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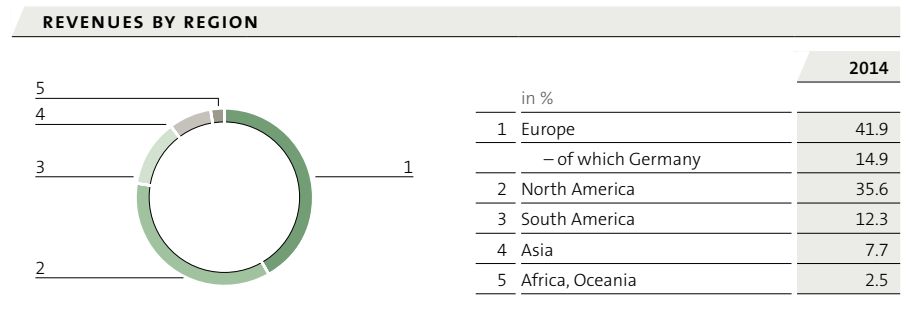
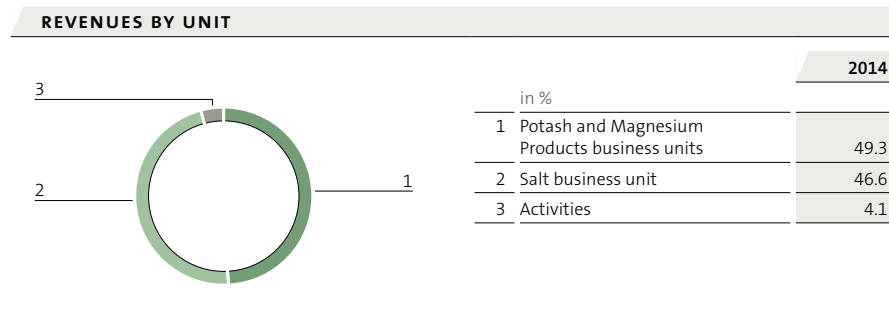
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K+S GROUP

As an international resources company, we have been mining and processing mineral raw materials for 125 years. The products we produce from them are used worldwide in agriculture, food and road safety and are important elements in numerous industrial processes. Potash and salt are integral nutrients for the megatrend of a constantly growing and increasingly prosperous global population striving for a higher standard of living. This will result in increasing consumption of mineral resources. We serve the resulting growth in demand from production sites in Europe, North America and South America as well as through a global distribution network. We are the world's largest salt producer and one of the top potash providers worldwide. With more than 14,000 employees, we achieved revenues in financial year 2014 of about € 3.8 billion and an EBIT I of € 641 million.

The K+S Group is essentially divided into three areas that are interlinked in terms of strategic, technical and economic aspects and are reported on in what follows: Potash and Magnesium Products business unit, Salt business unit, Complementary Activities. Governance and monitoring are exercised at Group level by K+S Aktiengesellschaft. The Board of Executive Directors is supported here by various corporate functions, which are established mainly in the Company's corporate units. Group-wide service functions are concentrated largely in the Company's Business Center and Technical Center.



POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT

Revenues 2014
€ 1,884 billion

EBIT I 2014
€ 489 million

Employees
8,000

Production capacity
currently about 7 million tonnes

Fifth largest potash producer in the world

Product categories

Plant nutrients
Industrial products
Health Care & Nutrition

Areas of application

Agriculture
Chemical industry
Oil and gas drilling
Pharmaceutical industry
Cosmetic industry
Food industry
Animal feed industry

Production in Europe

The Potash and Magnesium Products business unit extracts potash and magnesium crude salts at six mines in Germany, which are further processed there and at a former mining site to create end products or intermediate products. Furthermore, three processing sites in France belong to the business unit.

Greenfield Project Legacy, Canada

Development of the Legacy Project in Canada: long-term additional production capacity of 2.86 million tonnes, commissioning of Legacy in the summer of 2016.

SALT BUSINESS UNIT

Revenues 2014
€ 1,779 billion

EBIT I 2014
€ 173 million

Employees
5,000

Production capacity
30 million tonnes

World's largest supplier of salt products

Product categories

Food grade salt
Industrial salt
Salt for chemical use
De-icing salt

Areas of application

Food industry, fish industry, textile and leather industry, oil and gas industry, plastics industry, glass industry, pharmaceutical industry, water softening and disinfection, drinking water treatment, animal feed industry, electrolysis, winter road clearance services

Regional portfolio

Balanced regional portfolio allows for a balance of weather-related fluctuations in the de-icing salt business in Europe and North America among other things.

Production in Europe

Three rock salt mines, two brine plants, as well as several plants processing evaporated salt in Germany, France, the Netherlands, Portugal and Spain, one salt processing company in Czech Republic

Production in South America

One rock salt open-cast mine in Salar Grande in the Chilean Atacama desert, one sea salt facility in the north-eastern part of Brazil

Production in North America

Six rock salt mines, nine plants processing evaporated salt, three solar salt plants and four salt processing sites in the United States, in Canada and in the Bahamas

COMPLEMENTARY ACTIVITIES

Revenues 2014
€ 158 million

EBIT I 2014
€ 24 million

Employees
300

Waste Management and Recycling

Underground disposal of waste in potash and rock salt mines and recycling activities.

K+S Transport GmbH

Own logistics service provider

Animal hygiene products

Granulation of CATSAN® and THOMAS®

CFK (Trading)

Chemische Fabrik Kalk GmbH (CFK) trades several basic chemicals.

PREFACE

125 YEARS K+S

On 3 October 1889 brave entrepreneurs founded the “Aktiengesellschaft für Bergbau und Tiefbohrung”, the earliest predecessor of K+S, in the city of Goslar. Just three years later, those pioneers found rich underground potash reserves in the city of Salzdettfurth. This was the foundation for a success story, and to look back on such a long heritage is something special for any company.

For 125 years, we at K+S have understood transformation as opportunity, without losing sight of traditional miner values such as solidarity, reliability and a down-to-earth attitude. We would like to thank everyone who has helped to keep our company on track through generations, and those who have contributed to farsighted decisions for sustained value creation amid changing political, economic, and social frameworks.

VALUE ADDED

Today as then, we extract resources through hard work and refine them into products that benefit people worldwide. With our mined raw materials we are at the beginning of many value chains. In this report, along with the six steps of our own value chain – exploration, mining, production, logistics, sales/marketing and application – we explain our business activities and exemplarily illustrate to what extent we take environmental and social aspects into account in addition to economic aspects.

Our plant nutrients make an important contribution to achieving good agricultural yields, thus feeding the world population. Our de-icing salt protects roads in the winter. Additionally, both potash and salt are raw materials for diverse industrial applications. They are essential for the production of glass and plastics, and supply us with important nutritional minerals in the form of table salt. High purity salt used for infusion and dialysis solutions meet the particularly demanding requirements of the pharmaceutical industry. Our products are part of the solution for production and value creation.

FUTURE VIABILITY

For us, sustainable development means fitness for the future. As part of our sustainability management we systematically identify and assess relevant issues and social trends early on in order to decide whether to incorporate them into our management processes. This helps us advance our existing business, take on new business opportunities and minimise risk. We know from experience that sustainable corporate governance is worth it. In this report we disclose the progress we made on those issues that have been identified as material according to a materiality analysis in 2014. Here we report on our courses of action, provide information on the status of current key figures and indicate how we are continuing to work on these. Because less is sometimes more, we have reduced the volume of the sustainability report. We are concentrating our reporting on

those issues that are material not only to us, but also to our stakeholders. We are bringing these issues into focus and invite you to join in a constructive exchange and dialogue with us.

Here we would like to briefly single out three issues.

OCCUPATIONAL SAFETY

Occupational safety is of key importance to us. The acceptance and implementation of advanced systems and processes constitute the basis for successful occupational safety. Just as important is that each individual sets a good example and continuous communication at all company levels is necessary for occupational safety to become alive. The transfer of expertise, both across locations and borders, can provide a considerable contribution towards minimising risks for all K+S Group employees.

ENVIRONMENT

Despite awareness and best efforts, the fact remains that our production impacts nature. Our considerable efforts include the investment of millions in environmentally-friendly facilities and conservation measures. Staff in our research center as well as at our headquarters and sites does its utmost to keep the consequences of production at a minimum. However, demands such

as “production without residues” and “a North Sea pipeline crossing four German states” are high. The former is an illusion, as production without residues is simply not feasible anywhere in the world. Even taking the ecological benefits into consideration, the latter is not economically viable. Against this background we have jointly developed a four-phase plan with the Hessian Ministry of the Environment to reconcile economic and ecological feasibilities. This represents our roadmap for future production in the Hesse-Thuringia potash district, even after depletion of resources there.

TRANSPARENCY

We recognise current discussions and engage in these within the scope of our possibilities and in compliance with the rules governing political communication and democratic decision-making processes. The issue of corporate transparency is increasingly discussed at the international political level. Along with implementing statutory changes, we are engaged in the D-EITI process, the German “Extractive Industries Transparency Initiative” (EITI). Together with other industry representatives, non-profit organisations and policymakers we discuss and shape the implementation of this international standard. We are committed to making the value creation of the German raw materials sector transparent and thus helping to make it better known.

Sustainability strengthens openness to change and thus provides opportunities to broaden the corporate perspective. This can only be done by working together in recognition of the different skills and experience of those in the company – and those of our stakeholders such as for instance: customers and other business partners, shareholders, policymakers and technical authorities or communities and regions located near our sites.

