

**Charter of the Audit Committee  
of the  
Board of Directors of Kansas City Southern**

**I. PURPOSE**

The Audit Committee (the "Committee") of Kansas City Southern (the "Company") is appointed by the Board of Directors (the "Board") to assist the Board in fulfilling its oversight responsibilities with respect to the Company's financial reporting. The Audit Committee's primary duties and responsibilities are to:

- Monitor the quality and integrity of the Company's financial reporting process, financial statements and systems of internal controls.
- Monitor the independence, qualifications and performance of the Company's independent registered public accounting firm selected as the Company's auditor and the internal audit department.
- Provide an avenue of communication among the Company's independent registered public accounting firm, management, the internal auditing department and the Board.
- Monitor compliance with legal and regulatory requirements.
- Review areas of potential significant financial risk to the Company.
- Prepare the required report for inclusion in the Company's annual meeting proxy statement, and recommend to the Board whether the Company's audited financial statements be included in its annual report on Form 10-K.

**II. AUTHORITY**

The Audit Committee has the authority, and the Company will provide the appropriate funding, to conduct any investigation appropriate to fulfilling its responsibilities and may retain, at the Company's expense, special legal, accounting, or other consultants or experts it deems necessary in the performance of its duties. Additionally, the Company shall provide for appropriate funding for any expenses that are necessary or appropriate for the Audit Committee to carry out its duties. The Audit Committee also has sole authority for the appointment, compensation, retention, termination and oversight of the work of the Company's independent registered public accounting firm for the purpose of preparing or issuing an audit report or performing other audit, audit-related, review or attest services for the Company. The Company's independent auditor shall report directly to the Committee and the Committee and the Company's independent auditor shall have full access to and right to delivery of such, as appropriate, to all Company books, records, facilities and personnel it deems necessary to fulfill their respective responsibilities and, with respect to the independent registered public accounting firm, for the purpose of issuing an audit report or performing other audit, audit related, review or attest services for the Company.

The Committee shall set clear hiring policies for employees or former employees of the independent registered public accounting firm.

### **III. ORGANIZATION**

The Audit Committee shall be comprised 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 then in effect, and to meet the additional independence requirements of Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Each member of the Committee shall be financially literate as contemplated by NYSE listing standards. At least one member of the Audit Committee shall be an "audit committee financial expert" as defined by the rules of the Securities and Exchange Commission ("SEC").

Audit Committee members shall be elected and vacancies filled by the vote of a majority of the whole Board, taking into consideration the recommendations of the Nominating and Corporate Governance Committee of the Board. One member of the Committee shall be elected its Chairperson by the vote of a majority of the whole Board. The Audit Committee members shall be elected to serve staggered three-year terms. No committee member shall simultaneously serve on the audit committees of more than three other public companies unless the full Board of Directors of the Company determines that such simultaneous service will not impair the member's ability to effectively serve on the Committee. Members shall be eligible for reappointment. Members of the Committee and the Chairperson shall serve until their successors are duly elected and qualified. If the Audit Committee Chairperson is not present at a meeting, the members of the Audit Committee may designate a Chairperson by majority vote of the Audit Committee membership.

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

### **IV. MEETINGS**

The Audit Committee shall meet at least four times annually, or more frequently as circumstances dictate. The Audit Committee Chairperson shall prepare and/or approve an agenda in advance of each meeting. The Audit Committee will meet privately in executive session periodically with management, the senior internal audit executive, the Company's independent auditor and as a Committee to discuss any matters that the Audit Committee or each of these groups believe should be discussed. In addition, the Audit Committee, or its Chairperson, shall communicate with management and the Company's independent auditor quarterly to review the Company's financial statements and significant filings. All meetings of the Committee shall be held pursuant to the By-laws of the Company with regard to notice and waiver thereof. Attendance shall be in person or by conference telephone or other means of communication as permitted in the By-laws. 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.

