

KANSAS CITY SOUTHERN
Form DEF 14A
April 05, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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):

No fee required.

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

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

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

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

(4) Proposed maximum aggregate value of the transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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Kansas City Southern

Notice of 2019 Annual Meeting of Stockholders

and Proxy Statement

May 17, 2019

YOUR VOTE IS IMPORTANT

Please submit your proxy

or voting instructions by

internet, telephone or mail.

This Notice and Proxy Statement

and the 2018 Annual Report were

made available to stockholders on

or around April 5, 2019.

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KCS Vision, Values and Culture

Legacy and Purpose

We will honor and carry forward the unique legacy of KCS – its vision, entrepreneurial and ambitious spirit, resilience in the face of adversity, independence and willingness to challenge conventional wisdom – as we carry out our purpose of making a meaningful contribution to the economic growth and prosperity of the nations and communities we serve.

Vision

KCS strives to consistently be the fastest-growing, best-performing, most customer-focused transportation provider in North America.

Strategic Intent

Capitalize on the strategic location of the KCS cross-border rail network and the diverse and growing North American markets, while maintaining a commitment to operational excellence. We embrace new and emerging technologies and a strong cost discipline within a safe and reliable environment. We strive to provide service that consistently exceeds our customers' expectations, challenging careers to our employees and industry-leading returns to our stockholders.

Our Values

The KCS Culture is a set of values, beliefs and behaviors that define our Company, and create a foundation for our growth and success. Our strong culture and core values will allow KCS to fulfill its Vision and continue to endure in times of stress.

Safety: First and foremost, we will demonstrate a commitment to safety, for ourselves and our fellow employees, customers, contractors and any other guests on our property. At KCS, safety is an obligation, not an option.

Customer focus: We will recognize that we are in the business of serving customers and will strive to consistently meet or exceed their expectations and deliver on our commitments. We will do what we say we are going to do.

Communication: We will support an environment of open and honest communication in which transparency of information and diversity of perspective are valued.

Teamwork: We will encourage and reward initiative and cross-functional teamwork. We will treat our fellow employees, and other business associates, with dignity and respect. Railroading is a team sport!

Initiative & Innovation: We will nurture an environment which encourages and rewards resourcefulness, innovation and creativity, and where all individuals' contributions are encouraged and respected.

Diversity & Civility: We will embrace our cross-cultural heritage and promote a work environment that is inclusive of everyone. We will honor the rights of all individuals to be treated with respect and dignity.

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Notice of 2019 Annual Meeting of Stockholders

Friday, May 17, 2019

Kansas City Southern

Record Date

9:00 a.m. Central Time

4601 Hilry Huckaby III Ave.

The close of business

Gate 1, Building B-99

March 18, 2019

Shreveport, LA 71107

Items of business:

1. Election of nine directors;
 2. Ratification of the Audit Committee's selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2019;
 3. An advisory vote to approve the 2018 compensation of our named executive officers;
 4. A Company proposal to approve an amendment to the Company's Amended and Restated Certificate of Incorporation to reduce the threshold stock ownership requirement for stockholders to call a special meeting; and
 5. 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 18, 2019 are entitled to notice of and to vote at the Annual Meeting or any adjournment thereof.

Important Notice Regarding the Availability of Proxy Materials for Stockholder Meeting to be held on May 17, 2019. Pursuant to rules promulgated by the Securities and Exchange Commission (the "SEC"), we have elected to provide access to our proxy materials by notifying you of the availability of our proxy materials on the Internet. Instead of mailing paper copies of our proxy materials, we sent stockholders the Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be held on May 17, 2019, with instructions for accessing the proxy materials and voting via the Internet (the "Notice"). The Notice, which was mailed on or around April 5, 2019, also provides information on how stockholders may obtain paper copies of our proxy materials if they so choose. The Proxy Statement and our 2018 Annual Report may be accessed at www.edocumentview.com/ksu. As discussed in the Proxy Statement, certain stockholders were sent a full set of printed proxy materials or an email with instructions on how to access the proxy materials electronically, based on their previously indicated delivery preferences.

Whether or not you plan to attend the Annual Meeting in person and regardless of the number of shares you may own, we urge you to vote your shares over the Internet, as provided in the Notice and the Proxy Statement. If you already received or if you request proxy materials by mail, you may vote over the Internet or sign, date and mail the proxy card you receive in the envelope provided or vote via the toll-free telephone number set forth herein and on the proxy card. Please also indicate when voting your shares over the Internet or via the toll-free number or on your proxy card whether you plan to attend the Annual Meeting. You may revoke your proxy and vote your shares in person in accordance with the procedures described in the Proxy Statement.

By Order of the Board of Directors,

Adam J. Godderz

General Counsel &

Corporate Secretary

Kansas City, Missouri

April 5, 2019

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Proposal and Voting Recommendations

Proposal	Board Recommendation	Page Reference for More Information
1. Election of the following director nominees for a one-year term: Lydia I. Beebe Lu M. Córdova Robert J. Druten, Chairman Antonio O. Garza, Jr. David Garza-Santos Mitchell J. Krebs Henry J. Maier Thomas A. McDonnell Patrick J. Ottensmeyer	FOR each nominee	7
2. Ratification of the Audit Committee's selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2019	FOR	13
	FOR	14

3. Advisory vote to approve the 2018 compensation of our named executive officers

4. A Company proposal to approve an amendment to the Company's Amended and Restated Certificate of Incorporation to reduce the threshold stock ownership requirement for stockholders to call a special meeting FOR 15

Current Board of Directors

Name	Director Since	Independent	Committee Memberships
Lydia I. Beebe	2017		C,N
Lu M. Córdova	2010		A,F
Robert J. Druten, Chairman	2004		C,E
Terrence P. Dunn	2007		N
Antonio O. Garza, Jr.	2010		E,N
David Garza-Santos	2016		C
Mitchell J. Krebs	2017		A,F
Henry J. Maier	2017		C,F
Thomas A. McDonnell	2003		A,F
Patrick J. Ottensmeyer	2016		E
Rodney E. Slater	2001		N

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

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Questions and Answers about Voting and Annual Meeting

Q: What is this document?

