UNION PACIFIC CORP
Form DEF 14A
April 06, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. __)

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

UNION PACIFIC CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which the transaction applies:

(2) Aggregate number of securities to which the transaction applies:

(3) Per unit price or other underlying value of the transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of the transaction:

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¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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Notice of Annual Meeting

of Shareholders

Union Pacific Corporation

1400 Douglas Street, 19th Floor

Omaha, NE 68179

To Shareholders: April 6, 2016

The 2016 Annual Meeting of Shareholders (the Annual Meeting) of Union Pacific Corporation (the Company) will be held at the Little America Hotel, 500 S. Main Street, Salt Lake City, Utah, at 11:00 A.M., Mountain Daylight Time, on Thursday, May 12, 2016, for the following purposes:

(1) To elect the eleven directors named in the Proxy Statement, each to serve for a term of one year and until their successors are elected and qualified;

(2) To ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of the Company for 2016;

(3) To approve, by non-binding vote, the compensation of the Company s Named Executive Officers;

(4) To consider and vote upon two shareholder proposals if properly presented at the Annual Meeting; and

(5) To transact such other business as may properly come before the Annual Meeting.

Only shareholders of record at the close of business on March 11, 2016, are entitled to notice of, and to vote at, the Annual Meeting.

Your vote is very important. New York Stock Exchange rules now provide that if your shares are held by a broker, your broker will NOT be able to vote your shares on most matters presented at the Annual Meeting, including the election of directors, unless you provide voting instructions to your broker. We strongly encourage you to submit your proxy card to your broker or utilize your broker s telephone or internet voting services (if available) and exercise your right to vote as a shareholder.

Diane K. Duren

Executive Vice President and

Corporate Secretary

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UNION PACIFIC CORPORATION

2016 ANNUAL MEETING OF SHAREHOLDERS

PROXY STATEMENT

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Proxy Summary

This summary highlights information contained elsewhere in this Proxy Statement. This summary does not contain all of the information that you should consider, and you should read the entire Proxy Statement carefully before voting.

Meeting Information and Mailing of Proxy Materials

Date and Time:	May 12, 2016, at 11:00 A.M., Mountain Daylight Time
Location:	Little America Hotel, 500 S. Main Street, Salt Lake City, Utah
Record Date:	March 11, 2016
Mailing Date:	On or about April 6, 2016, we are initially mailing this Proxy Statement and the accompanying proxy card to shareholders.

Voting Matters and Board Recommendations

Proposal	Matter	Our Board s Recommendations
1	Election of Eleven (11) Director Nominees (page 19)	**FOR** Each Director Nominee
2	Ratification of Appointment of Deloitte & Touche LLP as Independent Registered Public Accounting Firm for 2016 (page 25)	**FOR**
3	Advisory Vote to Approve Executive Compensation (page 27)	**FOR**
4	Shareholder Proposal Regarding Executives to Retain Significant Stock (page 28)	**AGAINST**
5	Shareholder Proposal Regarding Independent Chairman (page 29)	**AGAINST**

How to Vote

Even if you plan to attend the 2016 Annual Meeting of Shareholders in person, we encourage you to vote in advance of the meeting. You may vote using one the following voting methods. Make sure to have your proxy card or voting instruction form in hand and follow the instructions. Participant s in Union Pacific s thrift and retirement plans who hold Company stock through such plans will receive separate voting instructions.

You can vote in one of three ways:

Record Holders	Beneficial Owners
Vote via the Internet Go to **www.investorvote.com/UNP**	**Follow the instructions set forth on the voting instruction form provided by your broker with these proxy materials**
Vote by telephone Call toll free 1-800-652-VOTE (8683) within the USA, US territories & Canada on a touch tone telephone	
Vote by mail Sign, date and return the card in the enclosed envelope	

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Company Performance Highlights

This past year was challenging in many respects, but we continued our strong operational and financial performance in the face of dramatic declines in volumes and shifts in business mix. We combined our unrelenting focus on safety, productivity, and service. Highlights of the Company s 2015 operational and financial performance include:

- The Company achieved its second-best financial performance year ever despite a 6% decline in volumes. Core pricing of 3.7%, productivity and improved network operations helped offset the lower volumes
- An operating ratio for 2015 of 63.1%, which was an all-time best, improving from last year s operating ratio of 63.5%
- The reportable personal injury rate per 200,000 employee-hours improved 11%, to a best-ever result of 0.87, making us the safest Class I railroad in the United States in 2015
- Significant improvements in operating and service metrics, reflected in average train speed, as reported to the Association of American Railroads, increased 6% in 2015 compared to 2014, and average terminal dwell time decreased 3%
- Notwithstanding these efforts, total shareholder return was negative 33% over the fiscal year; however, our three-year total shareholder return was a positive 32%

Governance Highlights

The Company s sound governance practices and policies demonstrate the Board s commitment to strong corporate governance, effective risk management and strong independent oversight of management by the Board. Governance Highlights include:

- All independent directors, other than Mr. Fritz, our Chairman and CEO (11 out of 12 directors)
- Annual election of all directors with majority voting standard
- Board membership marked by diversity, leadership and a variety of perspectives
- Adoption of proxy access By-law provisions
- Active and empowered lead independent director, including communications with shareholders
- Executive sessions of non-management, independent directors at each Board and Committee meeting
- Board oversight of enterprise risk management and strategy
- Four active Board committees comprised solely of independent directors
- Stringent director and executive stock ownership guidelines

Executive Compensation Highlights

The compensation earned in 2015 by Mr. Fritz and the named executive officers (NEOs), as described in the Compensation Discussion and Analysis section of this Proxy Statement, reflect our policy of having a significant portion of the executive s compensation tied to annual and long-term Company performance

Bonuses earned for the 2015 performance year were negatively impacted by the Company s lower financial performance on a year-over-year basis, but increased for Mr. Fritz and Mr. Scott due to their additional responsibilities in their respective roles as Chairman, President and CEO and Executive Vice President Operations

The value of long-term incentives awarded in 2015 for Mr. Fritz and the NEOs increased due to outstanding Company and individual performance during 2014; 67% of the compensation provided to Mr. Fritz and 55% of the compensation provided to the rest of the NEOs in 2015 was in the form of long-term incentive equity awards

Performance stock units for the three-year performance period (2013-2015) ending in 2015 vested at 200% of target, reflecting the achievement of the maximum ROIC performance over the performance period

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UNION PACIFIC CORPORATION

1400 Douglas Street, 19^{th} Floor

Omaha, NE 68179

PROXY STATEMENT

For Annual Meeting of Shareholders to Be Held on May 12, 2016

Important Notice Regarding the Availability of Proxy Materials

for the Shareholder Meeting to Be Held on May 12, 2016

This Proxy Statement and our 2015 Annual Report on Form 10-K are available at www.up.com

under the Investors caption link by selecting Annual Reports/Form 10-Ks and Proxy Statements

www.up.com/investors/annuals/index/shtml.

Information About the Annual Meeting, Voting and Proxies

Date, Time and Place of Meeting

This Proxy Statement is being furnished to shareholders of Union Pacific Corporation (the Company) in connection with the solicitation of proxies by the Board of Directors of the Company (the Board) for use in voting at the Annual Meeting of Shareholders or any adjournment or postponement thereof (the Annual Meeting). The Annual Meeting will be held on Thursday, May 12, 2016, at 11:00 A.M., Mountain Daylight Time at Little America Hotel, 500 S. Main Street, Salt Lake City, Utah. We are initially mailing this Proxy Statement and the accompanying proxy card to shareholders of the Company on April 6, 2016.

Record Date, Outstanding Shares and Quorum

Only holders of record of the Company s common stock at the close of business on March 11, 2016 (the Record Date), will be entitled to vote at the Annual Meeting. On the Record Date, we had 843,000,988 shares of common stock outstanding and entitled to vote. If a majority of the shares outstanding on the Record Date are present and entitled to vote on any matter at the Annual Meeting, either in person or by proxy, we will have a quorum at the Annual Meeting. Any shares represented by proxies that are marked for, against or to abstain from voting on a proposal will be counted as present for the purpose of determining whether there is a quorum.

Voting Rights and Voting of Proxies

Holders of our common stock are entitled to one vote for each full share held as of the Record Date.

Under Proposal Number 1, directors will be elected by a majority of the votes cast by the shares of common stock present at the Annual Meeting (either in person or by proxy) and entitled to vote on the election of directors, which means that a nominee will be elected if he or she receives more for votes than against votes. Pursuant to Section 9 of Article I of the Company s By-Laws and applicable laws of the State of Utah, a nominee who does not receive more for votes than against votes will be elected to a shortened term expiring on the earlier of: (i) 90 days after the day on which the Company certifies the voting results; or (ii) the day on which a person is selected by the Board to fill the office held by the director.

