

# Norfolk Southern: Climate Policy Engagement Overview

An investor briefing to inform voting on Item 5 at Norfolk Southern's 2021 AGM

April 2021

## Executive Summary

- On May 13<sup>th</sup> 2021, Norfolk Southern investors will vote on a shareholder resolution requesting that the company reports on how its “lobbying activities (direct and through trade associations [...]) align with the [...] Paris Climate Agreement” (see page 69 of Norfolk Southern's [2021 Proxy Statement](#)). This briefing provides an overview of Norfolk Southern's direct and indirect climate-related policy engagement. The briefing contains data from InfluenceMap's online platform, which tracks, assesses and scores over 300 companies and 150 industry associations on their engagement with climate change policy against Paris-aligned benchmarks.
- InfluenceMap analysis indicates that Norfolk Southern has limited and poorly disclosed direct engagement on climate change policy. A summary of the company's direct climate policy engagement, including access to the underlying data, is on [page 4](#).
- Norfolk Southern does not transparently disclose its use of industry associations to influence climate change policy. InfluenceMap's analysis of Norfolk Southern's indirect climate policy engagement via industry associations is available on [page 5](#).
- For example, Norfolk Southern is a member of several US industry associations displaying highly strategic and negative engagement with climate legislation and regulation, including [America's Power](#) (formerly ACCCE), the [National Association of Manufacturers](#), and the [US Chamber of Commerce](#). A detailed overview of these industry associations' climate policy engagement is available on [page 5](#).

## Background: Item 5 on corporate climate lobbying

Engagement with companies over their climate policy engagement is now firmly on the investor agenda on climate change. It is an integral part of the [Climate Action 100+](#) (CA100+) investor-engagement process, which now has over 545 investor signatories with a total of \$52 trillion in assets under management.

As a research partner to CA100+, InfluenceMap maintains a global system for tracking, assessing, and scoring companies on their engagement with climate change against Paris-aligned benchmarks, currently covering around 300 companies along with 150 of their key industry associations.

InfluenceMap refers to the UN's [Guide for Responsible Corporate Engagement in Climate Policy](#) as a guide for what constitutes engagement. This can include advertising, social media, public relations, sponsoring research, direct contact with regulators and elected officials, funding of campaigns and political parties and participation in policy advisory committees.

This briefing provides an overview of Norfolk Southern's direct and indirect climate policy engagement, to inform shareholder voting decisions on the shareholder resolution summarized in Table 1 below. This resolution will be voted on at Norfolk Southern's Annual General Meeting (AGM) on May 13th 2021.

**Table 1: Key Information for Item 5 at Norfolk Southern's 2021 AGM**

Item 5: Report on corporate climate lobbying in line with the Paris Agreement			
Lead Filer:	Friends Fiduciary Corporation (USA)	AGM Date:	May 13 <sup>th</sup> 2021
<b>Item Summary:</b>  <i>The full resolution text is available <a href="#">here</a>.</i>	<p>"Shareholders request that the Board of Directors conduct an evaluation and issue a report within the next year (at reasonable cost, omitting proprietary information) describing if, and how, Norfolk Southern's lobbying activities (direct and through trade associations and other organizations) align with the goal of limiting average global warming to well below 2 degrees Celsius (the Paris Climate Agreement's goal) and how the company plans to mitigate risks presented by any misalignment."</p>		

Following growing investor scrutiny on corporate lobbying behavior, companies are increasingly facing shareholder resolutions on climate policy engagement. The number of resolutions filed in this category has significantly increased in the last three years, becoming the most popular among the climate-relevant resolution universe [monitored by InfluenceMap](#): 17 in 2020 compared with 8 in 2018 and 13 in 2019.

This trend appears to be continuing in 2021, with investors filing record numbers of resolutions specifically calling for Paris-aligned policy engagement. InfluenceMap is producing a series of investor briefings on companies facing these resolutions in 2021, with more information available [here](#).

