

## NORFOLK SOUTHERN CORPORATION

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### **CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

#### **Committee's Role and Purpose**

The Audit Committee (Committee) is a standing committee, the chair and members of which are appointed annually by the Board of Directors (Board) not later than at its Organizational Meeting. The Committee meets a minimum of four times per year, establishes its own procedures (including designating a chair, if necessary) and acts by majority vote when at least a quorum is present. In general, the Committee's function is to assist the Board in discharging fully its statutory and fiduciary responsibilities with respect to oversight of the Corporation's financial statements and reports, internal controls and related matters. The Committee also facilitates communication among the Board, the independent registered public accounting firm, the Corporation's financial and senior management and its Audit and Compliance Department.

While the Committee has oversight responsibilities and powers as set forth in this Charter, it is not the responsibility of the Committee to prepare the Corporation's financial statements or to plan or conduct audits to determine if such statements are complete, accurate and in accordance with Generally Accepted Accounting Principles (GAAP). These are the responsibilities of Management and the independent registered public accounting firm, respectively. Management also is responsible for compliance with applicable laws, regulations, internal controls and procedures, and with the Corporation's disclosure controls and procedures, internal operating and compliance policies, and codes of conduct and ethics.

Accordingly, the Committee's purpose includes, without limitation:

- a) Assisting Board oversight of the:
  - a. accuracy and integrity of the Corporation's financial statements and periodic financial reports, and
  - b. the Corporation's compliance with legal and regulatory requirements;
- b) Direct responsibility for the engagement of an independent registered public accounting firm based on an assessment of its qualifications and independence and involvement in selection of the lead engagement partner;
- c) Evaluation of the performance of the independent registered public accounting firm and internal audit function; and
- d) Preparation of the "Audit Committee Report" required by Securities and Exchange Commission (SEC) rules to be included in the Corporation's annual proxy statement.

### **Committee Membership**

The Board's policy requires that the Committee must consist of no fewer than three directors, each of whom satisfies all requirements, applicable at the time, of the SEC and of the New York Stock Exchange (NYSE). No member may be a serving executive officer of the Corporation. Each member must be free of any relationship that would interfere with the exercise of her or his independent judgment and must meet the Board's definition of "independence" and "financial literacy," and at least one member must have accounting or related financial management expertise. Additionally, if a Committee member serves on the audit committee of more than three public companies, the Committee and the Board must determine that such simultaneous service does not impair the ability of such member to effectively serve on the Corporation's Audit Committee. The Committee seeks to maintain at least one member who is an "audit committee financial expert" as defined by the SEC. Committee members shall accept directors' fees as their sole form of compensation from the Corporation.

### **Principal Committee Duties, Responsibilities and Powers**

The Committee will have the full cooperation of Management, including unrestricted access, in the Committee's sole discretion, to personnel, books and records, and shall have all the resources it deems necessary. The Committee shall have sole power and authority to engage and evaluate the independent registered public accounting firm and other outside counsel and experts. The Corporation shall provide funding, as determined by the Committee, for payment of such auditors or advisors.

Among the Committee's principal duties and responsibilities, which it discharges as a fiduciary, are the following:

- (1) Oversee the services, activities and independence of the Corporation's independent registered public accounting firm.** To carry out this responsibility, to the extent (a) required by law or by applicable rules or regulations of the SEC, NYSE, Financial Accounting Standards Board (FASB) or other body with jurisdiction, or (b) the Committee determines is appropriate, the Committee:
  - has sole authority to engage, evaluate and, if necessary, replace the independent registered public accounting firm (subject to shareholder ratification, as applicable);
  - will pre-approve all audit and non-audit services of the independent registered public accounting firm; review the annual audit plan (including scope, staffing, reliance on Management and general audit approach); approve estimates of and final fees for such services; and evaluate the extent to which the provision of services is consistent with auditor independence;
  - annually, obtain and review a report from the independent registered public accounting firm describing: the firm's internal quality-control procedures; any material issues raised

by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation of governmental or professional authorities, within the preceding five years, respecting any audit carried out by the firm, and any steps taken to deal with any such issues; all relationships between the independent registered public accounting firm and the Corporation;