Approval of Proposal Number 2 (ratification of the appointment of the independent registered public accounting firm), Proposal Number 3 (advisory vote to approve executive compensation), Proposal Number 4 (shareholder proposal regarding executive stock ownership) and Proposal 5 (shareholder proposal regarding independent chairman) requires the affirmative vote of a majority of the votes cast on the proposal (either in person or by proxy).

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If your shares are held in street name (that is, through a broker, bank, nominee or other holder of record) and you do not provide voting instructions to your broker in advance of the Annual Meeting, New York Stock Exchange rules grant your broker discretionary authority to vote on the ratification of the independent registered accounting firm in Proposal 2. If you do not provide voting instructions, your broker will not have discretion to vote your shares on Proposal Numbers 1, 3, 4 and 5 resulting in what is referred to as broker non-votes on those matters. The Board recommends that you vote FOR Proposal Numbers 1, 2 and 3, and AGAINST Proposal Numbers 4 and 5.

Although the advisory vote on Proposal Number 3 is non-binding, the Board will review the results of the vote and, consistent with the Company s strong record of shareholder engagement, will take it into account in making determinations concerning executive compensation.

In accordance with Utah law, abstentions and broker non-votes are not treated as votes cast and, therefore, are not counted in determining which directors are elected under Proposal 1 and which matters are approved under Proposal Numbers 2, 3, 4 and 5.

Solicitation and Voting of Proxies

The proxy included with this Proxy Statement is solicited by the Board for use at the Annual Meeting. You can submit your proxy card by mailing it in the envelope provided. You may also use the toll free telephone number or access the Internet address listed on the proxy card to submit your proxy. The proxy card includes specific directions for using the telephone and Internet voting systems. If your proxy is properly received and not revoked before the Annual Meeting, your shares will be voted at the Annual Meeting according to the instructions indicated on your proxy card. If you sign and return your proxy card but do not give any voting instructions, your shares will be voted for the election of each of the director nominees listed in Proposal Number 1 below, for Proposal Numbers 2 and 3, and against Proposal Numbers 4 and 5. To our knowledge, no other matters will be presented at the Annual Meeting. However, if any other matters of business are properly presented, the proxy holders named on the proxy card are authorized to vote the shares represented by proxies according to their judgment.

Confidential Voting Policy

The Board maintains a confidential voting policy pursuant to which the Company s stock transfer agent, Computershare Investor Services, receives shareholder proxies or voting instructions, and officers of Computershare, serving as independent inspectors of election, certify the vote. Proxies and ballots, as well as telephone and Internet voting instructions, will be kept confidential from management (except in certain cases where it may be necessary to meet legal requirements, including a contested proxy solicitation or where a shareholder writes comments on the proxy card). Reports concerning the vote may be made available to the Company, provided such reports do not reveal the vote of any particular shareholder.

Revocation of Proxies

After you submit your proxy you may revoke it at any time before voting takes place at the Annual Meeting. You can revoke your proxy in three ways: (i) deliver to the Secretary of the Company a written notice, dated later than the proxy you want to revoke, stating that the proxy is revoked; (ii) submit new telephone or Internet instructions or deliver a validly executed later-dated proxy; or (iii) attend the Annual Meeting and vote in person. For this purpose, communications to the Secretary of the Company should be addressed to 1400 Douglas Street, 19th Floor, Omaha, Nebraska 68179 and must be received before the time that the proxy you wish to revoke is voted at the Annual Meeting. Please note that if your shares are held in street name (that is, a broker, bank or other nominee holds your shares on your behalf) and you wish to revoke a previously granted proxy, you must contact that entity. If a broker, bank or other nominee holds your shares on your behalf and you

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wish to vote at the Annual Meeting, you must obtain what is referred to as a legal proxy covering the shares you beneficially own from that entity prior to the Annual Meeting.

Expenses of Solicitation

The Company will pay the costs of preparing, printing and mailing this Notice of Annual Meeting of Shareholders and Proxy Statement, the enclosed proxy card and the Company s 2015 Annual Report on Form 10-K. In addition to using mail, proxies may be solicited by personal interview, telephone and electronic communication by the directors, officers and employees of the Company acting without special compensation. We also make arrangements with brokerage houses and other custodians, nominees and fiduciaries for the forwarding of solicitation material to the street name holders of shares held of record by such individuals, and the Company will reimburse such custodians, nominees and fiduciaries for reasonable out-of-pocket expenses incurred by them in connection with such solicitation. In addition, the Company engaged Morrow & Co., LLC, 470 West Avenue, Stamford, CT 06902 to solicit proxies on its behalf. The anticipated fees of Morrow & Co., LLC are $17,500, plus certain other customary fees and expenses.

Attending the Annual Meeting

Only shareholders as of the Record Date are entitled to attend the Annual Meeting. The Company reserves the right to require proof of stock ownership as of the Record Date and a government-issued photo identification of any person wishing to attend the Annual Meeting. You may obtain directions to the Annual Meeting by contacting the Secretary of the Company at the address set forth on the notice page of this Proxy Statement. Please note that the use of cameras (including via cell phones with photographic capabilities), recording devices and other electronic devices is strictly prohibited at the meeting.

Information Regarding the Company

References to the Company s website included in this Proxy Statement and in the Company s Annual Report on Form 10-K are provided as a convenience and do not constitute, and should not be deemed, an incorporation by reference of the information contained in, or available through, the website.

Board Corporate Governance Matters

Board of Directors Meetings and Committees

In accordance with applicable provisions of Utah law and the By-Laws of the Company, the business and affairs of the Company are managed under the direction of the Board. The Board has established standing Committees and adopted guidelines and policies to assist it in fulfilling its responsibilities as described below.

During 2015, the Board met six times. None of the directors attended fewer than 75% of the aggregate number of meetings of the Board and the Committees on which he or she served during the period of service. The average attendance of all directors at Board and Committee meetings was 100%. The Corporate Governance Guidelines and Policies included in this Proxy Statement beginning on page 10 reflect our policy that all directors should attend the Annual Meeting. In accordance with this policy, all directors then serving attended last year s Annual Meeting, except for two directors who had previous commitments.

The Board currently maintains four standing committees the Audit Committee, Finance Committee, Compensation and Benefits Committee, and Corporate Governance and Nominating Committee. Each of the committees operates under a written charter adopted by the Board, copies of which are available on the Company s website at www.up.com/investors/governance, and shareholders may obtain copies by contacting the Secretary of the Company at the address set forth on the notice page of this Proxy Statement. Each committee has the ability to retain outside advisors to assist it in the performance of its duties and responsibilities. All Board Committees are composed entirely of independent directors, satisfying both the independence standards of the New York Stock Exchange (NYSE) and the Director Independence Standards set forth in the Company s Corporate Governance Guidelines and Policies. Audit Committee members and Compensation and Benefits Committee members also satisfy the additional independence criteria applicable to Audit Committee and Compensation and Benefits Committee members under the listing standards of the NYSE.

Audit Committee. The members of the Audit Committee are Mr. Card, Mr. Dillon, General Krulak, Mr. McConnell and Mr. Villarreal. Mr. McConnell serves as chairperson of the Committee. The Committee met nine times in 2015, including four meetings dedicated to the review of the Company s quarterly earnings and financial statements.

The Board has determined that all members of the Committee are independent directors and satisfy the additional independence criteria under NYSE listing standards applicable to audit committee members. The Board also reviewed the experience and training of the members of the Committee and determined that each member is financially literate and that at least one member has accounting or related financial management expertise. Additionally, the Board determined that Mr. McConnell and Mr. Dillon qualify as audit committee financial experts within the meaning of the rules and regulations of the Securities and Exchange Commission (SEC).

The Audit Committee meets regularly with the independent registered public accounting firm of the Company, financial management, the internal auditors, the chief compliance officer and the general counsel to provide oversight of the financial reporting process, internal control structure, and the Company s compliance requirements and activities. The independent registered public accounting firm, the internal auditors, the chief compliance officer and the general counsel have unrestricted access to the Committee and meet regularly with the Committee, without Company management representatives present, to discuss the results of their examinations, their opinions on the adequacy of internal controls and quality of financial reporting, and various legal matters. Furthermore, the Committee meets to review and discuss the Company s earnings releases, audited annual financial statements and unaudited quarterly financial statements with management and the independent registered public accounting firm, including reviewing the Company s specific disclosures under Management s Discussion and Analysis of Financial Condition and Results of Operations.

The Committee appoints the independent registered public accounting firm of the Company; reviews the scope of audits as well as the annual audit plan; evaluates the independent registered public accounting firm through assessments of quality control procedures; peer reviews, and results of inquiries or investigations; and establishes hiring policies with respect to employees and former employees of the independent registered public accounting firm. The Committee reviews the adequacy of disclosures to be included in the Annual Report on Form 10-K regarding the Company s contractual obligations and commercial commitments, including off-balance sheet financing arrangements. The Committee periodically receives from, and discusses with, management reports on the Company s programs for assessing and managing risk. As part of this process, the Committee reviews with management the status of pending environmental and litigation matters, as well as regulatory, tax and safety matters. In addition, the Committee reviews the Company s compliance program and risk assessments, including the annual enterprise risk management plan described in more detail below in the section titled Risk Oversight of the Company. The Committee also oversees the administration of the Company s Code of Ethics for the Chief Executive Officer and Senior Financial Officers and the Statement of Policy on Ethics and Business Conduct for employees, as well as policies concerning derivatives, environmental management, use of corporate aircraft, insider trading, related person and related party transactions, and officers travel and business expenses.

