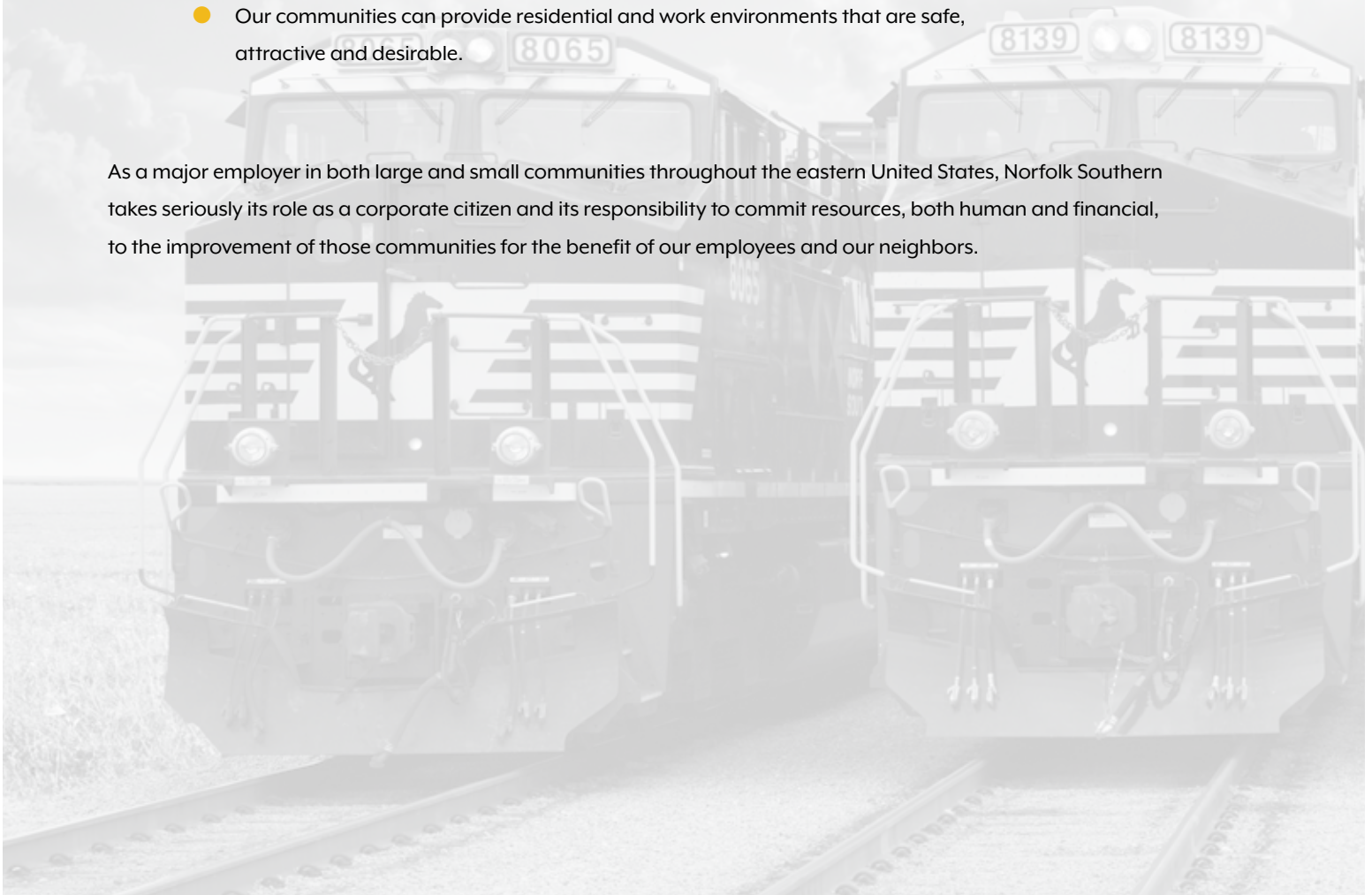
OUR MISSION

Norfolk Southern Foundation was established in 1983 to direct and implement Norfolk Southern Corporation's charitable giving programs. Through strategic investments in educational, cultural, environmental and human service organizations within the region served by Norfolk Southern, the Foundation seeks to raise the standards of such programming, thereby enhancing the quality of life for Norfolk Southern employees and enhancing the "livability" of the communities it serves.

