

# EXPERIENCE GROWTH

**EXPERIENCE  
SUSTAINABLE GROWTH.**

**March 2011**



**Experience growth**

K+S is one of the world's leading suppliers of speciality and standard fertilizers, plant care as well as salt products.

With our products and brands, we offer our customers a range of needs-based goods and services which provides growth opportunities in virtually every sphere of daily life.

In doing so, we assume active responsibility for the sustained growth of our world. Our more than 15,000 employees display their commitment towards this goal day in day out by applying their knowledge and experience.

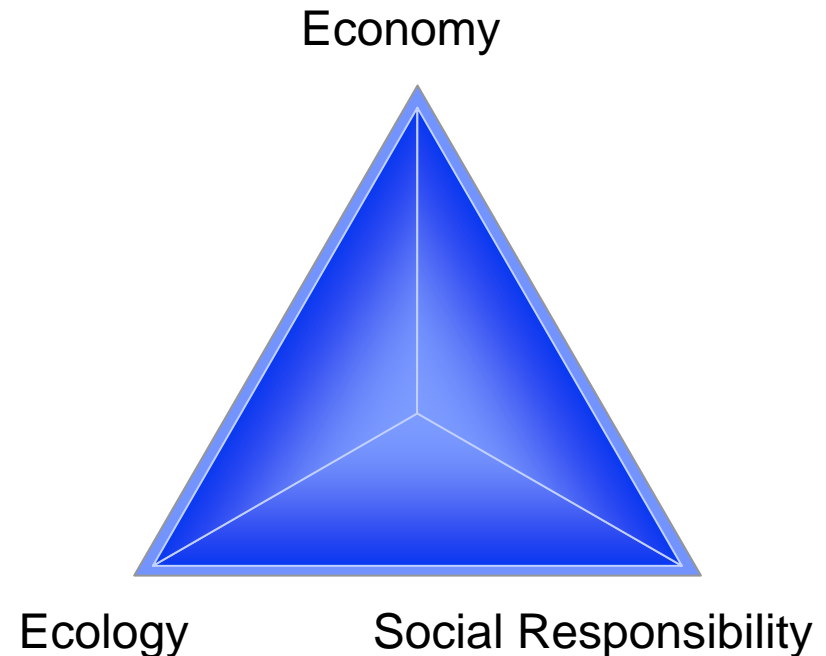
**K+S**

**Experience growth.**

# K+S Group Sustainable Development - An Opportunity and a Challenge



Our corporate strategy is oriented towards long-term and sustainable growth in the interest of our stakeholders. The basic principle of sustainable development – achieving a balance between economic, ecological and social goals – presents us with an opportunity and a challenge. We have integrated social and ecological aspects into our business processes in order to avoid risks and ensure our economic success.



## Our Core Values

- Sustainable Success
- Social Responsibility
- Respect and Fairness in Dealing with Business Partners and Employees
- Promoting the Personal and Specialist Competencies of Our Employees
- Transparency
- Integrity

## Code of Conduct

To maintain and to further develop our corporate competence recognized by our customers and partners represents a great challenge for us. For this reason, we espouse principles of conduct. These are set out in the Code of Conduct, which has existed since 2006 (see [www.k-plus-s.com](http://www.k-plus-s.com)). These principles of conduct are part of our compliance programme and supplement our core values. Each employee applies these principles of conduct as the yardstick for the employee's action to ensure that our company, our products and our services enjoy high respect.