THE BOARD OF EXECUTIVE DIRECTORS
KASSEL, 4 MARCH 2015

THE BOARD OF EXECUTIVE DIRECTORS



NORBERT STEINER
LAWYER, CHAIRMAN OF THE BOARD OF
EXECUTIVE DIRECTORS

was born in Siegen in 1954. After studying law in Heidelberg and completing a legal traineeship in the district of the Higher Regional Court of Karlsruhe, Steiner began his professional career in the tax department of BASF AG in 1983, heading the customs and excise duties sub-department from 1988 onwards. He took charge of the legal affairs, tax and insurance department of K+S AKTIENGESELLSCHAFT in 1993. Steiner became a member of the Board of Executive Directors in May 2000. In January 2006, he was appointed Deputy Chairman and afterwards Chairman of the Board of Executive Directors of K+S AKTIENGESELLSCHAFT in July 2007. He is responsible for the Corporate Communications, Corporate Development, Corporate Executive HR, Governance/Risk/Compliance/Corporate Secretary, Internal Audit and Investor Relations departments.



DR. BURKHARD LOHR
BUSINESS ADMINISTRATION GRADUATE

was born in Essen in 1963. He joined MANNESMANN AG in 1991 after studying business administration at the University of Cologne. From 1993 onwards, he held a number of positions at HOCHTIEF AG, Essen, including as member of the Board of Management of the Munich branch and as CFO of HOCHTIEF CONSTRUCTION AG, Essen. Lohr obtained his Dr. rer. pol. degree from Technische Universität Braunschweig in 2001. As CFO of HOCHTIEF AG, he was responsible for Finance, Investor Relations, Accounting, Controlling and Taxes from 2006 to 2008. Then, he additionally took on the role of Personnel Director. Lohr has been a member of the Board of Executive Directors of K+S AKTIENGESELLSCHAFT since 1 June 2012 and is responsible for Corporate Controlling, Corporate Finance and Accounting, Corporate Procurement, Corporate Tax, Technical Center (Environment, Geology, Mining, Research and Development, Technics/Energy) as well as CHEMISCHE FABRIK KALK, K+S CONSULTING, MSW-CHEMIE and all direct shareholdings of K+S AKTIENGESELLSCHAFT, as far as they are not assigned to another area of responsibility.



DR. ANDREAS RADMACHER
ENGINEERING GRADUATE

was born in Dortmund in 1965. After studying mining in Clausthal-Zellerfeld and Aachen, Radmacher became a research assistant at DMT GMBH in Essen. During this period he also obtained a doctorate in engineering. In 1995, Radmacher joined STEAG AG. After a spell at a power plant site, he worked at the company's head office in Essen. He then joined the US ENRON GROUP, working in various roles in London, Oslo and Frankfurt am Main from 1998 onwards. Radmacher switched to RWE in 2002 and became a member of the Board of Executive Directors of RWE TRANSGAS A.S. in Prague. He was appointed to the Board of Executive Directors of RWE ENERGY AG in 2003 and went on to become CEO of RWE TURKEY HOLDING A.S. in Istanbul in 2009. Dr. Radmacher has been a member of the Board of Executive Directors of K+S AKTIENGESELLSCHAFT since September 2013. He is responsible for the Potash and Magnesium Products as well as Waste Management and Recycling business units.



MARK ROBERTS
BACHELOR OF SCIENCE (MARKETING)

was born in New Jersey, USA, in 1963. He began his professional career as a marketing manager at the VICTAULIC CORPORATION OF AMERICA. He then joined the ASHLAND CHEMICAL COMPANY as a sales representative and national account manager in 1988. Roberts joined POTASH IMPORT & CHEMICAL CORPORATION (PICC), the U.S. distribution company of K+S KALI, as a sales manager in 1992 and he subsequently became the company's Vice President. He was appointed President of PICC in 2004 and named CEO of the INTERNATIONAL SALT COMPANY (ISCO) in Clarks Summit, Pennsylvania, USA, in April 2008. Roberts became CEO of MORTON SALT in Chicago, USA, on 1 October 2009. He has been a member of the Board of Executive Directors of K+S AKTIENGESELLSCHAFT since 1 October 2012. He is responsible for the Salt business unit and for Animal Hygiene Products.



GERD GRIMMIG¹
ENGINEERING GRADUATE

was born in Freden in 1953. After studying mining at Clausthal University of Technology, he worked in mining operations at various plants and in the mining division at the head office of KALI UND SALZ AG (NOW K+S AKTIENGESELLSCHAFT). He held several plant manager positions in the mining division between 1990 and 1996. Grimmig was Managing Director of KALI UND SALZ GMBH from January 1997 to September 2001 and responsible for the mining department. He has been a member of the Board of Executive Directors of K+S AKTIENGESELLSCHAFT since October 2000. Before retiring on 30 September 2014, he was responsible for the Waste Management and Recycling business unit as well as the K+S CONSULTING, MSW-CHEMIE, Technical Center (Mining, Geology, Technics/Energy, Research & Development, Environment & Safety, Inactive Plants) and Animal Hygiene Products divisions.

¹ Member of the Board of Executive Directors until 30 September 2014.



DR. THOMAS NÖCKER
LAWYER

was born in Neukirchen-Vluyn in 1958. After studying law and subsequently obtaining a doctorate from the University of Münster, Nöcker completed his legal training in Düsseldorf and Montreal, Canada, among other places. He began his professional career in 1991 at RAG AG, where he held a range of different positions. He was appointed as a member of the Board of Executive Directors of RAG SAARBERG AG in 1998 and was responsible for human resources, legal affairs and IT management/organisation. Dr. Thomas Nöcker has been a member of the Board of Executive Directors of K+S AKTIENGESELLSCHAFT since August 2003. He is the Personnel Director and is responsible for K+S TRANSPORT GMBH, Corporate HR, Corporate IT and the Business Center with the sub-units of Communication Services, Financial Accounting, HR Services, Insurances, IT Services, Legal, Logistics Europe, Procurement/Materials Management Europe, Project Management, Real Estate and Facility Management.

SUSTAINABILITY MANAGEMENT

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1.1 STARTING SITUATION

As an international resources company with a tradition going back over 125 years, we think and act in the long-term. For us, sustainable development means future viability. We seek to attain sustainable economic success while considering the social and ecological aspects that are tied to our business model. We systematically identify and assess relevant issues and social trends early on in order to incorporate them into our management processes. This helps us advance our existing business, take on new business opportunities and minimise risk. We know from experience that sustainable corporate management is worth it.

CORE VALUES AND PRINCIPLES

We have devised core values and principles (Code of Conduct) that form the basis for all K+S GROUP employees' actions with respect to the issues of sustainability, integrity, respect, fairness and trust, competence, creativity and transparency.

/ FOR FURTHER INFORMATION see www.k-plus-s.com/en/vision-und-werte/grundwerte.html

VISION AND MISSION

The general strategic direction for the K+S GROUP is defined in our mission statement. Through commitment to our core values and principles and pursuing our vision, "A source of growth and life through nutrients and minerals", we seek:

- + to attain sustainable economic success while remaining focused on the social and ecological aspects that are tied to our business model

- + to mine and process raw materials while using our products and services to improve nutrition, health, and quality of life
- + to achieve a leading position in the markets we serve;
- + to be the 'go-to' partner for our customers
- + to strengthen our raw material and production base and expand it globally
- + to increase added value by developing new products and more efficient processes
- + to be recognised as an attractive employer for employees all over the world

MEGATRENDS

The megatrends relevant to us impact our long-term strategic direction. As such, we observe, analyse and assess stable, long-term megatrends that may impact our economic, social and environmental conditions globally, albeit with varying effects on individual regions. We have identified the following megatrends – demographic change, resource scarcity, globalisation, climate change and innovation cycles and divided them into sub-trends.

/ FOR FURTHER INFORMATION see Financial Report 2014, chapter Corporate Strategy

1.2 ORGANISATION

The 'Governance, Risk, Compliance; Corporate Secretary' (C-GS) unit has been in place at K+S AKTIENGESELLSCHAFT since 1 January 2014; the head of the unit reports directly to the Chairman of the Board of Executive Directors. This unit is responsible for coordinating Group-

level development and maintenance of an effective and legally-compliant governance and monitoring system.

The unit's special function is the development and maintenance of an opportunity, risk and compliance management system, as well as Group-wide coordination of data protection issues. The head of the unit is the Chief Compliance Officer for the K+S GROUP.

Following a holistic approach, sustainability management has also been incorporated into the unit. In this respect, the unit is tasked with creating effective structures to engage in and deal with sustainability issues throughout the K+S GROUP. The unit is also responsible for external sustainability reporting.

In working to determine, analyse and prioritise the sustainability requirements of and for the K+S GROUP and to develop proposals for establishing Group-wide sustainability objectives to submit to the Board, the C-GS

CORPORATE GOVERNANCE

The Annual General Meeting, the Supervisory Board and the Board of Executive Directors are the governing bodies of the Company. Further information thereon as well as on governance and monitoring can be found in the Financial Report on page 32. There, the higher-level sub-systems corporate governance, compliance management, risk and opportunity management and sustainability management, which are relevant for both the governance and monitoring components, are presented in detail. These complement one another and overlap in parts. Finally, both the internal governance and internal monitoring systems are explained there.

unit is supported by a business unit-wide interdisciplinary and international sustainability committee.

