

KANSAS CITY SOUTHERN  
Form DEF 14A  
April 05, 2016  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14**

(Rule 14a-101)

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934**

(Amendment No. )

Filed by the Registrant

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))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**Kansas City Southern**

(Name of Registrant as Specified In Its Charter)

Not Applicable

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

Payment of Filing Fee (Check the appropriate box):

Table of Contents

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**Table of Contents**

**Kansas City Southern**

**Notice of 2016 Annual Meeting of Stockholders**

**and Proxy Statement**

**May 5, 2016**

**YOUR VOTE IS IMPORTANT**

Please submit your proxy  
or voting instructions by  
internet, telephone or mail.

We commenced mailing this Notice and Proxy

Statement, the enclosed proxy card and the

accompanying 2015 Annual Report on or  
about

April 5, 2016.

**Table of Contents**

KANSAS CITY SOUTHERN

**Notice of Annual Meeting of Stockholders**

<b>Thursday, May 5, 2016</b>	<b>Kansas City Southern</b>	<b>Record Date</b>
3:00 p.m. Central Time	Grand Hall	The close of business
	427 W. 12 <sup>th</sup> Street	March 7, 2016
	Kansas City, Missouri 64105	

**Items of business:**

1. Election of six directors;
2. Ratification of the Audit Committee's selection of KPMG LLP as our independent registered public accounting firm for 2016;
3. Approval of the Kansas City Southern Annual Incentive Plan for purposes of Internal Revenue Code Section 162(m);
4. An advisory vote to approve the 2015 compensation of our named executive officers;
5. Stockholder proposal, if presented at the Annual Meeting, relating to proxy access; and
6. Such other matters as may properly come before the Annual Meeting or any adjournment thereof.  
Only stockholders of record at the close of business on March 7, 2016 are entitled to notice of and to vote at the Annual Meeting or any adjournment thereof.

By Order of the Board of Directors,

Adam J. Godderz

*Vice President &*

*Corporate Secretary*

The date of this Notice is April 5, 2016.

**Please date, sign and promptly return the enclosed proxy card, regardless of the number of shares you may own and whether or not you plan to attend the meeting in person. Alternatively, you may cast your votes by telephone or through the Internet as described on the proxy card. You may revoke your proxy and vote your shares in person in accordance with the procedures described in this Notice and Proxy Statement. Please also indicate on your proxy card whether you plan to attend the Annual Meeting.**

2016 NOTICE OF ANNUAL MEETING AND PROXY STATEMENT

**Table of Contents**

KANSAS CITY SOUTHERN

**Table of Contents**

<b><u>Proxy Statement Summary</u></b>	<b>1</b>
<b><u>Questions and Answers about Voting and Annual Meeting</u></b>	<b>2</b>
<b><u>Proposals for 2016 Annual Meeting</u></b>	<b>6</b>
<u>1: Election of Directors</u>	6
<u>2: Ratification of Independent Registered Public Accounting Firm for 2016</u>	10
<u>3: Approval of the Kansas City Southern Annual Incentive Plan for Purposes of Internal Revenue Code Section 162(m)</u>	10
<u>4: Advisory Vote to Approve Executive Compensation</u>	13
<u>5: Stockholder Proxy Access</u>	14
<b><u>Company Information</u></b>	<b>18</b>
<u>The Board of Directors</u>	18
<u>Board Committees</u>	20
<u>Corporate Governance</u>	23
<b><u>Beneficial Ownership</u></b>	<b>27</b>
<b><u>Compensation Discussion and Analysis</u></b>	<b>30</b>
<b><u>Compensation Committee Report</u></b>	<b>43</b>
<b><u>Executive Compensation</u></b>	<b>44</b>
<u>Summary Compensation Table</u>	44
<u>Grants of Plan-Based Awards</u>	47
<u>Outstanding Equity Awards at Fiscal Year-End</u>	49
<u>Option Exercises and Stock Vested</u>	52
<u>Potential Payments Upon Termination of Employment or Change in Control</u>	53
<b><u>Director Compensation</u></b>	<b>64</b>
<b><u>Certain Transactions</u></b>	<b>67</b>
<b><u>Section 16(a) Beneficial Ownership Reporting Compliance</u></b>	<b>67</b>
<b><u>Report of Audit Committee</u></b>	<b>68</b>
<b><u>Independent Registered Public Accounting Firm</u></b>	<b>69</b>
Table of Contents	6

**Stockholder Proposals for 2017 Annual Meeting**

**70**

2016 NOTICE OF ANNUAL MEETING AND PROXY STATEMENT

**Table of Contents**

KANSAS CITY SOUTHERN

**Proxy Statement Summary**

This summary highlights information contained in this Proxy Statement. Please read the entire Proxy Statement before voting.