NORFOLK SOUTHERN'S INTENT IS TO HELP ENSURE THAT:

- Our region's children are provided with first-class educational opportunities that make them productive and valued citizens and employees in the future;
- Our communities can provide basic human services (food, shelter and medical care) to those in need;
- Our communities can offer their citizens access to cultural opportunities that make life more enjoyable; and
- Our communities can provide residential and work environments that are safe, attractive and desirable.

As a major employer in both large and small communities throughout the eastern United States, Norfolk Southern takes seriously its role as a corporate citizen and its responsibility to commit resources, both human and financial, to the improvement of those communities for the benefit of our employees and our neighbors.



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THE YEAR IN REVIEW

The combination of cash contributions and non-cash donations in 2016 by the Foundation and the Corporation decreased by \$2,117,831 as compared to 2015. Total cash and non-cash contributions for 2016 were \$11,668,147, compared with \$13,785,978 in 2015.

Total cash contributions by the Foundation and the Corporation for grants, Matching Gifts and business-related programs totaled \$11,009,082 in 2016. This total includes matching contributions of \$901,407 to designated charities under the Corporation's Good Government Fund (GGF) Matching Contributions Program.

The Foundation awarded a total of \$7,280,423 in cash in 2016 (a decrease of 1% from the prior year), including 471 grants (an increase of 1.1% from 2015) and 1,138 Matching Gifts (a decrease of 6.6% from 2015). The average Matching Gift increased by 6.8%, from \$1,464 in 2015 to \$1,563 in 2016.

Since its establishment in 1983, the Foundation has contributed nearly \$160 million to thousands of charitable organizations throughout Norfolk Southern's territory and beyond. In the last five years, it has provided more than \$35.6 million in contributions. Although Norfolk Southern's focus has evolved over the years, the Foundation has maintained a record of significant support in the areas of education, arts and cultural programming, as well as the United Way organizations in communities in which the Corporation's employees live and work.

In addition to funding provided by the Foundation, the Corporation provides direct funding that includes corporate sponsorships and memberships; contributions to nonprofit organizations, such as volunteer fire departments; and non-cash gifts to eligible organizations. The latter may include donations of real property, rolling stock, equipment, and in-kind transportation. In 2016, the Corporation made total contributions, including non-cash donations and GGF-related matching contributions, of \$4,387,724.

The table below compares the total charitable contributions by category as of December 31 for the last five years:

| | | 2016 | 2015 | 2014 | 2013 | 2012 |
|-----------------|-----------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Foundation | \$ | 7,280,423 | 7,353,170 | 6,985,866 | 6,948,479 | 6,984,677 |
| Business* | \$ | 2,543,252 | 3,759,301 | 3,698,646 | 2,513,128 | 2,383,207 |
| Corporate** | \$ | 1,185,407 | 1,935,613 | 2,465,489 | 1,982,102 | 2,120,652 |
| Cash | \$ | 11,009,082 | 13,048,084 | 13,150,001 | 11,443,709 | 11,488,536 |
| Non-cash | \$ | 659,065 | 737,894 | 649,380 | 280,691 | 1,514,401 |
| Total | \$ | 11,668,147 | 13,785,978 | 13,799,381 | 11,724,400 | 13,002,937 |

* Business includes corporate memberships and sponsorships with organizations such as Chambers of Commerce.