Structured sustainability management is also currently being implemented at the regional level and within the business units/Group companies. In this way, for example, in 2014, the management board of MORTON SALT charged an interdisciplinary committee with developing a balanced scorecard to introduce sustainability issues into company-specific management processes and decisions.

1.3 STAKEHOLDER DIALOGUE

We treat our business partners, employees and other stakeholders with respect and fairness. We therefore speak with different groups on various occasions, taking into account the appropriate timing and intensity. Dialogue is important for making our positions and points of view clear, but also for understanding the concerns of others, constantly reviewing our operations and approaches and, if necessary, developing alternative solutions.

/ FOR FURTHER INFORMATION see www.k-plus-s.com/en/handlungsfelder/stakeholderdialog.html

SELECTED STAKEHOLDER DIALOGUES

EMPLOYEES

The success of our company is based on the expertise and motivation of our employees. Exchanging opinions with them therefore plays a particularly important role.

Regular employee meetings take place at many locations and we use the intranet to share up-to-date information.

/ FOR FURTHER INFORMATION see chapter Employees

CUSTOMERS

Dialogue with our customers helps us to better identify their needs, allowing us to target products and services to meet those needs. Along with face-to-face meetings, satisfaction analyses, for example, provide us with practical starting points for continuous improvement. We provide a large amount of information online.

/ FOR FURTHER INFORMATION see

www.kali-gmbh.com/uken
www.esco-salt.com
www.ks-chile.com
www.mortonsalt.com

INVESTORS/ANALYSTS

We present our business, face the demands of the capital market and gain motivation and new ideas at numerous roadshows and conferences.

/ FOR FURTHER INFORMATION see Financial Report 2014, chapter To our Shareholders

Our activities have been rated independently in various sustainability rankings as follows:

+ CDP: In 2014, the K+S AKTIENGESELLSCHAFT achieved a score of 93 out of 100 assessment points in Climate Disclosure (2013: 83). The K+S AKTIENGESELLSCHAFT was rated Band C in climate performance (2013: D).

/ FOR FURTHER INFORMATION see www.cdp.net/CDPResults/CDP-DACH-350-Report-2014-german.pdf

+ SUSTAINALYTICS: K+S AKTIENGESELLSCHAFT retains a total score of 60 (2013: 60).

+ OEKOM Corporate Ranking: In 2014, K+S AKTIENGESELLSCHAFT was categorised again in the C- range (2013: C-).

TRADE UNIONS

In the K+S GROUP, the relationship between the company and the works councils, as well as with the trade unions, is marked by long-standing cooperation built on mutual trust.

/ FOR FURTHER INFORMATION see chapter Employees

GOVERNMENT AND ADMINISTRATION

We bring our position directly into national and international dialogues with government representatives, technical authorities and parliamentarians and play a part in political discussions through membership in various associations and organisations.

K+S representatives hold a leadership role, are committee members or are involved in projects with the following selected associations/organisations:

- + ASSOCIATION DES PRODUCTEURS EUROPÉENS DE POTASSE (APEP)
- + BUNDESVERBAND DER DEUTSCHEN INDUSTRIE (BDI)
- + EUROMINES EUROPEAN ASSOCIATION OF MINING INDUSTRIES, METAL ORES & INDUSTRIAL MINERALS
- + EUROPEAN SALT PRODUCERS' ASSOCIATION (EUSALT)
- + FÖRDERGEMEINSCHAFT NACHHALTIGE LANDWIRTSCHAFT (FNL)
- + INTERNATIONAL FERTILIZER INDUSTRY ASSOCIATION (IFA)
- + INTERNATIONAL PLANT NUTRITION INSTITUTE (IPNI)
- + INDUSTRIEVERBAND AGRAR (IVA)

- + GERMAN EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (D-EITI)
- + SALT INSTITUTE
- + VERBAND DER KALI- UND SALZINDUSTRIE (VKS)
- + WITTENBERG-ZENTRUM FÜR GLOBALE ETHIK E.V.

SOCIETY

Being a good neighbour to the communities and regions located near our sites is important to us. We foster the exchange of dialogue with communities and residents at such locations.

For example, we hold citizens' information sessions as needed for upcoming projects. In addition, we organise pile festivals, cooperate with local schools and offer open house days. There is also a neighbourhood telephone at our Werra location.

In addition, we initiated a 'Round Table on Water Protection Werra/Weser and Potash Production' in 2008 in collaboration with the states of Thuringia and Hesse and have supported its activities ever since through our membership and active participation in a booster club.

/ FOR FURTHER INFORMATION see www.runder-tisch-werra.de

The Legacy Project provides residents with information through town hall meetings and newsletters. An important part of the project is involving residents who are or could be affected by the Legacy Project. Good neighbourly relations have been the focus since the Legacy Project began. Various dialogue activities will continue throughout the entire duration of the project. This

includes presentations, information meetings, group sessions, one-on-one meetings, visits to the facility, development forums for suppliers and meetings with the First Nations and Métis communities which comprise Saskatchewan's Aboriginal people.

By supporting selected projects, particularly in the areas of education, social affairs and culture, we also promote the attractiveness of the regions in which we are located. A total of just under € 1 million was donated to scientific, charitable and non-profit causes in 2014. The requirements for donations/sponsorship are governed by an internal guideline. The guideline includes a provision that we do not make contributions to political parties or groups, organisations or persons affiliated or associated with them.

MEDIA

We provide media representatives with information through various channels, including press conferences, interviews, press releases and on-site coverage and background discussions with journalists.

/ FOR FURTHER INFORMATION see www.k-plus-s.com/en/presse

1.4 SUSTAINABILITY ROADMAP

Our 'Sustainability Roadmap' is a specific work plan that defines nine consecutive steps we take to identify and evaluate important sustainability issues in a systematic process. A detailed description of this approach can

be found in the 2013 Sustainability Report. At the point where sufficient preparation made it appropriate for us to do so, we conducted a materiality analysis in 2014.

/ FIG: 1.4.1

/ FOR FURTHER INFORMATION see www.k-plus-s.com/en/handlungsfelder/fahrplan.html

The materiality analysis is an important part of the foundation upon which we can create our strategy for handling sustainability issues. It allows us to look at a multitude of issues (we have analysed around 50 of these issues) and facilitates our evaluation of the relevance of each individual issue. By focusing on what is important, we can conduct targeted dialogue with various stakeholders and highlight correlations between different issues.

This analysis is a systematic process in which internal and external perspectives are consolidated and are then (graphically) presented in such a way that the evaluation of the importance of the different issues becomes clear.

INTERNAL VIEW

Just as envisaged by step four of the Roadmap, the internal view of the numerous sustainability issues was initially established by involving our business units and several specialist departments. In selecting the issues to be assessed, we considered the relevant internationally recognised guidelines for corporate sustainability management: the principles of the UNITED NATIONS GLOBAL COMPACT, THE OECD GUIDELINES FOR MULTINATIONAL ENTERPRISES, GUIDANCE ON SOCIAL

RESPONSIBILITY (ISO 26000:2010) and the guideline of the GLOBAL REPORTING INITIATIVE.

The legal requirements and repercussions of corporate actions on each issue and, conversely, the importance of the issue to the success of the company, were included in the evaluation. The individual analyses were compiled into one comprehensive report.

EXTERNAL VIEW

Step five of the Roadmap involved analysing stakeholder requirements for the K+S GROUP with respect to impacts on the company’s environment. These stakeholder perspectives were identified by classifying available documents. Several hundred individual documents with the views of numerous international stakeholders were taken into account and weighted accordingly. Stakeholders with a direct cause-effect relationship with

the K+S GROUP were weighted higher than those that may only indirectly impact the company or are only indirectly affected by the effects of its corporate conduct. In the process, all available information relevant to sustainability was compiled and evaluated in a Group-wide manner for the first time.

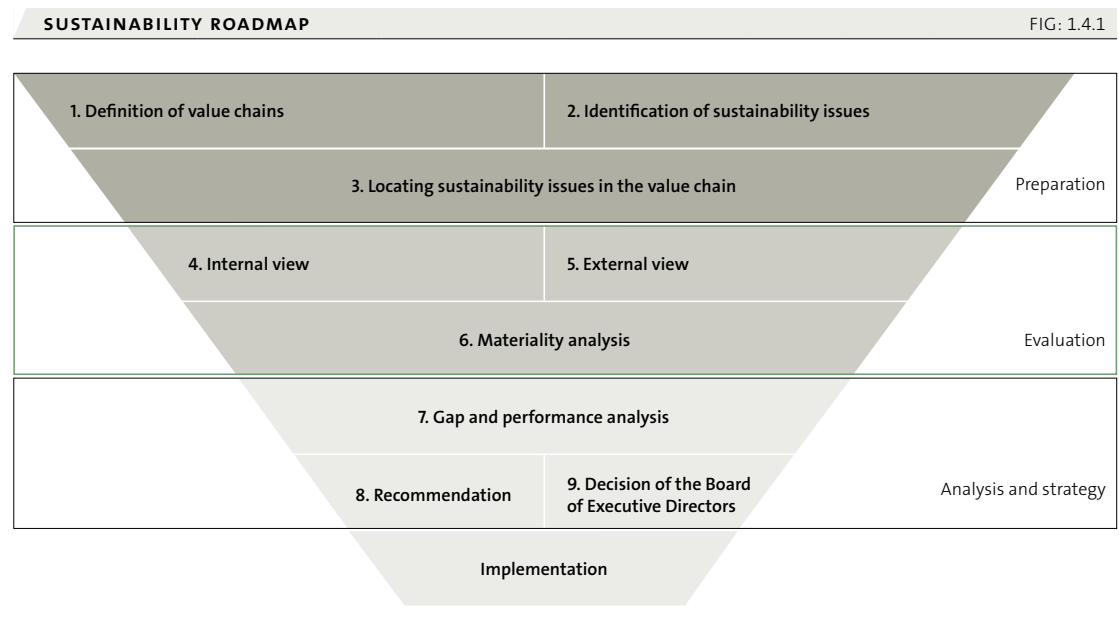
The benefit of the methods used and the result were verified in a workshop, which included participants from every business unit. The overall view was supported by all of the participants. In a few cases, distinctly divergent views were expressed on individual issues, allowing for regionally diverse business environments. The analysis produced a valid, Group-wide view, yet one that does not exclude differing regional or business-specific prioritisation.