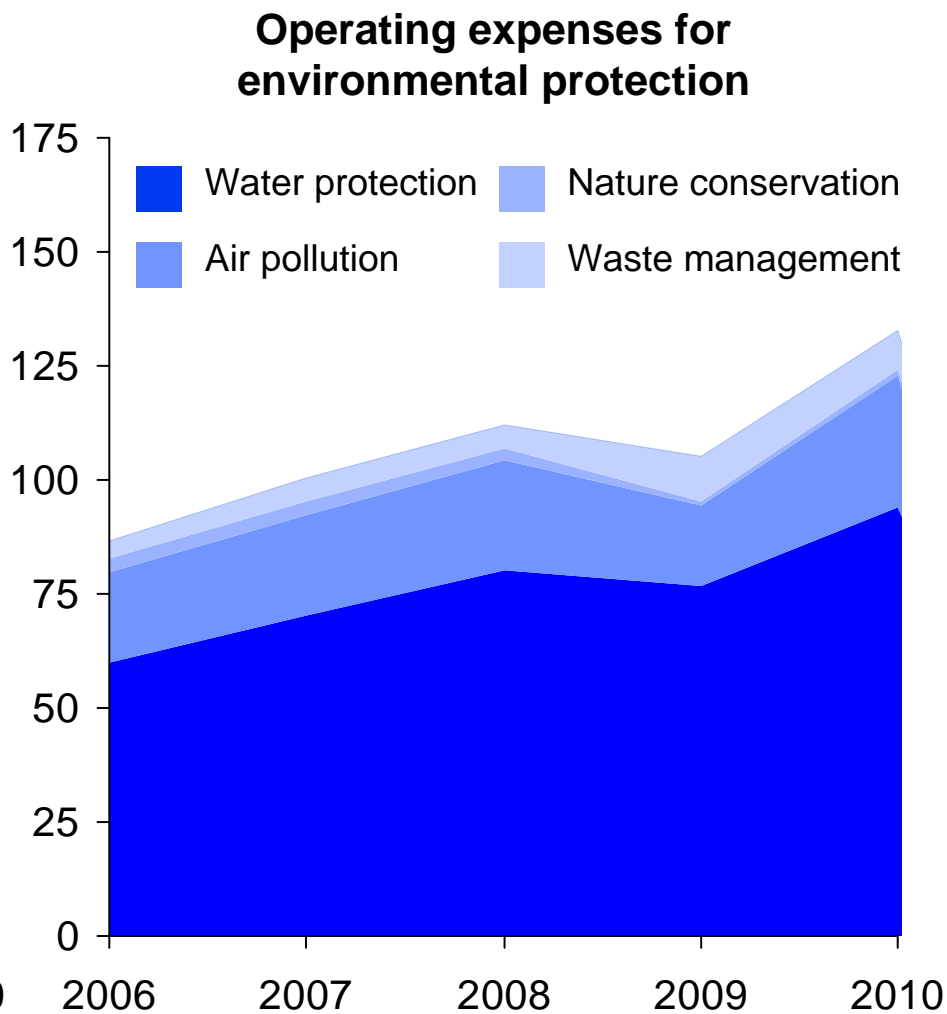
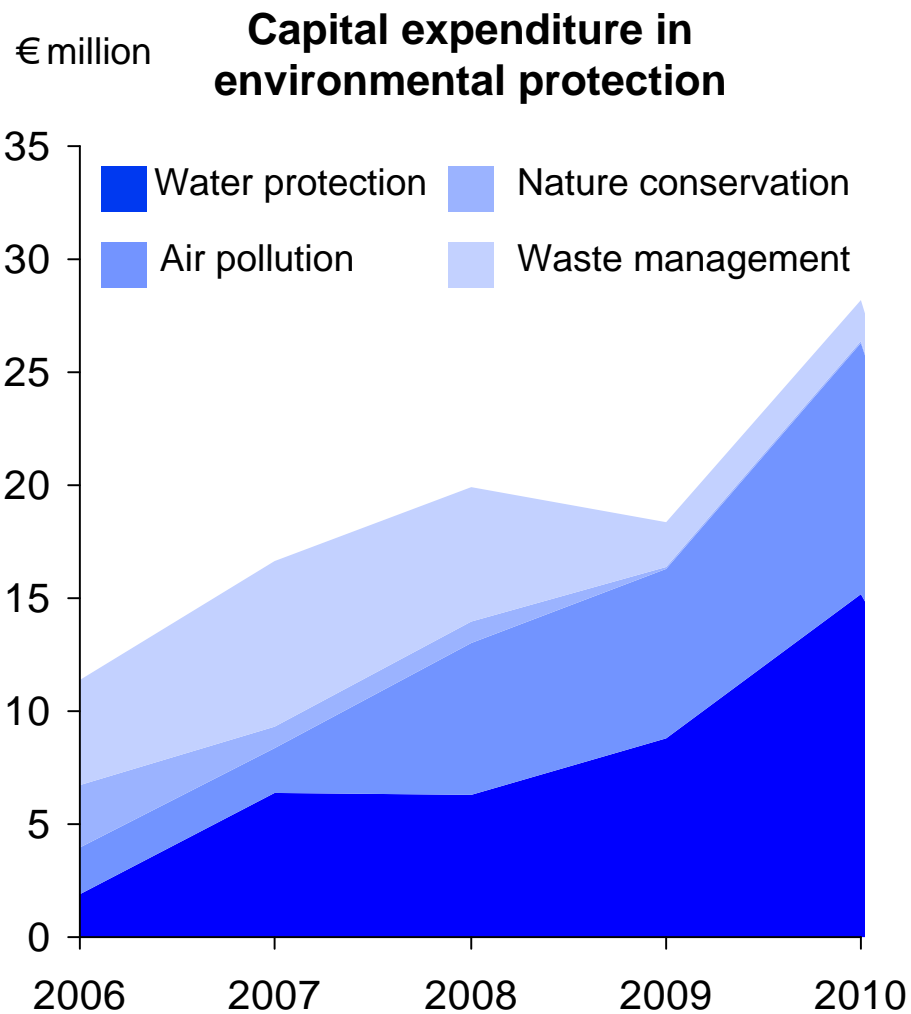
**A. Our Responsibility for the Environment**

B. Our Commitment to Society

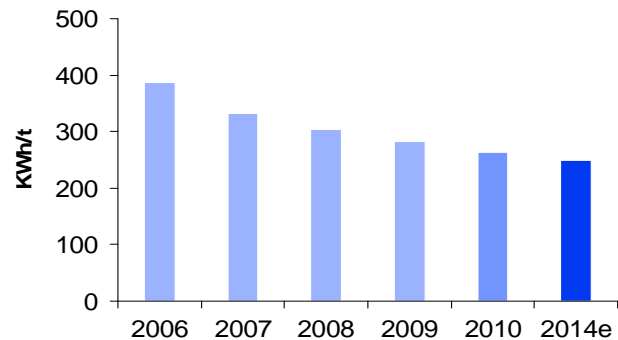
C. Corporate Governance

At all our domestic and foreign sites, we are committed to production and use that is safe and minimizes harm to the environment. This involves economising on resources, reducing emissions and avoiding waste.

What sustainable development means to us in the context of potash and rock salt mining is the integrated pursuit and coordination of the goals of economic efficiency, supply security and environmental friendliness. In view of the world demand for raw materials, the most sparing use of raw materials must be the objective. We are developing new deposits using state-of-the-art exploration and extraction processes while using existing deposits efficiently and conserving our resources. Our modern online analytics, which we use both above and below ground, are also a decisive factor in this regard.