<b>Thursday, May 5, 2016</b>	<b><u>2016 Annual Meeting of Stockholders</u></b>	<b>Record Date</b>
	<b>Kansas City Southern</b>	
3:00 p.m. Central Time	Grand Hall	The close of business
	427 W. 12 <sup>th</sup> Street	March 7, 2016
	Kansas City, Missouri 64105	

**Agenda and Voting Recommendations**

<b>Proposal</b>	<b>Board Recommendation</b>	<b>Page Reference for More Information</b>
1. Election of the following nominees for a one-year term:	FOR each nominee	6
Lu M. Córdova		
Terrence P. Dunn		
Antonio O. Garza, Jr.		
David Garza-Santos		
Thomas A. McDonnell		
David L. Starling		
2. Ratification of the Audit Committee's selection of KPMG LLP as our independent registered public accounting firm for 2016	FOR	10
3. Approval of the Kansas City Southern Annual Incentive Plan for purposes of Internal Revenue Code Section 162(m)	FOR	10
	FOR	13



4. Advisory vote to approve the 2015 compensation of our named executive officers

5. Stockholder proposal regarding proxy access AGAINST 14

### Board of Directors

Name	Term Ending	Director Since	Independent	Committee Memberships
Lu M. Córdoba*	2016	2010	ü	A,F,N
Terrence P. Dunn*	2016	2007	ü	A,N
Antonio O. Garza, Jr.*	2016	2010	ü	E,F
David Garza-Santos*	2016	2016	ü	
Thomas A. McDonnell*	2016	2003	ü	A,F,N
David L. Starling*	2016	2010		E
Henry R. Davis	2017	2008	ü	C,N
Robert J. Druten, Chairman	2017	2004	ü	C,E,N
Rodney E. Slater	2017	2001	ü	C,N

\*Nominee for election to Board of Directors at 2016 Annual Meeting

A-Audit C-Compensation & Organization E-Executive F-Finance N-Nominating & Corporate Governance

2016 NOTICE OF ANNUAL MEETING AND PROXY STATEMENT

1

**Table of Contents**

KANSAS CITY SOUTHERN

**Questions and Answers about Voting and Annual Meeting**

**Q: Why were you sent this Proxy Statement?**

**A:** On or about April 5, 2016, we began mailing this Proxy Statement to our stockholders of record on March 7, 2016 (the Record Date ) in connection with our Board of Directors solicitation of proxies for use at the 2016 Annual Meeting of Stockholders and any adjournment thereof (the Annual Meeting ). We will hold the Annual Meeting at Kansas City Southern, Grand Hall, 427 W. 12<sup>th</sup> Street, Kansas City, Missouri on Thursday, May 5, 2016 at 3:00 p.m. Central Time. The Notice of Annual Meeting of Stockholders, our 2015 Annual Report to Stockholders (the Annual Report ), and a proxy card and voting instructions accompany this Proxy Statement. Unless otherwise indicated or the context requires, references in this Proxy Statement to KCS or the Company include Kansas City Southern and its consolidated subsidiaries.

We will pay for the Annual Meeting, including the cost of mailing the proxy materials and any supplemental materials. Directors, officers and employees of KCS may, either in person, by telephone or otherwise, solicit proxy cards. They have not been specifically engaged for that purpose, however, nor will they be compensated for their efforts. We have engaged Morrow & Co., LLC, 470 West Avenue, Stamford, Connecticut 06902, to assist in the solicitation of proxies and provide related informational support, for a service fee and the reimbursement of customary disbursements that are not expected to exceed \$25,000 in the aggregate. We will pay these fees and expenses. In addition, we may reimburse brokerage firms and other persons representing beneficial owners of our shares for their expenses in forwarding this Proxy Statement, the Annual Report and other soliciting materials to the beneficial owners.

