Compliance management in the K+S Group
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1 **Objectives**

This directive prescribes a management system whose purpose is to ensure compliance with mandatory legal provisions, internal regulations and regulatory standards recognized by the company ("compliance"), as well as to avoid compliance breaches resulting in

- criminal and administrative sanctions and compensation claims against a Group company, members of the executive/supervisory bodies or employees, and also
- other direct or indirect negative influences (particularly caused by image losses) on the asset, financial or earnings position of the K+S Group

with compliance risks being identified and assessed in good time, and measures taken to reduce the likelihood of their materialization and potential losses. Structured internal compliance reporting is also to be ensured.

2 **Area of application**

This directive is valid for the entire K+S Group, i.e. for the K+S Aktiengesellschaft (K+S AG) and all Group companies, i.e. the associated companies in which the K+S AG is entitled to exercise the majority of voting rights directly or indirectly, or in which the K+S AG is entitled by law, articles of association or contract to exert dominant influence in any other way directly or indirectly and therefore can instruct the implementation of this directive.

3 **Regulatory responsibility**

The unit Legal, GRC, Corporate Secretary of K+S AG - referred to as “C-LC” - is responsible for the development, updating and communication of the directive.

4 **Organizational responsibilities**

4.1 **General**

Compliance is an integrated component of our corporate culture, which makes it the task and responsibility of every employee. Managers are expected to “set a good example” in this regard.

The management bodies of the Group companies, the members of the Board of Executive Directors responsible for the business units, and the heads of K+S AG units within the direct responsibility of the Board of Executive Directors will ensure that the requirements of this di-
rective are implemented in their respective area of responsibility by corresponding organizational measures, and will particularly ensure the proper functioning of the compliance management process as well as of compliance reporting.

4.2 Chief Compliance Officer
The head of the C-LC unit exercises the function of Chief Compliance Officer of the K+S Group (CCO) with the following responsibilities and powers:

- continuing, conceptual further development of a group-wide compliance management system suited to achieving the objectives under clause 1, taking external and internal developments into account
- preparation of a framework for compliance management within the K+S Group (regulatory responsibility)
- group-wide coordination of compliance management, particularly the duties of the compliance officers
- consulting the Board of Executive Directors and the Group companies/business units on group-wide compliance management issues
- inspecting documents as well as requesting information necessary to perform the tasks.

The CCO will be given an opportunity to comment before internal regulations are set and before regulatory standards are recognized group-wide by the Board of Executive Directors and will be included by the latter in decisions requiring the assessment of possible compliance risks.

4.3 Compliance officers

4.3.1 Group companies
For every Group company, the management body will appoint a technically and personally qualified compliance officer in writing, who will be entrusted with at least the following responsibilities and powers:

- preparation of regulations specifying a group-wide framework for compliance management within the Group company (regulatory responsibility)
- coordination of the compliance management process within the Group company (including the activities of appointed compliance officers for sub-departments)
- consulting the management body as well as the units of the Group company in compliance-related matters, particularly providing support in identifying and assessing compliance risks and in dealing with compliance breaches
• reporting on the compliance risks affecting the Group company and on compliance breaches to the compliance officer of the business unit, and/or - if the Group company is not connected with any business unit - to the CCO
• inspecting documents as well as requesting information necessary to perform the tasks.

The compliance officer will be given an opportunity to comment before internal regulations are set, before (collective) bargaining agreements are concluded and before regulatory standards are recognized by the management body and be included by the latter in decisions that require the assessment of possible compliance risks.

The function of the compliance officer will be exercised - unless there is an explicit instruction to the contrary -
• for Group companies or sub-units of a Group company which are connected with a business unit – by the compliance officer appointed for the particular business unit; and
• for Group companies which are not connected with any business unit – by the head of the unit that, according to the “Management of subsidiaries in the K+S Group” directive, is responsible for subsidiary controlling of the Group company concerned with the responsibilities and powers referred to previously.

The function of the compliance officer of K+S AG (with the exception of units that are connected with a business unit) will be exercised by the head of the C-LC unit.

4.3.2 Business units
For every business unit, the responsible member of the Board of Executive Directors will appoint a technically and personally qualified compliance officer in writing, who will be entrusted with at least the following responsibilities and powers:
• preparation of regulations specifying a group-wide a framework for compliance management within the business unit (regulatory responsibility)
• coordination of the compliance management process within the business unit (including the activities of compliance officers of Group companies connected with the business unit)
• consulting the member of the Board of Executive Directors responsible for the business unit in compliance-related matters, particularly providing support in identifying and assessing compliance risks and in dealing with compliance breaches
• reporting on compliance risks and compliance breaches concerning the business unit to the 
  CCO
• inspecting documents as well as requesting information necessary to perform the tasks.