### Specific Energy Consumption



- Approx. 95 % of the energy needed covered by natural gas
- A gas mixture generated during the recycling process of salt slag is used at the Sigmundshall site as a substitute for natural gas
- At the Wintershall site, more of the energy needed will be provided in future by obtaining steam from a substitute fuel heating plant

### Cogeneration

By using cogeneration systems, K+S achieves a very high level of energy efficiency and contributes to the German climate protection goals

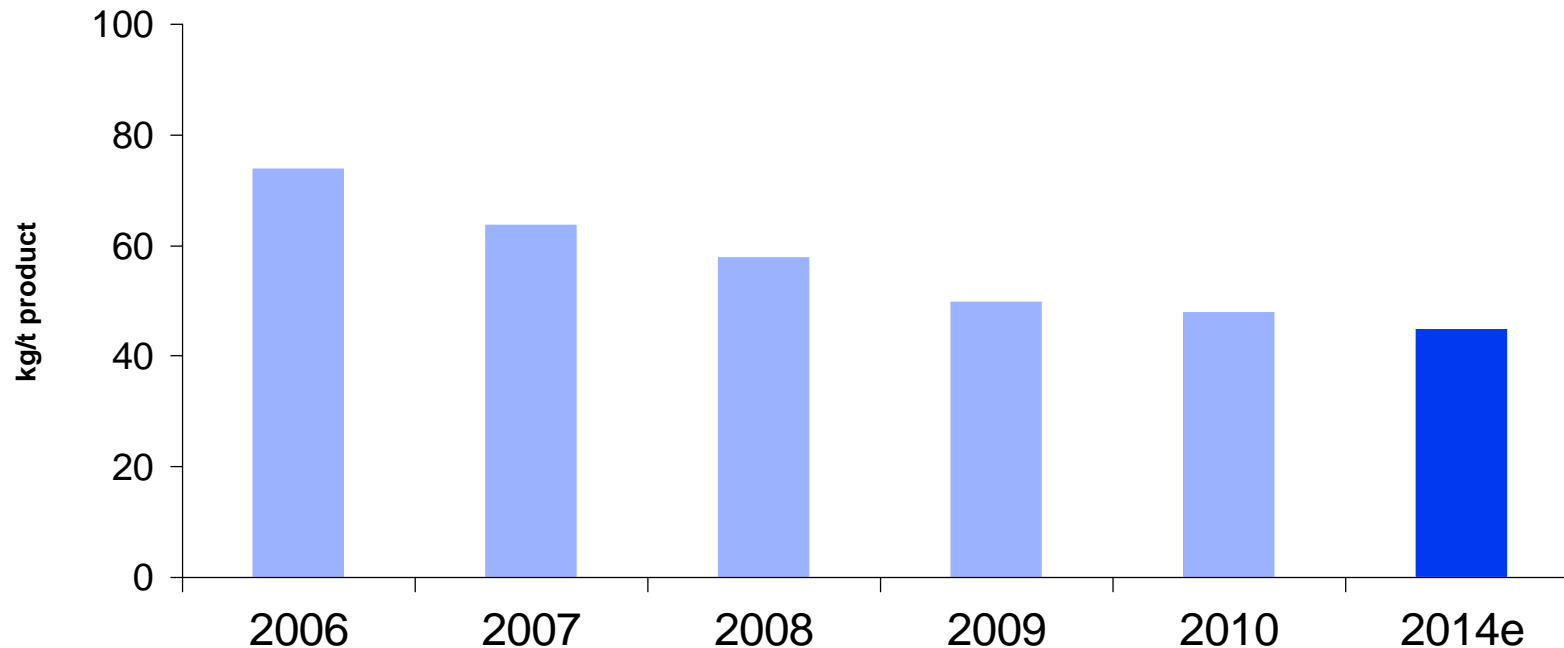
- Efficiency of own power stations > 90%

### ESTA Process

The ESTA process is an electrostatic separation process patented by K+S for the separation of crude salts

- Significant water saving compared to classic wet separation because it uses no water
- Lower energy consumption through the use of electrostatic separation

### Specific carbon dioxide emissions



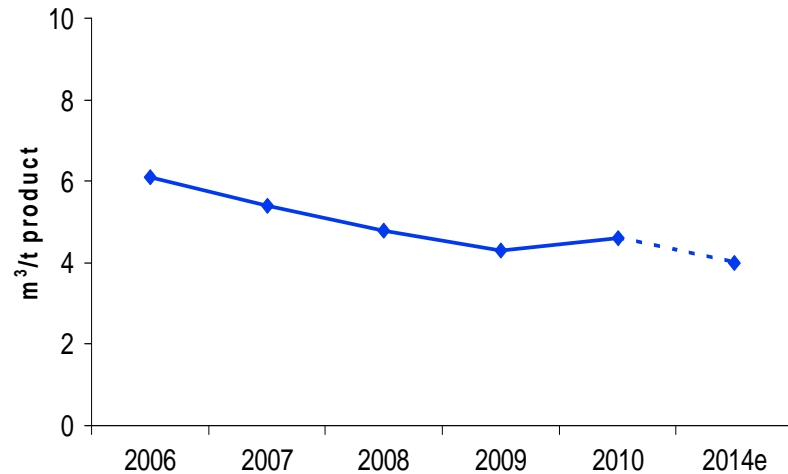
- In future, a decrease to a level of 48 kg is forecast for each ton of product, since we have already achieved energy efficiency of over 90% by using cogeneration systems

The residues from production take the form of either solid or liquid residues (saline waste water).

We either heap the solid residues, which mostly consist of currently non-recyclable rock salt, or we return them to underground caverns.