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The Audit Committee s charter requires the Committee to approve in advance all audit engagement fees and the terms of all audit services to be provided by the independent registered public accounting firm. By approving the engagement, which is performed in conjunction with the first Board meeting of each year, the audit services are deemed to be pre-approved. With respect to non-audit services provided by the independent registered public accounting firm, the Audit Committee adopted and observes procedures that require the independent registered public accounting firm to present a budget for the three categories of non-audit services: (i) audit-related services, (ii) tax services and (iii) other services. The budget is detailed as to the particular services to be provided so that the Committee knows what services it is being requested to pre-approve in order to facilitate a well-reasoned assessment of the impact of the services on the auditor s independence. After review and approval of the annual budget by the Committee, no further approval by the Committee is required to undertake the specific projects within the three categories of non-audit services. If the Company determines that it requires any other non-audit services after approval of the budget, either the Committee Chair or the full Committee must pre-approve the additional non-audit services, depending on the anticipated cost of the services. In addition, the Committee Chair must review and approve any projects involving non-audit services that exceed budget costs during the year. Any non-audit services pre-approved by the Committee Chair pursuant to delegated authority and any projects involving non-audit services that exceed budget costs will be reported to the full Committee at the next regularly scheduled Committee meeting.

Finance Committee. The members of the Finance Committee are Mrs. Hope, General Krulak, Mr. McCarthy, Mr. McConnell, and Mr. McLarty. Mr. McCarthy serves as chairperson of the Committee. The Committee met four times in 2015.

The Committee is responsible for assisting the Board with its review and oversight of the financial position of the Company. The Committee meets regularly with management and reviews the Company s capital structure, balance sheet, credit ratings, short- and long-term financing plans and programs, dividend policy and actions, investor relations activities, access to sources of liquidity, insurance programs, market conditions and other related matters. The Committee also reviews the performance of the Company s internal investment committee that oversees the investment management of assets held by the Company s pension, thrift and other funded employee benefit programs.

Compensation and Benefits Committee. The members of the Compensation and Benefits Committee are Mr. Card, Mr. Davis, Mr. Dillon, Mr. Rogel and Mr. Villarreal. Mr. Davis serves as chairperson of the Committee. The Committee met five times in 2015, including a special one-day meeting to review and assess the Company s overall compensation strategy and programs.

The Board has determined that all members of the Committee are independent directors and satisfy the additional independence criteria under NYSE listing standards applicable to compensation committee members.

The Committee is directly responsible for reviewing and approving corporate goals and objectives relevant to the compensation of the Company s CEO, evaluating the CEO s performance and, together with the other independent directors, determining and approving the CEO s compensation level based on such evaluation. The Committee reviews and refers to the Board for approval the compensation of the Company s other elected executives and certain other executives as determined by the Committee or the Board. The Committee oversees the Company s executive incentive plans and reviews the amounts of awards and the individuals who will receive awards. The Committee refers its determinations with respect to the annual incentive program to the Board for approval. The Committee is responsible for reviewing and recommending to the Board all material amendments to the Company s pension, thrift and employee stock plans. The Committee also oversees the administration of the Company s general compensation plans and employee benefit plans. In addition, the Committee periodically reviews the Company s benefit plans to assess whether these benefit plans remain competitive with comparably situated companies. The Committee reviews and discusses the Compensation Discussion and Analysis (CD&A) and recommends to the Board that the CD&A be included in the Company s Proxy Statement and Annual Report on Form 10-K.

In early 2016, the Committee, with the assistance of the Committee s outside compensation consultant, conducted its annual compensation risk assessment of our executive compensation programs and confirmed that there were no notable changes to these programs for 2015 and that they are designed and operate within a system of guidelines and controls to avoid creating any material adverse risks to the Company.

In accordance with its charter, the Committee may form subcommittees for any purpose that the Committee deems appropriate and may delegate to such subcommittees such power and authority as the Committee deems appropriate. A subcommittee may not have fewer than two members. The Committee cannot delegate to a subcommittee any power or authority required by law, regulation or listing standards to be exercised by the Committee as a whole and has not delegated any of its authority with respect to compensation of the Named Executive Officers.

Under its charter, the Committee has the authority to retain, terminate and approve fees for advisors and consultants as it deems necessary. The Committee, in its discretion, uses outside advisors and experts to assist it in performing its duties and fulfilling its responsibilities. Frederic W. Cook & Co., Inc. (FWC) is an independent compensation consulting firm that reports directly to the Committee. A representative of FWC regularly attends all Committee meetings. The Committee is solely responsible for the engagement and termination of this relationship. At its March 2016 meeting, the Committee reviewed and reaffirmed the engagement of FWC as the Committee s compensation consultant and determined that the retention of FWC did not raise any conflicts of interest.

FWC advises the Committee on compensation philosophy and matters related to CEO and other executive and director compensation. The Committee annually requests that FWC update compensation and performance data on the peer companies selected by the Committee, as described in the CD&A beginning on page 52 of this Proxy Statement, and provide an assessment of the Committee s performance. In addition, the Committee periodically requests that FWC make presentations on various topics, such as compensation trends and best practices, regulatory changes, long-term incentive components and award mix and stock plan utilization. The Committee Chair reviews and approves all charges for these consulting services.

Under the Committee s engagement, FWC also confers with management on a limited basis to promote consistency and efficiency. In such matters, FWC acts in its capacity as the Committee s advisor, and the Committee Chair reviews and approves any major projects for which management requests the assistance of FWC. Such projects involve only the amount and form of executive or director compensation and may include analysis of competitive director compensation data, design and development of new compensation and stock plans, calculation of compensation amounts reported in this Proxy Statement and review of materials prior to distribution to the Committee to confirm that the materials conform with the Committee s philosophy and policies. The Committee Chair reviews and approves all charges for any projects requested by management. During 2015, the Company paid fees to FWC only for advising on the amount or form of executive and director compensation. The Company did not pay any fees for additional projects or services.

The role of management in recommending the forms and amounts of executive compensation is described on page 42 in the CD&A section of this Proxy Statement.

Corporate Governance and Nominating Committee. The members of the Corporate Governance and Nominating Committee are Mr. Davis, Mrs. Hope, Mr. McCarthy, Mr. McLarty, and Mr. Rogel. Mr. Rogel serves as chairperson of the Committee. The Committee met five times in 2015.

The Committee oversees the Company s corporate governance, assists management with succession matters, and reviews and recommends changes to compensation of the Board. The

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Committee reviews the qualifications of candidates for director positions in accordance with the criteria approved by the Board and recommends candidates to the Board for election at Annual Meetings or to fill any Board vacancies that may occur during the year. The Committee also oversees the Corporate Governance Guidelines and Policies discussed below, which promote Board independence, integrity and ethics, diversity (inclusive of gender, race, ethnicity and natural origin), and excellence in governance. In addition, the Committee oversees the Company s Code of Business Conduct and Ethics for Members of the Board of Directors, reviews related party transactions, reviews current trends in corporate governance and recommends to the Board for adoption new (or modifications of existing) practices, policies or procedures. In connection with performing these duties, the Committee periodically reviews the composition and activities of the Board, including, but not limited to, committee memberships, Board self-evaluation, Board size, continuing education, retirement policy and stock ownership requirements. Additionally, the Committee oversees the election of a lead independent director, if necessary (as discussed below). Under its charter, the Committee has the authority to retain, terminate and approve fees for advisors and consultants as it deems necessary.

The Committee reviews director compensation periodically to assess whether the compensation paid to non-management directors is competitive and reflects their duties and responsibilities as Board members. The Committee considers competitive director compensation data of comparable companies provided by FWC in reviewing the appropriateness of annual retainers and Committee fees.

In accordance with its charter, the Committee may form subcommittees for any purpose that the Committee deems appropriate and may delegate to such subcommittees such power and authority as the Committee deems appropriate. No subcommittee can have fewer than two members. The Committee cannot delegate to a subcommittee any power or authority required by law, regulation or listing standards to be exercised by the Committee as a whole. The Committee has not delegated any of its authority with respect to director compensation.