A: This document is the Proxy Statement of Kansas City Southern that is being furnished to our stockholders of record on March 18, 2019 (the Record Date) in connection with our Board of Directors' solicitation of proxies for use at the 2019 Annual Meeting of Stockholders and any adjournment thereof (the Annual Meeting). We will hold the Annual Meeting at 4601 Hilry Huckaby III Ave., Gate 1, Building B-99, Shreveport, LA, 71107 on May 17, 2019 at 9:00 a.m. Central Time. 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.

Q: Why did some stockholders receive a Notice, whereas other stockholders received a full set of printed proxy materials or an email with instructions on how to obtain the materials electronically?

A: Pursuant to rules promulgated by the SEC, we are making this Proxy Statement and 2018 Annual Report to Stockholders (the Annual Report) available to stockholders electronically via the Internet. On or around April 5, 2019, we sent the Notice to our stockholders of record on the Record Date, which provides information regarding accessing the proxy materials for the Annual Meeting and voting via the Internet.

Some stockholders have previously requested to receive either a full set of printed proxy materials or an email with instructions on how to access the proxy materials electronically. Stockholders that have not submitted a specific delivery preference were sent the Notice. In addition, all participants in the Kansas City Southern 401(k) and Profit Sharing Plan (the KCS 401(k) Plan) were sent printed proxy materials.

If you would like to change the way you receive materials in the future, please follow the instructions on the Notice you received.

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 Corporate Secretary's Office at our principal executive offices, (888) 800-3690. If written requests are made to the Corporate Secretary's Office of KCS, they should be mailed to 427 West 12th Street, Kansas City, Missouri 64105. To provide us sufficient time to arrange for reasonable assistance, please submit all requests by May 10, 2019.

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** and collectively, with the **Common Stock**, the **Voting 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 226,285 shares of 4% Preferred Stock (excluding 423,451 shares held in treasury) and 100,584,988 shares of Common Stock (excluding 22,767,197 shares held in treasury) for a total of 100,811,273 shares eligible to vote at the Annual Meeting.

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Q: How many votes does each share of Voting Stock have?

A: The Voting Stock constitutes our only voting securities and votes 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: What is a registered holder, and how does a registered holder vote?

A: Registered holders are stockholders who hold their shares directly with the Company and have their names and addresses recorded in the Company's share registry, which is maintained by our transfer agent, Computershare. Registered holders receive all corporate communications and dividends directly from the Company or Computershare. Registered stockholders can vote by proxy in any of the following three ways, each of which is valid under Delaware law. Stockholders that want to vote via telephone or mail must obtain a full set of printed proxy materials. If you are a registered holder and would like to receive a full printed set of proxy materials, please follow the Instructions on the Notice or contact Computershare at (800) 884-4225.

By Internet: Access our Internet voting site at www.envisionreports.com/ksu or scan the QR code on the Notice or your proxy card, if you received a full set of printed proxy materials, with your smartphone and follow the instructions on the screen prior to 1:00 a.m., Eastern Time, on May 17, 2019 (May 14, 2019 for participants in certain employee benefit plans discussed below).

By Telephone: After receiving the full set of printed proxy materials, 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 17, 2019 (May 14, 2019 for participants in certain employee benefit plans discussed below).

By Mail: After receiving the full set of printed proxy materials, mark, sign, date, and return the proxy card or voting instruction form in the enclosed envelope so it is received before the Annual Meeting (May 14, 2019 for participants in certain employee benefit plans discussed below).

Q: What is a beneficial owner?

A: Beneficial owners are stockholders who hold their shares through a brokerage account, bank or other record holder. You also may have heard the term "held in street name" when describing stock ownership. When you buy securities through a brokerage firm, most firms will automatically put your securities into "street name." This means your brokerage firm will hold your securities in its name or another nominee and not in your name, but your brokerage firm will keep records showing you as the real or beneficial owner.

Q: How do beneficial owners vote?

A: The Voting Stock is traded on the New York Stock Exchange (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.

If you are the beneficial owner of your shares, you should have received a Notice, a full set of printed proxy materials with a voting instruction form, or an email copy of the proxy materials with

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instructions on how to vote from your broker or other nominee holding your shares. You should follow the instructions in the Notice or voting instruction form provided by your broker or other nominee in order to instruct your broker on how to vote your 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 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. Under applicable law, except for Proposal 4, 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. Because Proposal 4 requires the vote of a majority of the total number of outstanding shares of Voting Stock entitled to vote, a broker non-vote will have the effect of a vote against Proposal 4.

Q: How do participants in 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 should have received a full set of printed proxy materials, including a voting instruction form 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 form. Voting instructions may also be given by Internet or telephone by participants in the KCS 401(k) Plan. The voting instruction form 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 instructions by Internet or telephone must be given by 1:00 a.m., Eastern Time, on May 14, 2019. Unless you give voting instructions by Internet or telephone, the voting instruction form should be returned in the envelope provided to Proxy Services, c/o Computershare Investor Services, P.O. Box 505008, Louisville, KY 40233-9814. The voting instruction form 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 vote is necessary?

A: 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 that are 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 above) 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 polls are closed at the Annual Meeting. 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

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

A: If you properly vote via the Internet, or if you received a paper copy of the proxy materials and properly vote via the Internet or telephone or return a properly executed proxy card, you are appointing the Proxy Committee to vote your shares of Voting Stock covered by the proxy. The Proxy Committee is a committee of three directors of KCS, whose names are listed on the screen where you make your voting selections if you vote via the Internet and on the proxy card, and are authorized to vote shares that the stockholder has authorized the Proxy Committee to vote as their proxy.

The Proxy Committee will vote the shares of Voting Stock covered by a proxy in accordance with the instructions given by the stockholder(s) authorizing the proxy and voting via the Internet or telephone or executing the proxy card. If a properly authorized or executed 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 form?

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 authorized or executed proxy by (a) an Internet vote subsequent to (i) the date of a prior electronic or telephonic vote or (ii) the date shown on the previously executed and delivered proxy, (b) if you have received a full set of printed proxy materials, a telephone vote subsequent to (i) the date of a prior electronic or telephonic vote or (ii) the date shown on the previously executed and delivered proxy, (c) if you have received a full set of printed proxy materials, with a later-dated, properly executed and delivered proxy card, or (d) 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 above, 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: Who is paying for the Annual Meeting and this proxy solicitation?