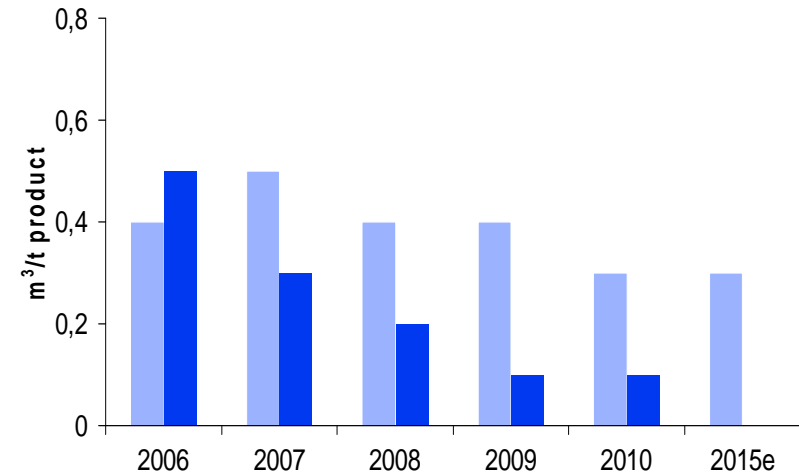
Within the framework of existing permits, we dispose of the liquid production residues and saline water arising due to precipitation onto our tailings piles by discharging them into flowing waters and by injecting them into deeper layers of rock known as plate dolomite.

## Use of fresh water



- Since the introduction of the ESTA process patented by K+S in the 70s, it has proven possible to save large volumes of fresh water
- Further notable reduction in water used not possible with state-of-the-art technology

## Saline water injection (■) and discharge (■)



- Constant striving to reduce the emergence of saline waste water
- Saving ground water and spring water by the use of river water as cooling water

## Waste Disposal

- The salt rock in the K+S mines enables waste stored there to be safely separated from the biosphere over an extended period of time
- The salt rock is completely impervious to gas and liquids and ensures the sealing off
- Effects on people and the environment are eliminated

## Reutilisation of Waste

- In contrast to disposal, the objective of reutilisation is to make use of the waste
- 10% of the stowage material needed for filling underground caverns is covered by the reutilisation of waste
- K+S leads the way in Germany in the underground disposal of flue gas cleaning residues and since 2005 has been investing in the expansion of capacities (on the basis of new regulations of the Waste Storage Ordinance, which since 1 June 2005 provides that residential waste may no be stored untreated above ground, most residential waste is since then supplied to waste incinerators for thermal reutilisation. The resultant increase in flue gas cleaning residues is chiefly reutilised underground owing to the pollutants they contain.)

## Recycling

### Aluminium recycling

- Smelting salts from potash production optimize the efficiency of the smelting process for aluminium slag
- Aluminium granulate is then extracted from the waste slag of aluminium waste smelting

### Construction material recycling

- At the site of the former Friedrichshall potash plant in Sehnde, K+S operates a system for recycling construction materials for covering the heap with soil and construction materials

## Closed sites

- In order to preserve the closed-down potash and rock salt mines and eliminate potential contamination, a long-term programme was introduced in 1997 with a cost volume of over € 130 million so far.

## Special project – Landscaping of heaps

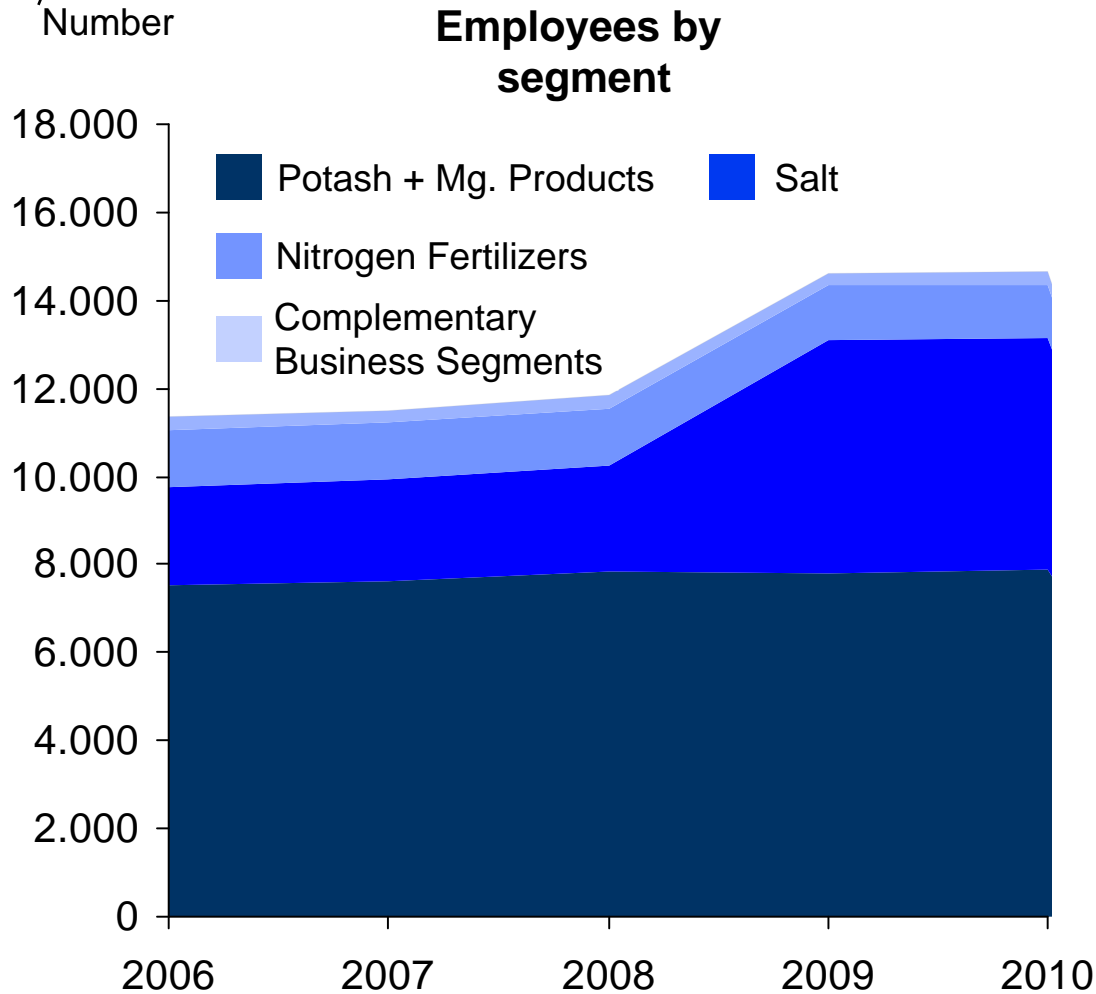
- Projects for landscaping of heaps are in progress at two sites. However, not all heap sites are suitable for this
- After the landscaping, precipitation water will no longer be able to reach the residues heaps and the emergence of saline heap water can thus be prevented