Board Leadership Structure

The Board believes it is in the best interest of the Company for the Board to periodically evaluate the leadership structure of the Company and make a determination regarding whether to separate or combine the roles of Chairman and CEO based on circumstances at the time of its evaluation. By retaining flexibility to adjust the Company s leadership structure, the Board is best able to provide for appropriate management and leadership of the Company and address any circumstances the Company may face. Accordingly, pursuant to the Company s Corporate Governance Guidelines and Policies set forth on page 12 of this Proxy Statement, the Board annually will elect a Chairman of the Board, who may or may not be the CEO of the Company. Additionally, the Guidelines provide that if the individual elected as Chairman of the Board is not an independent director, the independent directors also will elect a lead independent director. On February 5, 2015, the Board appointed Mr. Lance M. Fritz to serve as President and CEO when Mr. Koraleski retired from his positions as President and CEO, which he held since March 2012. The Board requested that Mr. Koraleski remain executive Chairman of the Board until his retirement on September 30, 2015. During this time of leadership transition, the Board determined that having Mr. Koraleski serve as executive Chairman provided consistent development, oversight, and implementation of corporate strategy and succession planning by both the Board and management. On October 1, 2015, Mr. Fritz was appointed Chairman of the Board. The Board determined that having a combined Chairman and CEO at this time best allows the Board and management to focus on the oversight and implementation of the Company s strategic initiatives and business plan to efficiently and effectively protect and enhance the Company s long-term success and shareholder value.

In addition, the independent directors of the Board elected Mr. Rogel, the former Chairman and CEO of Weyerhaeuser Company, as the lead independent director with the following responsibilities:

(i) preside at meetings of the Board at which the Chairman and CEO are not present, including executive sessions of the independent directors; (ii) approve the flow of information sent to the Board, and approve the agenda, schedule and what materials are sent for the Board meetings; (iii) serve as the liaison between the independent directors and the Chairman and CEO; (iv) be available for consultation and communication with major shareholders as appropriate; (v) in conjunction with the Compensation and Benefits Committee, oversee the process of evaluating and compensating the Chairman and CEO; (vi) assure that a succession plan is in place for the Chairman and CEO, as well as the lead independent director; (vii) authorize or recommend the retention of consultants who report directly to the full Board; and (viii) assist the Board and Company officers in compliance with, and implementation of, the Company s governance guidelines and policies. Mr. Rogel also has the authority to call executive sessions of the independent directors. The independent directors conducted executive sessions at all Board meetings in 2015. The Board has adopted a number of strong corporate governance practices that provide effective, independent oversight of management, including (i) holding executive sessions of the non-management, independent directors after every Board meeting, (ii) providing that only independent directors serve on key Board committees, and (iii) conducting an annual performance evaluation of the Chairman and CEO by the independent directors. The Board believes that the current leadership structure and succession planning coupled with an active lead independent director provides effective oversight of management and responsiveness to shareholders, while also continuing the solid leadership of the Company and the Board necessary to effect execution of the Company s strategic plans.

Risk Oversight of the Company

The Board of Directors is responsible for overseeing the assessment and management of the critical enterprise risks affecting the Company. The Board delegates to the Audit Committee primary responsibility for oversight of managing risks related to financial reporting, environmental matters and compliance.

Management identifies and prioritizes enterprise risks (included in the risk factors disclosed in our Annual Report on Form 10-K) and regularly presents them to the Board for its review and consideration. The senior executives responsible for implementation of appropriate mitigation strategies for each of the Company s enterprise risks, along with the chief compliance officer, provide reports directly to the Board during the year. The Audit Committee also receives reports throughout the year from the chief compliance officer and the senior executives responsible for financial reporting and environmental matters.

In addition, the Audit Committee oversees the Company s internal audit of enterprise risks selected for review and evaluation based upon the Company s annual risk assessment model with the purpose of evaluating the effectiveness of mitigating controls and activities of Company personnel. The Company s internal auditors present to the Audit Committee findings regarding the mitigating controls and processes for the enterprise risks selected for review. The Audit Committee, in turn, reports those findings to the entire Board. The Company s enterprise risk management process is dynamic and continually monitored so that the Company can timely identify and address any potential risks that arise in the ever-changing economic, political and legal environment in which the Company operates.

Corporate Governance Guidelines and Policies

The Board has adopted the guidelines and policies set forth below, and, with ongoing input from the Corporate Governance and Nominating Committee, will continue to assess the appropriateness of these guidelines and policies and implement such changes and adopt such additions as may be necessary or desirable to promote the effective governance of the Company. We post these guidelines and policies on our website at www.up.com/investors/governance.

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Director Independence. A majority of the members of the Board are independent. All members of the Audit, Compensation and Benefits and Corporate Governance and Nominating Committees are independent. An independent director is a director who, as determined by the Board in its business judgment, meets the NYSE definition of independence as well as the Director Independence Standards adopted by the Board and set forth in the section titled Director Independence Standards. In addition, directors who serve on the Audit Committee and on the Compensation and Benefits Committee must meet additional independence criteria applicable to audit committee members and compensation committee members, respectively, under NYSE listing standards, as described in the section titled Audit Committee and Compensation and Benefits Committee Independence Criteria. Independence is determined annually by the Board based on the recommendation of the Corporate Governance and Nominating Committee.

Board Membership Criteria. The Corporate Governance and Nominating Committee is responsible for developing and periodically reviewing the appropriate skills and characteristics required of Board members in the context of the current make-up of the Board. The Corporate Governance and Nominating Committee develops and recommends membership criteria to the Board. Such criteria include: business and management experience; familiarity with the business, customers and suppliers of the Company; varying and complementary talents, backgrounds and perspectives; diversity (inclusive of gender, race, ethnicity and national origin); and relevant regulatory and stock exchange membership requirements for the Board and its committees. All potential new Board candidates should exhibit a high degree of integrity and ethics consistent with the values of the Company and the Board. When searching for new directors, the Committee should actively seek out highly qualified women and individuals from minority groups for consideration as nominees to the Board as part of the Committee s regular process.

Selection of Director Nominee Candidates. The Corporate Governance and Nominating Committee is responsible for recommending to the Board the selection of director nominee candidates.

Board Size. The Board s guideline is to maintain a Board size of 10 to 14 members with no more than two management directors.

Election of Directors-Majority Voting. In uncontested director elections, directors shall be elected by majority vote, pursuant to the Company s By-Laws, and under Utah corporate law, any director who is not re-elected ceases to serve on the Board no later than 90 days after the voting results are certified.

Retirement Age for Non-management Directors. Non-management directors who are 75 years of age will not be eligible to stand for election to the Board at the next Annual Meeting of Shareholders. Non-management directors who turn 75 during their term are eligible to finish out that term. The Corporate Governance and Nominating Committee may consider a director s nomination beyond the age of 75 if it believes that the nomination is in the best interest of the shareholders.

Director Orientation and Continuing Education. Upon election to the Board, new members are provided with a comprehensive set of materials on the operations, finances, governance and business plan of the Company, visit at least two major facilities during the first year of service and meet informally with as many members of senior management as practical. The Board encourages directors to periodically attend appropriate continuing education programs and sessions and obtain and review appropriate materials to assist them in performing their Board responsibilities. The Company recommends continuing education programs and sessions to directors and pays any fees and expenses associated with attendance at continuing education programs and sessions. Directors are expected to participate in continuing education at least once every other year.

Change in Principal Occupation. Upon a director s retirement, resignation or other significant change in professional duties and responsibilities, the director shall submit his or her resignation from

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the Board to the Corporate Governance and Nominating Committee for its consideration and recommendation as to acceptance.

Service on Outside Boards. When the CEO or another senior officer of the Company is invited to serve on outside boards of directors, the CEO will present the issue to the Corporate Governance and Nominating Committee for review and approval. Directors must notify the Board prior to accepting a position on the board of another company. No member of the Audit Committee may serve on the audit committees of more than three public companies.

Board Leadership. The Board annually elects a Chairman of the Board, who may or may not be the CEO of the Company. If the individual elected as Chairman of the Board is not an independent director, the independent directors also elect a lead independent director. The lead independent director serves for a period of at least one year. The lead independent director s responsibilities include: (1) presiding at meetings of the Board at which the Chairman and CEO is not present, including executive sessions of the independent directors; (2) approving the flow of information sent to the Board, and approving the agenda, schedule and what materials are sent for Board meetings; (3) serving as the liaison or facilitating working relationships between the independent directors and the Chairman and CEO; (4) being available for consultation and communication with major shareholders as appropriate; (5) in conjunction with the Compensation and Benefits Committee, overseeing the process of evaluating and compensating the Chairman and CEO; (6) assuring that a succession plan is in place for the Chairman and CEO, as well as the lead independent director; (7) authorizing or recommending the retention of consultants who report directly to the full Board; and (8) assisting the Board and Company officers in compliance with, and implementation of, the Company s governance guidelines and policies. The lead independent director also has the authority to call executive sessions of the independent directors. The lead independent director will often act as Chair of the Corporate Governance and Nominating Committee, fulfilling the designated duties and responsibilities set forth in the Committee s Charter.

Board Committees. The current standing committees are the Audit Committee, Finance Committee, Compensation and Benefits Committee and the Corporate Governance and Nominating Committee. The Board has the authority to create additional committees. The Board periodically reviews committee service and assignments, along with the respective committee chair positions, and recommends rotation of members.

