

BNSF performance through Q4, 2021; ICP award announced

1/26/2022

In 2021, we managed through the ongoing global pandemic, a severely strained supply chain and again battled extreme weather all while delivering for our customers and supporting the American economy. We worked together to end the year with some notable accomplishments with even more opportunities for growth in 2022. The following is a brief overview of our performance through the fourth quarter of 2021.

Safety Performance:

We can't talk about safety in 2021 without acknowledging the tragic loss of five of our colleagues in separate on-duty incidents. Marlon Lindsey, Heath Braunschweig, Buddy Strieker, Curtis Deines and T.J. Ellis were valued teammates, and we keep them and their families in our thoughts and prayers. I know we all remain committed to ending the loss of life on our railroad.

We remain focused on achieving our safety vision of operating a workplace free of accidents and injuries—and we made notable progress toward that vision in 2021. We set out for step-level improvement in on-duty injuries, and we achieved record results. Our 2021 injury frequency ratio led the industry and was the best injury frequency performance in our company's history at 0.89 per 200,000 work hours. Also, our railroad equipment incident rate was 15% better year-over-year and a record best at 1.54 incidents per million train miles. This was achieved thanks to our reduction in human-factor incidents as well as our commitment to maintaining a strong infrastructure and leveraging technology.

The new year affords us a fresh start, and I know we can build on our safety success to further reduce injuries and accidents in 2022. We know what we're capable of, and it's up to us to write our safety story in the months ahead.

Service Performance:

Meeting customer expectations is foundational to our ability to successfully compete in the marketplace. Although we had some successes, we faced challenges throughout the year. We began and finished 2021 with extreme winter weather. Although we recovered and regained momentum at times, service interruptions and a strained supply chain also

delayed trains and reduced our velocity.

We finished the year with overall average velocity down 5.5% compared to 2020, terminal dwell up 8.1% and local service, our adherence to our customers' first mile/last mile service plan, was down by 1.7% at 89.4% compliance. We know we can do better. Customer expectations are increasing, and the competition remains strong. Our customers count on us to deliver consistent and reliable service 24/7. Meeting those expectations and improving service delivery will continue to be a major focus in 2022.

Volume, revenue and expense:

While we won't release our Financial results until next month, we can share that overall volume grew 7% in 2021 as demand in most markets recovered to pre-pandemic levels. Consumer Products volume increased nearly 8% in 2021. Unfortunately, due to continuing supply chain issues and the associated challenge of getting freight into our network, we handled lower-than-expected Consumer Products volume in the fourth quarter. But despite the supply chain challenges, we did have a record year for our Domestic Intermodal business. In Industrial Products, our volume was up 7% year over year. We saw solid growth from an expanding industrial economy, helped by higher coal demand and strength in the building and construction sectors. In our Agricultural Products business, we had a record year, and we closed 2021 with volume up 3%. Grain volume was strong thanks to higher ethanol and gasoline demand, new renewable diesel business, and increased sugar shipments.

We finished the year with increased market share of 51.7, more than holding our own against the competition. Supply chain constraints, extreme weather and significant service interruptions challenged our productivity initiatives and we fell short of our goals. However, we still made significant gains on some of our initiatives and we improved our earnings for the year. We moved the needle in the right direction on Railroad Operating Expense for both per Gross Ton Mile and per unit. We also set records in fuel efficiency and units per train. These wins position us well for the year ahead.

2021 ICP results:

Safety, service and financial performance are the primary drivers of ICP and the context in which we determine our annual ICP payout for eligible employees.

We worked together in 2021 to achieve our lowest injury frequency ratio and rail equipment incident rate in our company's history. That's notable, and we made progress on our journey to achieve our safety vision; however, loss of life on our railroad will never be acceptable.

While service was challenged, we also faced many things outside of our control. Throughout the year, we managed those factors within our control to protect our business and capture available growth opportunities.

We also had strong financial performance through 2021, and those details will be shared in February upon release of Berkshire Hathaway's annual financial results.

Considering all these factors, we are pleased to announce a 2021 ICP payout of 120% of target that appropriately acknowledges the progress we have made and the successes we were able to achieve. Eligible scheduled employees may view their ICP calculation beginning the afternoon of Jan. 29 by clicking on the myTotalRewards link from the Employee tab on the BNSF Employee Portal. Eligible salaried employees may view their ICP award beginning Jan. 29 by clicking on the My Profile tile in myBNSFCareer, accessed from the Employee tab on the BNSF Portal.

The 2022 merit pool for salaried employees will be 4%. Merit increases will take effect Feb. 1. Supervisors will communicate merit increases to their employees between Feb. 7 and Feb. 15. Beginning Feb. 16, you can access your merit increase statement in myBNSFCareer, by clicking the quick link on the Employee Portal.

Conclusion:

I'm proud of what we accomplished together in 2021. As we begin a new year, we have high expectations to meet the changing and growing needs of American consumers. Our collective efforts over the past few years to grow the business, drive consistent service and have a strong cost structure have set us up for success to meet those expectations in 2022 with even greater successes to come. We'll have to continue to adapt, but I have every reason to be optimistic in knowing we can work together to rise to the occasion. Thanks for all your efforts in 2021. Stay safe in 2022 and thank you for being a part of Team BNSF.

With gratitude,

Katie Farmer

President and CEO

BNSF Railway