

May 7, 2024

## RE: Strive's Support of Ancora's Board Nominees at Norfolk Southern

Fellow Shareholders,

At this year's annual meeting, Norfolk Southern shareholders have the opportunity to replace a majority of the board of directors with nominees from Ancora. Given that Norfolk Southern's existing leadership, including CEO Alan Shaw, have pursued diversity, equity and inclusion (DEI) goals that have distracted the company from its core business operations, we believe Ancora's proposed board nominees offer the best chance to get Norfolk Southern back on track.

In recent years, Norfolk Southern has faced significant challenges, stemming most prominently from its **2023 train derailment**, which damaged cargo, caused fires and released hazardous chemicals into the surrounding community.<sup>1</sup> The disaster led to increased scrutiny over the company's operations, safety protocols, and crisis response, ultimately **costing shareholders over \$1 billion**.<sup>2</sup>

But Norfolk Southern's safety issues run deeper. In particular, we have additional concerns that Norfolk Southern's leadership is not prioritizing safety and performance and is instead focused on political issues like DEI metrics and ESG ratings. As we have so recently and unfortunately seen, safety and performance at a railroad is not a matter of skin-deep characteristics: it is a matter of life and death. Norfolk Southern's customers and shareholders deserve leadership that is ready to get back to the basics, which is why we support Ancora's board nominee slate.

### Norfolk Southern's Current Leaders Have Placed DEI Over Safety

A closer look at the root causes of Norfolk Southern's shortcomings reveals a company that has been **focused on divisive, politically-driven metrics** over company performance. As **various media** outlets reported following the crash, the company spent years pursuing the environmental, social and governance (ESG) movement, i.e., "the

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<sup>1</sup> Alicia A. Caldwell, "Ohio Train Derailment, Fire Rattle Rural Town," *Wall Street Journal*, February 5, 2023, <https://www.wsj.com/articles/ohio-train-derailment-fire-rattle-rural-town-11675630255>.

<sup>2</sup> Lauren Thomas and Esther Fung, "Norfolk Southern CEO Faces Activists Calling for His Ouster," *Wall Street Journal*, February 1, 2024, <https://www.wsj.com/business/deals/ancora-led-group-takes-aim-at-norfolk-southern-pushes-to-oust-ceo-shaw-dbd029f7>.

latest vector by which big corporations push a leftist social agenda that includes diversity quotas, solving climate change, and advancing racial equity.”<sup>3</sup>

Norfolk Southern has been a leader in this movement, bringing DEI metrics in to its corporate priorities. It was the first Class I railroad to join the CEO Action for Diversity & Inclusion, through which CEOs pledge, among other things, to force workers to attend “unconscious bias” trainings and to elevate responsibility for DEI to the board of directors.<sup>4</sup> It encourages corporate leaders to “self reflect” on whether they’ve “ever assumed someone’s pronouns” and chastises executives who believe in a “colorblind” view of society.<sup>5</sup> The group also advocates for highly controversial works, including recommending Ibram X. Kendi’s book “How To Be An Antiracist,” in which he proclaims that “the only remedy to racist discrimination is *antiracist* discrimination. The only remedy to past discrimination is *present* discrimination. The only remedy to present discrimination is *future* discrimination.”<sup>6</sup> However meaningful those words may be to social activists, they are poor advice for business leaders – particularly after the U.S. Supreme Court’s recent decisions in cases such as *Students for Fair Admission v. Harvard* and *Muldrow v. City of Saint Louis*, which make clear that discrimination of *any* kind is not tolerated under the Civil Rights Act.