A: Kansas City Southern will pay for the Annual Meeting, including the cost of mailing the Notice, paper copies of our proxy materials as requested by stockholders, and any supplemental materials. Directors, officers and employees of KCS may, either in person, by telephone or otherwise, solicit proxies. They have not been specifically

engaged for that purpose, however, nor will they be compensated for their efforts. We have engaged Morrow Sodali, 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 will reimburse brokerage firms and other persons representing beneficial owners of our shares for their reasonable expenses in forwarding the Notice, paper copies of our proxy materials as requested by beneficial owners, and other soliciting materials to the beneficial owners.

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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 Notice, and if requested, Annual Report and Proxy Statement. We will promptly deliver upon written or oral request a separate copy of the Notice, 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, 427 West 12th Street, Kansas City, Missouri 64105, Attention: Corporate Secretary, 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 Notice, 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 in the "Stockholder Proposals for 2020 Annual Meeting" section of this Proxy Statement. However, if other matters properly come before the meeting, it is intended that the Proxy Committee will vote on them in accordance with their best judgment.

INTERNET AVAILABILITY OF PROXY MATERIALS

The Proxy Statement and Annual Report are available at 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, 427 West 12th Street, Kansas City, Missouri 64105, or by calling (888) 800-3690.

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Proposals for 2019 Annual Meeting

1. Election of Directors

The Board of Directors of KCS (the Board) is currently composed of eleven members. As disclosed in the Form 8-K filed on March 11, 2019, Terrence P. Dunn and Rodney E. Slater, two directors who currently serve on our Board and whose current terms expire at the Annual Meeting, are retiring from our Board and are not seeking re-election. At this Annual Meeting, nine current directors are nominated for election and the size of the Board will be reduced to nine members.

The nine directors nominated for election have a wide array of skills, background, and senior leadership experience, including overseeing companies in regulated industries, both in the U.S. and Mexico, multi-national business operations, and the responsibilities and obligations that result from being a publicly-traded company, all of which are necessary to help guide our Company.

The Board believes these skills and qualifications represent the right blend of experience and knowledge to oversee the implementation of the Company's vision to consistently be the fastest growing, best-performing, most customer-focused transportation provider in North America. The Board, however, evaluates the composition of its member's skills and expertise on an ongoing basis and may decide to increase the size of the Board to add members with other unique skills, experience, and diversity to help guide the Company in the future.

* Includes CEOs of divisions of publicly held companies

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The following nine individuals are being nominated by the Board for election as directors at the Annual Meeting to serve a one-year term. Their biographies are set forth below. Each nominee has indicated they are willing and able to serve as a director 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 its 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

Lydia I. Beebe

Age: 66 Principal, LIBB Advisors, LLC

Director Since:
2017

Committees: **Experience:** Principal, LIBB Advisors, LLC; Senior Of Counsel, Wilson Sonsini Goodrich & Rosati PC from 2015 to 2017; Chief Corporate Governance Officer and Corporate Secretary, Chevron Corp., from 1995 to 2015

Compensation &
Organization

Nominating &
Corporate
Governance

Qualifications: Ms. Beebe currently serves as the Principal of LIBB Advisors. She formerly served as Senior Of Counsel with the law firm of Wilson Sonsini Goodrich & Rosati, advising clients on a wide range of corporate governance issues, and as co-chair of the Stanford Institutional Investors Forum at Stanford Law School. She was the Chief Governance Officer for Chevron Corp. from 1995 to 2015 and served in various other legal roles since 1977. During this time, she gained valuable skills relating to executive leadership at a large publicly-traded company, including corporate governance matters that are important to our stockholders. She has extensive experience in a wide array of legal challenges that face a public company and its board of directors. Ms. Beebe also has expertise with boardroom issues as a director of other public companies. Through LIBB Advisors, she also routinely advises companies on corporate strategy and working with all stakeholders. In addition, she serves as an advisory board member of the Rock Center for Corporate Governance at Stanford University and the Weinberg Center for Corporate Governance at the University of Delaware. Ms. Beebe also served as chairman of

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the board of the Northern California Chapter of the National Association of Corporate Directors.

Other Current Directorships: Aemetis, Inc.

Past Directorships: HCC Insurance Holdings, Inc.

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Lu M. Córdova

Age: 64

CEO of CTEK, Chief Executive Officer of Corlund Industries, L.L.C.

Director Since:
2010

Experience: CEO of CTEK since June 2018; President of Techstars Foundation from

December, 2017 to June, 2018; Chief Executive Officer of Corlund Industries, L.L.C. since 2005; General Manager of Almacen Storage-US, LLC since 2007

Committees:

Audit

Finance & Strategic

Investment (Chair)

Qualifications: Ms. Córdova has extensive business leadership and entrepreneurial experience. She has strong management skills from leading business development for companies from start-up phase through high growth into the public market. Her former international executive roles with Techstars, McGraw-Hill Standard & Poor's and Excite@Home, along with Chief Executive roles in private corporations, have given her extensive expertise in corporate finance and strategic planning. In addition, Ms. Córdova is a citizen of both the United States and Mexico and has significant cross-border operations experience. Ms. Córdova also has experience in the development of government financial and economic policies from her formal economics education, from ten years with the 10th District Federal Reserve Bank, ultimately as chairman, and from serving on compensation and audit committees.

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

Robert J. Druten (Chairman)

Age: 71

Retired Executive Vice President and Chief Financial Officer of Hallmark Cards, Inc.

Director Since:
2004

Experience: Executive Vice President and Chief Financial Officer of Hallmark Cards, Inc.

Committees:

from 1994 to August 2006

Compensation &
Organization (Chair)

Executive (Chair)
Qualifications: Mr. Druten has extensive executive experience in corporate finance and accounting developed during his tenure as a financial manager, and ultimately as Chief Financial Officer of Hallmark Cards, Inc. He has also served on the audit committees of other public companies, which gives him valuable knowledge and perspective. Mr. Druten also has experience in managing capital intensive operations, international operations and strategic planning.

Other Current Directorships: EPR Properties; Alliance Resource Partners, L.P.

Past Directorships: American Italian Pasta Company

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Antonio O. Garza, Jr.