** Corporate includes GGF – related matching contributions, starting in 2012 (\$788,652); 2013 (\$894,402); 2014 (\$994,489); 2015 (\$1,004,279); 2016 (\$901,407)

FOUNDATION ASSETS

AS OF DECEMBER 31, 2016, THE FOUNDATION HELD THE FOLLOWING ASSETS:

CASH (CHECKING ACCOUNT)

\$2,575,524.02

TOTAL

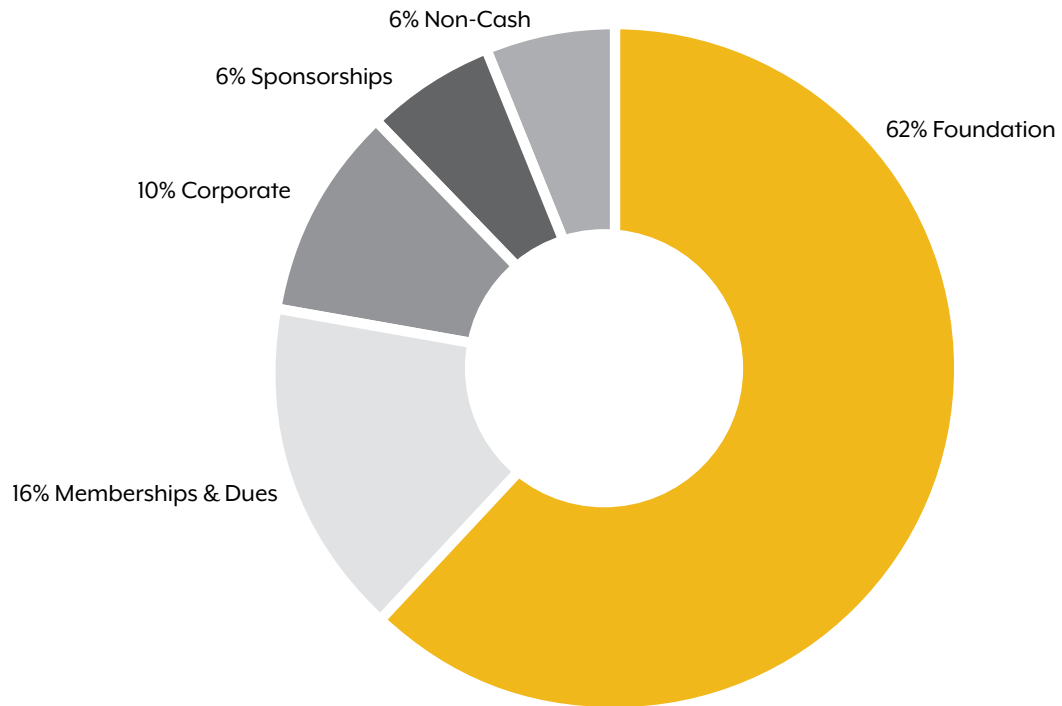
\$ 2,575,524.02

In 2016, Norfolk Southern Corporation donated cash to the Foundation in the amount of \$666,667 per month during the last three quarters of the year, for a total of \$6,000,000. The Corporation did not donate any money during first quarter 2016.