Norfolk Southern’s policies reflect its misplaced priorities. In a particularly telling comment, one of Norfolk Southern’s DEI chiefs has claimed that the company’s “goal is to **ingrain inclusion as deeply as safety**.”<sup>7</sup> Yet when asked whether its DEI efforts have

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<sup>3</sup> Sean Moran and John Binder, “Norfolk Southern Advances Far-Left ESG, DEI Agenda after Spurring Toxic Chemical Disaster in East Palestine,” Breitbart, July 19, 2023, <https://www.breitbart.com/politics/2023/07/19/norfolk-southern-advances-far-left-esg-dei-agenda-after-spurring-toxic-chemical-disaster-in-east-palestine/>; see also Henry Rodgers, “Exclusive: Norfolk Southern Spent Years Pushing Woke DEI Initiatives Prior to East Palestine Train Derailment,” Daily Caller, March 20, 2023, <https://dailycaller.com/2023/03/20/norfolk-southern-east-palestine-dei-esg-diversity-woke/>.

<sup>4</sup> “Home,” CEO Action for Diversity & Inclusion, accessed May 1, 2024, <https://www.ceoaction.com/>.

<sup>5</sup> “Quizzes,” CEO Action for Diversity & Inclusion, accessed May 1, 2024, <https://www.ceoaction.com/resources/education/quizzes/>; Ad Council, “Questions to Self Reflect,” love has no labels, accessed May 1, 2024, <https://lovehasnolabels.com/learn/questions-to-self-reflect>.

<sup>6</sup> “Resources,” CEO Action for Diversity & Inclusion, accessed May 1, 2024, <https://www.ceoaction.com/resources/>; Ibram X. Kendi, *How to Be an Antiracist* (New York: One World, 2019), 19.

<sup>7</sup> Norfolk Southern, *Forging a Better Tomorrow: Norfolk Southern Environmental, Social, and Governance Report* (Atlanta: Norfolk Southern, 2023), <https://www.norfolksouthern.com/en/commitments/who-we-are/esg-at-norfolk-southern>, 20.

been a distraction from efforts to maintain rail safety, Norfolk Southern refused to respond.<sup>8</sup>

At the time of the derailment, the company also paid its executives, in part, for “promoting diversity, equity, and inclusion” and “improved diversity hiring.”<sup>9</sup> Norfolk Southern removed that language from its proxy this year, but it should not take a catastrophic event to recognize that the management team is mis-incentivized.

Unfortunately, current CEO Alan Shaw has promised to “expand[] our DEI initiatives.”<sup>10</sup> One such initiative is its **supplier diversity** program, through which Norfolk Southern gives preferences to suppliers owned by members of preferred racial and gender groups.<sup>11</sup> To qualify, companies must be vetted by outside organizations who decide whether a company’s ownership is, for example, female or black enough to participate. The company’s 2023 ESG report also touts 11% increased racial minorities at the VP level and above, \$248 million spent with diverse suppliers, and \$500,000 donated to historically black colleges and universities and other diversity organizations.<sup>12</sup> When purchasing supplies and component parts for a railroad, neither customers nor shareholders are likely to care what the owner of the vendor companies looks like. Instead, they care about getting safe, quality inputs for a competitive price.

## Norfolk Southern’s Current Leaders Emphasize DEI Over Experience

Norfolk Southern’s imprudent focus on identity politics has also infiltrated the board fight itself. The nominating committee admits to selecting candidates based on who “will contribute to [] diversity.”<sup>13</sup> And in the list of factors the committee considers in its “in-depth review” of potential candidates, “diversity” appears before consideration of whether the candidate “serves long-term interests of [] Shareholders” or even

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<sup>8</sup> Rodgers, “Norfolk Southern Spent Years Pushing Woke DEI Initiatives.”

<sup>9</sup> Norfolk Southern Corp, Form DEF 14A (filed March 31, 2023), [https://www.sec.gov/Archives/edgar/data/702165/000155278123000213/e23052\\_nsc-def14a.htm](https://www.sec.gov/Archives/edgar/data/702165/000155278123000213/e23052_nsc-def14a.htm), 49, 51.

<sup>10</sup> Rodgers, “Norfolk Southern Spent Years Pushing Woke DEI Initiatives.”

<sup>11</sup> Norfolk Southern, “Supplier Inclusion,” accessed May 1, 2024, <https://www.norfolksouthern.com/en/suppliers/diversity>.