## **V. DUTIES AND RESPONSIBILITIES**

### Review Procedures

1. Review and reassess the adequacy of this Charter at least annually. Submit any proposed changes to the Board.
2. Review with management and the Company's independent auditor the annual audited financial statements and quarterly financial statements of the Company and any subsidiary of the Company required to file periodic reports with the SEC (each, a "Reporting Subsidiary"), including the Company's and any Reporting Subsidiary's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations."
3. Discuss earnings press releases, as well as financial information and, if any, earnings guidance provided to analysts and rating agencies. This review may be general in nature and need not be in advance of each release. The Chair of the Committee may represent the entire Audit Committee for purposes of these reviews.
4. In consultation with management, the Company's independent registered public accounting firm and the internal auditors, consider the integrity of the Company's financial reporting processes and controls. Review significant findings prepared by the Company's independent auditor and the internal audit department together with management's responses, including the status of previous recommendations.
5. Discuss with management, the internal audit department and the Company's independent auditor, the Company's risk assessment and risk management policies, including the Company's major financial risk exposure and steps taken by management to monitor and mitigate such exposure.
6. Review with financial management and the Company's independent registered public accounting firm the financial results of the Company and any Reporting Subsidiary prior to the filing of the Form 10-Q or 10-K of the Company or such Reporting Subsidiary. Discuss any significant changes to accounting principles and the disclosures made by the CEO and CFO during the certification process. The Chair of the Committee may represent the entire Audit Committee for purposes of these reviews in the event the full Committee is unable to review such information prior to filing.

### Independent Registered Public Accounting Firm

7. At least annually, obtain and review a report by the Company's independent registered public accounting firm describing: the firm's internal quality control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; to assess the auditor's independence annually and prior to engaging a new independent registered public accounting firm, all relationships between the Company's independent registered public accounting firm and the Company; and all other communications required by the

Public Company Accounting Oversight Board ("PCAOB") or any other applicable regulatory authority.

8. Meet with the Company's independent auditor prior to the audit to review the planning and staffing of the audit. Review the firm's audit plan – discuss scope, staffing, locations, reliance upon management, reliance upon internal audit and general audit approach.
9. Consider the Company's independent auditor's judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.
10. Review with the Company's management and the independent auditor and internal auditors, together or separately, as appropriate, any audit problems or difficulties and management's response.
11. Pre-approve all services and fees for audit and non-audit services prior to engagement or establish pre-approval policies and procedures in compliance with applicable law, regulation or stock exchange listing standard. The Chair of the Audit Committee is authorized to pre-approve any audit and non-audit services on behalf of the Committee, provided such decisions are provided to the full Committee at its next scheduled meeting.
12. The Committee shall ensure that the lead audit partners assigned by the Company's independent auditor to the Company, as well as the audit partner responsible for reviewing the Company's audit, shall be changed at least every five years.

#### Internal Audit Department

13. Review the proposed internal audit plan, changes in plan, activities, organization structure, staffing, qualifications and activities of the internal audit department. The internal audit department shall be responsible to senior management, but have a direct reporting responsibility to the Board through the Committee.
14. Review the appointment, performance and replacement of the senior internal audit executive.
15. Review significant reports prepared by the internal audit department together with management's response and follow-up to these reports.

#### Other Audit Committee Responsibilities

16. Review periodically the Company's Code of Business Conduct and Ethics and monitor compliance with the Code. The Committee shall have the sole authority to grant any waivers of the Code, which shall only be granted if consistent with the best interests of the stockholders and accompanied by such measures to protect the interest of stockholders as the Committee deemed advisable. Any such waiver shall be publicly disclosed in accordance with SEC rules.
17. Establish procedures for: (i) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters;

and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

18. On at least an annual basis, review with the Company's counsel, any legal or regulatory matters that may have a material impact on the Company's financial statements.
19. Maintain minutes of meetings and periodically report to the Board of Directors on significant results of the foregoing activities.
20. Consult with the Nominating and Corporate Governance Committee with respect to any related person transactions approved by the Nominating and Corporate Governance Committee, and ensure such transactions are publicly reported in accordance with SEC rules.
21. Evaluate the Committee's performance at least annually.
22. The responsibilities set forth in this Charter are a guide with the understanding that the Committee may diverge from them as it deems appropriate given the circumstances and may perform any other activities consistent with this Charter, the Company's Bylaws and governing law, as the Committee or the Board deems necessary or appropriate.
23. Report regularly to the Board.

#### **VI. LIMITATION ON AUDIT COMMITTEE'S ROLE**

The Committee does not itself prepare financial statements or perform audits, and its members are not auditors or certifiers of the Company's financial statements. Members of the Committee rely without independent verification on the information provided to them and the representations made to them by management and the independent registered public accounting firm. Accordingly, the Committee's oversight does not provide an independent basis to determine that management has maintained appropriate accounting and financial reporting policies, appropriate internal controls and procedures to ensure compliance with accounting standards and applicable laws and regulations, effective disclosure controls and procedures or effective internal control over financial reporting. Furthermore, the Committee's considerations and discussions referred to in this charter do not assure that the audit of the Company's financial statements has been carried out in accordance with PCAOB auditing standards, that the financial statements are presented in accordance with generally accepted accounting principles, or that the independent registered public accounting firm is in fact "independent."