The materiality analysis was adjusted taking into account the outcomes of the workshop. The result of the analysis was then presented to and confirmed by the boards of the constitutive Group companies as well as the Board of Executive Directors of K+S AKTIENGESELLSCHAFT.

MATERIALITY ANALYSIS

In the final analysis, 18 issues were reported that were categorised as important for both us and our stakeholders:

- + Economic focus: sustainability strategy and analysis, transparency, economic impacts, corporate governance, supply chain, anti-corruption, taxation
- + Social/societal focus: Stakeholder dialogue, diversity/elimination of discrimination, compensation,



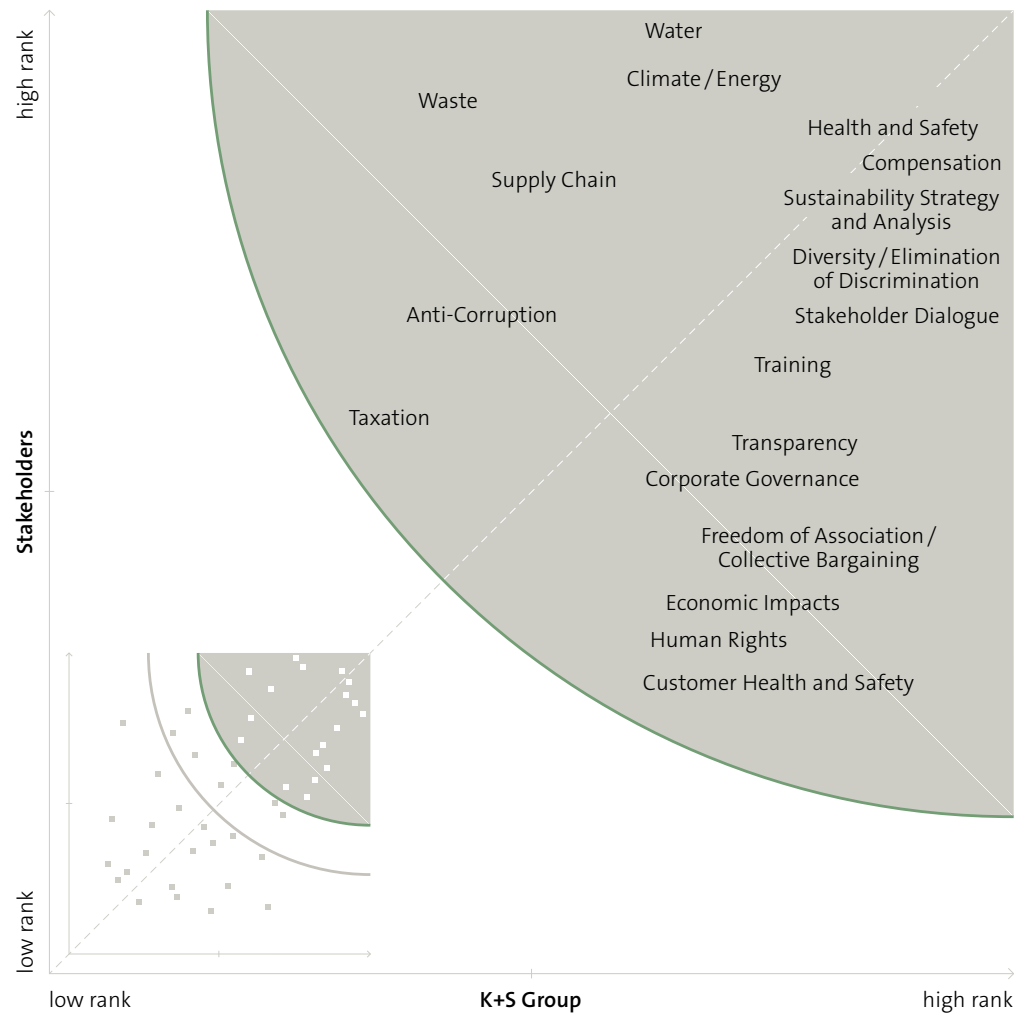
health and safety, training, consumer health and safety, human rights, freedom of association/collective bargaining
 + Environmental focus: water, waste, energy/climate
 / FIG: 1.4.2

We address these specified issues in the sustainability report at hand. We continue to observe and attend to the other, lower-priority issues. The materiality analysis is dependent on several conditions and therefore requires regular review and adjustment. We are therefore continuously working on gaining greater certainty using gap and performance analyses in order to integrate further components into future work plans if necessary.

The next steps for 2015 provided by our Roadmap are conducting further analysis, the determination of the further strategy to handle sustainability issues and the implementation of executing measures.

MATERIALITY ANALYSIS: INTERNAL AND EXTERNAL VIEWS

FIG: 1.4.2



CREATING VALUES

2

2.1	Exploration	21	2.7	Procurement	28
2.2	Mining	22	2.8	Research and Development	28
2.3	Production	23			
2.4	Logistics	25			
2.5	Sales / Marketing	25			
2.6	Application	27			

With our mined raw materials we are at the beginning of many value chains and we are making important contributions to nutrition, health, quality of life, and safety. Our raw material deposits are located in Germany, the Netherlands, Brazil, the Bahamas, Chile, the United States and Canada.

Our value chain is comprised of six steps: exploration, mining, production, logistics, sales/marketing, and application. These steps are described below. At each step, it is exemplarily illustrated to what extent we take environmental and social aspects into account in addition to economic aspects. Finally, examples of procurement, and research and development, and their role in our value chain are provided. / FIG: 2.0.1

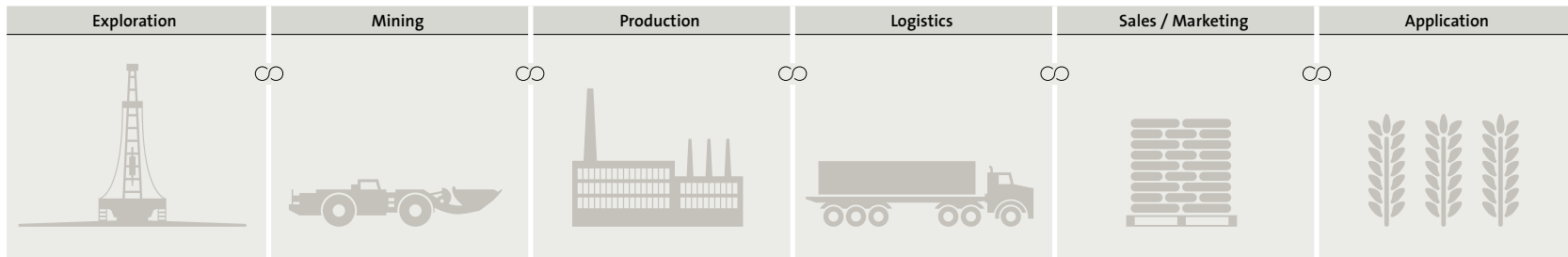
RAW MATERIALS IN GERMANY

Germany is certainly not a country devoid of raw materials. Along with energy resources, such as soft and hard coal, natural gas and petroleum, Germany has numerous mineral resources, such as industrial minerals, stones and earths, and of course potash and salt. Yet, awareness of the important role raw materials play in our lives and our economy is declining in our society. Germany's prosperity to date is based on industrial value creation and not services, despite all the benefits of these. However, industrial operations, energy providers and the extractive industries are coming under increasing pressure to justify their existence, especially in Germany. More and more, German citizens are fighting against industrial and infrastructure projects. Yet prosperity in Germany is not itself a matter of course. It is primarily industry with its long value chains that bestows a place amongst the top nations in international competition upon this country and makes it one of the largest export nations in the world. Over a quarter of gross value creation in Germany is generated by industry.

The following statement on value creation shows the contribution generated by us to private and public earnings. The value creation is calculated using sales revenues and other earnings after deducting material costs, depreciation and amortisation as well as other expenses. The allocation calculation discloses what share of value creation goes to employees, shareholders, government and lenders and what share remains with the company (reserves).

