

Risk Factors Comparison 2025-02-10 to 2024-02-05 Form: 10-K

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The risks set forth in the following risk factors could have a material adverse effect on our financial position, results of operations, or liquidity in a particular year or quarter, and could cause those results to differ materially from those expressed or implied in our forward- looking statements. The information set forth in this Item 1A “ Risk Factors ” should be read in conjunction with the rest of the information included in this annual report, including Item 7 “ Management ’ s Discussion and Analysis of Financial Condition and Results of Operations ” and Item 8 “ Financial Statements and Supplementary Data. ” We have experienced a number of the risks described below ~~over the past year~~ in connection with the Incident and the Incident Proceedings (defined below). The risks described below should be read in conjunction with the information regarding the Incident and Incident Proceedings provided in Note ~~17-18~~ in Item 8 “ Notes to Consolidated Financial Statements. ” INCIDENT RISKS As defined and as further described in Note ~~17-18~~ in Item 8 “ Notes to Consolidated Financial Statements. ” ~~;~~ there was an Incident that occurred in the first quarter **of 2023** that consisted of a February 3, 2023 train derailment in East Palestine, Ohio that included 11 non- Company- owned tank cars containing hazardous materials, fires associated with the derailment that threatened certain of the tank cars, and a controlled vent and burn procedure conducted on February 6, 2023 on five of the derailed tank cars, all of which contained vinyl chloride. As a result of the Incident, we ~~have become~~ **became** subject to numerous legal, regulatory, legislative, ~~;~~ and other proceedings related thereto, including but not limited to, the National Transportation Safety Board (NTSB) Investigation, the FRA Incident Investigation, the FRA Safety Assessment, the U. S. Department of Justice (DOJ) Complaint, the Ohio Complaint, the Incident Lawsuits, the Shareholder Matters, and the Incident Inquiries and Investigations ~~;~~ (each as defined in Note ~~17-18~~ in Item 8 “ Notes to Consolidated Financial Statements ”) ~~;~~ in addition to other proceedings, actions, or potential changes in response to the Incident, including but not limited to those related to, among other items, train size, train length, train composition, ~~or~~ crew size, **or detection systems** (collectively, the “ Incident Proceedings ”). Set forth below are additional risks pertaining to an investment in the Company that are related to the Incident and the Incident Proceedings. The costs, liabilities, fines, penalties, and / or financial impact resulting from or related to the Incident or the Incident Proceedings have been significant to date, may exceed expected or accrued amounts, and have and can be expected to continue to negatively affect our financial results. We have incurred and will continue to remain subject to incurring significant costs, liabilities, fines, and penalties related to the Incident and the Incident Proceedings, including amounts that may have a material adverse effect on our financial position, results of operations, or liquidity. ~~K11~~ **In addition, while** ~~While~~ we have accrued estimates of probable and reasonably estimable liabilities with respect to the Incident and the Incident Proceedings (~~several of which are in early stages~~), we cannot predict the final outcome or estimate the reasonably possible range of loss with certainty, ~~;~~ and such estimates may change over time due to a variety of factors, including but not limited to those set forth in Note ~~17-18~~ in Item 8 “ Notes to Consolidated Financial Statements ” or other unfavorable or unexpected developments or outcomes which could result in our current estimates being insufficient. These estimated amounts also do not include any estimate of loss for specific items for which we believe a loss is either not probable or not reasonably estimable for the reasons set forth in Note ~~17-18~~ in Item 8 “ Notes to Consolidated Financial Statements. ” As a result, our currently accrued amounts of estimated liabilities may be insufficient, and any additional, new or updated accruals could have a material adverse effect on our results of operations or financial position. New or additional governmental regulation and / or operational changes resulting from or related to the Incident or the Incident Proceedings may negatively impact us, our customers, the rail industry, or the markets we serve. The legislative, regulatory, operational, ~~;~~ or other actions taken, protocols adopted (including by us), or changes resulting from the Incident or any of the Incident Proceedings may, either individually or in the aggregate, have a material adverse effect on us, our customers, the rail industry, or the markets we serve. We also face risks from requirements that may be imposed by the government in resolution of government actions, including, for example, restrictions on our methods of operations. Our inability to comply with the requirements of any new or additional laws, regulations, ~~;~~ or operating protocols resulting from or related to the Incident or the Incident Proceedings may have a