Brokers, dealers, banks, voting trustees, other custodians and their nominees are asked to forward this Notice and Proxy Statement, the proxy card and the Annual Report to the beneficial owners of our stock held of record by them. Upon request, we will reimburse them for their reasonable expenses in mailing these materials to beneficial owners of our stock.

**Q: Who may attend the Annual Meeting?**

**A:** Only KCS stockholders or their proxies and guests of KCS may attend the Annual Meeting. Any stockholder or stockholder s representative who, because of a disability, may need special assistance or accommodation to allow him or her to participate in the Annual Meeting may request reasonable assistance or accommodation from us by contacting the office of the Corporate Secretary at our principal executive offices, (888) 800-3690. If written requests are made to the Corporate Secretary of KCS, they should be mailed to P.O. Box 219335,

Kansas City, Missouri 64121-9335 (or by express delivery to 427 West 12th Street, Kansas City, Missouri 64105). To provide us sufficient time to arrange for reasonable assistance, please submit all requests by April 28, 2016.

**Q: Who may vote at the Annual Meeting?**

**A:** Only the holders of record of our common stock, par value \$0.01 per share (the **Common Stock**), and our 4% Noncumulative Preferred Stock, par value \$25.00 per share (the **4% Preferred Stock**), at the close of business on the Record Date are entitled to notice of and to vote at the Annual Meeting. On the Record Date, we had outstanding 242,170 shares of 4% Preferred Stock (excluding 407,566 shares held in treasury) and 108,079,193 shares of Common Stock (excluding 15,272,992 shares held in treasury) for a total of 108,321,363 shares eligible to vote at the Annual Meeting.

**Table of Contents**

KANSAS CITY SOUTHERN

**Q: How many votes does each Voting Share have?**

**A:** The Common Stock and the 4% Preferred Stock (collectively, the Voting Stock ) constitute our only voting securities and will vote together as a single class on all matters to be considered at the Annual Meeting. Each holder of Voting Stock is entitled to cast one vote for each share of Voting Stock held on the Record Date on each matter.

**Q: How can you vote by proxy and what vote is necessary?**

**A:** Registered stockholders can vote by proxy in three ways, each of which is valid under Delaware law:

*By Internet:* Access our Internet voting site at [www.envisionreports.com/ksu](http://www.envisionreports.com/ksu) or by scanning the QR code on the proxy card with your smartphone and follow the instructions on the screen, prior to 1:00 a.m., Eastern Time, on May 5, 2016 (May 2, 2016 for participants in certain employee benefit plans discussed below).

*By Telephone:* Using a touch-tone telephone, call toll-free at 1-800-652-VOTE (8683) and follow the voice instructions, prior to 1:00 a.m., Eastern Time, on May 5, 2016 (May 2, 2016 for participants in certain employee benefit plans discussed below).

*By Mail:* Mark, sign, date and return the enclosed proxy or instruction card in the enclosed envelope so it is received before the Annual Meeting (May 2, 2016 for participants in certain employee benefit plans discussed below).

If you are the beneficial owner of your shares, please refer to your voting form for specific voting procedures from your broker.

Stockholders owning at least a majority of the shares of Voting Stock entitled to vote must be present in person or represented by proxy to constitute a quorum for the transaction of business at the Annual Meeting. The shares of a stockholder who is present and entitled to vote at the Annual Meeting, either in person or by proxy, are counted for purposes of determining whether there is a quorum, regardless of whether the stockholder votes the shares. Abstentions and broker non-votes (defined below) are counted as present and entitled to vote for purposes of determining a quorum.

We have described the vote necessary for each Proposal in the description for that Proposal.