The compliance officer will be given an opportunity to comment before internal regulations are 
set by the member of the Board of Executive Directors responsible for the business unit and will 
be included by the latter in decisions that require the assessment of possible compliance risks.

4.4 Compliance Committee
It is the central compliance committee’s responsibility to discuss general matters of compliance 
management and coordinate them on a group-wide basis, as well as to periodically analyze the 
overall suitability of the compliance management system for achieving the objectives under 
clause 1, and to put forward recommendations for action to the management responsible in the 
event of a perceived need to make an adjustment.
The CCO unit heads the committee. Its members include the business unit compliance officers 
as well as members to be appointed by the CCO (heads of K+S AG units which have functions 
of relevance to compliance).

As far as is necessary or practical, regional committees (e. g. Europe, North America, South 
America) of a similar kind should be formed at business unit or cross-business unit level.

5 The compliance management process
Every organizational unit of the K+S Group will ensure that compliance breaches which could 
result in
• criminal and administrative sanctions against a Group company, members of the manage-
  ment/supervisory bodies or employees, and/or which could
• directly or indirectly have a negative influence on the asset, financial or earnings position of 
  the K+S Group
(“potential losses”) and affect the particular area of responsibility of the unit, are identified and 
assessed in good time, and that possible measures are described and, if necessary, imple-
mented to reduce the potential losses and/or their probability of occurrence.

The indispensable prerequisite for identifying and avoiding compliance breaches is an ongoing 
monitoring of applicable legislation and jurisdiction, as well as familiarizing members of man-
agement/supervisory bodies and employees with the legal environment applying to them, and with relevant internal regulations.

5.1 Risk identification
As a minimum, the observation areas listed in the attachment need to be monitored for potential compliance risks affecting the area of responsibility of a respective unit, on a continuous basis.

5.2 Gross risk assessment
For first time identifications of risks it is necessary to initially assess their loss potential and their probability of occurrence, prior to implementing possible counter measures, for a short-term, midterm and long-term observation period (12, 36 and 120 months as of risk identification) ("gross assessment"). Where necessary, alternative scenarios need to be assessed.

The probability of a particular risk occurring within each of the three observation periods should also be assigned to one of the following categories ("gross occurrence probability"):  
- < 10 % (unlikely)
- 10 % - 25 % (less likely)
- > 25 % - 50 % (possible)
- > 50 % - 75 % (likely)
- > 75 % (very likely).

Only the likelihood of a compliance breach occurring is to be considered, not the likelihood of it being uncovered and resulting in sanctions.

5.3 Countermeasures
At least for compliance risks  
a) which could lead to criminal or administrative sanctions and/or  
b) with a gross loss potential
  - over the long term
    - of > 100 million euros and a gross occurrence probability of > 10 % or
    - of > 50 million euros and a gross occurrence probability of > 25%
  - over the medium term
    - of > 25 million euros and a gross occurrence probability of > 10 % or
    - of > 10 million euros and a gross occurrence probability of > 25 %
• over the short term
  • of > 5 million euros and a gross occurrence probability of > 10 % or
  • of > 0.5 million euros and a gross occurrence probability of > 25 %
and/or

independently of the period of time and gross loss potential, have a gross occurrence probabil-
ity of > 10 % and lead to a threat to the company's existence, possible countermeasures will be
drawn up and described.

In doing so, it is necessary to differentiate between measures aimed at prevention/reduction of
the loss potential and/or their probability of occurrence ("proactive countermeasures") and
measures to be taken in the event of an occurrence in order to reduce the loss potential ("reac-
tive countermeasures"). The prospective costs also need to be calculated and included.

Proactive measures may be:
• Adjustments of planned projects, measures, contract signings etc. or refraining from execution
• modifications of organizational or technical processes
• training members of management/supervisory bodies as well as the employees concerned
• setting up hotlines
• adjusting existing or developing new control systems, authorization concepts, audit pro-
cesses, contractual arrangements etc.
• procurement of insurance coverage for the case of damage.

Reactive measures may be:
• voluntary declarations
• cooperation with investigative authorities.

5.4 Net risk assessment
Subsequently, the loss potential needs to be re-assessed in a similar procedure as defined
under clause Fehler! Verweisquelle konnte nicht gefunden werden., but under the assump-
tion that all possible pro-active countermeasures ("net loss potential I") and additionally all
possible reactive countermeasures ("net loss potential II") have been implemented in full.

Furthermore the occurrence probability needs to be re-assessed in a similar procedure as
defined under clause Fehler! Verweisquelle konnte nicht gefunden werden., but under the
assumption that all possible pro-active countermeasures have been implemented in full ("net occurrence probability").