material adverse effect on our financial position, results of operations, liquidity, or operations. REGULATORY AND LEGISLATIVE RISKS Governmental legislation, regulation, and Executive Orders over commercial, operational, tax, safety, security, or cybersecurity matters could negatively affect us, our customers, the rail industry, ~~;~~ or the markets we serve. Congress can enact laws, agencies can promulgate regulations, and Executive Orders can be issued that increase or alter regulation in a way that negatively affects us, our customers, the rail industry, ~~;~~ or the markets we serve. Railroads presently are subject to commercial and operational regulation by the STB, which has jurisdiction to varying extents over rates, routes, customer access provisions, fuel surcharges, conditions of service, and the extension or abandonment of rail lines. The STB also has jurisdiction over the consolidation, merger, or acquisition of control of and by rail common carriers. Additional or updated regulation of the rail industry by Congress or the STB, whether under new, existing or amended laws or regulations, could have a significant negative impact on our ability to negotiate prices for rail services, on our railway operating revenues, and on the efficiency, conduct, or complexity of our operations. Such additional or updated industry regulation, as well as enactment of any new or updated tax laws, could also negatively impact cash flows from our operating activities and, therefore, result in reduced capital spending on our rail network or abandonment of lines. Railroads are also subject to the enactment of laws by Congress and regulation by the DOT (including the FRA) and the DHS (including the TSA), which regulate many aspects of our operations related to safety, security, ~~;~~ and cybersecurity. Additional or updated safety, security, or cybersecurity regulation by Congress, the DOT, ~~;~~ or DHS could have a negative impact on our business and the efficiency, conduct, or complexity of our operations including (but not limited to)

increased operating costs, capital expenditures, claims, and litigation. Our inability to comply with **operational practices and costs necessary to adhere to**, the requirements of existing or updated laws, regulations, or Executive Orders that govern our operations or the rail industry, including but not limited to those pertaining to commercial, operational, tax, safety, security, or cybersecurity matters, **as such requirements may be interpreted or enforced from time to time (such as in connection with a pending regulatory or other legal proceedings or lawsuits)**, could have a material adverse effect on our financial position, results of operations, or liquidity. We are addressing multiple governmental actions as a result of the Incident, as noted in “ Incident Risks ” above. K12 Federal and state environmental laws and regulations could negatively impact us and our operations. Our operations are subject to extensive federal **and**, state **and local** environmental laws and regulations concerning, among other things: emissions to the air; discharges to waterways or groundwater supplies; handling, storage, transportation, **use**, and disposal of waste and other materials; and, the cleanup of hazardous material or petroleum releases. The risk of incurring environmental liability, for acts and omissions, past, present, and future, is inherent in the railroad business. This risk includes property owned by us, whether currently or in the past, that is or has been subject to a variety of uses, including our railroad operations and other industrial activity by past owners or our past and present tenants. Environmental problems that are latent or undisclosed may exist on these properties, and we could incur environmental liabilities or costs, the amount and materiality of which cannot be estimated reliably at this time, with respect to one or more of these properties. Moreover, lawsuits and claims involving other unidentified environmental sites and matters are likely to arise from time to time. Our inability to comply with the extensive federal **and**, state **and local** environmental laws and regulations to which we are subject could result in significant liabilities, **finances, or sanctions, including those related to the investigation or remediation of known and unknown environmental contamination**, or otherwise adversely impact our operations. As noted in “ Incident Risks ” above, in connection with the Incident, we are experiencing negative impacts related to environmental matters, including extensive cleanup costs and litigation related to alleged environmental impacts of the Incident. **U. S. international trade relationships may adversely impact our customers, our industry, and our business. We transport a significant number of shipments that have either been imported into the U. S. or are destined for export from the U. S. Trade discussions and arrangements between the U. S. and various of its trading partners are fluid, and existing and future trade agreements are, and are expected to continue to be, subject to a number of uncertainties, including the imposition of new tariffs or adjustments and changes to the products covered by existing tariffs. Any decision by the U. S. government to adopt actions such as border