Voting ceases when the chairman of the Annual Meeting closes the polls. The votes are counted and certified by three inspectors appointed by the Board of Directors in advance of the Annual Meeting. In determining whether a majority of shares of Voting Stock present have been affirmatively voted for a particular proposal, except in the election of directors, the affirmative votes for the proposal are measured against the votes for and against the proposal plus the

abstentions from voting on the proposal. You may abstain from voting on any proposal. Except in the election of directors, abstentions from voting are not considered as votes affirmatively cast and therefore will have the effect of a vote against a proposal. With regard to the election of directors, abstentions will be excluded entirely from the vote and will have no effect.

**Q: What if you hold shares in a brokerage account?**

**A:** The Voting Stock is traded on the New York Stock Exchange, Inc. (the NYSE ). Under the rules of the NYSE, member stockbrokers who hold shares of Voting Stock in their name for customers are required to obtain directions from their customers on how to vote the shares. NYSE rules permit brokers to vote shares on certain proposals when they have not received any directions. The Staff of the NYSE, prior to the Annual Meeting, informs brokers of those proposals on which they are entitled to vote the undirected shares.

A broker non-vote occurs when a broker holding shares of Voting Stock for a beneficial owner does not vote on a particular proposal because the broker does not have discretionary voting

**Table of Contents**

KANSAS CITY SOUTHERN

authority for that proposal and has not received instructions from the beneficial owner (customer directed abstentions are not broker non-votes). Broker non-votes generally do not affect the determination of whether a quorum is present at the Annual Meeting because, in most cases, some of the shares held in the broker's name have been voted, and, therefore, all of those shares are considered present at the Annual Meeting. A broker may vote without direction only on Proposal 2. A broker non-vote will not be considered present and entitled to vote on non-discretionary items and will have no effect on the vote.

**Q: How are your shares voted if you submit a proxy?**

**A:** If you return a properly executed proxy card or properly vote via the Internet or telephone, you are appointing the Proxy Committee to vote your shares of Voting Stock covered by the proxy. The Proxy Committee is a committee of the three directors of KCS, whose names are listed on the proxy card, and are authorized to vote shares that the stockholder has authorized the Proxy Committee to vote as their proxy. If you wish to name someone other than the Proxy Committee as your proxy, you may do so by crossing out the names of the designated proxies and inserting the name of another person. In that case, it will be necessary for you to sign the proxy card and deliver it to the person so named and for that person to be present and vote at the Annual Meeting. Proxy cards so marked should not be mailed directly to us.

The Proxy Committee will vote the shares of Voting Stock covered by a proxy in accordance with the instructions given by the stockholder(s) executing the proxy or authorizing the proxy and voting via the Internet or telephone. If a properly executed or authorized and unrevoked proxy does not specify how the shares represented thereby are to be voted, the Proxy Committee intends to vote the shares as recommended by the Board of Directors for each Proposal and in accordance with their discretion upon such other matters as may properly come before the Annual Meeting.

**Q: Can you revoke your proxy or voting instruction card?**

**A:** At any time before the polls for the Annual Meeting are closed, if you hold Voting Stock in your name, you may revoke a properly executed or authorized proxy by (a) an Internet or telephone vote subsequent to the date shown on the previously executed and delivered proxy or the date of a prior electronic or telephonic vote, or (b) with a later-dated, properly executed and delivered proxy, or (c) a written revocation delivered to our Corporate Secretary. If you hold Voting Stock in a brokerage account, you must contact the broker and comply with the broker's procedures if you want to revoke or change the instructions previously given to the broker. Participants in certain employee benefit plans, as discussed below, must contact the plan trustee and comply with its procedures if they wish to revoke or change their voting instructions. Attendance at the Annual Meeting will not have the effect of revoking your properly executed or authorized proxy unless you deliver a written revocation to our Corporate Secretary before your proxy is voted.

