

**Charter of the Compensation and Organization Committee  
of the  
Board of Directors of Kansas City Southern**

**I. PURPOSE**

The purpose of the Compensation and Organization Committee (the “Committee”) is to assist the Board of Directors (the “Board”) of Kansas City Southern (the “Company”) in discharging its responsibilities for determining (a) the compensation of the Company’s Chief Executive Officer (“CEO”), (b) the compensation of the members of senior management of the Company and its subsidiaries based on recommendations from the CEO and outside compensation consultants, (c) the compensation of directors who do not serve as executive officers of the Company or its subsidiaries (“Non-Management Directors”), and (d) the Company’s compensation philosophy, objectives, policies, strategies and programs.

**II. ORGANIZATION**

The Committee shall consist of three or more directors, the number to be fixed from time to time by resolution adopted by a majority vote of the whole Board. Each member of the Committee shall be affirmatively determined by a majority vote of the whole Board to qualify as independent under the New York Stock Exchange (“NYSE”) listing standards, as an “outside director” under Section 162(m) of the Internal Revenue Code, and as a “non-employee director” under Rule 16b-3 of the Securities Exchange Act of 1934 (the “Exchange Act”), as those standards, rules and regulations may be amended from time to time.

Committee members shall be elected annually by a majority vote of the whole Board, taking into consideration any recommendations of the Nominating and Corporate Governance Committee. One member of the Committee shall be annually elected its chairperson by the vote of a majority of the whole Board. Members of the Committee and the Chairperson shall serve until their successors have been duly elected and qualified. The members of the Committee and the Chairperson may be removed, with or without cause, by the vote of a majority of the whole Board.

The Committee may form and delegate all or a portion of its authority to subcommittees of the Committee when appropriate in its judgment and not precluded by any applicable law, regulation, stock or exchange listing standard.

**III. COMMITTEE RESOURCES**

The Committee shall have the authority, in the Committee’s sole discretion and at the Company’s expense, to obtain advice and assistance from internal or external legal, accounting, compensation or other advisors as required for the performance of its duties. For the purpose of fulfilling its mission the Committee shall have direct access to the Company’s officers and employees and may consult with the CEO, the Chief Financial Officer (“CFO”), the Vice President of Human Resources (or such person serving in a similar capacity) and other members of senior management as the Chairperson deems necessary. The Committee may, at the

discretion of the Chairperson, retain and have direct access to outside consultants to assist in determining and establishing the Company's compensation philosophy, objectives, policies, strategies, plans and awards. The Committee shall take into consideration all factors relevant to the consultant's independence from management, including those specified in Section 303A.05(c) of the NYSE Listed Company Manual. The Committee will have full access to all Company books, records, facilities and personnel it deems necessary to fulfill its duties and responsibilities.

#### **IV. COMPENSATION PROCEDURES**

1. The Committee has sole authority to set the compensation of the CEO, to set the compensation of the members of senior management of the Company and its subsidiaries based on recommendations from the CEO and outside compensation consultants, and to recommend for Board approval the compensation provided to Non-Management Directors. The Committee shall recommend each component of Non-Management Director compensation to the Board. The Committee shall not delegate these responsibilities to any person other than a subcommittee of the Committee.
2. The Committee shall review all elements of CEO and senior management compensation on an annual basis, including base compensation, short-and long-term incentives, and benefits and perquisites. For each review, the Committee may consider, and decide the weight it will give to, the following factors:
  - a. Market competition for executive employees;
  - b. Senior management compensation provided by peer group companies selected by the Committee;
  - c. Senior management performance;
  - d. Company financial performance and compensation expenses;
  - e. The accounting impact of executive compensation decisions;
  - f. Company and individual tax issues;
  - g. Senior management retention;
  - h. Senior management health and welfare;
  - i. Senior management retirement planning;
  - j. Senior management responsibilities; and
  - k. Senior management risk of termination without cause.