taxes on imports, an increase in customs duties or tariffs, or the renegotiation of U. S. trade agreements, or any other action that could have a negative impact on international trade, including corresponding actions taken by other countries in response to U. S. governmental actions, could cause a reduction in the volume of shipments by many of our customers. Any changes in tax and trade policies in the U. S. and corresponding actions by other countries could adversely impact our financial performance. In addition, compliance with any new laws, regulations, or policies with regard to any of the foregoing may increase our operating costs or require significant capital expenditures. Any failure to comply with applicable laws, regulations or policies in the U. S. or other countries could result in substantial fines or possible revocation of our authority to conduct our operations, which could materially adversely affect us. K13** OPERATIONAL ~~national’s transportation system~~, we could become the target of such an attack or have a significant role in the government’s preemptive approach or response to an attack or war. Although we currently maintain insurance coverage for third-party liability arising out of war and acts of terrorism, we maintain only limited insurance coverage for first-party property damage and damage to property in our care, custody, or control caused by certain acts of terrorism. In addition, premiums for some or all of our current insurance programs covering these losses could increase dramatically, or insurance coverage for certain losses could be unavailable to us in the future. We may be negatively affected by supply constraints resulting from disruptions in ~~our~~ **the** fuel markets or **the nature of some of our** supplier markets. We consumed approximately ~~373-377~~ million gallons of diesel fuel in ~~2024-2023~~. Fuel availability could be affected by limitation in the fuel supply or by imposition of mandatory allocation or rationing regulations. A severe fuel supply shortage arising from production curtailments, increased demand in existing or emerging foreign markets, disruption of oil imports, disruption of domestic refinery production, damage to refinery or pipeline infrastructure, political unrest, war, or other factors could impact us as well as our customers and other transportation companies. Due to the capital-intensive nature, as well as the industry-specific requirements of the rail industry, high barriers of entry exist for potential new suppliers of core railroad items, such as locomotives and rolling stock equipment. As a result, we are dependent on certain key suppliers and manufacturers of locomotive and railroad items. Disruption to one or more of our key suppliers or manufacturers, including as a result of stopped or restricted production, labor stoppage or restriction, or significant supply shortage or outage could negatively impact our operating efficiency K15 and increase costs. Additionally, we compete with other industries for available capacity and raw materials used in the production of locomotives and certain track and rolling stock materials. Changes in the competitive landscapes of these limited supplier markets could also result in significantly increased prices or material **significant shortages of materials**. We may be **Pandemics, epidemics or endemic diseases could further negatively impact us, our customers, our supply chain and our operations. The magnitude and duration of a pandemic, epidemic or endemic disease, and its impact on our customers and general economic conditions can influence the demand for our services and affected-- affect our revenues by energy prices. Fuel In addition, such outbreaks could affect our operations and energy costs have business continuity if a significant impact on number of our essential employees, overall our- or operations. Volatility in energy prices could have a significant key location, are unable to work from contraction of or exposure to the disease or if governmental orders prevent our employees or critical suppliers from working. To the extent such diseases adversely effect affect our** on a variety of items including, but not limited to: the economy; demand for transportation services; business related to the energy sector, including crude oil, natural gas, and **financial** coal; fuel prices; and, fuel surcharges, each of which could have a material impact on our business and results of operations. In addition, we **they** may also experience **have the effect of heightening**