Age: 59

Counsel, White & Case, LLP

Director Since:
2010

Experience: Counsel, White & Case, LLP since 2009; United States Ambassador to Mexico from 2002 until January 2009

Committees:

Executive

Nominating &
Corporate
Governance

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 México, S.A. de C.V. (KCSM), a wholly-owned subsidiary of KCS. 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: MoneyGram International; Trustee, Southern Methodist University; Americas Society/Council of the Americas; American Chamber of Commerce in Mexico

Past Directorships: BBVA Compass and the U.S. holding companies of BBVA; Basic Energy Services

David Garza-Santos

Age: 57

Chairman and Chief Executive Officer of Maquinaria Diesel SA de CV (MADISA)

Director Since:
2016

Committees: **Experience:** Chairman and Chief Executive Officer of MADISA since 1994

Compensation &
Organization

Qualifications: 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 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.

Other Current Directorships: Promotora Ambiental, S.A.B. de C.V.; Grupo Delta; Grupo Financiero Banorte (BANORTE); Fibra Mty. SAPI de CV

Past Directorships: Commercial Essex

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Mitchell J. Krebs

Age: 47 President and Chief Executive Officer of Coeur Mining, Inc.

Director Since:
2017

Experience: President and Chief Executive Officer of Coeur Mining, Inc. since 2011; Senior Vice President and Chief Financial Officer of Coeur Mining, Inc. between 2008 and 2011

Committees:

Audit

Finance & Strategic
Investment

Qualifications: Mr. Krebs is the President and Chief Executive Officer of Coeur Mining, Inc. (NYSE: CDE) and also serves on its board of directors. As the leader of a publicly-traded company, Mr. Krebs has direct experience and brings valuable insights into the issues that are important to public company stockholders. Mr. Krebs was Coeur Mining's Chief Financial Officer for several years, providing additional significant financial expertise to our Board and adding another financial expert to our Audit Committee. In addition, Coeur Mining has significant mining operations in both North and South America, including Mexico, giving Mr. Krebs experience that will enhance the Board's ability to oversee the Company's execution of its strategy and achievement of its long-range objectives for its Mexican operations. Mr. Krebs also has experience in the corporate finance and asset management areas, providing the Board with additional expertise in managing and strengthening the Company's financial and capital profile.

Other Current Directorships: Coeur Mining, Inc.

Henry J. Maier

Age: 65 President and Chief Executive Officer, FedEx Ground, a subsidiary of FedEx Corp.

Director Since:
2017

Experience: President and Chief Executive Officer of FedEx Ground, a subsidiary of FedEx Corp., since 2013; Executive Vice President, Strategic Planning, Communications, and Contractor Relations for FedEx Corp. between 2009 and 2013

Committees:

Compensation &
Organization

Finance & Strategic
Investment

Qualifications: Mr. Maier is President and Chief Executive Officer of FedEx Ground, an \$18.4 billion subsidiary of FedEx Corp. As the leader of FedEx Ground, he has developed a deep and strong skill set relating to strategy development and execution. Prior to assuming his current role in 2013, Mr. Maier held various other senior executive roles in the areas of marketing, communications and strategic planning. Mr. Maier's executive leadership skills strengthen the Board's ability to oversee the execution of our Company's strategy, including fostering a culture that demands performance excellence. Mr. Maier has spent his entire career working in various segments of the transportation industry, giving him tremendous insight into many areas important to the Company.

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KANSAS CITY SOUTHERN

Thomas A. McDonnell

Age: 73 Retired President and Chief Executive Officer of the Ewing Marion Kauffman Foundation

Director Since:
2003

Committees: **Experience:** 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

Audit (Chair)

Finance & Strategic

Investment

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 Chief Executive Officer 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 the Company's Board.

Other Current Directorships: Euronet Worldwide, Inc.; Blue Valley Ban Corp; Cohanzick HyFund Ltd.

Past Directorships: Commerce Bancshares, Inc.; DST Systems, Inc.; Garmin Ltd; Cerner Corporation; BHA Group Holdings, Inc.; Puritan Bennett/Nellcor Puritan Bennett; Computer Sciences Corporation; Innovative Software; Informix

Patrick J. Ottensmeyer

Age: 62 President and Chief Executive Officer, Kansas City Southern

Director Since:
2016

Committees: **Experience:** Chief Executive Officer of KCS since July 1, 2016; President of KCS since March 1, 2015; Executive Vice President of Sales and Marketing of KCS from October 16,

Executive 2008 through March 1, 2016; Chief Executive Officer of The Kansas City Southern Railway Company (KCSR), a wholly-owned subsidiary of KCS, since July 1, 2016; President of KCSR since March 1, 2015

Qualifications: Mr. Ottensmeyer has a broad range of experience from the various senior executive positions he has held at KCS over the last ten years. During his time as Executive Vice President Sales and Marketing, he developed a deep understanding of the Company's strategy as well as its customers and growth opportunities. He also has a very extensive understanding of financial matters, which helped him lead KCS' finance department during his time as Chief Financial Officer. Mr. Ottensmeyer came to KCS in 2006 with substantial experience in financial matters from serving in various financial leadership roles, including treasurer and chief financial officer positions with his prior employers.

*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

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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.

2. Ratification of Independent Registered

Public Accounting Firm for 2019

The Audit Committee of our Board is directly responsible for the appointment, compensation, retention, and oversight of the independent registered public accounting firm selected to audit our consolidated financial statements. In fulfilling this responsibility, at least annually, the Audit Committee evaluates the independence, professional qualifications, and performance of the Company's independent registered public accounting firm and that of the lead engagement partner.

In 2017, the Audit Committee and the Company decided to broaden this annual evaluation and to conduct a competitive process to select an independent registered public accounting firm to provide audit and related services to the Company for the year ending December 31, 2018. KPMG LLP (KPMG) continued to serve as our independent registered public accounting firm for the year ended December 31, 2017, having served continuously in that role since 2001. KPMG participated in the competitive evaluation process along with several other international public accounting firms.

The Audit Committee and the Company conducted a comprehensive process to evaluate the professional qualifications of the firms and the primary engagement teams that would serve the Company, the capability of the firms to coordinate and execute an audit in both the United States and Mexico, the quality of each firm's audit process, and the Company's ability to achieve a long-term competitive fee structure.