- annually, review and discuss with the independent registered public accounting firm all matters required at the time by (a) Auditing Standard No. 1301, *Communications with Audit Committees* (AS 1301) (as may be amended, supplemented, or superseded) and (b) the written disclosures required by the Public Company Accounting Oversight Board regarding the auditors' independence;
- prior to the filing of the Corporation's quarterly and annual financial statements and reports with the SEC, meet to review the financial statements with the independent registered public accounting firm (for quarterly information, as required by SAS No. 100, as it may be amended, supplemented or superseded), including significant findings prepared by the independent registered public accounting firm regarding applicability of accounting principles and practices, the adequacy of internal control over financial reporting and disclosure controls and procedures, and receive the independent registered public accounting firm's review letter or audit opinion, as applicable, on such statements and reports;
- quarterly, meet with the independent registered public accounting firm to review those matters required at the time by AS 1301 (as may be amended, supplemented or superseded), including all critical accounting policies and practices, all alternative treatments of financial information and disclosures within GAAP that have been discussed with Management, and the ramifications of such alternative disclosures and treatments, the disclosure or treatment preferred by the auditors, and other material written communications between the independent registered public accounting firm and Management;
- periodically, meet privately with the independent registered public accounting firm to review any audit problems, difficulties, significant disagreements with Management regarding financial statement presentation or content, and Management's response, and determine whether the independent registered public accounting firm has been subject, either directly or indirectly, to any action to fraudulently influence, coerce, manipulate or mislead the auditors; and
- set clear hiring policies for employees or former employees of the independent registered public accounting firm.

**(2) Oversee the activities of Management in its preparation of the Corporation's financial statements and related financial disclosures.** To carry out this responsibility, to the extent it deems appropriate, the Committee will:

- prior to the filing of the Corporation's quarterly and annual financial statements and reports with the SEC, meet to review and discuss with Management: (1) financial statements, (2) an advanced draft of Management's Discussion and Analysis (the MD&A), (3) the

- adequacy of internal control over financial reporting and disclosure controls and procedures, and (4) other information that could significantly affect the quality of such statements and reports;
- quarterly, review and discuss with Management all critical accounting policies and estimates identified by Management;
  - quarterly, review the existence and substance of significant accruals, reserves or other financial reporting judgments that, in the opinion of Management or the independent registered public accounting firm, had or may have a material impact on the financial statements, and any significant changes in accounting and financial reporting standards proposed by the SEC, NYSE, FASB, or other body having regulatory jurisdiction;
  - discuss earnings press releases, as well as any financial information and earnings guidance provided to analysts and rating agencies;
  - quarterly, discuss CEO and CFO certifications of the Corporation's financial statements and reports;
  - annually, receive and review the Report of Management, assessing the effectiveness of internal control over financial reporting and reporting on updates to the Compendium of Internal Controls;
  - periodically, meet privately with the chief financial officer and the controller to discuss any matters that require confidential and/or discreet discussion, review and/or handling; and
  - review with the chief legal officer and other appropriate Management, legal and regulatory matters that may have a material impact on the financial statements.
- (3) **Discuss the Corporation's guidelines and policies with respect to risk assessment and risk management.** In addition, the Committee will discuss the Corporation's major financial risk exposures and the steps Management has taken to monitor and control such exposures.
- (4) **Oversee activities of the internal audit function including staffing, training, budget, audit planning and charter, review significant issues raised by its periodic reports, and Management's responses, review its responsibilities, authorities and reporting relationships, and assure the continuing independence and objectivity of the internal auditors.** The Committee will also, to the extent it considers appropriate:
- approve decisions regarding the appointment or removal of the Vice President Audit and Compliance;
  - meet privately, at least twice each year, with the Vice President Audit and Compliance to discuss any matters that require confidential and/or discreet discussion, review and/or handling;

- review with the Vice President Audit and Compliance, chief legal officer and other members of Management as deemed necessary by the Committee, the scope and effectiveness of the Corporation's compliance policies, procedures and activities;
- review, as necessary, with the Vice President Audit and Compliance and other members of Management as appropriate, the procedures established for the receipt, retention, and treatment of complaints received, including confidential, anonymous submissions by employees, or others, of concerns regarding questionable accounting or auditing matters, and significant cases of alleged employee conflict of interest, ethical violations, misconduct, or fraud, the volume and nature of calls to the "Ethics and Compliance Hotline" and other matters similar in nature;
- receive annually the results of Audit and Compliance reviews of officers' expense accounts/perquisites and employee code of ethics questionnaires; and
- review, as necessary, with the Vice President Audit and Compliance, the chief legal officer and other members of Management as appropriate, the Corporation's procedures established for conflicts of interest and related person transactions, review related person transactions under such procedures and determine whether to approve or ratify such transactions, as appropriate.

**(5) Appropriately record deliberations and decisions of the Committee and regularly report to the Board the Committee's activities and conclusions with respect to the principal matters it has considered** and such other items as the Board may request, including (a) the Committee's review and discussion of the quarterly and annual audited financial statements with Management and the independent auditor and its recommendation that the Corporation's audited financial statements be included in the annual Form 10-K filing with the SEC; (b) any mandatory report that the Committee has approved for inclusion in a proxy statement of the Corporation or mandatory affirmation regarding the independence and qualifications of members of the Committee; (c) its assessments and conclusions concerning the Committee's annual review and evaluation of the adequacy of this Charter; and (d) its assessments and conclusions concerning the Committee's annual performance evaluation.