- (l) The results of the most recent stockholder advisory vote on executive compensation required by Section 14A of the Exchange Act.
3. In determining the long-term incentive component of the CEO's compensation, the Committee shall consider:
  - a. Company performance and relative stockholder return;
  - b. Value of similar incentive awards to chief executive officers at comparable companies; and
  - c. Awards given to the CEO in past years.
4. The Committee may use tally sheets, benchmark analyses, wealth accumulation analyses, internal pay equity analyses and other tools in setting the compensation of senior management.
5. The Committee may request that management recommend compensation package components, discuss hiring and retention concerns and personnel requirements and provide information with respect to such matters as executive, Company and business unit performance; market analyses; benefit plan terms and conditions; financial, accounting and tax considerations; legal requirements; and the value of outstanding awards. The Committee may rely on the CEO and other executives for these purposes.
6. The Committee shall develop the criteria for evaluating the performance of the CEO and privately review his performance against those criteria on at least an annual basis. The CEO shall periodically discuss the performance of other members of senior management with the Committee. The Committee may review human resources and business unit records. The Committee may discuss with the Audit Committee the compliance of senior management with the Company's Code of Business Conduct and Ethics.
7. The Committee may exclude from its deliberations any person whose compensation is under discussion.
8. In recommending Non-Management Director compensation, the Committee may consider, and determine the weight it will give to, the following factors:
  - a. Market competition for directors;
  - b. Securities law and NYSE independence, expertise and qualification requirements;
  - c. Director compensation provided by the peer group companies selected by the Committee against which it compares management compensation;
  - d. Directors' duties and responsibilities; and

- e. Director retention.

In making its recommendations, the Committee will seek to align industry comparability of Non-Management Director compensation with industry comparability of management compensation. In addition, the Committee may use an independent compensation consultant that is different from any such consultant it uses with regard to its assessment of management compensation.

## **V. DUTIES AND RESPONSIBILITIES**

The Committee shall have the following duties and responsibilities:

1. In consultation with senior management, establish, communicate to management and the Board and periodically update the Company's compensation philosophy, objectives, policies, strategies and programs, with the objective of ensuring they provide appropriate motivation for corporate performance and increased stockholder value.
2. Review and discuss with management the Company's disclosures in the "Compensation Discussion and Analysis" ("CD&A") intended to be included in the Company's annual meeting proxy statement and based on such review and discussion, recommend to the Board whether the CD&A should be included in the Company's annual meeting proxy statement.
3. Prepare and approve the Compensation Committee Report for inclusion in the Company's annual meeting proxy statement.
4. Review and approve periodically guidelines for base, annual incentive and long-term compensation programs for management employees of the Company and, as prescribed by resolution of the Board, subsidiary companies, consistent with the compensation philosophy of the Committee. The compensation program approved by the Committee shall be designed to: (i) support the Company's overall business strategy and objectives; (ii) attract and retain key executives; (iii) link compensation with quantifiable business objectives and organizational performance; (iv) provide competitive compensation opportunities; and (v) manage compensation expenses within established guidelines.
5. Annually review and assess the risks associated with the Company's compensation practices, policies and programs applicable to employees to determine whether the risks arising from such practices, policies and programs are appropriate or reasonably likely to have a material adverse effect on the Company.
6. Review and approve corporate goals and objectives relevant to CEO compensation, evaluate and review with the CEO his or her performance in light of those goals and objectives, and set the CEO's compensation level based on this evaluation.
7. Review and approve the CEO's recommendations concerning the compensation of the senior management of the Company and its subsidiaries.
8. In consultation with the Chairman of the Board and the CEO, the Committee shall have primary responsibility for the development and periodic review of a succession plan for

the Company's senior management other than the position of CEO. Responsibility for succession planning for the Company's CEO shall reside with the Board. The Committee shall annually review the Company's organizational structure, succession plans for senior management and programs for development of individuals to assume positions of higher responsibility, and shall discuss those matters with the Board.

