

Union Pacific Statement of Tax Policy

Union Pacific is subject to numerous federal, state, and local tax laws throughout the communities where we operate. This Tax Policy provides transparency to our shareholders, employees, and other stakeholders regarding the way we approach tax matters.

Union Pacific takes seriously its role as a corporate citizen, and we recognize our obligation to comply with all relevant tax laws and pay the taxes we owe. We are proud to provide vital financial support for the federal, state, and local governments in our communities. This commitment means we do not illegally evade taxes, participate in illegal tax shelters, or shift income to offshore tax havens. Almost all of Union Pacific's business activities and tax obligations are in the United States.

We also have a responsibility to our shareholders to efficiently minimize taxes, like any business cost. This means we pay only the taxes we owe and claim deductions, credits or other tax incentives when available under tax laws.

Union Pacific maintains contacts with elected officials and government leaders at the federal, state, and local levels. On our own and as a member of the American Association of Railroads, we support tax policies that promote economic growth and tax railroads fairly compared to other industries. For a discussion of our political activity see our Political Contributions Policy and Procedures, and for how we consider the views and concerns of stakeholders, see our Building America report.

Responsibility for taxes resides with Union Pacific's Tax Department based in Omaha, Nebraska. The Vice President - Tax (VP-Tax) leads the department and reports directly to the Executive Vice President and Chief Financial Officer (EVP/CFO). The VP-Tax routinely briefs the EVP/CFO on tax matters, with particular attention to the tax implications of major business transactions, pending tax legislation, and any significant tax audits, disputes, or litigation. The Tax Department intentionally includes professionals with the accounting, legal, and other expertise necessary to be experts in the corporate taxes applicable to Union Pacific. We apply tax laws by focusing on the plain language of the law as the clearest indication of legislative intent, and our tax filings are always supported by substantial legal authority. When there is significant uncertainty in the law or its application to Union Pacific's business, creating potential for disputes with tax enforcement agencies, we often work with the relevant agency to clarify the law. When disputes arise and cannot be resolved with the tax agency, we may seek resolution through legislative changes to the tax law or litigation in the relevant court system.

The Tax Department ensures oversight of tax matters through rigorous internal control procedures designed to assure accurate accounting, reporting, and payment of taxes and to prevent fraud. These controls require prompt notification to senior management of any significant risk related to compliance failures, tax audits, or litigation. These controls are Sarbanes-Oxley compliant and are reviewed quarterly and audited annually as part of the overall assurance process for Union Pacific's financial reports to the SEC and STB. For a discussion of the mechanisms available to report illegal or unethical behavior, see Union Pacific's The How Matters.