5.5 Risk control
Following availability of the gross risk assessment, the description of possible countermeasures including their implementation costs and the net risk assessment, the responsible unit needs to decide whether a risk is borne without taking further measures, or whether, which kind and when countermeasures are required. This decision needs to be made under inclusion of the responsible compliance officer, and under consideration of possibly existing coordination requirements and reservations of consent.

In particular, the careful consideration required needs to pay special attention to the ratio between the costs of implementing countermeasures in comparison to the achievable reduction of the loss potential and/or the probability of occurrence. In general, with respect to the probability of occurrence, an appropriate ratio may only be assumed if implementation of the countermeasures results in a risk classification which is at least one level below the previous classification.

5.6 Review of risks already identified
The assessments made for risks already identified and the countermeasures described and possibly also taken will be reviewed – at least half-yearly – for the three periods of time (starting from the time of the review in each case) in a similar manner to that set out in clause 5.2 through 5.5, for being up-to-date and, if necessary, adjusted if important changes are made to the internal or external framework conditions.

6 Business partner compliance
The cooperation between the Group companies and business partners, especially customers, suppliers, sales representatives and consultants, may lead to significant liability and reputation risks for the K+S Group as well as the management bodies and employees of the Group companies, if business partners do not act in accordance with laws. Significant risks exist in particular in the case of corrupt conduct of the business partner.

The following provisions set forth in which cases and in which manner an integrity check is to be carried out and how to deal with the results of such an integrity check.
6.1 **Sanction list checks**
The Group companies must ensure – preferably by using automated procedures – that no business relationships are initiated or maintained with individuals and legal entities that are recorded in sanction lists, which are relevant for the respective Group company pursuant to the corresponding national law. This applies accordingly to business relationships with individuals and legal entities, which are recorded in any sanction list which has been determined as binding for all Group companies upon being published in the K+S Portal by the CCO.

6.2 **Other integrity checks**
The following applies to other integrity checks, subject to further requirements under special laws:

Each unit responsible for the relationship with a business partner is required to investigate indications of any conduct of business partners that is not compliant with rules and regulations. Irrespective of this general diligence, which must always be observed when dealing with business partners, a systematic integrity check must be carried out as soon as there is any knowledge of one or several of the following indications, whenever the initiation of new or significant expansion of existing business relationships with business partners is at issue:

- The business partner has its registered seat or headquarters in a country where corruption business dealings are still widespread.
- The business partner demands commission payments, discounts, or other special terms or special conditions on the occasion of entering or expanding the business relationship, as a result of which the ratio between performance and consideration is no longer adequate.
- The business partner demands cash payment or payment to numbered accounts or to banks in “tax havens”.
- At the stated business address, the business partner does not have any offices of his own, or only offices which appear entirely inadequate considering the scope and nature of the business activity.
- The management of the business partner has become conspicuous in connection with economic or tax crimes.

6.3 **Conducting an integrity check**
The following information about the business partner must be obtained – if necessary for the integrity check:

- company structure, organization, and activities
- shareholder structure and beneficial ownership
6.4 Analyzing an integrity check
The information gained in connection with the integrity check must be analyzed and assessed in coordination with the responsible compliance officer and the responsible legal or tax unit. If this should lead to doubts about the integrity of the (potential) business partner, the (proposed) cooperation must be questioned critically and rejected, if necessary.

7 Dealing with compliance breaches
7.1 Reporting of compliance breaches
Every employee is called upon to report compliance breaches of which the employee is aware or report concrete, suspected breaches of compliance to the employee’s superior or to the responsible compliance officer. In the event that an employee wishes to remain anonymous, he can contact an external ombudsman via the hotline set up for such purpose.
Employees or third parties must not be discriminated as a result of reporting an actual - or the bona fide reporting of a supposed - compliance breach. Unless the mandatory legal provisions require otherwise, they must be informed of the results of the investigation and the subsequent consequences.

7.2 Investigation of compliance breaches
If there are sufficient indications for a compliance breach, the head of the unit concerned (or the head’s superior, if he or she is or could be personally involved) will inform the superior and the responsible HR staff about the circumstances, and clarify them together with the responsible compliance officer and possibly also the internal auditors and/or the relevant (law enforcement) authority. Affected employees must be informed of the results of the investigation.

7.3 Procedure on confirming compliance breaches
If a compliance breach is confirmed, a decision will be made by the particular unit, together with the responsible compliance officer and under consideration of possibly existing coordination requirements and reservations of consent, on taking reactive countermeasures (e.g. voluntary declarations) as well as possibly bringing charges.