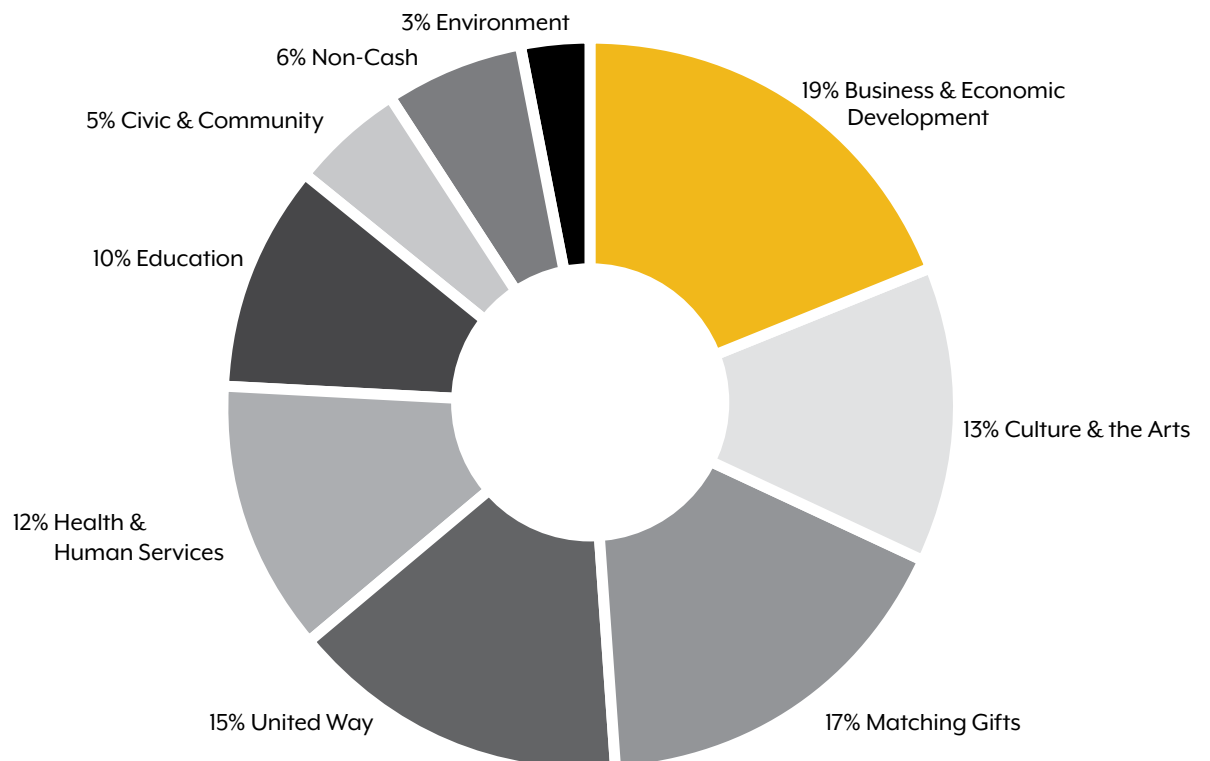
CONTRIBUTIONS BY FUND

(INCLUDES GGF – RELATED MATCHING CONTRIBUTIONS)



CONTRIBUTIONS BY CATEGORY

(EXCLUDES GGF – RELATED MATCHING CONTRIBUTIONS)



ITEMIZED CONTRIBUTIONS BY CATEGORY (MAJOR GRANTS ARE ITEMIZED)

By Norfolk Southern Foundation and Norfolk Southern Corporation
(excluding matching gifts and GGF-related matching contributions)

COMMUNITY RELATIONS

| UNITED WAY | 2015 | 2016 | % Difference |
|-------------------------|---------------------|---------------------|---------------|
| Hampton Roads | \$ 261,700 | \$ 263,900 | 0.84 % |
| Atlanta | 191,000 | 204,370 | 7.00 % |
| Roanoke | 234,370 | 184,370 | -21.33 % |
| Other | 1,036,380 | 1,107,210 | 6.83 % |
| Total United Way | \$ 1,723,450 | \$ 1,759,850 | 2.11 % |

HEALTH & HUMAN SERVICES

| | | | |
|---|---------------------|---------------------|----------------|
| American Red Cross | | \$ 125,000 | |
| Foodbank of Southeastern Virginia | | 100,000 | |
| Children's Hospital of the King's Daughters | | 92,500 | |
| Feeding America Southwest Virginia | | 84,000 | |
| ForKids | | 70,000 | |
| Atlanta Community Food Bank | | 55,000 | |
| Central Pennsylvania Food Bank | | 42,500 | |
| YWCA of South Hampton Roads | | 42,500 | |
| Food Bank of Central & Eastern North Carolina | | 35,000 | |
| Samaritan House Safe Harbor | | 35,000 | |
| Other | | 578,500 | |
| Total Health & Human Services | \$ 1,298,635 | \$ 1,260,000 | -2.98 % |

| | | | |
|----------------------------------|---------------------|---------------------|----------------|
| Total Community Relations | \$ 3,022,085 | \$ 3,019,850 | -0.07 % |
|----------------------------------|---------------------|---------------------|----------------|