At the conclusion of this evaluation process and after careful consideration of each firm's demonstrated qualifications and performance against the evaluation criteria, on October 4, 2017, the Audit Committee approved the decision to select PricewaterhouseCoopers LLP (PricewaterhouseCoopers) as the Company's independent registered public accounting firm for the year ending December 31, 2018. The Audit Committee has again determined to select PricewaterhouseCoopers as the Company's independent registered public accounting firm for the year ending December 31, 2019.

Due to the location of the Annual Meeting in Shreveport, representatives of PricewaterhouseCoopers are not expected to be present at the Annual Meeting, and as a result, will neither have the opportunity to make a statement nor be available to respond to appropriate questions from stockholders.

The members of the Audit Committee and our Board believe that the selection of PricewaterhouseCoopers to serve as our independent registered public accounting firm for the year ending December 31, 2019 is in our best interest and the best interest of our stockholders. We are seeking our stockholders' ratification of the Audit Committee's selection of PricewaterhouseCoopers as 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, but is not required to, re-evaluate its decision.

*The Board of Directors recommends a vote **FOR** the ratification of the appointment of
PricewaterhouseCoopers as our independent registered public accounting firm for 2019.*

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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 PricewaterhouseCoopers 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. Advisory Vote to Approve Executive Compensation

We are asking our stockholders to indicate their support for our executive compensation program as described in this Proxy Statement. This proposal, commonly known as a "say-on-pay" proposal, gives our stockholders the opportunity to express their views on our Named Executive Officers' compensation. We encourage you to read the full proxy statement, including the information provided under the Compensation Discussion and Analysis, when determining how to vote on this proposal.

At the 2018 Annual Meeting of Stockholders, 93.9% of our stockholders that voted approved our say-on-pay proposal. Over the last several years, our Chairman, Chief Executive Officer and other executives met with many of our largest stockholders to discuss the Board's executive compensation philosophy and the basis for the Compensation Committee's decisions regarding plan structure as well as corporate governance developments and director succession and refreshment. We took action on a number of items based on the feedback we received from these conversations. In addition to enhancing our disclosure around executive compensation decisions and how the compensation structure aligns and supports the Company's strategy, the compensation programs were updated to incorporate specific feedback, including adding relative performance measures as part of the performance metrics, reducing the overlap of the weighting of operating ratio in both short- and long-term incentives, and adding an operating cash flow metric to the short-term incentive plan.

We believe that our compensation structure allows us to attract and retain quality executives and encourages our executives to continually improve the operations and performance of the Company in order to maximize the value of our cross-border rail network on behalf of our stockholders. We believe our compensation programs also follow best corporate practices, including:

A large percentage of the compensation of each Named Executive Officer (as defined on page 32) is composed of long-term incentive awards. These long-term incentive awards are solely in the form of equity awards, which aligns with the interests of our stockholders.

The majority of each Named Executive Officer's compensation is performance based, which encourages each Named Executive Officer to take steps to achieve the Company's long-term goals. The goals established by the Compensation Committee are also aligned with the Company's strategy and creation of stockholder value.

In addition to other factors, we use the market median of our peer group as a guideline when setting the target total direct compensation for each Named Executive Officer in order to ensure that we can appropriately and equitably compensate our Named Executive Officers in a highly competitive market for talent among our industry peers.

In accordance with the requirements of Section 14A of the Securities Exchange Act of 1934, as amended (the Exchange Act) and the related rules of the SEC, our stockholders have the opportunity to cast an advisory say-on-pay vote. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our Named Executive Officers and the philosophy, policies and practices described in this Proxy Statement. Accordingly, we ask our stockholders to vote **FOR** the following resolution:

RESOLVED, that the stockholders of the Company, approve, on an advisory basis, the 2018 compensation of the Named Executive Officers as discussed and disclosed in the Company's

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Proxy Statement for the 2019 Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, the Summary Compensation Table and the other related tables and disclosures.

The say-on-pay vote is advisory, and therefore, not binding on the Company, the Compensation Committee or our Board of Directors. Our Board of Directors and our Compensation Committee value the opinions of our stockholders and to the extent there is any significant vote against the Named Executive Officers' compensation as disclosed in this Proxy Statement, we will consider our stockholders' concerns and the Compensation Committee will evaluate whether any actions are necessary to address those concerns.

The Company has decided to conduct advisory votes on our Named Executive Officers' compensation annually until the next required advisory vote on the frequency of the advisory vote on the Company's executive compensation in 2023.

*The Board of Directors recommends a vote **FOR**
the approval of the resolution.*

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 approve the resolution. Under the rules of the NYSE, brokers are prohibited from giving proxies to vote on executive compensation matters unless the beneficial owner of such shares has given voting instructions on the matter. This means that if your broker is the record holder of your shares, you must give voting instructions to your broker with respect to Proposal 3 if you want your broker to vote your shares on this matter.

**4. Approval of Amendment to the Amended and Restated
Certificate of Incorporation to Reduce the Threshold Stock
Ownership Requirement for Stockholders to Call a Special
Meeting**

Background and Reason for the Recommendation

At the Company's 2018 Annual Meeting of Stockholders, a stockholder proposal requesting that the Board undertake such steps as may be necessary to permit written consent by shareholders . . . received the approval of approximately 52.5% of the votes cast on the proposal, representing approximately 42% of the outstanding shares of the Company. In light of the outcome of the stockholder vote on this proposal, the Company engaged with its largest stockholders to receive direct input regarding the most appropriate response. The Company communicated with stockholders that the Company believed held in the aggregate over 50% of the Company's outstanding shares of Common Stock as of December 31, 2018. The holders of a significant majority of the Common Stock held in this group (approximately 35% of the Company's outstanding shares of Common Stock as of December 31, 2018) indicated a preference against adopting a proposal that would permit the Company's stockholders to act by written consent.

Based on this input from stockholders, the Nominating and Corporate Governance Committee and the Board have determined that it is consistent with best corporate governance practices and in the best interests of the Company and its stockholders to amend the Company's Amended and Restated Certification of Incorporation (Certificate of Incorporation) and Bylaws to permit stockholders who hold 15% or more of the Company's outstanding shares of Common Stock to call special meetings, subject to the procedures and other requirements provided for in the Bylaws, and not to amend the Company's Certification of Incorporation and Bylaws to permit stockholders to take action by written consent without a meeting.