THE K+S VALUE CHAIN

FIG: 2.0.1



In 2014, our value creation amounted to € 1,613.0 million (previous year: € 1,613 million). Our employees received the largest share (63 %) with € 1,013.7 million. This share is composed of wages and salaries, social insurance contributions and pension contributions. Governments received taxes and fees in the amount of € 147.9 million (9 %). € 84.8 million was spent on interest to lenders. Shareholders received € 172.3 million (11 %) in dividends, and the company retained € 194.3 million (12 %) in the form of reserves and other assets. / TAB: 2.0.1, 2.0.2

CALCULATION		TAB: 2.0.1
	2014	2013
in € million		
Revenues	3,821.7	3,950.4
Other income	225.6	39.1
Cost of materials	-1,329.0	-1,327.1
Depreciation	-281.2	-251.5
Other expenses	-824.1	-797.8
Value creation	1,613.0	1,613.1

ALLOCATION		TAB: 2.0.2
	2014	2013
in € million		
to employees (wages, salaries, social benefits)	1,013.7	968.2
to States (taxes, fees)	147.9	142.0
to lenders (interest expenses)	84.8	65.7
to shareholders (dividends) ¹	172.3	47.9
to the company (reserves)	194.3	389.3
Value creation	1,613.0	1,613.1

¹ The dividend is based on the year 2013 and is paid in the subsequent year.

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE D-EITI

EITI (Extractive Industries Transparency Initiative) was founded in 2003 as a global initiative to promote openness and accountable management of natural resources. Extractive industries disclose their payments to government institutions, whilst governments disclose their revenues from the raw materials sector. These cash flows are compared with one another. The entire process is independently reviewed and is intended to be conducive to the informed dialogue about the sector. In July 2014, the Federal Cabinet decided to set in motion Germany's candidacy for the international EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE and implemented first measures in that direction.

We are taking an active role in D-EITI and will work together in a multi-stakeholder group comprised of representatives of business, non-profit civil organisations and policymakers. This multi-stakeholder group plays an important role in preparing the implementation of the international standard locally. Through our participation we are helping to make the contribution of Germany's raw materials sector transparent.
/ For further information see www.eiti.org

SOCIOECONOMIC IMPACTS OF THE WERRA AND ZIELITZ PLANTS

We commissioned two scientific studies to investigate the socio-economic impacts of the two largest K+S KALI potash plants and published these findings both at the starts of 2014 and 2015. The impacts of the plants on their respective local and regional environments were analysed, and the direct and indirect effects on infrastructure, people and the economy were identified.

4,400 employees work at the Werra plant's four sites in Hesse and Thuringia. In addition, the plant network has an additional indirect employment effect in the surrounding districts: the value created in the form of salaries, taxes, and purchasing activities carried out by the plant amounts to more than € 420 million each year, and builds the basis for a further 2,500 to 3,000 jobs indirectly tied to the potash industry in the region. Purchases of € 195 million from medium-sized regional businesses in a multi-

tude of sectors occurred in 2012. Furthermore, the communities neighbouring the plants benefited from tax revenues. Including the related households, the potash mine in the Werra district either completely or predominantly secured the livelihoods of a total of approximately 16,000 residents.

The second study looked at the Zielitz plant in particular. This plant plays a central role in the economic and demographic development of the region. It employs 1,800 employees and indirectly results in a further 1,200 jobs in the region. Local communities and the region benefit from fiscal outputs, which amount to some € 27 million. Regional medium-sized businesses received a total of € 25 million in 2013.

/ For further information see www.k-plus-s.com/en/gesellschaft/impulsgeber-fuer-die-region.html

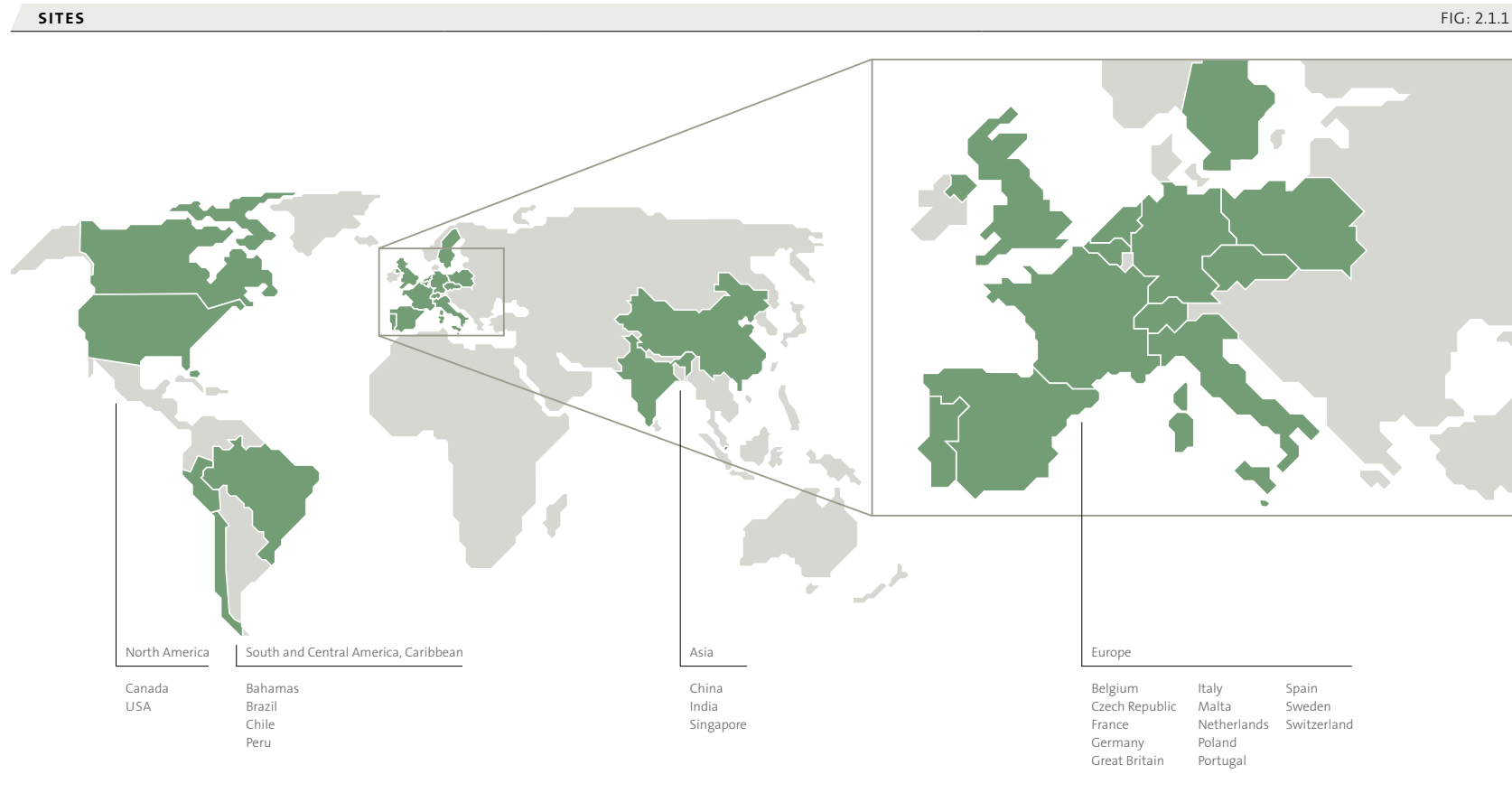
2.1 EXPLORATION

Worldwide, potash and rock salt deposits are predominantly explored using underground drilling and seis-

mic technology. When exploring with seismic waves, measurements are taken that enable a spatial representation of underground geological structures. Exploration provides insight into the dimensions and structure

of deposits, as well as the depth and mineral content of potash seams, and facilitates reserve estimation in accordance with the applicable international standard.

/ FIG: 2.1.1



In existing mines, exploration using underground drilling and radar measurements provides important information for mine planning, and serves to protect against possible gas and brine concentrations. Underground drilling exploration helps to build the foundation for a more specific estimation of mineral reserves and resources.

RESERVES AND RESOURCES

Our potash and salt mineral deposits are either owned or we possess the appropriate licences and/or similar rights that permit the mining and/or solution mining of material reserves.

POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT

Our potash deposits in Germany contain mineable reserves (reserves comparable to the international designations “proven” and “probable reserves”, determined on 31 December 2013), amounting to 1.2 billion tonnes eff. of crude salt. Approximately 37 million tonnes eff. of crude salt were extracted in 2014. In addition, there are “mineral resources” amounting to 1.46 billion tonnes of crude salt (taking into account existing extraction and impoverishment losses). The resources are potash seams that have yet to be used or permitted areas in which these resources can be identified by geophysical exploration, underground drilling and geological conclusions by analogy. These potential extraction areas are pre-

dominantly connected to existing ones and belong to the K+S GROUP, or else have a purchase option.

We are quoting the reserves and resources of the Canadian KLSA 009 mining lease area in the Province of Saskatchewan where the Legacy Project is located in millions of tonnes of potassium chloride as an end product ready for sale. The corresponding deductions for losses during extraction and processing have already been taken into account. The reserves total 160 million tonnes, the resources 982 million tonnes. Pursuant to the requirements of Canadian standard NI 43-101, 88 million tonnes of these resources can be categorised as “indicated”, meaning exploration results permit a high degree of credibility. The other 894 million tonnes are classified as “inferred”, which means that information on the dimensions and structure of the deposit, and mineral content based on geological conclusions by analogy and isolated test drilling has not yet been verified by concrete exploration results. In addition to the above-mentioned mining lease area, we currently have six other potash exploration licences in southern Saskatchewan.

SALT BUSINESS UNIT

The mines, open-cast mines and brine fields in the salt business unit have reserves amounting to 1.1 billion tonnes (not including solar evaporation salt, which holds practically infinite available reserves). Over the past ten years, an average of 22.7 million tonnes was extracted annually from mines, open-cast mines and brine fields. For the salt business additional extractable resources can be disclosed amounting to some 1.3 billion tonnes

of rock salt in Europe and North and South America, taking into account extraction and impoverishment losses.