In the case of compliance breaches by members of management/supervisory bodies and employees, appropriate civil and labor law sanctions will generally (depending on the seriousness of the breach) be imposed and claims for damages brought, under consideration of possibly existing coordination requirements and reservations of consent.

If a compliance breach is disclosed by members of management/supervisory bodies and employees as a result of self-incrimination, sanctions can occasionally be lifted and/or leniency can be shown. This particularly applies if the self-incrimination can prevent the company from incurring further loss.

The same applies to compliance breaches which did not occur either intentionally or due to gross negligence and
- the breach occurred in irreproachable ignorance of the standards infringed, or
- the breach was committed because the person involved had incorrectly evaluated the relevant circumstances in an irreproachable manner.

In such a case, under consideration of possibly existing coordination requirements and reservations of consent, even financial disadvantages from the compliance breach (e.g. fines, pay-
ments of compensation to third parties) may be compensated in whole or in part by the particu-
lar Group company to the member of the management/supervisory body or the employee in-
volved.

8 Documentation
At least for the risks that satisfy the criteria specified in clause 5.3 b), the implementation of the
process steps laid down in clause 5.1 through 5.6, 6 and 7.2 through 7.3 are to be documented
in a verifiable manner by the unit responsible in each case with details of the relevant grounds
for the decisions that were made. Any applicable retention periods (e. g., under German Money Laundering Act) are to be observed.

9 Reporting
9.1 Reporting on serious compliance breaches
The compliance officers of the business units, and the compliance officers of those Group
companies which are not connected with a business unit, will report on the investigation of
possible serious compliance breaches as well as on detecting actual serious compliance
breaches, stating
- the respective circumstances
- the loss potential, as well as
- the reactive countermeasures that might be taken
without delay to the CCO. If the information concerned is to be confidential, this should be
made clear; this applies particularly to insider information.

The CCO reports to the Board of Executive Directors.
Compliance breaches are serious if they
- might have as their consequence criminal sanctions against a Group company, member of
  the management/supervisory bodies or employee, and/or
- might show a loss potential of more than 0.5 million euros and/or
- might cause long-term damage to the public image of the K+S Group.

9.2 Annual reporting to the Board of Executive Directors
The CCO will report once a year to the entire Board of Executive Directors on the suitability of
the compliance management system for achieving the objectives described in clause 1.
10  **Compliance statement**
The units referred to in attachment 2 will issue a statement in accordance with attachment 3 to the CCO by March 31st of each year.

11  **Authorization**
The member of the Board of Executive Directors responsible for the unit C-LC is authorized to adopt modified versions of this directive and supplementary regulations, provided that the essential content of this directive shall not be affected.

12  **Entry into force**
This directive shall be effective on January 1st, 2016 and replaces the directives “Compliance organization in the K+S Group” and “Business partner compliance.”
Attachment 1

Compliant with legal and (supplementary) internal regulations and regulatory standards recognized by the Company in the following areas:

- cartel and competition law
- corruption
- money-laundering
- foreign trade law
- environmental protection
- occupational safety, health protection
- product safety
- IT security, data protection
- corporate law
- capital market law
- accounting
- tax law
- procurement law
- fraud
Attachment 2

The annual compliance statement under clause 10 will be given by:

c) the managing directors of
   - Chemische Fabrik Kalk GmbH
   - esco Verwaltungs GmbH for this company and also for
   - esco - european salt company GmbH & Co. KG and for its direct and indirect subsidiaries
   - K+S Entsorgung GmbH for this company and for its direct and indirect subsidiaries
   - K+S Kali GmbH for this company and for its direct and indirect subsidiaries
   - K+S Transport GmbH for this company and for its direct and indirect subsidiaries
   - MSW-Chemie GmbH

d) the CEO of
   - K+S Chile S.A. for this company and for its direct and indirect subsidiaries
   - K+S Windsor Salt Ltd.
   - K+S Potash Canada General Partnership
   - Morton Salt, Inc. for this company and for its direct and indirect subsidiaries
   - Salina Diamante Branco Ltda.

e) the heads of the units subordinated directly to the Board of Executive Directors of K+S AG.
Attachment 3

An den
Chief Compliance Officer (CCO) der
K+S Aktiengesellschaft, Kassel

Compliance-Erklärung


___________________________________
Datum, Unterschrift(en)

___________________________________
Gesellschaft/Einheit

Attachment 3

To the:
Chief Compliance Officer (CCO) of K+S Aktiengesellschaft, Kassel

Compliance statement

I/We hereby declare that I/we have reported to you on all serious compliance breaches within my/our area of responsibility that I/we know of from the year ______ in accordance with clause 10 of the directive “Compliance management in the K+S Group.”

___________________________________
Date, Signature(s)

___________________________________
Company/Unit