9. In consultation with the CEO, CFO, the Vice President of Human Resources (or such person serving in a similar capacity) and, if deemed appropriate by the Chairperson, an independent outside consultant, review and recommend to the Board of Directors compensation for Non-Management Directors, including equity compensation awards, fees and benefits.
10. Establish and communicate to the senior management and the Board the Committee's expectations concerning Company stock ownership, with the goal of promoting long-term ownership of Company stock and further aligning the interests of senior management and the Board with the Company's stockholders.
11. Administer the compensation plans under which it has been granted administrative responsibility in a manner consistent with the terms of such plans, including, as applicable, approving all stock option, restricted stock, performance share and other equity compensation grants and pools, establishing performance goals and targets under incentive plans, and determining whether or not such goals have been attained. The Committee shall have the authority to delegate responsibility in accordance with the terms of the applicable plan.
12. Periodically and as and when appropriate, review and approve all new and amended employment agreements, severance arrangements, or change-in-control agreements or provisions affecting any elements of compensation applicable to the CEO or senior management.
13. Review and approve the Company's disclosures concerning compensation matters in Securities and Exchange Commission and other regulatory filings, including the disclosure of executive compensation in the Company's annual meeting proxy statement.
14. Retain and terminate any compensation consultant to be used to assist in the evaluation of the compensation of the Non-Management Directors, CEO or senior management of the Company and its subsidiaries, including the sole authority to select the consultant and to approve the consultant's fees and the other material terms of the engagement.
15. Obtain advice and assistance from internal or external legal, accounting or other advisors as required for the performance of its duties.
16. Evaluate and verify the independence of external legal, accounting or other advisors as required by NYSE listing standards, as those standards may be amended from time to time.

17. At the expense of the Company, compensate and oversee the work of any compensation consultant, external legal, accounting or other advisors retained by the Committee.
18. Monitor compliance with legal prohibitions on loans to directors and executive officers of the Company and its subsidiaries.
19. Annually participate in a self-assessment of performance and, in conjunction with the Nominating and Corporate Governance Committee, undertake an annual evaluation of the qualifications of the members of the Committee.
20. In consultation with management, oversee regulatory compliance with respect to compensation matters, including compliance with Sections 162(m), 409A and other applicable provisions of the Internal Revenue Code. Oversee the Company's policies on structuring compensation programs to preserve tax deductibility (including, as and when required for compliance with Section 162(m), establishing performance goals and certifying that such performance goals and other material terms have been attained).
21. In consultation with management and the Audit Committee, monitor the Company's disclosure controls and procedures and internal controls applicable to the implementation, accounting and reporting of executive compensation decisions and awards.
22. Review any stockholder proposals relating to executive compensation matters and recommend to the Board any response to such proposals.
23. Oversee the Company's compliance with SEC rules and regulations regarding shareholder approval of certain executive compensation matters, including advisory votes on executive compensation and the frequency of such votes, and the requirement under NYSE rules that, with limited exceptions, shareholders approve equity compensation plans.
24. Review and assess the adequacy of this Charter at least annually and recommend any proposed changes to the Board for approval.
25. Perform such other duties and exercise such other powers as directed by resolution of the Board consistent with this Charter or as required by applicable laws, rules, regulations and NYSE listing standards.

## **VI. MEETINGS**

The Committee shall have at least four (4) regularly scheduled meetings annually, but will meet as often as necessary to carry out its responsibilities. The Chairperson shall call additional meetings. The Chairperson of the Committee will preside at each meeting; provided, that in the absence of the Chairperson, one of the other members of the Committee shall be designated by a majority of the members of the Committee present at the meeting as the acting chair of the meeting. The Committee may direct appropriate members of management and staff or the Committee's compensation consultant to prepare draft agendas and related background information for each Committee meeting. The draft agenda may be reviewed and approved by the Committee Chairperson in advance of distribution to the other Committee members. The

Company's CEO, Corporate Secretary and the Vice President of Human Resources (or such person serving in a similar capacity), and the Committee's compensation consultant, may be present at all meetings, but such persons may be excluded from any executive session of the Committee. Any background materials, together with the agenda, should be distributed to the Committee members, the CEO, Corporate Secretary and Vice President of Human Resources (or such person serving in a similar capacity) in advance of the meeting. All meetings of the Committee shall be held pursuant to the Bylaws of the Company with regard to notice and waiver thereof, and written minutes of each meeting shall be duly filed in the Company records. Attendance shall be in person or by conference telephone or other means of communication as permitted by the Bylaws. Reports of meetings of the Committee shall be made to the Board at its next regularly scheduled meeting following the Committee meeting accompanied by any recommendations to the Board approved by the Committee. In addition, all Directors are to be furnished copies of the minutes of each meeting.

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