EDUCATION (EXCLUDING MATCHING GIFTS)

| OPERATING GRANTS | 2015 | 2016 | % Difference |
|---|---------------------|---------------------|-----------------|
| Virginia Tech Foundation | | \$ 130,000 | |
| Georgia Tech Foundation | | 65,000 | |
| Old Dominion University | | 45,000 | |
| University of Pittsburgh | | 35,000 | |
| Michigan State University | | 32,500 | |
| Pennsylvania State University | | 31,000 | |
| North Carolina State University | | 30,000 | |
| Other | | 247,900 | |
| Total Operating Grants | \$ 555,100 | \$ 616,400 | 11.04 % |
| CAPITAL GRANTS | | | |
| College of William & Mary (<i>Law School</i>) | | \$ 50,000 | |
| Total Capital Grants | \$ 144,462 | \$ 50,000 | -65.39 % |
| STATE & NATIONAL FUND RAISING | | | |
| Independent College Funds | | \$ 55,000 | |
| Virginia Foundation for Independent Colleges | | 50,000 | |
| Total State & National Fund Raising | \$ 110,000 | \$ 105,000 | -4.55 % |
| SCHOLARSHIPS & FELLOWSHIPS | | | |
| National Merit Scholarship Corporation | | \$ 96,350 | |
| ACCESS Scholarship Foundation | | 65,000 | |
| Other | | 18,000 | |
| Total Scholarships & Fellowships | \$196,670 | \$ 179,350 | -8.81 % |
| OTHER | | | |
| Virginia Early Childhood Foundation | | \$ 50,000 | |
| Horizons Hampton Roads | | 15,000 | |
| Other | | 28,905 | |
| Total Other | \$ 130,375 | \$ 93,905 | -27.97 % |
| Total Education | \$ 1,136,607 | \$ 1,044,655 | -8.09 % |

CULTURE & THE ARTS (EXCLUDING MATCHING GIFTS)

| MUSIC | 2015 | 2016 | % Difference |
|--------------------|-------------------|-------------------|----------------|
| Virginia Symphony | | \$ 84,000 | |
| Virginia Opera | | 84,000 | |
| Roanoke Symphony | | 30,000 | |
| Other | | 25,500 | |
| Total Music | \$ 239,000 | \$ 223,500 | -6.49 % |

MUSEUMS

| | | | |
|--------------------------------------|-------------------|-------------------|----------------|
| Virginia Museum of Transportation | | \$ 150,000 | |
| Chrysler Museum of Art | | 105,000 | |
| North Carolina Transportation Museum | | 50,000 | |
| Other | | 175,800 | |
| Total Museums | \$ 487,300 | \$ 480,800 | -1.33 % |

PUBLIC RADIO & TV

| | | | |
|------------------------------------|------------------|------------------|---------------|
| WHRO | | \$ 55,000 | |
| Georgia PBS | | 10,000 | |
| Blue Ridge PBS | | 7,800 | |
| Total Public Radio & TV | \$ 72,800 | \$ 72,800 | 0.00 % |

ARTS FUNDS OR COUNCILS

| | | | |
|--------------------------------------|------------------|------------------|----------------|
| Business Consortium for Arts Support | | \$ 50,165 | |
| Total Arts Funds or Councils | \$ 51,165 | \$ 50,165 | -1.95 % |

THEATRES

| | | | |
|------------------------|-------------------|-------------------|----------------|
| Virginia Stage Company | | \$ 84,000 | |
| Mill Mountain Theatre | | 20,000 | |
| Other | | 10,000 | |
| Total Theatres | \$ 115,500 | \$ 114,000 | -1.30 % |

| CULTURAL CENTERS | 2015 | 2016 | %DIFFERENCE |
|--|---------------------|---------------------|--------------------|
| Kennedy Center for the Performing Arts | | \$ 60,000 | |
| Woodruff Arts Center | | 53,675 | |
| Jefferson Center | | 32,500 | |
| Center in the Square | | 30,000 | |
| Other | | 27,000 | |
| Total Cultural Centers | \$ 206,386 | \$ 203,175 | -1.56 % |
| DANCE | | | |
| Richmond Ballet | | \$ 10,000 | |
| Total Dance | \$ 12,000 | \$ 10,000 | -16.67 % |
| LIBRARIES | | | |
| Slover Library Foundation | | \$ 50,000 | |
| Other | | 16,000 | |
| Total Libraries | \$ 74,000 | \$ 66,000 | -10.81 % |
| OTHER | | | |
| Virginia Arts Festival | | \$ 134,000 | |
| Indiana Historical Society | | 25,000 | |
| Colonial Williamsburg Foundation | | 25,000 | |
| Other | | 11,500 | |
| Total Other | \$244,000 | \$ 195,500 | -19.88 % |
| Total Culture & the Arts | \$ 1,502,151 | \$ 1,415,940 | -5.74 % |

