



Insights: BNSF performance through Q4, 2022

1/24/2023

The year 2022 will be remembered as a year of significant change and challenge across our industry. However, when considering the past year, we also remember and celebrate the actions and contributions by so many across the BNSF organization to overcome adversity and to find success. The following is a brief overview of our collective performance through the past year.

Safety Performance

When considering our safety performance in 2022, we must acknowledge and remember

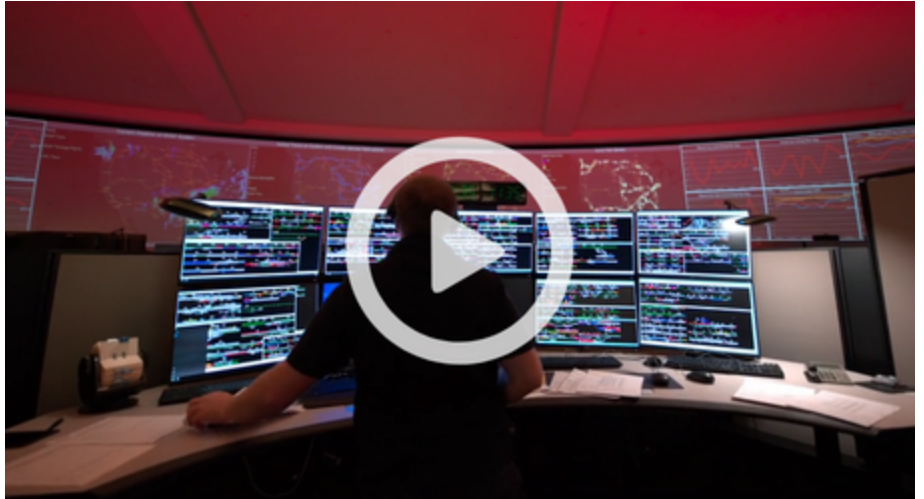
the two teammates we tragically lost in work-related incidents. We continue to keep Switchman Jeff Jones and Trackman Michael Poushyk, along with their families, in our thoughts and prayers. I know all of us remain committed to eliminating the loss of life on our railroad, and we'll continue to strive to meet our safety vision of a workplace free of accidents and injuries.

Compared to last year, our 2022 injury frequency rate of 1.05 was 18% higher and our rail equipment incident rate of 2.06 was up 34%. While we didn't reach our goals, there were pockets of excellence. We virtually eliminated the summer safety spike in 2022. Large workgroups have gone injury-free for extended periods of time. And, we continue to operate with the lowest reportable train accident rate in the industry. This should give us confidence that we have the people and processes to make significant progress toward achieving our safety vision.

Service Performance

Our service was significantly challenged throughout 2022. By the close of the year, our velocity was down almost 7% and terminal dwell was up nearly 8% year over year. But beyond the numbers, we didn't deliver the level of service our customers expect from Team BNSF. A host of factors played into that, not the least of which were the global supply chain disruptions, a challenging labor market, extreme weather and more. When faced with a significant shift in post-pandemic demand that threatened our ability to deliver, we took significant action to reset the network, including the short-term California embargo we implemented in July. Thanks to your efforts, we accomplished what we set out to do. We were positioned to take on more business and rise to the challenge of the oncoming Peak holiday season. In fact, UPS and many other customers praised Team BNSF for our efforts through the holiday rush.

In our business, we win with consistency and reliability. It's about being able to keep our promises to our customers. Team BNSF has long been the carrier of choice for our customers because of the trust you've helped build and sustain over the years. And, with our improved service, we know we can bring more volume to the railroad in 2023. With the challenges of 2022 behind us—and the best railroaders in the business—I'm confident we can deliver the service our customers expect from BNSF in 2023.



Volume and Financial Performance

Overall volume in 2022 was down nearly 6% compared to the previous year. During the fourth quarter, both international and domestic intermodal volumes were lower than expected due to supply chain disruptions and a decrease in U.S. West Coast imports. Industrial Products volume was impacted by a general softening in certain segments like metals, plastics and housing. Although Coal continued to have favorable market conditions, volume was dampened by significant winter weather across the north in the last two weeks of the year. Agricultural Products also saw reduced volume on lower-than-expected export grain activity in the fourth quarter. However, we also saw higher domestic grain shipments, renewable diesel and feedstocks.

We'll have more detailed information to share after the release of the Berkshire financials in February. I can share that we missed achieving our annual financial plan due to our service challenges and lower-than-expected volume. Although we captured greater value for our services, lower volume and productivity impacted the year's performance. However, BNSF remains in a strong financial position and we've seen consistent service improvement and safety performance, which positions us well to have a successful 2023. Thank you for the role you played in that progress.

ICP Announcement and Conclusion

In conclusion, 2022 was a year of mixed results. While we didn't meet our safety, service or volume expectations, we kept our focus and had success. The challenges over the past year were significant and unique—but so too was the effort you made to adapt and overcome.

When considering the 2022 ICP award, we must acknowledge the very unique and extenuating circumstances that defined 2022, a year of significant change and adversity. We also recognize the collective effort it took to meet our challenges and finish the year in a strong financial position. With those considerations in mind, the 2022 ICP award will be 100% of target. Eligible scheduled and salaried employees may view their ICP payout amount beginning the afternoon of Jan. 27 by clicking on the myTotalRewards link from the Employee tab on the BNSF Employee Portal. ICP payout will occur on Jan. 31.

The 2023 merit pool for salaried employees will be 4.5%. Individual merit increases will vary as they are based on individual performance and relative pay equity. Merit raises will take effect Feb. 1. Beginning Feb. 15, team members can access their merit increase statement through the myBNSFcareer website.

Thank you again for being a part of Team BNSF, and for what you did to keep our nation's freight moving in 2022. I look forward to all we'll achieve together in the new year as we continue our vital work for our families, our communities and our nation.

With gratitude,

Katie Farmer
President and CEO
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