Board Meeting Agendas. The directors and management of the Company may originate action items relating to the business and affairs of the Company for the Board agenda and the scheduling of reports on aspects of parent or subsidiary operations.

Board Committee Meeting Agendas. The departments of the Company that administer the area of responsibility charged to each committee may submit items for inclusion on committee agendas, and committee members may suggest topics for inclusion or request additional information with respect to any program previously reviewed by the committee.

Distribution of Board Materials. Information and materials for Board consideration are generally distributed to directors at least five days in advance of the meeting, with additional time provided when the complexity of an issue demands, unless an issue for Board consideration arises without sufficient time to complete distribution of materials within this time frame. Additionally in some cases, due to the timing or the sensitive nature of an issue, materials may be presented only at the Board meeting.

Board Presentations. The Board encourages broad management participation in Board presentations and the involvement of those managers who are directly responsible for the recommendations or other matters before the Board.

Strategic Planning Review. Management presents an annual strategic plan to the Board for its review and assessment, and the Board makes such recommendations to management regarding the strategic plan as it deems necessary.

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Reporting to the Board of Directors. The Board receives reporting on at least an annual basis by (1) the Chief Compliance Officer with respect to the Company s implementation of its compliance program; (2) the Chief Safety Officer with respect to the safety performance of the Company s railroad operations, including applicable safety metrics and Federal Railroad Administration (FRA) regulatory developments and compliance, including the outcome of claims conferences held with the FRA; and (3) the General Counsel with respect to pending litigation involving railroad operations.

Safety of Railroad Operations. Management presents an annual strategic safety plan to the Board for its review and assessment, and the Board makes such recommendations to management regarding the strategic plan as it deems necessary.

Director Access to Management and Outside Advisors. The Company provides each director with access to the management of the Company. The Board and committees, as set forth in the applicable committee charter, have the right to consult and retain outside counsel and other advisors at the expense of the Company.

Director Attendance at Board Meetings. Directors are expected to attend in person all regularly scheduled Board and committee meetings and to participate telephonically when they are unable to attend in person.

Executive Sessions of Independent Directors. Regularly scheduled sessions of independent directors are held at every meeting of the Board. The lead independent director presides at these sessions and has the authority to call additional executive sessions as appropriate.

Board Member Compensation. Non-management Board members generally are paid an annual retainer valued between the median and seventy-fifth percentile of compensation at comparable companies, and the retainer is reviewed periodically by the Corporate Governance and Nominating Committee. A substantial portion of the annual retainer is paid in Common Stock equivalents, which are not payable until after termination of service from the Board.

Board Member Equity Ownership. Board members must own equity in the Company equal to at least five times the cash portion of the annual retainer, with such ownership goal to be reached within five years of joining the Board, unless special circumstances of a member as determined by the Board delay the achievement of the ownership goal.

Evaluation of the Chairman and the CEO. The performance of the Chairman and the CEO is evaluated annually by the independent directors during an executive session led by the Chair of the Corporate Governance and Nominating Committee. The evaluation includes an assessment of individual elements of performance in major categories such as leadership, strategic planning, financial performance, operations, human resources, external relations and communications, and Board relations. The Compensation and Benefits Committee then meets following the executive session to determine the appropriate level of compensation to be awarded to the Chairman and the CEO and management of the Company. The lead independent director and the Chair of the Compensation and Benefits Committee then review with the Chairman and the CEO their respective performance and any recommended areas for improvement.

Succession Planning. The Board is responsible for overseeing the succession planning process for the CEO and other senior management positions. The CEO periodically reports to an executive session of the Board on succession planning, including an assessment of senior managers and their potential to succeed him or her. The CEO also makes available to the Board, on a continuing basis, the CEO s recommendation concerning who should assume the CEO s role in the event the CEO becomes unable or unwilling to perform his or her duties.

This process enables the Board to maintain its oversight of the program for effective senior management development and succession as well as emergency succession plans.

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Evaluation of Board and Committee Performance. The Board and its committees, to the extent required by their respective charters, conduct self-evaluations annually to assess their performance. The Board and committee evaluation process involves the distribution of a self-assessment questionnaire to all Board and committee members that invites written comments on all aspects of the Board and each committee s process. The evaluations are then summarized and serve as the basis for a discussion of Board and committee performance and any recommended improvements.

Evaluation of Director Performance. The Corporate Governance and Nominating Committee assesses the contributions and independence of current directors in connection with considering their renomination to stand for election to the Board.

Director Attendance at Annual Shareholder Meetings. It is the policy of this Company that all directors shall attend the Annual Meeting of Shareholders.

Future Severance Agreements. The Company shall not enter into a future severance agreement with a senior executive that provides for benefits in an amount generally exceeding 2.99 times salary plus bonus unless such agreement is approved by a vote of the Company s shareholders. The full text of the policy may be found on the Company s website at www.up.com/investors/governance/severance.pdf.

Confidential Voting. It is the Board s policy that all shareholder proxies, consents, ballots and voting materials that identify the votes of specific shareholders be kept confidential from the Company with access to proxies, consents, ballots and other shareholder voting records to be limited to inspectors of election who are not employees of the Company, except as may be required by law or to assist in the pursuit or defense of claims or judicial actions or in the event of a contested proxy solicitation.

Amendments. The Board may amend, waive, suspend or repeal any of these guidelines and policies at any time, with or without public notice, as it determines necessary or appropriate, in the exercise of the Board s judgment or fiduciary duties.

Codes of Conduct and Ethics

The Board has adopted the Union Pacific Corporation Code of Ethics for the Chief Executive Officer and Senior Financial Officers, the Statement of Policy on Ethics and Business Conduct for employees (the Business Conduct Policy) and the Union Pacific Corporation Code of Business Conduct and Ethics for Members of the Board of Directors. We post these codes of conduct on our website at www.up.com/investors/governance, and printed copies are available to any shareholder upon request to the Secretary of the Company at the address set forth on the notice page of this Proxy Statement. To the extent permitted by SEC rules and the NYSE listing standards, we intend to disclose any future amendments to, or waivers from, certain provisions of these codes of conduct on our website.

Communications with the Board

Interested parties wishing to communicate with the Board may do so by U.S. mail c/o the Secretary, Union Pacific Corporation, 1400 Douglas Street, 19th Floor, Omaha, NE 68179. Communications intended for a specific director or directors (e.g., the lead independent director, a committee chairperson or all of the non-management directors) should be addressed to their attention and sent, by U.S. mail, to the address above. The Board has appointed and authorized the Secretary of the Company to process these communications and forward them to the appropriate directors. We forward communications from shareholders directly to the appropriate Board member(s). If a communication is illegal, unduly hostile or threatening, or similarly inappropriate, the Secretary of the Company has the authority to disregard or take appropriate action regarding any such communication.

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Director Independence

To assist it in making determinations of a director s independence, the Board has adopted the independence standards set forth below. The Board affirmatively determined that each of Mrs. Hope, Messrs. Card, Davis, Dillon, McCarthy, McConnell, McLarty, Rogel and Villarreal, and General Krulak has no material relationship with the Company or any of its consolidated subsidiaries, including Union Pacific Railroad Company (the Railroad), (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company) and is independent within the meaning of the applicable listing standards of the NYSE and the Director Independence Standards adopted by the Board. Additionally, the Board determined that all Board Committees are comprised entirely of independent directors and that all members of the Audit Committee and Compensation and Benefits Committee meet the additional independence standards applicable to such committee members as set forth below.

Director Independence Standards

An independent director is a director whom the Board has affirmatively determined has no material relationship with the Company or any of its consolidated subsidiaries either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company. Accordingly, a director is also not independent if:

(1) the director is, or within the last three years has been, an employee of the Company or an immediate family member of the director is, or within the last three years has been, an executive officer of the Company;

(2) the director (a) or an immediate family member is a current partner of a firm that is the Company s internal or external auditor; (b) is a current employee of such a firm; (c) has an immediate family member who is a current employee of such firm and personally works on the Company s audit; or (d) or an immediate family member was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on the Company s audit within that time;

(3) the director, or a member of the director s immediate family, is, or within the last three years has been, an executive officer of another company where any of the Company s present executives at the same time serves or served on that company s compensation committee;

(4) the director, or a member of the director s immediate family, received or has received during any 12-month period within the last three years any direct compensation from the Company in excess of $120,000, other than compensation for Board service and pension or other forms of deferred compensation for prior service with the Company, and compensation received by the director s immediate family member for service as a non-executive employee of the Company;

(5) the director is a current employee of a company, including a professional services firm, that has made payments to or received payments from the Company, or during any of the last three years has made payments to or received payments from the Company, for property or services in an amount that, in any of the last three fiscal years, exceeded the greater of $1 million or 2% of the other company s or firm s consolidated gross revenues;

(6) a member of the director s immediate family is a current executive officer of another company, or a partner, principal or member of a professional services firm, that has made payments to or received payments from the Company, or during any of the last three fiscal years has made payments to or received payments from the Company, for property or services in an amount that, in any of the last three fiscal years, exceeded the greater of $1 million or 2% of the other company s or firm s consolidated gross revenues; and

(7) the director is an executive officer, director or trustee of a non-profit organization to which the Company or Union Pacific Foundation makes, or within the last three years has made, payments

that, in any single fiscal year, exceeded the greater of $1 million or 2% of the non-profit organization s consolidated gross revenues (amounts that the Company or Union Pacific Foundation contribute under matching gifts programs are not included in the payments calculated for purposes of this standard).