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The Board is strongly committed to good corporate governance and supports the practice of permitting stockholders to request special meetings, provided that the meeting is called by stockholders owning a significant percentage of the shares of the Company. The Board also believes that a special meeting, rather than action by written consent, is a superior means for stockholders to take action between annual meetings if they determine it to be necessary. A special meeting is an orderly process that permits all stockholders to consider any matter brought to them and cast their votes, while action by written consent may not give all stockholders a similar ability to consider and vote on the matter in an orderly manner.

Reducing the required threshold from 25% to 15% will make it easier for stockholders to call a special meeting. The Board believes that the 15% threshold will strike a reasonable balance between enhancing the ability of stockholders to vote on matters between annual meetings if the holders of a meaningful percentage of the shares believe it is desirable to do so and protecting against the risk that a small minority of stockholders could trigger the expense and distraction of a special meeting to pursue matters that are not widely viewed as requiring immediate attention. The Board also believes that facilitating the ability of stockholders to call a special meeting between annual meetings is a reasonable alternative to permitting stockholder action by written consent that will avoid the potential negative effects of action by written consent set forth above.

Existing Ownership Threshold

Currently, under the Company's Certificate of Incorporation and Bylaws, stockholders representing at least 25% of the outstanding shares of Common Stock have the right to call a special meeting of stockholders if those stockholders have held a net long position in those shares for at least one year. The one-year holding and net long position requirements are intended to protect against a meeting being called by stockholders whose interests are transitory or are otherwise not aligned with other stockholders' interests in the economic prospects of the Company.

Amended Ownership Threshold

Pursuant to the proposed amendment to the Company's Certificate of Incorporation and the corresponding amendment to the Bylaws, the minimum ownership threshold under this provision would be reduced from 25% to 15%. No other provisions of the Certificate of Incorporation or Bylaws would be amended in connection with this action.

This description of the proposed amendment to the Company's Certificate of Incorporation is qualified by the full text of the amendment to Paragraph Fourteenth of the Certificate of Incorporation, which is set forth in Appendix A. If the proposed amendment to the Certificate of Incorporation is adopted, the Board will also amend the Company's Bylaws to reduce the minimum stock ownership requirement to call a special meeting to 15% of the Company's outstanding shares of Common Stock.

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

*the amendment to the Amended and Restated Certificate of Incorporation to reduce
the threshold stock ownership requirement for stockholders to call a special meeting.*

Vote Required for Approval

The affirmative vote of the holders of a majority of the total number of outstanding shares of Voting Stock on the Record Date is required to approve this Proposal. Under the rules of the NYSE, brokers are prohibited from giving proxies to vote on this proposal unless the beneficial owner has given voting instructions on the matter. 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 on Proposal 4. Because Proposal 4 requires the vote of a majority of the total number of outstanding shares of Voting Stock entitled to vote, a broker non-vote will have the effect of a vote against Proposal 4.

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Company Information

The Board of Directors

The Board met four times in 2018. The Board meets regularly to review significant developments affecting KCS and to act on matters requiring Board approval. The Board reserves certain powers and functions to itself. In addition, it has requested that the Chief Executive Officer refer certain matters to it. During 2018, all directors attended at least 75% of the aggregate of (1) the total number of meetings of the Board called and held during the period for which they served as a director and (2) the total number of meetings held by all committees of the Board on which they served that were called and held during the period for which they served as a director.

Board Committees

The Board of Directors has established an Audit Committee, a Compensation and Organization Committee (the Compensation Committee), a Nominating and Corporate Governance Committee (the Nominating Committee), a Finance and Strategic Investment Committee (the Finance Committee) and an Executive Committee. Committee members are elected by the Board at the Board's annual meeting immediately following our Annual Meeting of Stockholders. The Board of Directors has adopted written charters for the Audit, Compensation, Nominating and Finance Committees detailing all of their responsibilities, copies of which are available in the Corporate Governance Governance Documents section under the Investors tab of our website at www.kcsouthern.com.

Audit Committee

The Audit Committee consists of three Directors elected by the Board, taking into consideration the recommendations of the Nominating Committee, to serve one-year terms. All members of the Audit Committee are independent (as defined in the NYSE's listing standards) and meet the additional independence standards in Rule 10A-3 under the Exchange Act. The Company does not limit the number of public company audit committees on which the members

Committee Members:

McDonnell (Chair)

of our Audit Committee may serve. However, for any director to simultaneously serve on our Audit Committee and the audit committees of more than two other public companies, the Board must affirmatively determine that such simultaneous service will not impair the director's ability to effectively serve on our Audit Committee.

Córdova

Krebs

Number of Meetings in 2018: 6

The Board has determined that two of the Audit Committee members, Mr. McDonnell and Mr. Krebs, are audit committee financial experts as that term is defined in applicable securities regulations. The Board made this determination for Mr. McDonnell based upon his prior experience as the Chief Executive Officer of DST Systems, Inc., his accounting and financial education, his experience actively supervising others performing accounting or auditing functions, and his past and current memberships on audit committees of other public companies. The Board made this determination for Mr. Krebs based on his current position as President and Chief Executive Officer of Coeur Mining, Inc., his previous position as Chief Financial Officer of Coeur Mining, Inc., his accounting and financial education, and his experience in the corporate finance and asset management areas.

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The Audit Committee is responsible for monitoring the quality and integrity of the Company's financial reporting process, financial statements, and systems of internal accounting controls. In fulfilling this responsibility, the Audit Committee regularly meets with management and with the Company's independent registered public accounting firm to review the Company's annual audited financial statements, quarterly financial statements, reports on the effectiveness of internal control over financial reporting, and other information included in SEC filings. The Audit Committee, or the Chair of the Audit Committee as authorized in the Audit Committee charter, also meets with management to review and discuss quarterly earnings press releases and other financial information provided to investors and analysts.