2.2 MINING

We extract raw materials through conventional mining above and below ground, and through solution mining. We also use the power of the sun and extract salt by evaporating saline water, generally sea water. During underground mining, crude salt is generally mined by means of drilling and blasting. Huge shovel loaders then transport the crude salt to the crushing plants. From there, the pre-crushed salt is brought to the extraction shaft by conveyor belts. In this manner, we obtain potassium chloride (KCl) and magnesium sulphate/kieserite in six mines in Germany as well as rock salt in three mines in each of Germany, the United States and Canada. In 2014, we mined 61.3 million tonnes of raw material (2013: 63 million tonnes).

In Chile we are extracting rock salt using open-cast mining in the Atacama Desert in the Salar Grande de Tarapacá, a large former salt lake. We extract sea salt and solar salt in Brazil, the Bahamas and at the Great Salt Lake in Utah and in Glendale, Arizona/USA. Moreover, in the Netherlands and in Germany we operate one brine

plant each for the extraction of evaporated salt; we also operate brine plants in the US and Canada.

LEGACY PROJECT

Legacy is a greenfield project: a new potash mine in the southern part of the Canadian province of Saskatchewan. A potash production using solution mining has been developed there since the ground-breaking ceremony in June 2012. Legacy provides us with the opportunity to increase our annual potash production capacity in the long term by at least 2.86 million tonnes. The plant is planned to go into operation in summer 2016, with the two-million-tonne mark being reached at the end of 2017.

GERMAN POTASH DEPOSITS

We have examined the technological, economic and market aspects of a possible reopening of the inoperative Siegfried-Giesen reserve mine through a comprehensive feasibility study until the end of 2012. Under the framework conditions of that time, the project was assessed as promising. The accompanying regional planning procedure was successfully completed in late 2013. The application conference for the plan approval procedure took place in January 2014. During the entire approval process, we are engaged in a close dialogue with members of the public affected by the proposal, as well as public authorities, politicians and the media. Together with political

representatives and a citizens' initiative, we formed the "Civic Participation Working Group". The plan approval procedure will be completed at the earliest in late 2015 or early 2016. On the basis of the economic and market framework conditions to be examined once more, we will then make an investment decision.

INDIGENOUS PEOPLES IN CANADA

When establishing new production facilities, it is important to be recognised as an attractive employer. In Canada it is not only environmental protection and employment security that are at play here, but also the inclusion of the First Nations and Métis people in business and employment opportunities arising from the project.

As part of the Legacy Project, members of staff are assigned to work to ensure the benefits of Legacy are extended to indigenous peoples. Direct contact is maintained with the various First Nations and Métis communities, such as tribal councils, First Nations individuals, Chiefs and elected councillors, Elders and Aboriginal educational institutions, to identify possible labour and supply/service providers for the project in both the present construction and eventual production stages.

Some 200 Aboriginal (First Nations and Métis) people were working in construction of the Legacy Project in 2014, through construction contractors. In 2013 and 2014, contracts valued at close to CAD 200 million were awarded to companies in which First Nations or Métis communities were involved as owners, partners or pursuant to some other business arrangement.

2.3 PRODUCTION

The refining of raw materials is one of our core competencies. Crude salt is processed in multi-stage mechanical or physical processes without changing the natural properties of the mineral.

POTASH PRODUCTION

In addition to potassium (13 to 27% potassium chloride resource content), our potash deposits also contain magnesium and sulphur (11 to 27% magnesium sulphate resource content). Depending on the quality of the crude salt, for refinement we use processes such as thermal dissolution, flotation or, partly in combination with these two, electrostatic separation (ESTA process). Potash production is inevitably connected worldwide with solid and/or liquid residues. We pursue long-term and the most environmentally compatible solutions possible for their handling.

/ FOR FURTHER INFORMATION see chapter Environment

SALT PRODUCTION

Rock salt from underground and open-cast mining is processed through crushing and screening operations to obtain the desired grain size.

Evaporated salt is produced by vaporising the water of the brine and extracting the dissolved salt.

By feeding saline water into evaporation basins, salt is concentrated more and more strongly in the water flowing through the basins until finally a layer of salt several centimetres thick can be harvested.

CLOSURE OF MINES

The procedure for a partial or complete closure of a mining operation in Germany is regulated by the German Federal Mining Act (Bundesberggesetz). A closure plan must be drawn up well in advance, which is examined and approved by the authorities. Crude salt processing at our Sigmundshall site in Lower Saxony will be closed from today's perspective around 2020. It is anticipated that this will happen in 2032 at our site in Unterbreizbach in Thuringia because the raw material base will have been exhausted. According to the current state of knowledge, with the exhaustion of deposits, the Werra site will probably discontinue potash production around 2060.

For each site to be decommissioned in Germany, in accordance with the German Federal Mining Act, in consultation with the nature conservation authorities and representatives of local communities, a careful examination of whether and how the existing facilities can be put to further use must be conducted. If no reasonable re-use of the decommissioned mines being wound up is possible, we are obliged to flood the remaining caverns. So, for example, the decommissioned steep-gradient potash mines located in Lower Saxony have been flooded for that reason. 25 mines have been flooded; three are

currently being flooded and one is being kept intact. Already during the operating phase, parts of the excavation caverns were backfilled there in accordance with official requirements. Finally, the shafts are to be filled, the former surface operational areas are to be examined and possible contamination removed. At present, seven sites in Lower Saxony are in the process of being secured, and at 20 sites this has been completed.

There are also detailed plans available for those sites in the United States and Canada, as to what decommissioning and reclamation should entail after a mine ceases production. The scope of these measures is dependent upon the type of extraction and degree of environmental impact. For example, solution mining operations are required to completely deconstruct technical infrastructure and seal drill holes in order to protect groundwater. With regard to the solar salt site at the Great Salt Lake in Utah, the original state of the area is largely to be restored after the site has been closed down.

In Chilean open-cast mining, after a mining area has ceased to be used, infrastructure and any residues must be removed, and the edges of the mine secured by levelling differences in height. No complete backfilling is necessary.

PROVISIONS FOR MINING OBLIGATIONS

Provisions for mining obligations (2014: € 941.6 million; 2013: € 750.8 million) must be built up due to statutory provisions and official regulations. Corresponding measures are substantiated primarily by operational planning approvals and water permit conditions and regulations. These mainly public law obligations require surface securing and cultivation measures. Mining subsidence damage can result from underground extraction and the related possible lowering of the land at surface level or as a result of damage in the production process in the form of dust or salinisation. The obligations that might arise are covered by provisions. / TAB: 2.3.1

PROVISIONS FOR MINING OBLIGATIONS

TAB: 2.3.1

	2014		2013	
	Total	of which current	Total	of which current
in € million				
Mine and shaft backfilling	346.6	16.3	307.5	6.9
Maintenance of tailing piles	424.5	—	298.2	—
Mine damages	81.0	—	78.1	—
Restoration	75.8	—	52.8	—
Other	13.7	—	14.2	—
Provisions for mining obligations	941.6	16.3	750.8	6.9

2.4 LOGISTICS

Our supply chain management governs, controls and monitors the entire supply chain in order to ensure reliable supply to our customers worldwide under the most competitive conditions. Each year we convey up to 60 million tonnes of goods, including double counts when using different carriers. We have a worldwide network of more than 300 warehouse, harbour and distribution locations at our disposal. We make use of different carriers as best we can, taking into account their individual advantages, and incorporate more environmentally friendly and cost-effective railway lines and waterways as far as possible.

LOGISTICS SERVICE PROVIDERS

Securing long-term freight capacity is very important to us. A large part of our international transport volume is forwarded by service providers with whom we maintain long-lasting partnerships. With the help of performance indicators applicable Group-wide, we monitor costs, measure the efficiency of logistics systems, and improve these in a continuous process, in order to maintain and increase customer satisfaction.

The results of service provider assessments are recorded Group-wide. These are categorised according to the importance of the service provider and its performance in four performance quality levels. In 2014 the majority of our products were transported by the highest quality service providers.

OUR OWN LOGISTICS ACTIVITIES

With K+S TRANSPORT in Hamburg and the Chilean EMPRESA MARÍTIMA we have our own two logistics service providers.

K+S TRANSPORT operates the “Kalikai” (potash quai) in Hamburg, one of Europe’s largest trans-shipment facilities for the export of bulk goods. Some 3.5 million tonnes are handled there each year. With a storage capacity of around 400,000 tonnes in an area comprising approximately 10 hectares, a large portion of our international stores are processed alongside potash fertilizers. Ships that have transported soy from Brazil to Germany, for example, are loaded with our products in Hamburg for their return journey. In this manner we are able to optimally utilise shipping capacities for affordable transport costs.

Furthermore, K+S TRANSPORT is also responsible for organising inland container transport on inland water vessels and the so-called Baltic Train, as well as overseas container transports. For example, a large quantity of goods from Asia to Europe, such as electronics and toys, is transported mainly in containers. Yet their capacity utilisation with return cargo is generally significantly lower. These containers are loaded by us at “Kalikai” with bulk fertilizer which can then be unloaded directly by the customer in a cost efficient manner. In 2014, more than 1 million tonnes of fertilizer were exported worldwide by container.

K+S CHILE operates maritime logistics through the shipping company EMPRESA MARÍTIMA, with two of its own ships as well as additional chartered ships. Our largest port is Caletta Patillos in Chile, where more than 6 million tonnes of salt was loaded onto maritime vessels in 2014.