For purposes of these standards, an immediate family member includes a director s spouse, parents, children, siblings, mother and father-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than a domestic employee) who shares the director s home.

Audit Committee and Compensation and Benefits Committee Independence Criteria

In addition to the Board s Director Independence Standards above, a director is not considered independent for purposes of serving on the Audit Committee or the Compensation and Benefits Committee, and may not serve on such committees, if the director: (a) accepts, directly or indirectly, from the Company or any of its subsidiaries, any consulting, advisory, or other compensatory fee, other than Board and committee fees and fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Company; or (b) is an affiliated person of the Company or any of its subsidiaries; each as determined in accordance with NYSE and SEC rules and regulations.

Related Party Matters

Policy and Procedures with Respect to Related Party Transactions

The Board annually reviews related party transactions involving directors and director nominees in conjunction with making director independence determinations and preparing the annual Proxy Statement. We require that executive officers report any transactions with the Company under the written Business Conduct Policy that covers all Company employees. Under the Business Conduct Policy, the Audit Committee reviews any transaction reported by executive officers and refers any reported transactions to the Corporate Governance and Nominating Committee for evaluation pursuant to the Company s Related Party Transaction Policies and Procedures (the Related Party Policy) described below.

Under the Company s Related Party Policy, transactions with related parties are subject to approval or ratification by the Corporate Governance and Nominating Committee. Transactions subject to Committee review and approval include any transaction in which (i) the aggregate amount involved will or may be expected to exceed $120,000 in any calendar year, (ii) the Company is a participant, and (iii) any related party will have a direct or indirect interest (other than solely as a result of being a director or a less than 10% beneficial owner of another entity). There were no such transactions since the beginning of the 2015 fiscal year.

Related party is defined under the policy as any (i) person who is or was during the last fiscal year an executive officer or director of the Company or nominee for election as a director, (ii) greater than 5% beneficial owner of the Company s common stock, or (iii) immediate family member of any of the foregoing. Immediate family member includes a person s spouse, parents, stepparents, children, stepchildren, siblings, mothers and fathers-in-law, sons and daughters-in-law, and brothers and sisters-in-law and anyone residing in such person s home (other than a tenant or employee).

If advance Corporate Governance and Nominating Committee approval of a transaction is not feasible, then the transaction will be considered and, if the Committee determines it to be appropriate, ratified at the Committee s next regularly scheduled meeting. In determining whether to approve or ratify a transaction, the Committee will consider, among other factors it deems appropriate, whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the related party s interest in the transaction.

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Under the Related Party Policy, the Committee may pre-approve certain transactions, even if the aggregate amount involved exceeds $120,000. Such transactions include (i) any transaction with another company at which a related party s only relationship is as an employee (other than an executive officer), direct or beneficial owner of less than 10% of that company s shares, if the aggregate amount involved does not exceed the greater of $1 million or 2% of that company s total annual revenues; and (ii) any charitable contribution, grant or endowment by the Company to a charitable organization, foundation, or university at which a related party s only relationship is as an employee (other than an executive officer) or a director, if the aggregate amount involved does not exceed the lesser of $1 million or 2% of the charitable organization s total annual receipts. Additionally, the Board has delegated to the Chair of the Committee the authority to pre-approve or ratify, as applicable, any transaction with any related party in which the aggregate amount involved is expected to be less than $1 million. At each regularly scheduled meeting of the Committee, a summary of each new transaction deemed pre-approved will be provided to the Committee for its review.

Compensation Committee Interlocks and Insider Participation

During 2015, the following independent directors served on the Compensation and Benefits Committee: Andrew H. Card, Jr., Erroll B. Davis, Jr., David B. Dillon, Steven R. Rogel and Jose H. Villarreal.

The Compensation and Benefits Committee has no interlocks or insider participation.

Consideration of Director Nominees and Proxy Access

In November 2015, the Company amended its By-Laws to provide for proxy access for certain director candidates nominated by shareholders. Under the amended By-Laws, a shareholder or group of shareholders who have continuously held for three years a number of shares of Company common stock equal to three percent of the outstanding shares of Company common stock may request that the Company include in the Company s proxy materials director nominees representing up to the greater of two directors or 20% of the current number of directors. Eligible shareholders wishing to have such candidates included in the Company s Proxy Statement for the 2017 Annual Meeting of Shareholders should provide the information specified in the By-Laws to the Secretary of the Company in writing during the period beginning on November 7, 2016 and ending on December 7, 2016, and should include the information and representations required by the proxy access provisions set forth in the Company s By-Laws.

The Corporate Governance and Nominating Committee will consider and evaluate individuals for service on the Board suggested by directors and other interested parties. Shareholders desiring to recommend candidates for consideration at the 2017 Annual Meeting should advise the Secretary of the Company in writing during the period beginning on January 12, 2017 and ending on February 11, 2017, and should include the following information required by the nomination procedures set forth in the Company s By-Laws, as well as any other information that would assist the Committee in evaluating the recommended candidates: (i) the name, age, and business and residence addresses of the candidate, (ii) the principal occupation of the candidate, and (iii) the number of shares of Company common stock beneficially owned by the candidate. A shareholder should also provide (i) his or her name and address, (ii) the number of shares of Company common stock beneficially owned by such shareholder, (iii) a description of all arrangements between himself or herself and the candidate and any other person pursuant to which the recommendation for nomination is being made, and (iv) the candidate s written consent agreeing to any resulting nomination and to serve as a director if elected. The By-Laws are available on the Company s website at www.up.com/investors/governance, and shareholders may obtain a printed copy by contacting the Secretary of the Company at the address set forth on the notice page of this Proxy Statement.

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The Corporate Governance and Nominating Committee is responsible for developing and periodically reviewing and recommending to the Board the appropriate skills and characteristics required of Board members in the context of the current composition of the Board. Such criteria, as described in the Company s Corporate Governance Guidelines and Policies, include: business and management experience; familiarity with the business, customers and suppliers of the Company; varying and complementary talents, backgrounds and perspectives; diversity (inclusive of gender, race, ethnicity and national origin); and relevant legal, regulatory and stock exchange requirements applicable to the Board and certain of its Committees. All potential new Board candidates should exhibit a high degree of integrity and ethics consistent with the values of the Company and the Board. The Committee is committed to actively seeking out highly qualified women (Ms. Lute) and minorities (Mr. Davis and Mr. Villarreal), for consideration as nominees to the Board. The Committee ultimately seeks to identify and nominate candidates with diverse talents, backgrounds and perspectives who will enhance and complement the skills and expertise of the Board and satisfy the Board membership criteria included in the Company s Corporate Governance Guidelines and Policies. In determining the independence of a candidate, the Committee relies upon the then effective independence standards adopted by the Board. In addition, the Committee requires that all candidates:

- exhibit a high degree of integrity and ethics consistent with the values of the Company and the Board;
- have demonstrable and significant professional accomplishments; and
- have effective management and leadership capabilities.

The Committee also values familiarity with the rail transportation industry and considers the number of other public boards on which candidates serve when determining whether the individual circumstances of each candidate will allow the candidate sufficient time to effectively serve on the Board and contribute to its function and activities.

The Committee meets at the first Board meeting of each year to consider the inclusion of nominees in the Company s proxy statement. During this meeting, the Committee considers each nominee by:

- reviewing relevant information provided by the nominee in his or her mandatory Company questionnaire;
- applying the criteria listed above; and
- assessing the performance of the Board and each nominee during the previous year with respect to current members of the Board.

The Committee assesses the effectiveness of the criteria listed above when evaluating new director candidates and when assessing the composition of the Board. The Committee will consider candidates recommended by shareholders under the same standards after concluding that any such recommendations comply with the requirements outlined above. During 2015, the Company retained the services of Russell Reynolds Associates to help identify and evaluate suitable candidates for consideration to replace retiring directors.

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PROPOSAL NUMBER 1

Election of Directors

The Board currently consists of twelve members. The Corporate Governance and Nominating Committee of the Board proposed, and the Board recommended, that eleven of the twelve individuals currently serving as directors each be nominated for re-election to the Board at the Annual Meeting. Each of the nominees has consented to being named as a nominee and to serve if elected. If any nominee(s) for director for any reason should become unavailable for election, it is intended that discretionary authority will be exercised by the persons named in the enclosed proxy in respect of the election of such other person(s) as the Board shall nominate.