many of the other risks described in the risk factors included herein, or may affect our operating and financial results in a manner that is not presently known to us. RISKS A significant cybersecurity incident or other disruption to our technology infrastructure resulting from internal and external threats could disrupt our business operations. To conduct business, we extensively rely on information and operational technology systems, and improvements in those technologies, in all aspects of our business. The threat landscape is vast and includes hobbyists, with potential attacks from cybercriminals, nation-states and state-sponsored actors and others activities. Attacks from these entities include including, but is not limited to, denial of service denials, unauthorized access, compromised equipment or rolling stock, extortion, or theft of data or money, and data and extortion. System upgrades As a result, redundancy and other continuity measures may be ineffective or inadequate, and our business continuity and disaster recovery planning plans and activities may not be sufficient for all eventualities. Regardless of the cause, resulting in the potential for a data breach or significant service or operational disruption or failure of involving one or more of information or operational technology systems operated by us or under control of third parties, including computer hardware, software, cloud services and transportation and communications equipment, can result in us experiencing a service interruption, data breach, or other operational difficulties. Such failures or disruptions can adversely impact our business by, among other things, preventing intercompany communications and disrupting operations that may result in direct or indirect monetary losses, damage to equipment or property, or loss of confidence in corporate competency. Any one or more of these these events could have a materially material adverse effect on our business, reputation, results of operations and financial condition position, or operations. Although we maintain comprehensive security programs designed to protect our information and operational technology systems, including our risk-based approach to cybersecurity, our reliance on the Framework for Improving Critical Infrastructure Cybersecurity drafted by the U. S Department of Commerce's National Institute of Standards and Technology (NIST CSF) and our layered defense system, we are continually targeted by threat actors attempting to access our networks and we may be unable to detect or prevent a breach of our systems or disruption to our service in the future. In addition, While while we have previously experienced technology outages and cybersecurity events that have impacted our systems and service, future events may result in more significant impacts to our operations, reputation or financial results. These potentially impactful future events could include service disruptions, unauthorized access to our systems, viruses, ransomware, and / or the compromise, acquisition, or destruction of our K16 data. We also could be impacted by cybersecurity events targeting third parties that we rely on for business operations, including third party vendors that have access to our systems or data and third parties who provide services and are in our supply chain. Such a direct or indirect cybersecurity incident could interrupt our service, cause safety failures or operational difficulties, decrease revenues, increase operating costs, impact our efficiency, damage our corporate reputation, and / or expose us to litigation or government action or increased regulation, which could result in penalties, fines or judgments. In addition, our failure to comply with or adhere to privacy-related or data protection laws and regulations could result in government investigations and proceedings against us, or litigation, resulting in adverse reputational impacts, penalties, and legal liability. K13 Our business may be seriously harmed if we fail to develop, implement, maintain, upgrade, enhance, protect and integrate our information or operational technology systems. If we fail to develop, acquire or implement new technology, or otherwise fail to maintain, protect or integrate our information or operational technology systems, we may suffer a competitive disadvantage within the rail industry and with companies providing alternative modes of transportation service. The techniques used As a common carrier by cybersecurity threat actors rail, we must offer to transport hazardous materials obtain unauthorized access, disable which exposes us to significant costs and claims. Transportation of certain hazardous materials or third party-owned equipment (typically used to transport such materials) creates risks of significant losses in terms of personal injury and property (including environmental) damage and compromise critical parts of our or rail network degrade service or sabotage systems change frequently, as data breaches and other cybersecurity events have become increasingly commonplace. Consequently, these techniques may be difficult to detect and cybersecurity events are therefore increasingly difficult to prevent. The rapid evolution costs of a catastrophic rail accident involving hazardous materials or third party-owned equipment could exceed our insurance coverage. We have obtained insurance for potential losses for third-party liability and first-party property damages (see Note 17 in Item 8 "Notes to Consolidated Financial Statements"); however, insurance is available from a limited number of insurers and may not continue to be available or, if available, may not be obtainable on terms acceptable to us. Any future legislation preventing the transportation of hazardous materials through specific cities could have negative impacts including increased adoption network congestion and operating costs, reduced operating efficiency, and increased risk of emerging technologies an accident involving hazardous materials. With regard to the risks arising from the transportation of hazardous materials, the Incident