## Summary of Norfolk Southern's climate policy engagement

### Overview

InfluenceMap's methodology, available [on our website](#), uses seven publicly available data sources to gather evidence of company and industry association engagement on a range of climate-related policy streams. Each item of evidence is scored against benchmarks based on the advice of [IPCC science](#) or the stated intentions of governments looking to implement the Paris Agreement. This process can result in hundreds of scored evidence items, providing a robust basis to assess the extent to which a company's climate policy engagement, and that of its industry associations, is Paris-aligned.

InfluenceMap's online profile of Norfolk Southern, including access to the underlying data which forms this assessment, can be found [here](#). The analysis of Norfolk Southern's industry association relationships, including detailed profiles for each association, can be explored via the "Details of Relationship Score" tab. An overview of this assessment is provided in Table 2 below.

**Table 2: Overview of InfluenceMap's assessment of Norfolk Southern**

Norfolk Southern		
Performance Band	E+	<b>Performance Band (A+ to F)</b> is a full measure of a company's climate policy engagement, accounting for both its own engagement and that of its industry associations. A+ indicates full support for Paris-aligned climate policy, with grades from D to F indicating increasingly obstructive climate policy engagement.
Organization Score	42%	<b>Organization Score (0 to 100)</b> expresses how supportive or obstructive the company is towards climate policy aligned with the Paris Agreement, with scores under 50 indicating "internal" misalignment between the Paris Agreement and the company's detailed climate policy engagement.
Relationship Score	21%	<b>Relationship Score (0 to 100)</b> expresses how supportive or obstructive the company's industry associations are towards climate policy aligned with the Paris Agreement, with scores under 50 indicating "external" misalignment between the Paris Agreement and the detailed climate policy engagement of the company's industry associations.
Engagement Intensity	2%	<b>Engagement Intensity (0 to 100)</b> is a measure of the level of policy engagement by the company, with scores above 12 indicating active engagement, and scores above 25 indicating highly active or strategic engagement.

## Summary of direct corporate climate policy engagement

InfluenceMap's analysis of Norfolk Southern's direct climate policy engagement is based on 15 independent data points, 14 of which have been logged since 2020. InfluenceMap analysis indicates limited transparent, direct engagement on climate policy from Norfolk Southern, as registered by the low Engagement Intensity metric in the table above. By contrast, the company is a member of several US industry associations displaying highly strategic and negative engagement with climate legislation and regulation (see page 4).

This section contains embedded links to InfluenceMap's online platform where over 30,000 pieces of assessed evidence are archived. Registration may be required for some parts of the site.

- **No clear support for climate action:** Norfolk Southern has not issued a clear position on the *science of climate change*, although in 2019 it *funded the Competitive Enterprise Institute*, an organization involved in disseminating climate misinformation. Norfolk Southern also appears not to have commented on the need for *IPCC-demanded emissions reductions* or the Paris Agreement. While the company acknowledges the risk that *climate change policy* could impact its business, it does not state its position.
- **No clear support for climate policies:** InfluenceMap did not find any evidence of Norfolk Southern's direct engagement with climate policy. The company's website does not *disclose* its positions toward, or engagement with, specific strands of climate policy. In its 2020 CDP response, Norfolk Southern notes that *energy efficiency-related advocacy* is carried out through one of its trade associations and describes its position on both energy efficiency and *renewable energy policy* as "neutral."
- **No clear support for the energy transition:** InfluenceMap did not find evidence of Norfolk Southern's position on, or engagement with, policy related to the transition of the energy mix.

## Summary of indirect climate policy engagement via industry associations

InfluenceMap's platform tracks and analyzes the climate policy engagement of over 150 industry associations using the same benchmarks and scoring process applied to companies. This gives an assessment of each association's engagement against Paris-aligned benchmarks. This section details InfluenceMap's analysis of key industry associations of which Norfolk Southern is a member.