<sup>12</sup> Norfolk Southern, *Forging a Better Tomorrow*, 20.

<sup>13</sup> Norfolk Southern Corp, Form DEFC14A (filed March 20, 2024), <https://www.sec.gov/Archives/edgar/data/702165/000119312524072121/d774854ddefc14a.htm>, 30.

whether the candidate “meet[s] minimum requirements.”<sup>14</sup> Surely, these three considerations do not deserve similar weight.

The incumbent board has also made diversity a central plank of its campaign. Over and over again, the company’s **proxy statement** emphasizes that its preferred nominees are “23% ethnically diverse” and “38% female” and “54% gender and/or racially/ethnically diverse.”<sup>15</sup> There are colorful charts slicing and dicing the racial and gender breakdown of the proposed nominees, along with laudatory text.

Campaigning in this manner is disgraceful. Norfolk Southern’s takeover defense is inviting shareholders – or at least the money managers who typically cast votes on their behalf – to vote their shares based on race and gender bias, rather than merit. **It is discrimination**, plain and simple.

### **Ancora Is Focused On Experience, Not Box-Checking**

Ancora, in contrast, seeks to earn shareholder votes by nominating directors who are sharply focused on increasing shareholder return. “Our fit-for-purpose slate brings necessary experience in governance, finance, legislative and regulatory affairs, strategic transformations, transportation and the railroad sector,” Ancora **explains**.<sup>16</sup> For each candidate, there is a detailed explanation of how he or she will bring experience and expertise needed to deliver value for Norfolk Southern shareholders. As a result, there is no need to mention how many of its candidates self-identify as black or white or female or gay; experience, not skin-deep characteristics, are the focus.

Ancora’s turnaround strategy is similarly **shareholder focused**. Its plan to implement precision scheduled railroading and cut costs while improving safety and customer experience is designed to improve the company’s financial performance. And its detailed roadmap for how to implement its plan, combined with the qualifications of its nominees, demonstrates that Ancora’s strategy is the company’s best chance for a turnaround.

Close observers of Strive’s governance priorities may wonder about Strive’s support of Ancora, as it has promised to reduce carbon emissions in what appears to be service to climate goals. Strive **opposes** corporate pursuit of voluntary environmental goals that

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<sup>14</sup> Norfolk Southern Corp, Form DEFC14A, 30.

<sup>15</sup> Norfolk Southern Corp, Form DEFC14A, 2, 36.

<sup>16</sup> Ancora Holdings Group, “Our Nominees,” Move NSC Forward, accessed May 1, 2024, <https://www.movenscforward.com/our-nominees>.

government regulators have declined to impose.<sup>17</sup> Ancora's stray comments pale in comparison to Norfolk Southern's nearly 60-page **sustainability report**,<sup>18</sup> but we encourage Norfolk Southern's leadership – whether it is the incumbent directors or Ancora's nominees – to abandon stakeholder capitalism in all of its forms, from diversity quotas to environmental goals, and focus on shareholders alone.

Pragmatism makes the choice clear: **Ancora's strategy is our best bet to create long-term financial value** as Norfolk Southern shareholders.

For these reasons, **Strive proudly supports Ancora's nominees** Betsy Atkins, James Barber, Jr., William Clyburn, Jr., Sameh Fahmy, John Kasich, Gilbert Lamphere and Allison Landry, and encourages our fellow shareholders to do the same.

Sincerely,



Justin Danhof  
EVP and Head of Corporate Governance

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<sup>17</sup> Strive, "Shareholder Proposals Targeting Net Zero Emissions – White Paper," May 15, 2023, [https://www.strive.com/article/shareholder\\_proposals\\_targeting\\_net\\_zero\\_emissions\\_white\\_paper](https://www.strive.com/article/shareholder_proposals_targeting_net_zero_emissions_white_paper).

<sup>18</sup> See Norfolk Southern, *Forging a Better Tomorrow*.