The Audit Committee is responsible for the appointment, compensation, retention, and oversight of the independent registered public accounting firm selected to audit our consolidated financial statements. In fulfilling this responsibility, at least annually, the Audit Committee evaluates the independence, professional qualifications, and performance of the Company's independent registered public accounting firm and that of the lead engagement partner.

The Audit Committee is also responsible for reviewing areas of potential significant financial risk to the Company and oversees the Company's enterprise risk management program. In fulfilling these responsibilities, the Audit Committee meets with management to review and discuss risk assessment and risk management policies, including the Company's significant risk exposures and steps taken by management to monitor and mitigate such exposures.

Compensation Committee

The Compensation Committee consists of four Directors elected by the Board, taking into consideration the recommendations of the Nominating Committee, to serve one-year terms. Each member of the Compensation Committee is independent (as defined in the NYSE's listing standards), is considered an outside director under

Committee Members:

Druten (Chair)

Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code), and is considered a non-employee director for purposes of Rule 16b-3 under the Exchange Act.

Beebe

The Compensation Committee is responsible for establishing, communicating to management and the Board and periodically updating 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. The Compensation Committee is solely responsible for reviewing and approving corporate goals and objectives relevant to the compensation of our Chief Executive Officer (CEO),

Garza-Santos, D.

Maier

Number of Meetings in 2018: 5

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evaluating and reviewing with our CEO his performance in light of those goals and objectives and setting our CEO's compensation level based on that evaluation. In addition, the Compensation Committee reviews and approves the compensation of other members of senior management of KCS based on recommendations from the CEO and an independent compensation consultant. For compensation decisions in 2018, the Compensation Committee retained Meridian Compensation Partners, LLC (Meridian or the Compensation Consultant) as its independent compensation consultant. Meridian provided advice on executive and director compensation programs, market pay analyses, peer groups and review of the Compensation Discussion and Analysis. Meridian also provided other services at the request of management, the fees for which were immaterial. The Compensation Committee reviewed the nature of its relationship with Meridian and determined there were no conflicts of interest with respect to its independence. The Compensation Committee annually reviews and assesses 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. See Compensation Discussion and Analysis for additional information on Meridian.

Compensation Committee Interlocks and Insider Participation.

During 2018:

no member of the Compensation Committee was an officer or employee of KCS or was formerly an officer of KCS;

no member of the Compensation Committee had any material relationship with KCS other than service on the Board and Board committees and the receipt of compensation for that service;

no executive officer of KCS served as a director or as a member of the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served on our Compensation Committee; and

no executive officer of KCS served as a member of the compensation committee (or other board committee performing equivalent functions or, if the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served as a director of KCS.

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Nominating Committee

The Nominating Committee consists of four Directors elected by the Board, taking into consideration the recommendations of the Nominating Committee, to serve one-year terms. Each member of the Nominating Committee is independent (as defined in the NYSE's listing standards). The Nominating Committee recommends to the Board of Directors suitable nominees for election to the Board or to fill newly created directorships or vacancies on the Board. In addition, the Nominating Committee is responsible for (i) reviewing Company governance policies and procedures and developing and recommending to the Board changes and additions to such governance policies and procedures; (ii) establishing and maintaining procedures for evaluation of Board and management performance; (iii) periodically evaluating the performance of the Board and its committees; (iv) reviewing stockholder proposals and recommending to the Board responses to such proposals; and (v) overseeing the Company's commitment to environmental, social and related governance (ESG) matters that are significant to the Company.

Committee Members:

Dunn (Chair)

Beebe

Garza, A.

Slater

Number of Meetings in 2018: 8**Finance Committee**

The Finance Committee consists of four Directors elected by the Board, taking into consideration the recommendations of the Nominating Committee, to serve one-year terms. The Finance Committee is responsible for reviewing and approving financing transactions exceeding \$50 million, but not exceeding \$500 million. The Finance Committee also reviews management's financing plans and reports and makes recommendations to the Board with respect to matters affecting our financing plan and capital structure, and monitors the Company's risk management practices relating to foreign exchange and interest rates.

Committee Members:

Córdova (Chair)

Krebs

Maier

McDonnell

Number of Meetings in 2018: 2

Executive Committee

The Executive Committee consists of the Company's Chief Executive Officer, the Chair of the Board, and one other Director elected by the Board, taking into consideration the recommendations of the Nominating Committee, to serve a one-year term. When the Board is not in session, the Executive Committee has all the powers of the Board in all cases in which specific directions have not been given by the Board.

Committee Members:

Druten (Chair)

Garza, A.

Ottensmeyer

Number of Meetings in 2018: 0

Corporate Governance

Governance Highlights

Our corporate governance profile includes what we believe are the most important best practices:

We conduct annual director elections;

We have a separate Board Chair and CEO structure with an independent Board Chair;

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We adopted proxy access on best governance terms;

We have no super-majority voting provisions with respect to our Common Stock;

We have a majority voting standard for Board elections;

We allow stockholders to call special meetings;

We prohibit the nomination of former Company CEOs to serve on the Board;

We have a stockholder engagement strategy to obtain your input;

We make our corporate governance guidelines (Guidelines) and code of business conduct and ethics publicly available;

We have an anti-hedging and pledging policy prohibiting directors and any officers with the title of Vice President or above from trading derivative financial instruments relating to any security of the Company, and subject to limited exceptions, from pledging securities of the Company as collateral for loans;

We publish a sustainability report, which can be found on our website;

We enhanced our policies related to political contributions made by our Company, including the reporting of all political contributions to our Chairman of the Board and the Executive Committee and the disclosure of political contributions on our website;

We enable stockholders, employees, customers, suppliers and community members to alert us confidentially and anonymously by reporting suspected or actual violations of the law or corporate policy;

We have adopted a clawback policy which subjects an Executive Officer's AIP and performance shares to recoupment;

And, most importantly:

Our Board of Directors regularly reviews evolving corporate governance developments and updates our committee charters, Guidelines, policies and practices, as appropriate.

Stockholder outreach is an essential component of our commitment to good corporate governance. The Board has put in place a stockholder engagement strategy, which includes engaging in conversations with our investors to gain insight and their feedback on topics such as governance trends, our executive compensation plans, board composition and refreshment, sustainability reporting and KCS vision and strategy. On an ongoing basis, the Board evaluates and adjusts this strategy based on feedback from our stockholders. Our Board routinely discusses with the Company's executives and investor relations team the feedback and input of our stockholders.