2.5 SALES/MARKETING

We aim to be the ‘go-to’ partner for our customers. High product quality and reliability are decisive preconditions for this. We offer a comprehensive range of goods and services for agriculture, industry and private consumers. Our distinguishing features are proximity to our customers, and tailor-made products. With our efficient distribution network close to customers, we are active all over the world.

CUSTOMER INTERESTS

We constantly assess our products for possible risks to health and safety and for their environmental friendliness, and ensure that they are safe for mankind and nature when they are used responsibly and properly.

QUALITY MANAGEMENT

Our goal is to improve the quality of our products in all phases of the value chain, from extraction of raw materials to production, sale and application. We want to iden-

tify our customers' expectations at an early stage and deal competently and reliably to meet them. Assured quality, on-time delivery, and professional consulting contribute significantly to customer loyalty.

Our quality management system is based on DIN EN ISO 9001 and is reviewed by accredited external certification companies.

/ FOR FURTHER INFORMATION see www.k-plus-s.com/en/produktverantwortung/produktverantwortung.html

PRODUCT AND SAFETY INFORMATION

We provide our customers with comprehensive information regarding our products and services in product specification sheets. The type and scope of this information comply with the provisions of applicable national and international law and, where these exist, with the certification standards.

For example, in our continually updated safety specification sheets, we describe all safety measures to be taken for storage, use and transport.

REACH EUROPEAN CHEMICALS DIRECTIVE

A large portion of our products are non-chemically modified natural materials and therefore exempt from the registration obligation. All other materials are registered with the European Chemical Agency (ECHA) in accordance with the provisions of REACH, the European chemical regulation.

AUDITING BY CUSTOMERS

Customers, particularly from the pharmaceutical, food or animal feed industries, may submit special requirements for materials and products supplied by the K+S GROUP and may review the manufacturing process on site through so-called customer audits. Should there be any deviations from the customer's requirements, feasible technical, organisational and personnel measures are determined using an internal evaluation system which takes into account cost and risk aspects.

In 2014, all the major group companies were audited. Customer audits were conducted at various German and European locations of ESCO with regard to pharmaceutical salt and the food and animal feed salt segments. Audits took place at MORTON SALT, INC. in the areas of pharmaceutical, food grade, and chemical grade salt, among others.

2015 – INTERNATIONAL YEAR OF SOILS

The United Nations has declared 2015 the "International Year of Soils".

/ For further information see www.fao.org/soils-2015/en

Sustainable protection of soil fertility and productivity is at the forefront of our international fertilizer application advice such as our engagement in the African continent as, the Project HarvestZinc, the activities of the INSTITUTE OF APPLIED PLANT NUTRITION (IAPN) and our efforts in cooperation with the 4R NUTRIENT STEWARDSHIP INITIATIVE.

In April 2015, Global Soil Week will be held in Berlin for the third time, and K+S KALI representatives will contribute.

/ For further information see www.globalsoilweek.org

CUSTOMER SATISFACTION

We maintain an active dialogue with our customers in order to be able to continually incorporate features to meet their needs and to strengthen and permanently

GROWTH FOR UGANDA

K+S KALI and the non-governmental organisation SASAKAWA AFRICA ASSOCIATION started their joint project, "Growth for Uganda" in 2013; the project provides for agricultural consulting in the East African country of Uganda. It initially runs until 2016 and will be evaluated in 2015. The project's original goal of training 50,000 farmworkers in Uganda was reached in 2014 because the training outcomes were met with such great interest.

A mobile training unit provided in an all-terrain vehicle has been in use since early 2014. The training and laboratory vehicle offers the opportunity for providing farmers in secluded areas with insights into cultivation methods. The soil analysis module allows for soil samples collected on-site to be analysed immediately and for fertilizer recommendations to be provided.

Together with local partners, we want to develop best management practices for the cultivation of regionally typical crops, such as corn, rice, sorghum, and beans. This will include both crops for sustenance of farm families and cash crops which are sold to provide farmers with income. We are in turn becoming very familiar with the situation of small landholders on-site, gaining new insights into the functioning of the local markets, and are able to orientate our market policy towards regional needs over the long term.

/ For further information see www.saa-safe.org

secure confidence in our products and services. We regularly conduct customer opinion surveys. The last surveys took place in 2013 and the next will take place in 2015. Along with these periodic customer satisfaction

analyses, regular personal meetings and feedback statistics provide us with practical starting points for possible improvements.

THE CHALLENGE OF FOOD SUPPLY

Agriculture plays a key role in feeding the world's population. The agricultural sector must supply an increasing number of people with increasingly scarce water, fossil fuel and arable land resources. In addition, some states pursue the goal of reducing their dependency on fossil fuels through the use of bioenergy crops and biomasses. However, this cannot succeed purely through ecological farming. A significantly greater area would need to be made available per unit of yield. More and more people, especially in emerging market countries like China and India, can afford higher value foodstuffs such as meat, milk, and luxury foods. This leads to a higher demand for animal feed. According to the FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS (FAO), up to 7 kg of cereals is needed to produce one kilogramme of beef, 4 kg for one kilogramme of pork and 2 kg for one kilogramme of chicken.

Land suitable for agriculture is fairly limited and increasingly threatened by urbanisation, erosion or desertification. Crop yields in many areas of the world can be greatly increased through the use of balanced fertilization. In any case, plants need nitrogen, phosphorous and potassium for healthy growth. The minerals magnesium and sulphur are also of great importance as nutrients.

While nitrogen regulates crop growth, phosphorous affects crop metabolism and promotes blossoming and increased yields of fruit; potassium regulates water supply and increases resis-

tance to frost, aridity, fungi and pests. The mineral magnesium is essential for photosynthesis, while sulphur aids protein growth in crops.

/ For further information see www.kali-gmbh.com/uk/en/fertilizer/advisory_service/nutrients/, www.iapn-goettingen.de/en

During the growth and maturity stage, crops withdraw minerals from the soil which are removed with the harvest. To stop the soil becoming impoverished and plant growth retarded as a result, the minerals that have been removed must be replaced through fertilization. The German chemist Justus von Liebig formulated the "law of the minimum". This states that every nutrient must be present in the necessary amount to optimally aid growth. Heeding this requirement maximises the efficiency of fertilizer use and minimises its impact on the environment.

In light of this, the fertilizer industry has developed the so-called 4R NUTRIENT STEWARDSHIP INITIATIVE. It involves fertilizer suppliers working towards the responsible application of the right fertilizers in the right amount at the right time in the right place (4R). This minimises impact on the environment, allows for an increase in crop yields and enables sustainable land cultivation.

/ For further information see www.nutrientstewardship.com

2.6 APPLICATION

As a resources company we are standing at the beginning of a long value chain.

A large portion of products from the potash and magnesium products business unit is used as plant nutrients in agriculture. As natural products, these are largely permitted for ecological farming under EU law. As well, the business unit offers its customers products for industrial applications, high-purity potassium and magnesium salts for the pharmaceutical, cosmetics and food industries and feed production components.

In the Salt business unit, food grade salt, industrial salt, salt for chemical use and de-icing salt are produced, all based on sodium chloride (common salt). Our customers use our products either directly or by applying them in their own production processes.

APPLICATION ADVICE

Professional advice to our customers regarding product application is a key element of K+S' range of services to the agricultural sector. In addition, we make technical application advice available for industrial products and industrial salts.

TRANSFER OF KNOWLEDGE FOR GREATER SOIL FERTILITY

We advise our customers in the agricultural industry through our agricultural engineers working worldwide and develop tailored solutions. On the basis of our research activities and field tests, we offer individual fertilization recommendations to customers concerning conditions for “good professional practice” in agricultural land use. These practices promote sustainable soil fertility and productivity of soil, recognising it as a vital natural resource.

Many emerging and developing countries could still considerably increase crop yields through better application of the principle of balanced fertilization, thus increasing soil fertility. We want to make knowledge available to farmers in places where this is needed, while incorporating existing local experience, thus contributing to knowledge transfer.

We are a member of the GERMAN FOOD PARTNERSHIP and, as such, are contributing to a project in Ethiopia and Kenya to promote potato production. The project considers the entire value chain from potato production to sale. We contribute our knowledge of the impact of soil fertility on crop yields and have provided tailor-made fertilizer formulations to local partners beginning in the first cultivation period, Autumn 2014. The project participants are the INSTITUTE OF APPLIED PLANT NUTRITION (IAPN) and the INTERNATIONAL POTATO CENTER (CIP) in Peru, with which we have been closely cooperating since 2011. / FOR FURTHER INFORMATION see www.germanfoodpartnership.de/en and www.cipotato.org

2.7 PROCUREMENT

The majority of our purchases are for capital goods, such as special equipment for underground operations, and for services, particularly in the area of logistics. Materials going into our production or our products are therefore only a small part of the total purchasing volume. In 2014, K+S purchased technical goods and services, raw materials, consumables and supplies for about € 2.3 billion from approximately 19,500 suppliers.

SUPPLIER

Open and fair collaboration characterises our relationship with our suppliers and service providers, which we select in a systematic, transparent and IT-supported process, not just according to purely economic criteria. We expect them to respect human rights and the core labour standards of the International Labour Organisation (ILO). Our goal is to build up long-term partnerships through cooperation.