**Q: How do participants in the Kansas City Southern 401(k) and Profit Sharing Plan (the KCS 401(k) Plan ) vote?**

**A:** If you participate in the KCS 401(k) Plan and own shares of Common Stock in your account, you have received a separate voting instruction card (accompanying this Proxy Statement) to instruct the trustee of the KCS 401(k) Plan how to vote the shares of Common Stock held on your behalf. The trustee is required under the trust agreement to vote the shares in accordance with the instructions given on the voting instruction card. Voting instructions may also be given by Internet or telephone by participants in the KCS 401(k) Plan. The accompanying voting instruction card contains the Internet address and toll-free number. If voting instructions are not received from a participant, the trustee must vote those shares, as well as any unallocated shares, in the same proportions as the shares for which voting instructions were received from plan participants. Voting

**Table of Contents**

KANSAS CITY SOUTHERN

instructions by Internet or telephone must be given by 1:00 a.m., Eastern Time, on May 2, 2016. Unless you give voting instructions by Internet or telephone, the voting instruction card should be returned in the envelope provided to Proxy Services, c/o Computershare, P.O. Box 30170, College Station, TX 77842-3170. The voting instruction card should not be returned to us. KCS 401(k) Plan participants who wish to revoke their voting instructions must contact the trustee and follow its procedures.

**Q: Are the votes of participants in the KCS 401(k) Plan confidential?**

**A:** Under the terms of the KCS 401(k) Plan, the trustee is required to establish procedures to ensure that the instructions received from participants are held in confidence and not divulged, released or otherwise utilized in a manner that might influence the participants' free exercise of their voting rights.

**Q: What is Householding?**

**A:** Pursuant to the rules of the SEC, services that deliver our communications to stockholders that hold their stock through a bank, broker or other nominee holder of record may deliver to multiple stockholders sharing the same address a single copy of our Annual Report and Proxy Statement. We will promptly deliver upon written or oral request a separate copy of the Annual Report and/or Proxy Statement to any stockholder at a shared address to whom a single copy of the documents was delivered. Written requests should be made to Kansas City Southern, P.O. Box 219335, Kansas City, Missouri 64121-9335 (or if sent by express delivery to 427 West 12th Street, Kansas City, Missouri 64105), Attention: Corporate Secretary's Office, and oral requests may be made by calling our Corporate Secretary's Office at (888) 800-3690. Any stockholder who wants to receive separate copies of the Proxy Statement or Annual Report in the future, or any stockholder who is receiving multiple copies and would like to receive only one copy per household, should contact the stockholder's bank, broker or other nominee holder of record.

**Q: Are there any other matters that will be presented at the Annual Meeting?**

**A:** The Board of Directors knows of no other matters that are expected to be presented for consideration at the Annual Meeting. Our Bylaws require that stockholders intending to bring business before an Annual Meeting, including the nomination of candidates for election to the Board of Directors, give timely and sufficient notice to our Corporate Secretary in the manner described below. However, if other matters properly come before the meeting, it is intended that persons named in the accompanying proxy will vote on them in accordance with their best judgment.



**NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS**

**The Proxy Statement and Annual Report are available at [www.edocumentview.com/ksu](http://www.edocumentview.com/ksu)**

Stockholders that wish to attend the meeting may obtain directions to the Annual Meeting by sending a written request directed to our Corporate Secretary, P.O. Box 219335, Kansas City, Missouri 64121-9335 (or if by express delivery to 427 West 12th Street, Kansas City, Missouri 64105), or by calling (888) 800-3690.

2016 NOTICE OF ANNUAL MEETING AND PROXY STATEMENT

5

**Table of Contents**

KANSAS CITY SOUTHERN

**Proposals for 2016 Annual Meeting****1. Election of Directors**

The Board of Directors of KCS (the Board) is currently divided into two classes with nine total members. Prior to 2015, the members of each class served staggered three-year terms of office. As a result of the stockholder proposal that was approved at the 2014 annual meeting of stockholders, KCS is de-classifying its Board, starting with last year's annual meeting. Beginning in 2015, each director is elected for a one-year term. The term of office for the directors elected at this Annual Meeting will expire in 2017 or when their successors are elected and qualified, if earlier, or their earlier resignation or removal. There are three directors (Henry R. Davis, Robert J. Druten, and Rodney E. Slater) who are currently serving a three-year term through 2017.

The following individuals are being nominated by the Board for election as directors at the Annual Meeting. Their biographies are set forth below. Each of these nominees has indicated they are willing and able to serve as directors if re-elected and have consented to being named as nominees in this Proxy Statement. If any nominee should become unable or unwilling to serve, the Proxy Committee intends to vote for one or more substitute nominees chosen by the Board in their sole discretion.