and the Incident Proceedings have..... the regions in which we operate (such as granting materially greater latitude artificial intelligence and machine learning, may make it more difficult to anticipate cybersecurity threats and implement adequate protective countermeasures. If we fail to adequately develop for or maintain motor carriers with respect to size or our information weight limitations or adoption and utilization of autonomous commercial vehicles) could have a material adverse effect on our or ability operational technology systems or cybersecurity infrastructure, we may become increasingly vulnerable to compete with cybersecurity events, or other breaches modes of transportation. Capacity constraints could negatively impact our or disruptions service and operating efficiency. We have experienced and may again experience capacity constraints on our rail network related to employee or our information equipment shortages, increased demand for or rail services, severe weather, congestion on other railroads, including passenger activities, or impacts from changes to our network structure or composition. Such constraints could result in operational technology inefficiencies or adversely affect our operations..... in the nation's transportation system systems, we could become the target of..... that is not presently known to us. LITIGATION RISKS We may be subject to various claims and lawsuits that could result in significant expenditures. The nature of our business exposes us to the potential for various claims and litigation related to labor and employment, personal injury, commercial disputes, freight loss and other property damage,

and other matters. Job- related personal injury and occupational claims are subject to the Federal Employer’s Liability Act (FELA), which is applicable only to railroads. FELA’s fault- based tort system produces results that are unpredictable and inconsistent as compared with a no- fault worker’s compensation system. The variability inherent in this system could result in actual costs being different from the liability recorded. A catastrophic rail accident, whether on our lines or another carrier’s, involving any or all of release of hazardous materials, freight loss, property damage, personal injury, and environmental liability could compromise critical parts of our rail network. Losses associated with such an accident involving us could exceed our insurance coverage, resulting in a material adverse effect on our **financial position or** liquidity. Any material changes to current litigation trends could also have a material adverse effect on our **financial position or** liquidity to the extent not covered by insurance. **K15** We have obtained insurance for potential losses for third- party liability and first- party property damages; however, insurance is available from a limited number of insurers and may not continue to be available or, if available, may not be obtainable on terms acceptable to us. We are incurring significant expenditures as a result of claims and lawsuits arising from the Incident and the related Incident Proceedings, as described in “ Incident Risks ” above. HUMAN CAPITAL RISKS Failure to attract and retain **key executive officers, or skilled professional or technical employees** could adversely impact our business and operations. Our success depends on our ability to attract and retain skilled employees, including **key executive officers to oversee our operational, productivity, marketing, and technological initiatives, as well as** a sufficient number of **skilled professional and** craft employees to enable us to **K17** efficiently conduct our operations. Difficulties in recruiting and retaining skilled employees, including train and engine workers, key executives, and other skilled professional and technical employees; the **unexpected** loss of such individuals; and / or our inability to successfully transition key **executive, professional, technical, or skilled** roles could each have a material adverse effect on our **financial position, results of operations, and operations. The loss of one or more key employees could also result in the depletion of our institutional knowledge base and may result in our inability or increased difficulty in successfully transitioning key roles, which could materially adversely impact our** business and operations. The vast majority of our employees belong to labor unions, and the renegotiation of labor agreements or any provisions thereof, or any strikes or work stoppages (including any entered into in connection with any such negotiations), could adversely affect our operations. Approximately 80 % of our railroad employees are covered by collective bargaining agreements with various labor unions. **We entered into updated labor In the third and fourth quarters of 2024, the Company reached tentative collective bargaining agreements with ten of these labor unions in December, a majority of which were subsequently ratified by union membership and became effective January 1, 2022 2025 and future Future** national labor agreements, or renegotiation of labor agreements or provisions of labor agreements, could significantly increase our costs for health care, wages, and other benefits. **Additionally In addition,** if our craft employees were to engage in **or threaten** a strike, work stoppage, or other slowdown, including in connection with the renegotiation of any **such collective bargaining** agreements or any provisions thereof, we could experience a significant disruption in our operations, **customer base, or belief in our ability to provide consistent service,** thereby adversely **impacting affecting** our results of operations **or ability to provide services.