We assess the entire procurement process from order, through to delivery of the service, until settlement of the payment. At all stages we consider both quality and environmental and safety standards. This assessment is supplemented by a self-assessment which every new supplier has to submit. Should it become evident that a supplier does not meet our criteria, the company-internal participants in the supply chain will immediately be informed. In this way, we can introduce measures in time. Of our contractual partners, almost all

of come from OECD states (ORGANISATION FOR ECONOMIC COOPERATION AND DEVELOPMENT). We consider a service performed to be strategically important if it is essential to the value creation process and can only be rendered by a few suppliers. We maintain development partnerships with suppliers from specialist mechanical engineering, particularly for underground mining operations.

2.8 RESEARCH AND DEVELOPMENT

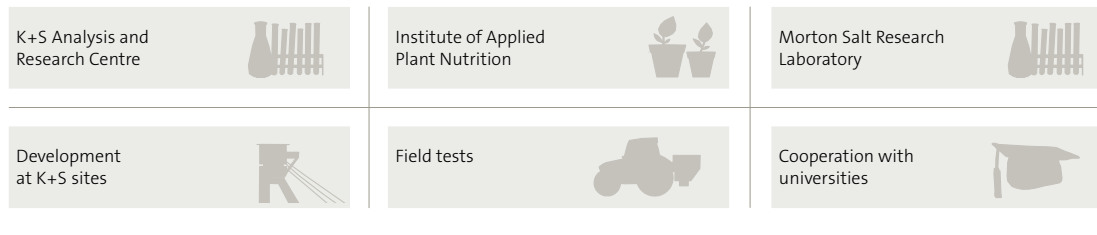
We pursue the following three equivalent goals in our research and development activities: Increasing customer benefit; optimising effective and efficient use of raw materials, capital, energy and personnel; and conserving the environment through sustainable use of resources and constant reduction of solid and liquid production residues.

We constantly review our extraction and production processes with regard to the use of the resources available to us, further develop our procedures and products, and test new technologies and materials in order to improve processes.

Research costs amounted to a total of € 12.2 million (2013: € 13.9 million). The improvement of production processes for minimising solid and liquid production residues in potash production formed a further focal point. Measured against revenues our research intensity amounts to 0.3 % (2013: 0.4 %); this percentage amounts

K+S RESEARCH NETWORK

FIG: 2.8.1



to approximately the same level as that of the potash and salt industries in general. / FIG: 2.8.1

In terms of research and development, we want to make optimal use of the available synergies Group-wide and apply the expertise of each facility. That is why the K+S ANALYSIS AND RESEARCH CENTRE and the INSTITUTE OF APPLIED PLANT NUTRITION (IAPN) cooperate closely on the evaluation of product ideas in respect of marketability, production, processing, application and the effects on plant cultivation. The MORTON SALT RESEARCH LABORATORY and the K+S ANALYSIS AND RESEARCH CENTRE cooperate in the area of process technology. Specific research projects are implemented in cooperation with universities and colleges.

K+S ANALYSIS AND RESEARCH CENTRE

In September 2013 we began building a new K+S ANALYSIS AND RESEARCH CENTRE in Unterbreizbach in Thuringia. This new building will provide jobs for over 90 employees who will start work there in mid-2015. While we continue to operate a research institute in Heringen in Hesse, no space was available for the necessary expansion at that location. The new K+S ANALYSIS AND RESEARCH CENTRE will also take over more central tasks for foreign subsidiaries and production sites in future.

The focus of the centre is on processing, process technology and analytics. Engineers, technicians and other scientists work primarily on the development of products and processes. In addition, we examine the extent to which findings from basic research can be applied or transferred to our specific issues. In the connected central laboratory, methods of analysis are developed, which are tailored specifically to our laboratories and factory processes.

INSTITUTE OF APPLIED PLANT NUTRITION (IAPN)

The IAPN is a public-private partnership that K+S KALI has operated together with the Georg August University of Göttingen since late 2010 and is located in Göttingen. The goal of the IAPN is to provide practice-oriented research in the area of plant nutrition and fertilization, especially in terms of potassium, magnesium and sulfur. The contents of research are adapting agricultural production processes to changing climate conditions, using resources efficiently through optimal nutrient supply and developing horticultural concepts in

MORE EFFICIENT WATER USAGE

One focus of the IAPN research is on improving the efficient use of water by crops. Only well-nourished plants are able to make optimal use of available water. Potassium and magnesium have a very specific impact: Soils are able to retain more water with regular fertilizer use. Another positive effect is the plant's ability to form more roots, thus increasing its ability to absorb water.

Apart from water shortages, however, other climate-induced stress factors such as heat and saline and acidic soils are coming increasingly to the fore. That is why the IAPN, together with the Sabancı University of Istanbul, is examining the extent to which balanced fertilizer use also counteracts the negative effects of these stress factors. The initial results were presented at the "2nd International Symposium of the Role of Magnesium in Crop Production, Food Quality and Human Health" in São Paulo, Brazil, in November 2014.

/ For further information see www.iapn-goettingen.de/web-site.php?id=/en/mg-symposium-2014.htm

developing and emerging market. As the interface between science and industry, it addresses current issues in the practice, brings together existing knowledge and develops locally, intelligent management systems of fertilizer. The knowledge gained is passed on to the agricultural practice.

MORTON SALT RESEARCH LABORATORY

MORTON SALT operates a research laboratory in Elgin, Illinois, USA. The employees there work closely together with the laboratories at the sites and with external research institutions. Their tasks include new and further development of products, analysis of substances and processes, and materials testing. Furthermore, the research laboratory advises customers on specific issues, provides support in the implementation of official and statutory requirements and carries out further training for employees. In 2014, MORTON SALT opened a new food laboratory in Chicago, USA. In future, further development options for reduced-sodium salt products will be tested there.

FIELD TESTS

On the basis of field tests, we identify market potential as well as future areas of application, and continually develop our products and nutrient combinations. We are currently overseeing more than 100 tests worldwide. The focus is on cultivating potatoes, corn, oil palms, rape-

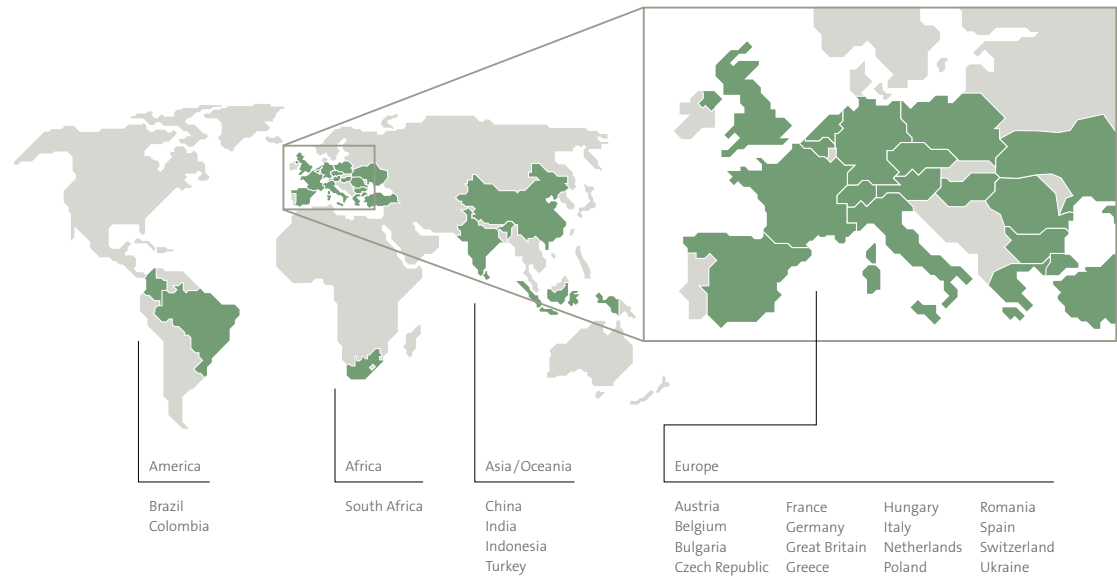
seed and soy. We frequently cooperate with local universities, academic institutions or customers in test setups. The INTERNATIONAL PLANT NUTRITION INSTITUTE (IPNI) often partners with us on non-European projects. Many tests are carried out at farms that profit directly from the knowledge gained. / FIG: 2.8.2

Whereas the same conditions always prevail in greenhouses and so-called climatic chambers with special soil substrates, field tests – like agriculture itself – are

subject to the variability of soil and weather. The test area is divided into lots of a few square metres in size, on which various quantities or forms of fertilizer are applied, depending on the aim of the test. A field test usually lasts four years. When designing tests, we are increasingly incorporating climate-related stress factors such as aridity, heat and saline and acidic soils in order to make the soil system more robust overall with modified nutrient management. We have therefore not only intensified our research for a more efficient use of

FIELD TESTS BY COUNTRY

FIG: 2.8.2



water, but will also expand our field tests regarding the application of foliar fertilizers.

The findings allow a targeted assessment to be made of the correct form of nutrients, the volume of fertilizers and the time of fertilizer application, tailored to the specific location.

HARVESTZINC

K+S KALI is involved in Project HARVESTZINC, which aims to prevent zinc deficiencies in food. In the on-going second phase of the project, our KORN-KALI and foliar fertilizer, KALI-EPSO-Zn, are tested with zinc. Different fertilizers with different zinc concentrations are used for different cultures in field tests in seven countries in Asia, Africa and South America.

/ For further information see www.harvestzinc.org