The biography of each nominee contains information regarding the person's service as a director, business experience, director positions held currently or at any time during the last five years and experiences, qualifications, attributes or skills that led the Nominating and Corporate Governance Committee (the Nominating Committee) and the Board to conclude that the person should serve as a director for the Company as of the time that this proxy statement was filed with the SEC.

**Biographies of Nominees**

<b>Age:</b> 61	Lu M. Córdova
<b>Director Since:</b> 2010	Chief Executive Officer of Corlund Industries, L.L.C.; General Manager of Almacen Storage-US, LLC
<b>Current Term</b>	
<b>Ends:</b> 2016	<b>Experience:</b> Chief Executive Officer of Corlund Industries, L.L.C. since 2005; General Manager of Almacen Storage-US, LLC since 2007

**Committees:**

Audit	<b>Qualifications:</b> Ms. Córdova has extensive business leadership and entrepreneurial experience. She has developed strong leadership skills for high growth companies through her experience in leading companies in the start-up phases and growth-phases of business development. Her business experience has also given her extensive experience in corporate finance and strategic planning. In addition, Ms. Córdova is a citizen of both the United States and Mexico and has experience in managing and leading Mexican businesses. Ms. Córdova also has experience in the development of government financial and economic policies that she has developed through her formal education and experience with the Board of Directors of the 10th District Federal Reserve Bank.
Finance (Chair)	
Nominating & Corporate Governance	

**Past Directorships:** 10th District Federal Reserve Bank based in Kansas City; Euronet Worldwide, Inc.

**Table of Contents**

KANSAS CITY SOUTHERN

	Terrence P. Dunn
<b>Age:</b> 66	
	Retired President and Chief Executive Officer, J.E. Dunn Construction Group
<b>Director Since:</b> 2007	
<b>Current Term</b>	<b>Experience:</b> President and Chief Executive Officer of J.E. Dunn Construction Group from 1989 to December 31, 2014
<b>Ends:</b> 2016	
<b>Committees:</b>	
Audit	<b>Qualifications:</b> Mr. Dunn was the President and Chief Executive Officer of J.E. Dunn Construction Group, a \$2.6 billion (revenue) construction company. Mr. Dunn has extensive executive experience in managing a capital intensive business, corporate finance and accounting and strategic planning. Mr. Dunn also has strong skills in executive compensation matters and business expansion. He also has strong board leadership skills developed as lead director of UMB Financial Corporation and as former chairman of the board of the Federal Reserve Bank of Kansas City.
Nominating & Corporate Governance	
	<b>Other Current Directorships:</b> J.E. Dunn Construction Group; UMB Financial Corporation; MGP Ingredients, Inc.
	<b>Past Directorships:</b> Federal Reserve Bank based in Kansas City
	Antonio O. Garza, Jr.
<b>Age:</b> 56	
	Counsel, White & Case, LLP
<b>Director Since:</b> 2010	
<b>Current Term</b>	<b>Experience:</b> Counsel, White & Case, LLP since 2009; United States Ambassador to Mexico from 2002 until January 2009
<b>Ends:</b> 2016	

**Committees:**

Executive

Finance

**Qualifications:** Mr. Garza brings strong political, diplomatic and international business skills to the Board that he has developed through his experience as the United States Ambassador to Mexico from 2002 to 2009, and as an international business consultant and attorney. In addition, he has extensive experience in public policy development, strategic relationships with government officials and government relations experience including prior experience working with the Mexican government, which serves the Board well in its governance and strategic oversight of Kansas City Southern de Mexico. Mr. Garza also has a solid understanding of KCSM's operations developed through his service on its board of directors. Mr. Garza also served as Chairman of the Texas Railroad Commission from 1998 to 2002.