A. Our Responsibility for the Environment

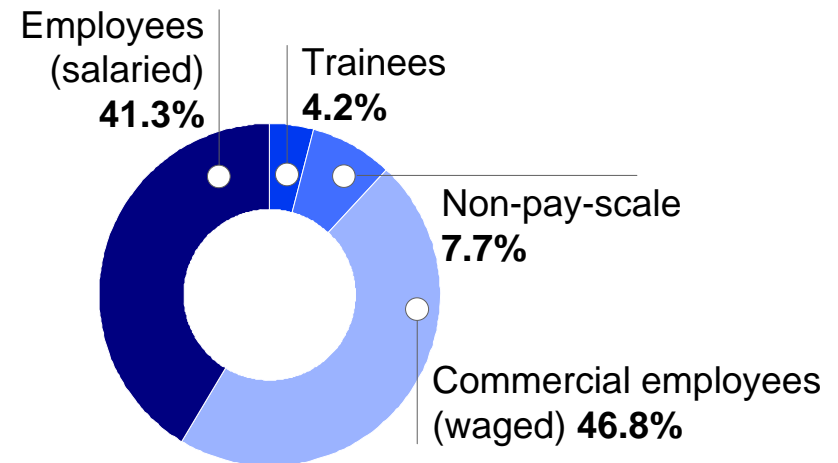
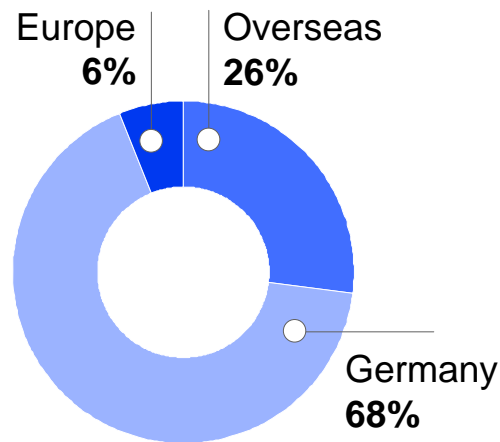
**B. Our Commitment to Society**

C. Corporate Governance



Number of employees has increased constantly and mainly due to acquisitions since 2005:

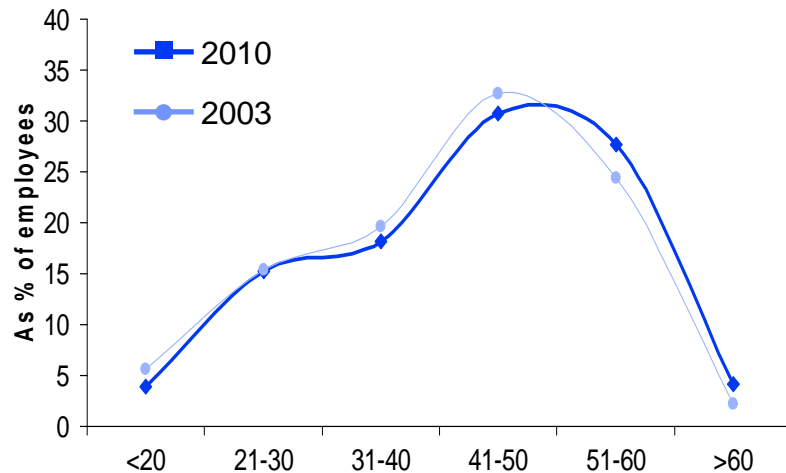
- Increase in the number of employees in the Salt segment in 2006 owing to the acquisition of SPL in Chile
- Increase in the number of employees in the Salt segment in 2009 owing to the acquisition of Morton Salt



Note: data is based on FTE = full time equivalents

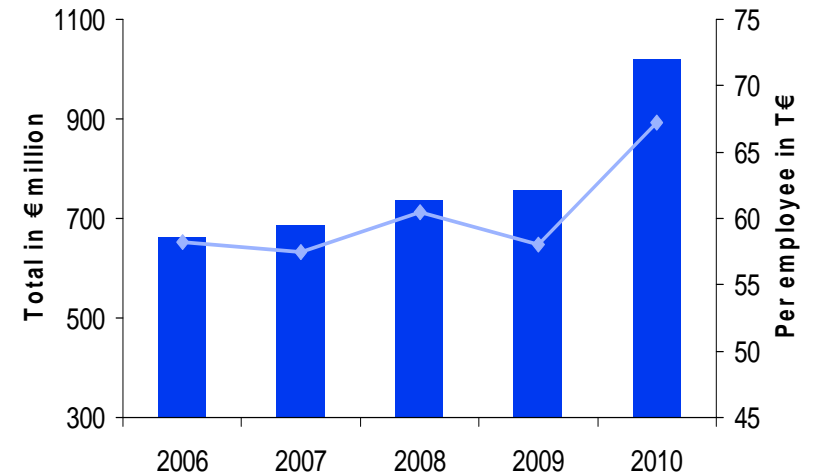
- Increase in number of employees overseas in 2006 and 2009 due to acquisition of SPL in Chile and Morton Salt in North America
- Europe remains the main focus of employment due to crude salt reserves
- Proportion of female employees in the K+S Group: 11% → As a result of the mining operations, K+S has a large number of industrial employees working underground. In Germany, these positions had been largely reserved for male employees, pursuant to legal regulations. It was only in spring 2009, that the legislator deleted this provision without replacing it. This complies with the efforts of K+S to interest more women in careers in technology. Since summer 2010, we are training the first female mining technologists in Germany.
- Proportion of severely handicapped people of staff employed in 2010: approx. 7.5%