Based on feedback from extensive outreach to our largest stockholders for the last 3 years, we have taken action on a number of corporate governance issues, demonstrating the importance that we place on stockholder engagement and feedback. Specifically, in recent years we have continued to refresh the Board of Directors, with a focus on increasing diversity, and have provided investors with additional information about how each director's skills enhance the Board's ability to provide oversight. We have also focused on sharing the Company's vision and strategy with stockholders and other key constituent groups, including employees, colleagues, customers, vendors, and the communities we serve. In addition, we have enhanced our focus on sustainability initiatives, the results of which are reflected in the discussion below.

Corporate Sustainability & Responsibility

The Board recognizes the increasing importance of environmental and social issues to our stockholders, including risks associated with climate change. The Board recently amended the charter of its Nominating Committee to specifically assign responsibility for the oversight and monitoring of such risks to the Nominating Committee, demonstrating the importance of such issues to the Company and its future.

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In addition to the sustainability and responsibility information provided herein, KCS publishes an annual sustainability report, prepared in accordance with the Global Reporting Initiative (GRI) Standards.

2018 Sustainability & Responsibility Highlights

Environmental:

Rail transportation is the most energy efficient way to move freight over land. In 2018, KCS moved each ton of freight approximately 370 miles on average on only one gallon of fuel.

KCS provides a carbon calculator to its customers on its website to estimate the greenhouse gas emission savings potential associated with shipping by rail vs. truck.

To optimize our fuel efficiency, KCS fuel conservation team drives fuel conservation and efficiency initiatives by:

- Implementing strategies to improve fuel efficiency, including multiple fuel saving technologies in our locomotives

- Forecasting fuel consumption and providing monthly goals and reports with recommendations

- Analyzing fuel burn and efficiency data to identify opportunities and trends

- Managing vendor and program compliance

In 2018, we achieved a reduction of 9.4 million gallons of diesel fuel, or 6.5%, as a direct result of fuel conservation and efficiency initiatives.

By reducing the footprint of our primary Wyandotte data center, we reduced electricity consumption by 44% from prior year at that location.

Safety:

The KCS Health, Safety, Security & Environmental Management System covers 100% of operations.

KCS has been a Responsible Care Partner since 1999.

In 2018, Positive Train Control (PTC), an advanced system designed to automatically stop a train before certain incidents occur, was successfully installed on required track segments and equipment in the U.S. This system is designed to prevent:

Train-to-train collisions

Derailments caused by excessive train speed

Train movements through misaligned track switches

Unauthorized train entry into work zones

In 2018, we conducted hazmat training with approximately 390 local community first responders.

People:

89% of US and Mexico employee engagement and satisfaction survey respondents would recommend KCS as a good place to work.

We offer competitive health, savings and leave benefits for all employees.

In 2018, KCS revised its Non-Discrimination and Anti-Harassment Policy to strengthen our policy on providing a work environment free from all forms of discrimination and harassment.

In 2018, 54% of KCS's non-union new hires in the U.S. were women and people of color.

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Communities:

KCS capital investments generate value for communities.

In 2018, KCS invested approximately \$512 million on capital projects. This investment included \$245.7 million on maintenance capital to strengthen our infrastructure, \$101.2 million on equipment, \$69.8 million on new capacity, \$28.9 million on Positive Train Control, and \$66.7 million on information technology/other.

Through a combination of discretionary gifts and matching contributions, KCS contributed \$3.6 million to authorized charitable organizations.

Corporate Governance Guidelines

The Corporate Governance Guidelines of Kansas City Southern (the Guidelines) are available for review in the Corporate Governance Governance Documents section under the Investors tab of our website at www.kcsouthern.com. In addition, this section of our website makes available all of our corporate governance materials, including our Bylaws (the Bylaws), board committee charters, code of business conduct and ethics and our anti-harassment and equal employment opportunity policies. Our Board of Directors regularly reviews corporate governance developments and modifies the Guidelines, committee charters and key practices as it believes warranted.

The Investors section of our website also includes a copy of the brochure for our United States Speak Up! line in portable document format (i.e., PDF), which may be accessed by selecting Speak Up! Report Line from the available options under Corporate Governance Governance Documents. Our United States Speak Up! line is a means for employees, customers, suppliers, stockholders and other interested parties to submit confidential and anonymous reports of suspected or actual actions they believe may violate our corporate policies or the law. Our United States Speak Up! line is operated by an independent outside vendor 24 hours a day, seven days a week. Any employee, stockholder or other interested party can call the following toll-free (within the United States) number to submit a report:

1-800-727-2615

We have a similar hotline in Mexico, the KCSM Linea de Denuncias, to receive confidential and anonymous reports of suspected or actual actions that the reporting party believes may violate our corporate policies or the law. The KCSM hotline is also operated by an independent outside vendor 24 hours a day, seven days a week. Any employee, stockholder or other interested party can call the following toll-free number to submit a report:

01-800-436-0158

Code of Business Conduct and Ethics

Our Code of Business Conduct and Ethics is applicable to all directors, officers and employees of KCS and its subsidiaries and embodies our principles and practices relating to the ethical conduct of our business and our commitment to honesty, fair dealing and compliance with applicable laws and regulations. Our Code of Business Conduct and Ethics is available in the Corporate Governance Governance Documents section under the Investors tab of our website at www.kcsouthern.com and in print to any stockholder who requests it. Any waiver or amendments to our Code of Business Conduct and Ethics are also made available on our website.

Anti-Hedging and Pledging Policy

Under our Policy on Insider Trading, all directors, any officer with the title of Vice President (or salary grade equivalent) or above, and other employees of KCS as designated by the Company's Chief Executive Officer from time to time (collectively, Insiders) are prohibited from trading options or other derivative

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financial instruments relating to any security of the Company or selling short any security of the Company. Insiders are also prohibited from holding any security of the Company in a margin account. In addition, with limited exceptions as approved by the Company's Compliance Officer, Insiders are prohibited from pledging securities of the Company as collateral for loans. We believe these policies further align Insiders' interests with those of our stockholders. In 2018, the Compliance Officer did not approve any pledgi