**Other Current Directorships:** Basic Energy Services; MoneyGram International; Southern Methodist University

**Past Directorships:** BBVA Compass and the U.S. holding companies of BBVA

**Table of Contents**

KANSAS CITY SOUTHERN

<b>Age:</b> 54	David Garza-Santos
<b>Director Since:</b> 2016	Chairman and Chief Executive Officer of Maquinaria Diesel SA de CV (MADISA)
<b>Current Term</b>	<b>Experience:</b> Chairman and Chief Executive Officer of Maquinaria Diesel SA de CV (MADISA) since 1994
<b>Ends:</b> 2016	
<b>Committees:</b>	<b>Qualifications:</b> Mr. Garza-Santos is a business and community leader in Monterrey, N.L. Mexico. As Chairman and Chief Executive Officer of MADISA, a national distributor of heavy-duty equipment, Mr. Garza-Santos has experience in all phases of leading a company. Mr. Garza-Santos also sits on the board of directors of Promotora Ambiental, S.A.B. de C.V., a publicly-traded services company based out of Monterrey, Mexico. Mr. Garza-Santos is also a recognized leader in Monterrey, which provides the Company with additional insight and leadership on the business and political environment both regionally in Monterrey as well as nationally across Mexico.
	<b>Other Current Directorships:</b> Promotora Ambiental, S.A.B. de C.V.; Grupo Delta; Commercial Essex
<b>Age:</b> 70	Thomas A. McDonnell
<b>Director Since:</b> 2003	Retired President and Chief Executive Officer of the Ewing Marion Kauffman Foundation
<b>Current Term</b>	<b>Experience:</b> President and Chief Executive Officer of the Ewing Marion Kauffman Foundation from January 1, 2013 to December 31, 2014; Chief Executive Officer of DST Systems, Inc. from 1984 until September 2012
<b>Ends:</b> 2016	
<b>Committees:</b>	

Audit (Chair)  
Finance  
Nominating &  
Corporate  
Governance

**Qualifications:** Mr. McDonnell is an experienced business leader with the skills necessary to serve as a director of the Company. He served for many years as the CEO of DST Systems, Inc., a publicly traded company and has developed strong business leadership skills in this role. Mr. McDonnell has extensive executive experience in corporate finance and accounting, technology, international operations and strategic planning. His service on other boards has provided him with a broad business background and leadership skills that are highly valued by Directors on the Company's Board.

**Other Current Directorships:** Euronet Worldwide, Inc.; Blue Valley Ban Corp

**Past Directorships:** Commerce Bancshares, Inc.; DST Systems, Inc.; Garmin Ltd

**Table of Contents**

KANSAS CITY SOUTHERN

**Age:** 66

**Director Since:** 2010

**Current Term**

**Ends:** 2016

**Committees:**

Executive

David L. Starling

Chief Executive Officer, Kansas City Southern

**Experience:** Chief Executive Officer of KCS since August 1, 2010; President of KCS from July 1, 2008 to March 1, 2015; Chief Operating Officer of KCS from July 1, 2008 through August 1, 2010; and President and Chief Executive Officer of Kansas City Southern Railway since July 1, 2008

**Qualifications:** Mr. Starling has extensive executive experience in the North American rail industry and in intermodal and global shipping logistics. He developed significant international logistics experience in his role as Vice President of Central Asia for American President Lines, where he was responsible for its operations in China, Taiwan and Hong Kong. Mr. Starling has significant rail operations leadership experience developed in his position as President and Director General of Panama Canal Railway Company, where he supervised the reconstruction and subsequent operation of the company. He has played an important role in executing the Company's cross-border rail strategy since joining the Company in July 2008 as its President and Chief Operating Officer. Prior to joining the Company, Mr. Starling developed a strong understanding of its international shipping operations through his position as Executive Representative of the Company from July 2007 until joining the Company as an employee in July 2008. In this role, Mr. Starling represented the Company in seeking to encourage shipping of ocean container traffic through the Port of Lázaro Cárdenas, as well as through Panama.

**Other Current Directorships:** Ferrellgas, Inc.

*The Board of Directors recommends a vote **FOR***

*the election of these director nominees.*

**Vote Required for Approval**



Pursuant to the Company's Bylaws, only directors that receive the affirmative vote of a majority of the votes cast for or against such director by the holders of the outstanding shares of Voting Stock entitled to vote for the election of directors will be elected. Any nominee for re-election in an uncontested election who does not receive votes for his or her election equal to a simple majority of the votes cast must submit an offer to resign from the Board. The Board will then consider the resignation offer and may either (i) accept the resignation offer or (ii) reject the resignation offer and seek to address the underlying cause(s) of the against votes. The Board is required to make its determination within 90 days following the certification of the stockholder vote and make a public announcement of its decision, including a statement regarding the reasons for its decision if the Board rejects the resignation offer.