Age structure



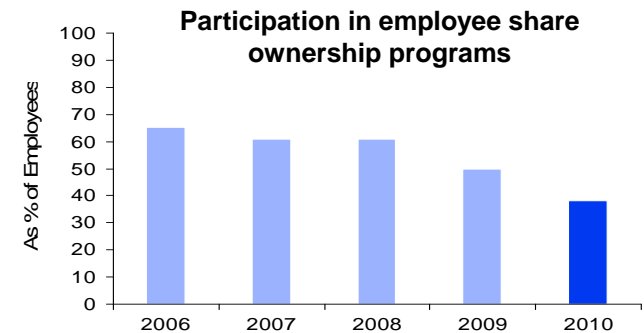
- In 2010 the average age was about 43 years
- The average length of service is 18 years and shows the high degree of employee loyalty to the company
- The fluctuation rate is at a constant low level of below 4%; fluctuation on the basis of employees resigning is at 1%

Personnel expenses

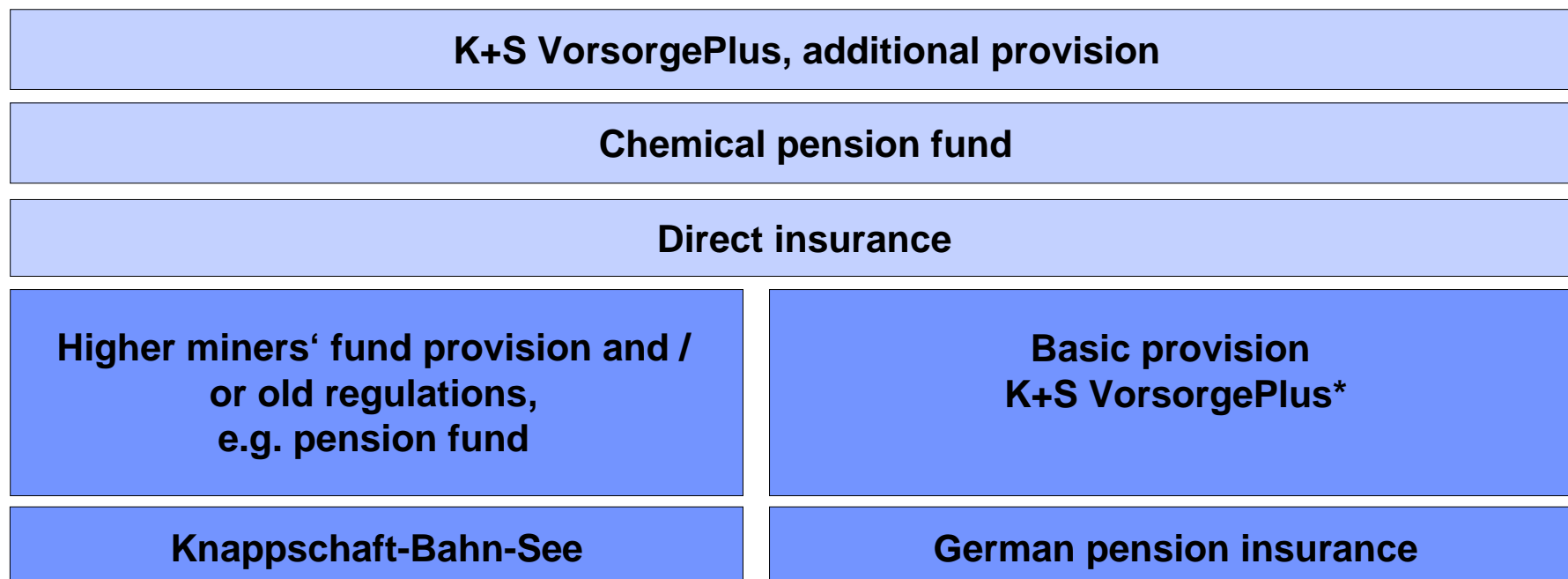


- The increase in personnel expenses is attributable in particular to the first-time inclusion of Morton Salt for the whole year, higher performance-related remuneration due to the improved earnings, collective agreement pay increases and the cessation of short-time allowance which was included in the previous year.

- In Germany, the K+S remuneration system consists of three components
  - Pay-scale wages or fixed salary
  - Success participation via variable remuneration
  - Stock ownership via employee shares
- In the framework of the 2010 employee share ownership program, the employees have acquired 170,227 shares with a total benefit of € 1.3 million (employee quota: 38%)
- Non-pay-scale employees are rewarded by remuneration systems, which take into account both the success of the company and personal performance in relation to agreed benchmarks
- At a number of sites, a working time honour system has already been introduced, which e.g. makes possible a better life-work balance and boosts employees responsibility for their own work
- In the Salt and COMPO business segments, annual working hour accounts have been introduced at the German sites in a move to react flexibly to seasonal peaks in demand, for example in the de-icing sector



- K+S offers its employees a balanced concept for a sustainable company pension.
- 2/3 of employees at K+S enjoy an additional company pension.