BUSINESS & ECONOMIC DEVELOPMENT

| BUSINESS & ECONOMIC DEVELOPMENT | 2015 | 2016 | % Difference |
|--|---------------------|---------------------|-----------------|
| American Coalition for Clean Coal Energy | | \$ 1,350,000 | |
| U.S. Chamber of Commerce | | 110,000 | |
| National Association of Manufacturers | | 71,590 | |
| Georgia Allies | | 50,000 | |
| Sorensen Institute for Political Leadership | | 25,000 | |
| Virginia Center for Coal Research and Energy (ARIES) | | 25,000 | |
| Operation Lifesaver | | 15,000 | |
| Business memberships and dues (not included elsewhere) | | 84,055 | |
| Business sponsorships (not included elsewhere) | | 76,500 | |
| Chambers and other state-level business groups (various) | | 207,391 | |
| Other | | 11,250 | |
| Total Business & Economic Development | \$ 3,662,116 | \$ 2,025,786 | -44.68 % |

CIVIC & COMMUNITY

| CIVIC & COMMUNITY | 2015 | 2016 | % Difference |
|--|-------------------|-------------------|-----------------|
| Local police, fire, and emergency services | | \$ 278,750 | |
| Lead Virginia | | 25,000 | |
| Urban League of Hampton Roads | | 30,000 | |
| Urban League of Greater Atlanta | | 25,000 | |
| The Norfolk Forum | | 25,000 | |
| Other | | 116,016 | |
| Total Civic & Community | \$ 612,234 | \$ 499,766 | -18.37 % |

ENVIRONMENT (EXCLUDING MATCHING GIFTS)

| ENVIRONMENT | 2015 | 2016 | % Difference |
|--------------------------------|-------------------|-------------------|----------------|
| Anacostia Watershed Society | | \$ 60,000 | |
| Elizabeth River Project | | 40,000 | |
| John G. Shedd Aquarium | | 40,000 | |
| Nature Conservancy of Virginia | | 37,500 | |
| Lowcountry Open Land Trust | | 32,500 | |
| Other | | 113,000 | |
| Total Environment | \$ 326,000 | \$ 323,000 | -0.92 % |

NON-CASH DONATIONS

| ROLLING STOCK & EQUIPMENT | 2015 | 2016 | % Difference |
|--|-------------------|-------------------|-----------------|
| Various freight cars to transportation museums and community organizations | | \$ 85,325 | |
| Equipment and materials | | \$ 136,222 | |
| Total Rolling Stock & Equipment | \$ 686,366 | \$ 221,547 | -67.72 % |

REAL PROPERTY

| | | | |
|----------------------------|-------------|-------------------|--------------|
| Property Donations | | \$ 420,000 | |
| Total Real Property | \$ 0 | \$ 420,000 | 100 % |

DONATED TRANSPORTATION

| | | | |
|--|------------------|------------------|-----------------|
| Various transportation moves for non-profits | | \$ 17,518 | |
| Total Donated Transportation | \$ 46,528 | \$ 17,518 | -62.35 % |

OTHER

| | | | |
|---------------------------------|-------------------|-------------------|-----------------|
| Total Other Donations | \$ 5,000 | \$ 0 | -100 % |
| Total Non-Cash Donations | \$ 737,894 | \$ 659,065 | -10.68 % |

MATCHING GIFTS

In 2016, the Foundation matched 1,138 gifts to 458 organizations.

A total of \$1,778,678 was paid under the Matching Gift program, a 0.22% decrease or \$3,934 less than the previous year.

THE MATCHING GIFTS FOR 2016 WERE DISTRIBUTED AMONG THE ELIGIBLE CATEGORIES AS FOLLOWS:

| | | |
|----------------------|--------------|--|
| ● Education | \$ 1,081,120 | (525 gifts matched to 231 institutions) |
| ● Culture & the Arts | \$ 673,784 | (577 gifts matched to 202 organizations) |
| ● Environment | \$ 23,774 | (36 gifts matched to 25 organizations) |

THE TOP 10 ORGANIZATIONS RECEIVING MATCHING GIFTS WERE:

| | |
|---|------------|
| ● Virginia Tech Foundation | \$ 122,897 |
| ● Roanoke College | \$ 89,040 |
| ● The Chrysler Museum | \$ 84,164 |
| ● Virginia Episcopal School | \$ 71,928 |
| ● Pennsylvania State University | \$ 62,225 |
| ● The University of Tennessee Foundation | \$ 56,000 |
| ● Virginia Symphony | \$ 52,181 |
| ● Virginia Historical Society | \$ 44,205 |
| ● Museum of Contemporary Art | \$ 42,876 |
| ● Chesapeake Bay Academy Educational Foundation | \$ 35,000 |

Organizations qualifying for Matching Gifts include certain educational institutions, arts/cultural organizations and environmental organizations that are located in the United States, recognized as tax-exempt, non-profit organizations under Section 501(c)(3) of the Internal Revenue Code, and independent of Norfolk Southern.

GOOD GOVERNMENT FUND CONTRIBUTIONS

RELATED MATCHING CONTRIBUTIONS

Dating back to 2008, contribution totals include matching contributions provided to charitable organizations as part of the Corporation's GGF Matching Contributions Program. Under this program, employees who contribute to the Norfolk Southern Corporation Good Government Fund (GGF), a nonpartisan political action committee, may designate any tax-exempt charitable organization as the recipient of an equivalent contribution from the Corporation. Neither Norfolk Southern Corporation nor the GGF donor may take a tax deduction for any GGF matching contribution. In 2016, the Corporation contributed \$901,407 through this program, a 10% decrease or \$102,872 less than the previous year's total.

LOCAL DISCRETION GRANT PROGRAM

The local discretion grant program sponsored by the Corporation allows each operating division of Norfolk Southern Railway Company to recommend contributions and allows those divisions to demonstrate good corporate citizenship. Each division may make recommendations for up to \$30,000 of contributions annually.

A total of \$331,250 was paid out under the program in 2016, which was an increase of 20% over 2015. Community volunteer fire departments, rescue squads, and police departments received \$237,250; civic, community relations and human services organizations received \$67,500; arts, cultural, and historic organizations received \$14,500; and educational institutions received \$12,000.

DIVERSITY

The Foundation tracks grants made to organizations that support the Corporation's mission to enhance diversity in the workplace. For 2016, a total of \$244,830 in grants was awarded to organizations that support higher education for minorities and women, more productive community relations, and services to underserved populations in Norfolk Southern's operating territory.

Among the recipients were ACCESS Scholarship Foundation, North Carolina A&T State University, Norfolk State University, Society of Women Engineers, National Society of Black Engineers, Society of Hispanic Professional Engineers, the Urban Leagues of Hampton Roads and Greater Atlanta and the YWCAs of Greater Atlanta and South Hampton Roads.

CONTRIBUTIONS BY MAJOR GEOGRAPHIC LOCATION

(EXCLUDING MATCHING GIFTS AND GGF – RELATED MATCHING CONTRIBUTIONS)

A breakdown of 2016 contributions by category and geographic location is as follows:

Atlanta **\$ 691,056**

(\$681,635 in 2015 – increase of 1.4%)

| | |
|-----------------------------|------|
| Civic & Community | 22 % |
| Culture & the Arts | 12 % |
| Education | 12 % |
| Environment | 6 % |
| Other Health/Human Services | 19 % |
| United Way | 29 % |

Hampton Roads **\$ 1,906,935**

(\$2,132,065 in 2015 – decrease of 10.6%)

| | |
|-----------------------------|------|
| Civic & Community | 10 % |
| Culture & the Arts | 38 % |
| Education | 8 % |
| Environment | 3 % |
| Other Health/Human Services | 27 % |
| United Way | 14 % |