Judith Richards Hope, who has served as a productive and valued member of our Board for many years, will be retiring as a director at the Annual Meeting and will not stand for re-election. The Board wishes to thank Ms. Hope for her years of dedication and hard work on behalf of the Company and its shareholders.

Vote Required for Approval

Directors will be elected by a majority of the votes cast by the shares present at the Annual Meeting and entitled to vote on the election of directors, which means that a nominee will be elected if he or she receives more for votes than against votes. Pursuant to Section 9 of Article I of the Company s By-Laws and applicable laws of the State of Utah, if a nominee does not receive more for votes than against votes, he or she will be elected to a shortened term that terminates on the earlier of: (i) 90 days after the day on which the Company certifies the voting results; or (ii) the day on which a person is selected by the Board to fill the office held by the director.

Directors/Nominees

The following table identifies the Company s nominees for election to the Board. Each of the nominees currently serves as a director. Each nominee, if elected, will serve for a term of one year or until his or her successor is elected and qualified.

Name of Director Nominee	Age	Principal Occupation	Director Since
Andrew H. Card, Jr.	68	President, Franklin Pierce University	2006
Erroll B. Davis, Jr.	71	Former Chairman, President and CEO, Alliant Energy Corporation	2004
David B. Dillon	65	Former Chairman, The Kroger Company	2014
Lance M. Fritz	53	Chairman, President and Chief Executive Officer, Union Pacific Corporation and Union Pacific Railroad Company	2015
Charles C. Krulak	74	Retired General, United States Marine Corps	2006
Jane H. Lute	59	Former Chief Executive Officer, Center for Internet Security	2016
Michael R. McCarthy	64	Chairman, McCarthy Group, LLC	2008
Michael W. McConnell	73	General Partner and Former Managing Partner, Brown Brothers Harriman & Co.	2004
Thomas F. McLarty III	69	President, McLarty Associates	2006
Steven R. Rogel	73	Former Chairman, Weyerhaeuser Company	2000
Jose H. Villarreal	62	Advisor, Akin, Gump, Strauss, Hauer & Feld LLP	2009

The Board recommends a vote FOR the election of each of the nominated directors.

Director Qualifications and Biographical Information

The Corporate Governance and Nominating Committee considered the character, experience, qualifications and skills of each director nominee when determining whether he or she should serve as a director of the Company. Consistent with the stated criteria for director nominees described on pages 17 and 18 above and included in the Company s Corporate Governance Guidelines and

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Policies, the Committee determined that each director nominee exhibits a high degree of integrity, has significant professional accomplishments, and has proven leadership experience. Each director nominee is or has been a leader in their respective field and brings diverse talents and perspectives to the Board. The Committee also considered the experience and qualifications that each director nominee brings to the Board outlined below in the biographical information, as well as service on boards of other public companies.

The Committee utilizes the following list of skills, attributes and qualities that are particularly relevant to the Company when evaluating director nominees.

Economics/Finance Background in finance, banking, economics, and the securities and financial markets, both domestic and international;

Operations Knowledge or experience in the transportation industry, particularly the rail industry and rail operations;

Risk Management Experience Senior executive level experience in risk management, strategic planning or compliance activities;

Customer Perspective A strong understanding of rail customer perspectives;

Washington Expertise Legislative or executive service in Washington D.C. or related activities is highly desirable due to the heavily regulated nature of the rail industry;

Legal/Regulatory/Government Affairs Experience in the legal profession or regulatory, political and governmental affairs or public service in state government, especially in states where the Company has a significant operating presence;

International/Global Expertise An international background or global expertise given the significant rail interchange operations with Canadian and Mexican rail systems;

Wall Street Experience Background or experience with an investment or brokerage firm, investment banking or similar Wall Street financial expertise;

Information Technology Senior executive level or board experience in information technology, cybersecurity, information systems or information technology issues for a public or private entity;

Diversity Diverse talents, backgrounds and perspectives, inclusive of gender, race, ethnicity and national origin;

Investor Perspective A strong understanding of institutional investors;

CEO Experience Business and strategic management experience gained from prior or current service as a chief executive officer; and

Publicly Traded Company Experience Prior or current service as a CEO or director at other publicly traded companies.

Although the director nominees each possess a number of these skills, attributes and qualities, the Committee considered the specific areas noted below for each director nominee when determining the qualifications of each nominee that best suited the needs of the Company and the overall composition and function of the Board.

Andrew H. Card, Jr. has been a director since July 2006. Mr. Card was named the President of Franklin Pierce University on November 25, 2014, and began his tenure on January 12, 2015. Mr. Card previously served as the Executive Director of the Office of the Provost and Vice President for Academic Affairs at Texas A&M University since September 2013. From July 2011 to August 2013, Mr. Card served as acting dean of The Bush School of Government and Public Service at Texas A&M University. Mr. Card served as Chief of Staff to President George W. Bush from November 2000 to

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April 2006. Prior to joining the White House, Mr. Card served as Vice President-Government Relations for General Motors Corporation, one of the world s largest auto makers. From 1993 to 1998, Mr. Card was President and Chief Executive Officer of the American Automobile Manufacturers Association. Mr. Card served as the 11th Secretary of Transportation under President George H.W. Bush from 1992 to 1993. He also served as a Deputy Assistant to the President and Director of Intergovernmental Affairs for President Ronald Reagan. Mr. Card served on the board of Lorillard, Inc. from August 2011 to 2015. Mr. Card brings to the Board senior-level experience in the federal government and the transportation industry, a record of business leadership and experience in economic and international affairs.

Erroll B. Davis, Jr. has been a director since June 2004. Mr. Davis retired as the superintendent of the Atlanta Public Schools on July 7, 2014. Mr. Davis was appointed the interim superintendent of the Atlanta Public Schools on July 1, 2011, and served as the superintendent since August 15, 2011. Mr. Davis was the Chancellor of the University System of Georgia from February 2006 to June 2011. From 1998 until July 2005, Mr. Davis was President and Chief Executive Officer of Alliant Energy Corporation, an energy holding company. He also served as Chairman of Alliant from April 2000 until January 31, 2006. Mr. Davis was a director of PPG Industries, Inc. from 1994 to 2007, a director of BP plc from 1998 to 2010, and served as a director of General Motors Corporation from 2009 to 2015. Mr. Davis brings to the Board business experience and strategic leadership as a CEO, international business experience, familiarity with rail operations from a customer perspective and diversity.

David B. Dillon has been a director since March 2014. Mr. Dillon retired as the Chairman of the Board of The Kroger Company and from The Kroger Company Board of Directors on December 31, 2014, where he was Chairman since 2004 and was the Chief Executive Officer of The Kroger Company from 2003 through 2013. Mr. Dillon served as the President of The Kroger Company from 1995 to 2003. Mr. Dillon was elected Executive Vice President of The Kroger Company in 1990 and was President of Dillon Companies, Inc. from 1986 to 1995. Mr. Dillon was a director of Convergys Corporation from 2000 to 2011 and served as a director of The Kroger Company from 1995 to 2014 and DIRECTV from 2011 to 2015. In August 2015, Mr. Dillon became a director of the 3M Company. Mr. Dillon brings to the Board retail business experience and strategic leadership as a result of his years of service as a CEO, ability to understand complex logistic operations and familiarity with rail operations from a customer perspective.

Lance M. Fritz has been a director since February 2015. Mr. Fritz was elected President and Chief Executive Officer of the Company on February 5, 2015, and elected Chairman of the Board effective October 1, 2015. Prior to being named President and Chief Executive Officer, Mr. Fritz served as President and Chief Operating Officer of the Railroad since February 2014 and was Executive Vice President-Operations from September 2010 until February 2014. Mr. Fritz was the Vice-President-Labor Relations of the Railroad from 2008 until his election as Vice President-Operations in January 2010. Mr. Fritz held several executive positions in the Railroad s Operating Department from 2005 through 2008, including Regional Vice President-Southern Region and Regional Vice President-Northern Region. Prior to joining the Railroad, Mr. Fritz served in various executive positions with Fiskars, Inc., Cooper Industries and General Electric. Mr. Fritz brings to the Board his extensive operating and leadership experience with the Company.

Charles C. Krulak has been a director since January 2006. General Krulak served as president of Birmingham-Southern College from March 2011 to 2015. General Krulak was Vice Chairman and Head of Mergers and Acquisitions for MBNA, a bank holding company, from April 2004 until his retirement from MBNA on June 1, 2005. From 1999 until March 2004, General Krulak was Chairman and Chief Executive Officer of MBNA Europe Bank Limited, international banking. General Krulak retired as Commandant of the United States Marine Corps in 1999 after 35 years of distinguished service. General Krulak served as a director of Conoco from 2000 to 2002 and continued to serve as a director of the merged ConocoPhillips until 2008. General Krulak served as a director of Phelps Dodge Corporation from 2005 to 2007 when it was acquired by Freeport-McMoRan, Inc. (FCX), and

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has served as a director of FCX from 2007 until October 2015. In October 2015, the board of FCX was reconstituted and General Krulak was appointed to the board of Freeport-McMoRan Oil & Gas. General Krulak s proven leadership experience in the military, together with executive experience in the domestic and international banking industry, brings to the Board his ability to understand and analyze complex operational, logistic, and strategic matters considered by the Board.