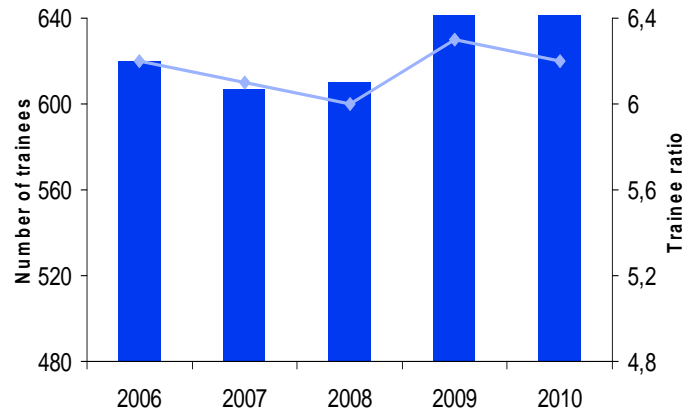


\* provided no other regulations exist

□ Optional employee-financed additional company pension elements

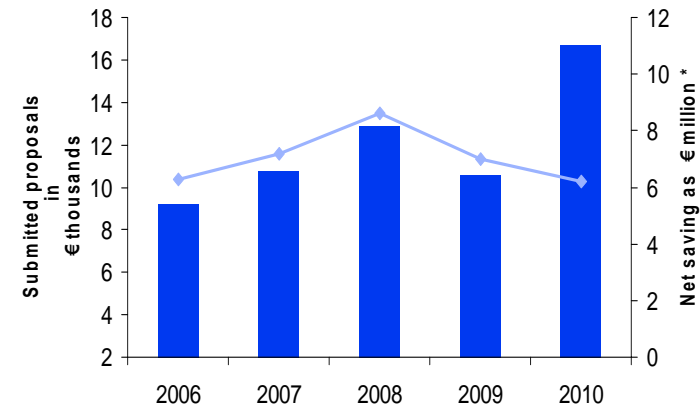
■ Statutory or company basic provision

### Number of trainees in Germany



- Continuous high level in absolute number of trainees and trainee ratio
- The rate of trainees taken on was > 90%

### Net saving / Suggested improvements



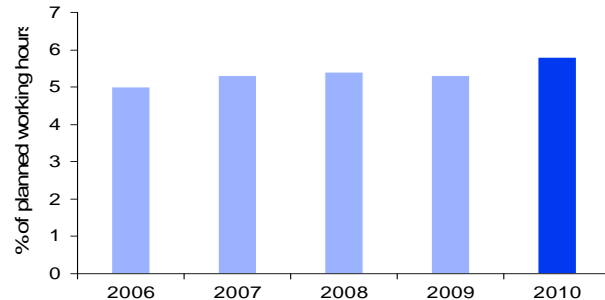
\* Net saving from suggested improvements = annual saving - costs of implementation

- 57% of employees submitted suggestions for improvement in 2010
- Very positive trend after the introduction of idea management

### Qualification Measures

- In 2010, 8,353 employees took part in qualification measures (2009: 6,977 employees)
- The average number of training hours per year per employee was 13.7 hours in 2010; (2009: 10,8 hrs.)

## Rate of Sickness



By promoting health effectively in the company, we can contribute to keeping sickness rates constantly at the moderate levels of recent years

## Work Safety, Health Protection and Health Care

- Company guidelines in safety, health and the environment (SGU) apply across the Group as the binding basis for action for all employees
- A joint safety, health and environment committee headed by executive board member Mr. Grimmig (with equal representation of managers and employee representatives)
- Further institutions are the competence center SGU and the standing committee on personal protective equipment (PSA committee)
- Important elements of the programme for promoting health in the company: opportunities to improve fitness, develop a healthier lifestyle and give up smoking