Roanoke **\$ 658,412**

(\$756,412 in 2015 – decrease of 13.0%)

| | |
|-----------------------------|------|
| Civic & Community | 5 % |
| Culture & the Arts | 50 % |
| Education | 0 % |
| Environment | 0 % |
| Other Health/Human Services | 17 % |
| United Way | 28 % |

LONG-TERM PLEDGES

In 2016, payments were completed by the Foundation and the Corporation on 11 long-term pledges, and 3 new long-term pledges were authorized.

NEW PLEDGES

| Organization | Annual Payment | Years Pledged |
|------------------------------|----------------|---------------|
| ForKids | \$ \$50,000 | 5 |
| Lowcountry Open Land Trust | \$ \$30,000 | 3 |
| Virginia Museum of Fine Arts | \$ \$25,000 | 3 |

EXISTING PLEDGES

| Type* | Organization | Annual Payment | Years Remaining |
|-------|--|----------------|-----------------|
| B | Hampton Roads Chamber of Commerce Foundation/ Hampton Roads Economic Development Alliance | \$ 50,000 | 0 |
| F | Indiana Historical Society | \$ 25,000 | 0 |
| B | Kennedy Center for the Performing Arts | \$ 50,000 | 0 |
| F | Kennesaw Museum Foundation | \$ 25,000 | 0 |
| F | Mill Mountain Theatre | \$ 20,000 | 0 |
| B | National Safety Council | \$ 25,000 | 0 |
| F | North Carolina Transportation Museum Foundation | \$ 50,000 | 0 |
| B | Roanoke Regional Partnership | \$ 5,000 | 0 |
| F | Slover Library Foundation | \$ 50,000 | 0 |
| F | WHRO | \$ 20,000 | 0 |
| F | Children's Hospital of the King's Daughters (Child Abuse Program) | \$ 25,000 | 1 |
| F | Chrysler Museum of Art | \$ 100,000 | 1 |
| F | Georgia Research Alliance | \$ 6,250 | 1 |
| B | Lead Virginia | \$ 25,000 | 1 |
| B | Metro Atlanta Chamber of Commerce | \$ 10,000 | 1 |
| F | Old Dominion University | \$ 25,000 | 1 |
| F | Science Museum of Western Virginia | \$ 10,000 | 1 |
| F | Chesapeake Bay Foundation** | \$ 50,000 | 2 |
| F | The Hurrah Players | \$ 10,000 | 2 |
| F | Lowcountry Open Land Trust | \$ 30,000 | 2 |
| F | Union Station Kansas City | \$ 10,000 | 2 |
| F | Virginia Aquarium | \$ 25,000 | 2 |
| B | Virginia Museum of Fine Arts | \$ 25,000 | 2 |
| F | Children's Hospital of the King's Daughters (Capital Project) | \$ 50,000 | 3 |
| F | College of William & Mary (Law School) | \$ 50,000 | 3 |
| F | Virginia Arts Festival | \$ 50,000 | 3 |
| F | ForKids** | \$ 50,000 | 5 |

*F – Foundation, B – Business, C – Corporate

**No payment in 2016

2017 FUNDING STATUS

For the 2017 funding year, the Foundation received 213 proposal requests, seeking approximately \$5.81 million, by the September 30, 2016 deadline.

Of these requests, 10 “core” organizations in Norfolk and Atlanta were funded and 59 organizations, including 7 first-time recipients, received pledges for funding. In addition, \$419,000 was set aside for grants to colleges and universities in support of Norfolk Southern’s college partnership program.

For 2017, the Trustees authorized a budget of \$7.0 million. The Foundation anticipates contributing all \$7.0 million in 2017.

Through April 30, 2017, The Foundation awarded a total of \$2,203,552 in Grants and Matching Gifts. Business payments were \$634,912.50 and Corporate Contributions were \$32,000. The estimated market value of Foundation assets on April 30, 2017 was \$2,937,990.07.

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