Jane H. Lute has been a director since April 2016. Ms. Lute most recently served as the Chief Executive Officer of the Center for Internet Security, an international non-profit organization focused on enhancing cybersecurity readiness and response for the public and private sectors. Ms. Lute served as the President and Chief Executive Officer of the Council on Cybersecurity from 2013 to 2015. Prior to this position, Ms. Lute served as the Deputy Secretary for the U.S. Department of Homeland Security from 2009 until 2013. From 2003 through 2009, Ms. Lute served as acting Under Secretary-General and Assistant Secretary-General of the United Nations (UN) and established the Department of Field Support, responsible for comprehensive on-the-ground support to UN peace operations worldwide. In addition to Ms. Lute s extensive leadership, strategic and international experience as the Deputy for Homeland Security and in senior positions with the UN, she brings to the Board her deep expertise in cybersecurity and matters of public policy and diversity.

Michael R. McCarthy has been a director since October 2008. Mr. McCarthy serves as chairman of McCarthy Group, LLC, a private investment group, which he co-founded in 1986. Mr. McCarthy has served as a director of Peter Kiewit Sons , Inc. since 2001, and Cabela s Incorporated since 1996. Mr. McCarthy currently serves as the lead independent director for Cabela s. Mr. McCarthy brings to the Board his background in providing strategic and operational advice to businesses in various sectors of the economy, forming and leading successful investment companies, and significant financial expertise.

Michael W. McConnell has been a director since January 2004. Mr. McConnell has been a Partner of Brown Brothers Harriman & Co., a private banking firm, since January 1984, Chief Financial Partner from January 1995 to January 2002, Managing Partner from February 2002 to December 31, 2007 and a General Partner since January 1, 2008. Mr. McConnell s extensive experience in banking and financial markets provides the Board with important financial expertise.

Thomas F. McLarty III has been a director since November 2006. Mr. McLarty has been President of McLarty Associates (formerly Kissinger McLarty Associates), an international strategic advisory and advocacy firm, since 1999. From 1992 to 1997, Mr. McLarty served in several positions in the Clinton White House, including Chief of Staff to the President, Counselor to the President and Special Envoy for the Americas. In 1998, Mr. McLarty returned to be Chairman and President of the McLarty Companies, a fourth generation family-owned transportation business. From 1983 to 1992, Mr. McLarty served as Chairman and Chief Executive Officer of Arkla, Inc., a Fortune 500 natural gas company. Mr. McLarty was a director of Acxiom Corporation from 1999 until 2010. Mr. McLarty brings to the Board business leadership experience, extensive exposure to international business and regulatory matters, and significant expertise from government service at the highest levels.

Steven R. Rogel has been a director since November 2000, and is our lead independent director. Mr. Rogel was Chairman, President and Chief Executive Officer of Weyerhaeuser Company, an integrated forest products company, from December 1997 through December 31, 2007, Chairman and Chief Executive Officer of Weyerhaeuser Company from January 1 through April 2008 and Chairman until his retirement on April 15, 2009. Mr. Rogel was a director of EnergySolutions, Inc. from 2009 to 2013 and served as non-executive Chairman of the Board of EnergySolutions, Inc. from 2010 to 2013. Mr. Rogel was a director of The Kroger Company from 2000 to 2014. Mr. Rogel brings to the Board domestic and international business and strategic leadership experience as a result of his years of service in senior executive positions, as well as his familiarity with rail operations from a customer perspective.

Jose H. Villarreal has been a director since January 2009. Mr. Villarreal was a partner with Akin, Gump, Strauss Hauer & Feld, LLP, a law firm, from 1994 through 2008 and has served as a non-

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employee advisor to the firm since 2008. Prior thereto, Mr. Villarreal served as assistant attorney general in the Public Finance Division of the Texas attorney general s office. Mr. Villarreal also served in senior roles in numerous presidential campaigns. Mr. Villarreal was a director of Wal-Mart Stores, Inc. from 1998 to 2006, First Solar, Inc. from 2007 to 2012, and PMI Group, Inc. from 2005 to 2013. Mr. Villarreal served as United States Commissioner General to the Shanghai 2010 World Expo. Mr. Villarreal brings to the Board legal, regulatory and compliance expertise, in addition to government affairs experience from significant service in state and federal public offices and positions and involvement in presidential campaigns, and diversity.

Director Compensation in Fiscal Year 2015

Non-Management Directors Fees

For 2015, directors who were not employees received an annual retainer of $250,000, plus expenses. Directors are required to invest $130,000 of the retainer in the Stock Unit Account described below. Chairs of Board Committees receive additional annual retainers of $15,000 each, and members of the Audit Committee receive additional annual retainers of $10,000 each. The lead independent director receives an additional annual retainer of $25,000. Directors who are employees do not receive retainers or any other Board-related compensation.

Stock Unit Grant and Deferred Compensation Plan for the Board of Directors

Under our Stock Unit Grant and Deferred Compensation Plan for non-management directors, a director may, by December 31 of any year, elect to defer all or a portion of any compensation (in addition to the amount mentioned above that is required to be invested in their Stock Unit Account) for service as a director in the ensuing year or years, excluding reimbursements for expenses. Such deferred amounts may be invested, at the option of the director, in (i) a Fixed Rate Fund administered by the Company, (ii) a Stock Unit Account administered by the Company, or (iii) various notional accounts administered by The Vanguard Group. These accounts are unfunded, unsecured obligations of the Company. The Company Fixed Rate Fund bears interest equal to 120% of the applicable federal long-term rate compounded annually. The Stock Unit Account fluctuates in value based on changes in the price of our common stock, and equivalents to cash dividends paid on the common stock are deemed to be reinvested in the Stock Unit Account. The Vanguard Accounts are subject to earnings and value fluctuations from the investment performance of the notional accounts at Vanguard. Payment of all deferred amounts begins in January of the year following separation from service as a director. Deferred amounts may be paid, at the election of the director, in either a lump-sum or in up to 15 equal, annual installments.

2000 Directors Stock Plan

Under the 2000 Directors Stock Plan (the 2000 Plan) adopted by the shareholders on April 21, 2000, the Company may grant options to purchase shares of our common stock to non-management directors. Upon recommendation of the Corporate Governance and Nominating Committee in September 2007, the Board eliminated the annual grant of options for 2008 and future years. The Company did not award any options to non-management directors in 2015.

The 2000 Plan also provides that each non-management director, upon election to the Board of Directors, will receive a grant of 4,000 restricted shares of our common stock or restricted share units that represent the right to receive our common stock in the future (which number has been adjusted to reflect the Company s two-for-one stock split on June 6, 2014). The restricted shares or share units vest on the date a director ceases to be a director by reason of death, disability or retirement, as defined in the 2000 Plan. During the restricted period, the director has the right to vote such restricted shares and receive dividends or dividend equivalents, but may not transfer or encumber such shares or units. The director will forfeit such shares or units upon ceasing to be a director for any reason other than death, disability or retirement.

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Non-Management Director Compensation in Fiscal Year 2015

The following table provides a summary of the compensation of our non-management directors for 2015.

Name	Fees Earned or Paid in Cash	Stock Awards (a)	Option Awards (a)	All Other Compensation (b)	Total Compensation
Andrew H. Card, Jr.	$ 260,000	$ 0	$ 0	$ 8,383	$ 268,383
Erroll B. Davis, Jr.	265,000	0	0	1,107	266,107
David B. Dillon	260,000	0	0	8,145	268,145
Judith Richards Hope (d)	250,000	0	0	67,327(c)	317,327
Charles C. Krulak	260,000	0	0	8,525	268,525
Michael R. McCarthy	265,000	0	0	925	265,925
Michael W. McConnell	275,000	0	0	28,429	303,429
Thomas F. McLarty III	250,000	0	0	50,012	300,012
Steven R. Rogel	290,000	0	0	13,281	303,281
Jose Villareal	260,000	0	0	8,160	268,160

(a) The following table provides the outstanding equity awards at fiscal year-end held by all individuals who served as non-management directors in 2015. The Number of Shares in the Vesting Upon Termination column represents the shares granted to each director upon initial election to the Board and required to be held until his or her service as a member of the Board ends.

Name	Number of Securities Underlying Unexercised Options	Number of Shares Vesting Upon Termination	Number of Units in Deferred Stock Unit Account
Andrew H. Card Jr.	7,400	4,000	24,218
Erroll B. Davis Jr.	0	4,000	30,683
David B. Dillon			