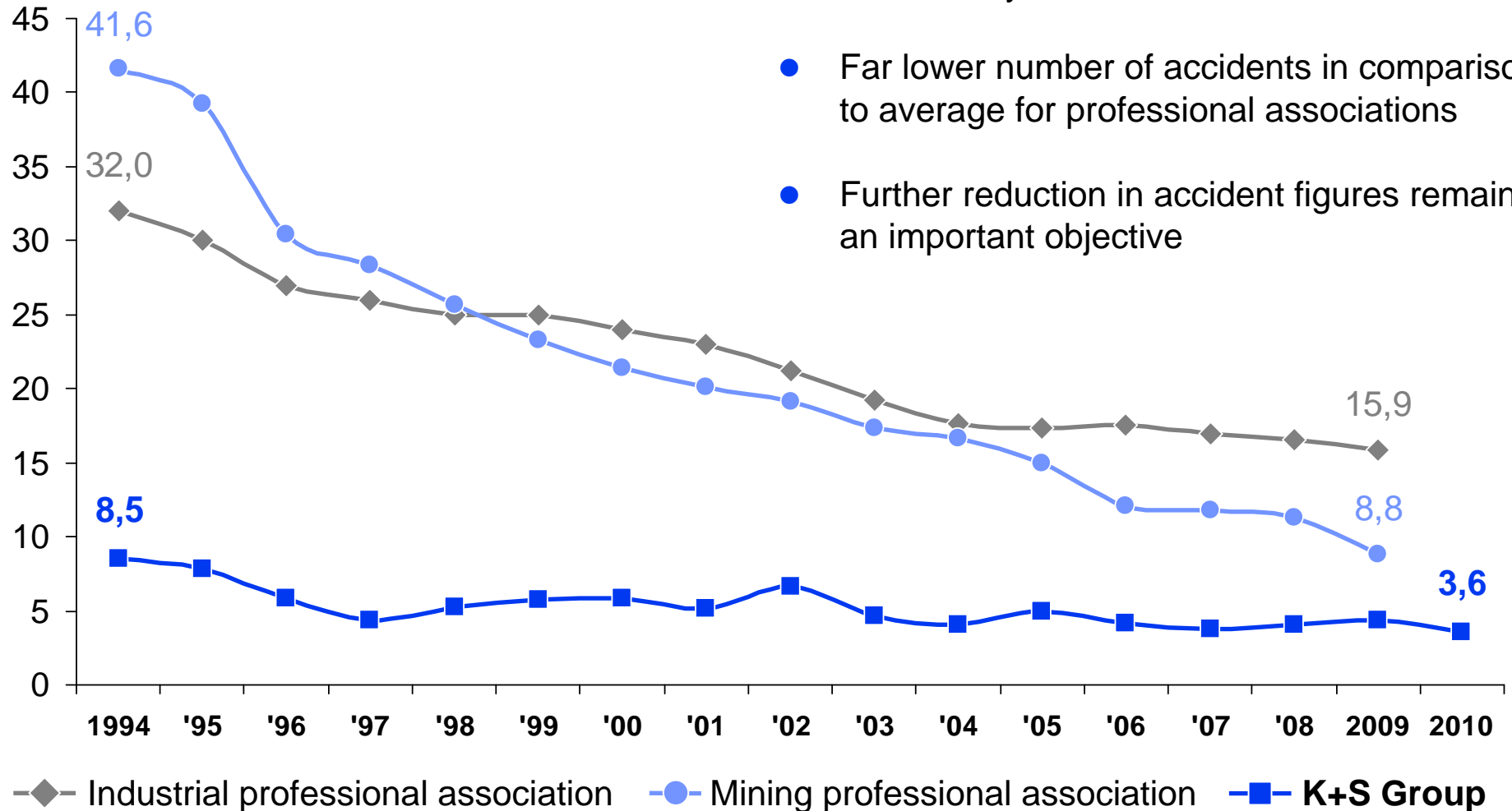
# K+S Gruppe

## Occupational Accidents



Occupational accidents per 1 million hours worked

- Occupational accidents at K+S at a consistently low level
- Far lower number of accidents in comparison to average for professional associations
- Further reduction in accident figures remains an important objective



A. Our Responsibility for the Environment

B. Our Commitment to Society

**C. Corporate Governance**

- The basis for decision-making and control in the company are chiefly regulations from the:
  - Legislation governing joint-stock corporations
  - Law on co-determination and capital markets
  - Articles of Association
  - By-laws of the Board of Executive Directors and Supervisory Board
  - German Corporate Governance Code
- Business segments and holding units cooperate in a matrix organisation with equal rights
- The respective area and scope of responsibility of the managers of the business segments and holding functions are defined by the responsible members of the Board of Executive Directors through descriptions of their functions
- Generally binding issuance of a code of conduct; is also used e.g. as the basis for the implementation of the General Equal Treatment Act

# K+S Group

## Implementation of German Corporate Governance Code (1)



### **Declaration on conformity 2010/2011**

In December 2010, the Board of Executive Directors and the Supervisory Board of K+S Aktiengesellschaft submitted the following joint declaration on conformity in accordance with Sec. 161 of the German Stock Corporation Act (Aktiengesetz – AktG):

"We declare that the recommendations of the Government Commission on the German Corporate Governance Code published by the German Ministry of Justice in the official section of the electronic Federal Gazette were complied with in 2010 and will be complied with in 2011, in each case subject to the following:

#### **2010**

The recommendations of the German Corporate Governance Code, as amended on 18 June 2009, were complied with in 2010, except that merely for the supervisory board's audit committee, the chairmanship and membership are taken into account for remuneration purposes (Clause 5.4.6 of the Code); for the remaining committees, no additional remuneration beyond the payment of a separate meeting remuneration is deemed necessary.

#### **2011**

The recommendations of the German Corporate Governance Code, as amended on 26 May 2010, will be complied with in 2011, except that merely for the supervisory board's audit committee, the chairmanship and membership are taken into account for remuneration purposes (Clause 5.4.6 of the Code); for the remaining committees, no additional remuneration beyond the payment of a separate meeting remuneration is deemed necessary."

Kassel, December 2010

K+S Aktiengesellschaft  
The Supervisory Board

The Board of Executive Directors

# K+S Group

## Implementation of German Corporate Governance Code (2)

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With regard to the numerous non-obligatory suggestions contained in the Code, the following two are the only ones not to have been or not to have fully been implemented by K+S:

- The Annual General Meeting has not as yet been carried live on the Internet in its full length (Code item 2.3.4), but it was only carried up to the end of the speech given by the chairman of the Board of Executive Directors.
- The variable remuneration of the Supervisory Board is linked to the return on total investment of the respective financial year and does not contain any components that are based on the long-term success of the Company (Code item 5.4.6, Para. 2, Sent. 2).

Name	Employee/ employer	Independent*	Nomination committee	Audit committee	Personnel committee	Mediation committee
Dr. Ralf Bethke **			Chairman	Member	Chairman	Chairman
Michael Vassialidis***	Employee			Member	Member	Member
Ralf Becker	Employee					
Jella S. Benner- Heinacher		X	Member			
George Cardona						
Harald Döll	Employee					
Dr. Rainer Gerling	Employee					
Rainer Grohe					Member	
Dr. Karl Heidenreich		X		Member		
Rüdiger Kienitz	Employee					
Klaus Krüger	Employee			Member	Member	Member
Dieter Kuhn	Employee					
Dr. Bernd Malström		X	Member			
Dr. Rudolf Müller		X	Member			
Renato de Salvo	Employee					
Dr. Eckart Sünner				Chairman		Member

\* In accordance with ISS, International Proxy Advisory Services; \*\* Chairman; \*\*\* Deputy Chairman

# EXPERIENCE GROWTH

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