- **There is a lack of transparency concerning Norfolk Southern's use of industry associations to influence climate change policy.** Norfolk Southern discloses its membership to industry associations to which it pays dues in excess of \$10,000. However, the company has not disclosed any information on the extent to which it is aligned with these associations on climate change policy, nor how the company exerts influence within these groups.
- InfluenceMap analysis indicates that Norfolk Southern likely **holds 3 memberships** to industry associations with misaligned climate policy engagement (ranked as a D or below by InfluenceMap's system): *America's Power* (formerly ACCCE), the *National Association of Manufacturers* (NAM), and the *US Chamber of Commerce*. Norfolk Southern's Executive Vice President and Chief Marketing Officer, Alan Shaw, serves on the Board of Directors at the NAM.

Table 3 below gives an overview of these key industry associations with examples of recent obstructive climate policy engagement. Detailed profiles for all Norfolk Southern's industry associations can be explored via the "Details of Relationship Score" tab on InfluenceMap's *company profile*.

**Table 3: Evidence of recent climate policy engagement by Phillips 66's key industry associations**

Industry Association	Performance Band	Examples of recent climate policy engagement
<i>America's Power</i>	F	<ul style="list-style-type: none"> <li>● <b>January—March 2021:</b> America's Power appeared to execute an <i>advertising strategy</i> across social media, including blog posts, to influence public opinion in favor of coal and its long-term role in the nation's energy mix.</li> <li>● <b>July 2020:</b> America's Power opposed the <i>US Regional Greenhouse Gas Initiative</i>, a mandatory cap-and-trade scheme, and the extension of <i>wind and solar tax credits</i> in the US.</li> <li>● <b>June 2020:</b> America's Power wrote a <i>letter</i> to the North American Electric Reliability Corporation (NERC) cautioning against the retirement of coal-fired power plants.</li> <li>● <b>January 2020:</b> America's Power submitted a <i>comment</i> to the EPA advocating for the preservation of coal power and corresponding leniency in the Coal Combustion Residuals rule</li> <li>● <b>March 2019:</b> In a <i>comment</i> to the EPA, America's Power called for the adoption of a weaker New Source Performance Standards, which would facilitate the generation of new coal-fueled power plants.</li> </ul>

<p><i>US Chamber of Commerce (The Chamber)</i></p>	<p>F</p>	<ul style="list-style-type: none"> <li>• <b>January 2021:</b> In a press release, the Chamber appeared to strongly oppose Biden's executive orders to revoke the permit for the <i>Keystone XL pipeline</i> and pause <i>oil and gas leases</i> on federal lands.</li> <li>• <b>2017 to 2020:</b> The Chamber lobbied policymakers heavily to weaken and roll back national fuel economy standards. In August 2019, it <i>wrote a letter</i> to the US Secretary of Transport seeking to lower the fuel economy standards. In September 2020, the Chamber took <i>legal action</i> to support the revocation of California's right to enact its own, stronger fuel economy standards.</li> <li>• <b>February 2019:</b> The Chamber took legal action to <i>support</i> the Atlantic Coast Pipeline.</li> </ul>
<p><i>National Association of Manufacturers (NAM)</i></p>	<p>F</p>	<ul style="list-style-type: none"> <li>• <b>January 2021:</b> In a press release, NAM CEO Jay Timmons <i>opposed</i> President Biden's decision to revoke the permits for the Keystone XL Pipeline.</li> <li>• <b>January 2020:</b> According to media sources, the NAM <i>supported</i> the overhaul of the National Environmental Policy Act, noting it had lobbied the administration to make the exact changes that were successfully enacted.</li> <li>• <b>June 2019:</b> The NAM advocated for wide-ranging <i>regulatory rollback</i>, including the Clean Power Plan, in a letter to the Trump administration.</li> <li>• <b>February 2019:</b> The NAM filed an amicus curiae supporting the <i>Atlantic Coast Pipeline</i>, among other amicus briefs highlighting the national economic value of <i>oil and natural gas infrastructure</i>.</li> </ul>