** CLIMATE CHANGE RISKS Severe weather and disasters have caused, and could again cause, significant business interruptions and expenditures. Severe weather conditions and other natural phenomena resulting from changing weather patterns and rising sea levels or other causes, including hurricanes, floods, fires, landslides, extreme temperatures, significant precipitation, and earthquakes, have caused, and may again cause damage to our network, our workforce to be unavailable, and us to be unable to use our equipment, **or otherwise cause significant interruptions to our operations.** Additionally, shifts in weather patterns caused by climate change are expected to increase the frequency, severity, or duration of certain adverse weather conditions, which could cause more significant business interruptions that result in increased costs, increased liabilities, and decreased revenues. **Our inability to quickly and effectively restore operations following adverse weather and disasters could materially impact our business and results of operations. To the extent such weather events or natural disasters become more frequent or severe, disruptions to our business and those of our customers and costs to repair damaged property and equipment or maintain or resume operations could increase. Furthermore, climate change may contribute to an increase in the incidence and severity of natural disasters and adverse weather conditions and reduce the availability or increase the cost of insurance for such events.** Concern over climate change has led to significant federal, state, and international legislative and regulatory efforts to limit greenhouse gas (GHG) emissions. Restrictions, caps, taxes, or other legislative or regulatory controls on GHG emissions, including diesel exhaust, could significantly increase our operating costs and decrease the amount of traffic we handle. In addition, legislation and regulation related to climate change or GHG emissions could negatively affect the markets we serve and our customers. Even without legislation or regulation, government incentives and adverse publicity relating to climate change or GHG emissions could negatively affect the markets for certain of the commodities we carry, or our customers that use commodities we carry to produce energy (including coal), use significant amounts of energy in producing or delivering the commodities we carry, or manufacture or produce goods that consume significant amounts of energy associated with GHG emissions. **K16** MACROECONOMIC AND MARKET RISKS We may be negatively impacted by changes in general economic conditions. **Because our business is dependent on the rail shipping needs of our customers,** **Negative negative** changes in domestic and global economic conditions, **K18** including reduced import and export volumes, could affect the producers and consumers of the freight we carry. **Recessionary economic cycles and downturns in customers’ business cycles, especially in market segments and industries where we have a significant concentration of customers, may substantially reduce our volumes, and lead to excess capacity in the industry, resulting in pressure on rates we are able to obtain for our services.** Economic conditions could also result in bankruptcies of one or more **large of our** customers. **We Changes in general economic conditions are beyond our control, and it may be negatively affected difficult for us to adjust our business model. We are impacted by energy prices industrial production, inflation, unemployment, and consumer spending. We** Volatility in energy prices could have **been and may in the future be** a significant effect on a variety of items

including, but not limited to: **materially impacted by adverse developments in these aspects of** the economy ; demand for transportation services; business related to the energy sector, including crude oil, natural gas, and coal; fuel prices; and, fuel surcharges. The state of capital markets could adversely affect our liquidity. We rely on the capital markets to provide some of our capital requirements, including the issuance of debt instruments and the sale of certain receivables. Significant instability or disruptions of the capital markets, including the credit markets, or deterioration of our financial position due to internal or external factors could restrict or eliminate our access to, and / or significantly increase the cost of, various financing sources, including bank credit facilities and issuance of corporate bonds. Instability or disruptions of the capital markets and deterioration of our financial position, alone or in combination, could also result in a reduction of our credit rating to below investment grade, which could prohibit or restrict us from accessing external sources of short- and long- term debt financing and / or significantly increase the associated costs.