Under the rules of the NYSE, brokers are prohibited from giving proxies to vote on the election of directors unless the beneficial owner has given voting instructions as to each director. This means that if your broker is the record holder of your shares you must give voting instructions to your broker if you want your broker to vote your shares for the election of directors.

2016 NOTICE OF ANNUAL MEETING AND PROXY STATEMENT



**Table of Contents**

KANSAS CITY SOUTHERN

**2. Ratification of Independent Registered Public Accounting**

**Firm for 2016**

The Audit Committee of the Board of Directors has selected KPMG as our independent registered public accounting firm to audit our 2016 consolidated financial statements and provide an attestation report on the effectiveness of our internal control over financial reporting as of December 31, 2016. KPMG served as our independent registered public accounting firm in 2015. We are seeking our stockholders' ratification of the Audit Committee's selection of our independent registered public accounting firm even though we are not legally required to do so. If our stockholders ratify the Audit Committee's selection, the Audit Committee nonetheless may, in its discretion, retain another independent registered public accounting firm at any time during the year if the Audit Committee feels that such change would be in the best interests of KCS and its stockholders. Alternatively, if this proposal is not approved by stockholders, the Audit Committee may re-evaluate its decision. One or more representatives of KPMG are expected to be present at the Annual Meeting and will have the opportunity, if desired, to make a statement and are expected to be available to respond to appropriate questions from stockholders.

*The Board of Directors recommends a vote **FOR** the ratification of the appointment of*

*KPMG LLP as our independent registered public accounting firm for 2016.*

**Vote Required for Approval**

The affirmative vote of a majority of the shares of Voting Stock present at the Annual Meeting in person or by proxy is required to ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm. Under the rules of the NYSE, brokers may give proxies on Proposal 2 whether or not they receive instructions from the beneficial owners of those shares.

**3. Approval of the Kansas City Southern Annual Incentive Plan  
for Purposes of Internal Revenue Code Section 162(m)**

We are asking stockholders to approve the Company's Annual Incentive Plan, as amended and restated effective March 10, 2016, so that the payments made to our Chief Executive Officer and certain other executives (collectively referred to as "covered employees") will be considered qualified performance-based compensation and therefore deductible by the Company pursuant to Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"). Section 162(m) of the Code requires stockholder approval generally every five years.

**Summary of the Annual Incentive Plan**

The following is a summary of the principal features of the Annual Incentive Plan and its operation. The summary is not a complete description of all of the Annual Incentive Plan and is qualified by reference to the entire text of the Annual Incentive Plan attached as Appendix A.

**Purpose.** The purpose of the Annual Incentive Plan is to provide participants with annual incentive compensation based on the level of achievement of financial and other performance criteria. The Annual Incentive Plan is intended to focus the interests of participants on the key measures of the Company's success and to reward participants for achieving the key measures of the Company's success.

**Administration.** The Annual Incentive Plan will be administered by the Compensation Committee of the Board. The Compensation Committee is a committee appointed by the Board of Directors consisting solely of outside directors as that term is defined within the regulations implemented under Section 162(m) of the Code.

2016 NOTICE OF ANNUAL MEETING AND PROXY STATEMENT

10

**Table of Contents**

KANSAS CITY SOUTHERN

***Eligibility.*** The individuals eligible to participate in the Annual Incentive Plan shall be selected by the Company and approved by the Compensation Committee each year. All employees in active service and who are not represented by a union or other collective bargaining organization are eligible to participate in the Annual Incentive Plan. There were approximately 1,134 such employees at the end of fiscal year 2015.

***Maximum Award Amount.*** The maximum annual amount of compensation that may be paid to a participant under the Annual Incentive Plan is \$3,000,000 or, if less, 200% of the participant's target award.

***Performance Goals.*** Awards to participants will be based on performance goals, which shall provide for a threshold, target and maximum level of achievement using one or more of the following predetermined measurements as determined by the Compensation Committee: