



SUPERVISORY BOARD REPORT

Dr. Andreas Kreimeyer

Chairman of the Supervisory Board

Dear Shareholders,

In 2020, the overall conditions for our business continued to be challenging and have additionally been negatively impacted by the COVID-19 pandemic. The prices for our products were at a very low level and only recovered slowly in the fourth quarter. Therefore, we missed our targets for revenues and earnings once again.

Despite the COVID-19 pandemic, with its associated contact restrictions, we have continued to pursue the strategic realignment of our K+S consistently and with even more energy: We are committed to rapidly and significantly reducing debt, sustainably improving the competitiveness of our sites, expanding our specialties assortment as well as developing new businesses. For this purpose, we signed an agreement to sell our Americas operating unit to Stone Canyon Industries Holdings. The structures of our administration have been significantly streamlined and will reduce costs substantially in this process from 2021. We incorporated our waste management business into a joint venture with REMEX, a subsidiary of the Remondis Group, and this business is to be significantly expanded in the future. A project has been launched at our sites aimed at generating positive free cash flow at all sites in the future even in the event of low prices for potassium chloride.

On behalf of the entire Supervisory Board and Board of Executive Directors, I would like to express my sincere thanks to you, our shareholders, for your patience and trust in us during this time, which has probably been the most difficult period for K+S in the past two decades. I also would like to thank our employees for their great loyalty and their willingness to change.

ADVISING THE BOARD OF EXECUTIVE DIRECTORS AND MONITORING OF MANAGEMENT

During the 2020 financial year, the Supervisory Board diligently performed the supervisory and advisory functions incumbent on it by law and in accordance with the Articles of Association and its bylaws. Numerous matters were discussed in depth and resolutions were adopted on transactions requiring approval. We continuously monitored the Board of Executive Directors' management of the Company and advised the Board on the governance of the Group. We were always involved in decisions of fundamental importance in a timely and appropriate manner. The Board of Executive Directors regularly briefed us promptly and comprehensively on the business development, the financial position, net assets, and earnings, the employment situation, the progress of important investment projects, planning, and the further strategic development of the Company. Deviations from planning were explained to the Supervisory Board in detail. The risk situation and risk management were carefully considered. The Supervisory Board received written reports from the Board of Executive Directors in order to prepare for meetings. In particular, the Chairman of the Supervisory Board also remained in

close personal contact with the Board of Executive Directors beyond the meetings and regularly discussed significant events as well as upcoming resolutions. The shareholder and employee representatives regularly discussed important agenda items at separate meetings prior to meetings of the Supervisory Board.

Due to the COVID-19 pandemic, all meetings of the Supervisory Board and its committees were held as virtual meetings from the middle of March 2020 onward. In 2020, 13 Supervisory Board meetings were held. The average attendance rate of the 16 Supervisory Board members at these meetings was 96% in the reporting period. Two meetings were held as physical meetings. Eight meetings were attended by all Supervisory Board members; at three meetings two members, and at two meetings one member, were unable to attend. All absences were excused. One of the seven meetings of the **Audit Committee** was held as a physical meeting. Six of the seven meetings were attended by all committee members; at one meeting one member was excused. The **Nomination Committee** held one virtual session, fully represented. Two of the seven meetings of the **Personnel Committee** were held as physical meetings. Six meetings were attended in full. One member was excused from the remaining meeting. The **Strategy Committee** met on seven occasions, with full attendance at all meetings. One of the meetings was held as a physical meeting.

COMPOSITION OF THE BOARD OF EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD

Mr. Mark Roberts will leave the Company as a member of the Board of Executive Directors of the K+S GROUP in the course of the sale of the Americas operating unit and assume a new function under the new ownership. Against this background, corresponding agreements have been concluded with Mr. Mark Roberts governing the restructuring of the service contract and remuneration entitlements. At its meeting on December 8, 2020, the Supervisory Board appointed Mr. Holger Riemensperger to the Board of Executive Directors. Mr. Riemensperger will take up his mandate on April 1, 2021.

The composition of the Supervisory Board changed as follows in the year under review.

The Supervisory Board appointments of Mr. George Cardona, Mr. Philip Freiherr von dem Bussche, and Dr. Andreas Kreimeyer expired at the end of the ordinary Annual General Meeting on June 10, 2020. Mr. Philip Freiherr von dem Bussche and Dr. Andreas Kreimeyer were reelected. Dr. Rainier van Roessel was elected as a new member of the Supervisory Board.

After the ordinary Annual General Meeting of K+S AKTIENGESELLSCHAFT, the members of the Supervisory Board elected its Chairman and elected replacement members to the committees:

- + Dr. Andreas Kreimeyer was elected as Chairman.
- + By law, the Chairman of the Supervisory Board is also the Chairman of the Mediation Committee. There were no other changes in the Mediation Committee.

- + Mr. Philip Freiherr von dem Bussche and Dr. Andreas Kreimeyer were elected as members of the Strategy Committee. Its members subsequently elected Dr. Andreas Kreimeyer as Chairman of the committee.
- + Dr. Andreas Kreimeyer was elected as a new member of the Audit Committee.
- + After his election to the Personnel Committee, Dr. Andreas Kreimeyer was appointed as Chairman by the members of that committee.
- + New members elected to the Nomination Committee are Mr. Gerd Grimmig, Mr. Philip Freiherr von dem Bussche, and Dr. Andreas Kreimeyer. The committee members subsequently elected Dr. Andreas Kreimeyer as Chairman of the committee.

As of June 30, 2020, Mr. Peter Bleckmann retired from his position as a company employee and consequently terminated his appointment to the Supervisory Board of K+S AKTIENGESELLSCHAFT. By court appointment, Ms. Brigitte Weitz was appointed as a member of the Supervisory Board with effect from August 26, 2020.

SUPERVISORY BOARD MEETINGS

In 2020, 13 Supervisory Board meetings were held.

At the first meeting of the year on February 18, 2020, resolutions were adopted on the target agreements of the members of the Board of Executive Directors for the 2020 financial year, the determination of target achievement in 2019, the new system of remuneration for the Board of Executive Directors, and amendments to future pension agreements with members of the Board of Executive Directors.

At the ordinary meeting held on March 11, 2020, the Supervisory Board resolved to increase the fixed remuneration of the member of the Board of Executive Directors Mr. Mark Roberts in light of his additional role as CEO of MORTON SALT, INC. and the resulting double responsibility. In addition, the Supervisory Board examined the annual financial statements, the consolidated financial statements, and the management reports, including the non-financial report included in the management report, for the 2019 financial year in the presence of the auditor, approved the financial statements on the recommendation of the Audit Committee, and, following extensive discussions, agreed to the proposal of the Board of Executive Directors concerning the appropriation of profits. The Supervisory Board was also informed in detail by the Board of Executive Directors about the recoverability of the non-current assets of the cash-generating unit Potash and Magnesium Products (CGU Potash) and their sensitivity in the presence of the auditors. The business situation and the outlook for the current year were discussed in depth and the proposed resolutions for the 2020 Annual General Meeting were also approved. The joint declaration of conformity by the Supervisory Board and the Board of Executive Directors was likewise resolved. Finally, the Board of Executive Directors gave a progress report on the package of measures to rapidly generate value and reduce debt.

Following detailed discussions at the extraordinary meeting on May 8, 2020, an adjustment to the proposed dividend was resolved to ensure continuing eligibility for development loans from KfW.

At its ordinary meeting on May 11, 2020, the Supervisory Board resolved to waive 20% of its fixed remuneration for 2019 to benefit charitable purposes. It was also resolved to conclude a consultancy agreement for strategic advice to the Supervisory Board. The Supervisory Board also discussed the restructuring of the service contract and compensation entitlements of Mr. Mark Roberts in the event of the sale of the Americas operating unit. In addition, the Board of Executive Directors provided detailed information to the Supervisory Board on the development of the business situation in the first quarter of 2020 and on the status of the sale process of the Americas operating unit. Another point of discussion was the REKS project for bundling waste management activities. The Supervisory Board also resolved to determine a target budget for the new administrative structure. The Chairs of the Audit and Strategy Committees reported to the Supervisory Board on their most recent meetings.

At the extraordinary meeting on June 9, 2020, the Supervisory Board approved the guidelines for answering questions at the upcoming virtual Annual General Meeting. In addition, the Supervisory Board discussed in detail the draft contracts for Mr. Roberts in the event of the sale of the Americas operating unit, under which in the event of the sale of the Americas operating unit Mr. Roberts would leave the K+S GROUP and receive a bonus payment if a particularly high sale price is achieved. The corresponding resolution was adopted by circular resolution on July 30, 2020.

At the end of the Annual General Meeting, the constituent meeting of the new Supervisory Board was held on June 10, 2020. After the election of the Chairman, the members of the Audit, Personnel, Strategy, and Nomination Committees were elected (see "Composition of the Board of Executive Directors and the Supervisory Board" section). In addition, the Supervisory Board had an in-depth discussion of the project to reorganize the administration.

On June 30, 2020, an extraordinary meeting was held, which discussed the short- and long-term composition of the Board of Executive Directors as part of the reorganization project.

As a precautionary measure, K+S AKTIENGESELLSCHAFT has applied for the granting of an additional revolving syndicated loan facility under the "Direct Participation for Syndicated Financing" special program of KfW initiated in association with the COVID-19 pandemic. For this purpose, the Board of Executive Directors complied with KfW's request and agreed to waive part of its entitlement to the bonus (STI) for the 2020 financial year provided the STI exceeds 50% of the base amount envisaged in the event of 100% target achievement. The Supervisory Board approved the waivers of the Board of Executive Directors members by circular resolution on July 7, 2020.

At the ordinary meeting on August 25 and 26, 2020, the Supervisory Board dealt in detail with the findings of the efficiency review of the Board of Executive Directors and Supervisory Board. An adjustment of Supervisory Board remuneration was resolved. The Board of Executive Directors reported to the Supervisory Board on the current business situation of the K+S GROUP. The Supervisory Board also received information on topical environmental issues as well as on the liquidity situation and the current status of the sale

process of the Americas operating unit. Furthermore, a detailed report was provided on the status of the REKS project – for the bundling of waste management activities – and a resolution was passed by the Supervisory Board to pursue the project. The Chairmen of the Audit and Strategy Committees reported on their last meetings.

At the extraordinary meeting on October 5, 2020, the Supervisory Board adopted the resolution to divest the Americas operating unit to Stone Canyon Industries Holdings.

An extraordinary meeting was held on October 28, at which a personnel matter and succession planning in the Board of Executive Directors were discussed.

At the extraordinary meeting held on November 4, 2020, the Board of Executive Directors gave a detailed report to the Supervisory Board on the reasons for the required impairment.

At the ordinary meeting on December 8 and 9, 2020, the Supervisory Board was informed about developments in the German Corporate Governance Code and legislative amendments relating to the Second Shareholders' Rights Directive (ARUG II) and associated contractual amendments to service agreements for the Board of Executive Directors. The Supervisory Board then resolved to introduce a maximum compensation for members of the Board of Executive Directors and a new severance payment cap in the event of a change of control. Other resolutions adopted concerned the reduction of the benefit contribution for future pension agreements to be entered into with members of the Board of Executive Directors as well as the new remuneration system of the Supervisory Board. In addition Mr. Holger Riemensperger was appointed to the Board of Executive Directors. The planning of the K+S GROUP for 2021, including the financing and capital expenditure framework, was examined in depth (including in terms of consistency with strategic objectives) and subsequently approved. The Chairs of the Audit and Strategy Committees reported on their most recent meetings. Together with the Board of Executive Directors, the Supervisory Board discussed the current status of projects derived from the package of measures, and the Board of Executive Directors provided an update on various environmental projects. The Supervisory Board resolved to engage DELOITTE GMBH WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT to audit the 2020 non-financial statement. Furthermore, the joint 2020/2021 declaration of conformity by the Board of Executive Directors and Supervisory Board was approved.

🔗 Declaration on corporate governance, page 85

At the last meeting of the year on December 16, 2020, the Supervisory Board approved the establishment of a joint venture with REMEX as well as the signing of the contract.

COMMITTEE MEETINGS

In addition to the Mediation Committee required by law, the Supervisory Board has established four more committees to support its tasks and responsibilities: the Audit Committee, the Personnel Committee, the Nomination Committee, and the Strategy Committee. An overview of these committees and their composition can be found in the management report on pages 90–91 and on the K+S AKTIENGESELLSCHAFT website under "About K+S". There you can also find the bylaws for the Supervisory Board and its committees.

The **Audit Committee** met a total of seven times in 2020. On March 2, 2020, in the presence of the auditor as well as the Chairman of the Board of Executive Directors and the Chief Financial Officer, the committee examined the 2019 annual financial statements of K+S AKTIENGESELLSCHAFT, the 2019 consolidated financial statements, the combined management report, including the non-financial report included in the management report, as well as the proposal of the Board of Executive Directors for the appropriation of profits, and recommended that the reappointment of DELOITTE GMBH WIRTSCHAFTS-PRÜFUNGSGESELLSCHAFT as auditor be proposed to the Annual General Meeting. In addition, the recoverability of the non-current assets of the cash-generating unit Potash and Magnesium Products (CGU Potash) and their sensitivity was discussed in detail. At its meeting on June 30, 2020, which was held as a joint meeting of the Audit and Strategy Committees, in-depth discussions were held on the restructuring of the administrative functions at the Kassel site as well as on other selected measures under the package of measures to rapidly generate value and reduce debt. On August 26, 2020, the committee discussed the K+S GROUP's internal control system (ICS) in detail with the Chairman of the Board of Executive Directors and the Chief Financial Officer. The committee was also given an update on the IBR (independent business review). Moreover, the committee acknowledged and approved the report delivered by the Chief Compliance Officer on the status of the compliance management system of the K+S GROUP. The committee was also given an overview of the new organization of data protection in the K+S GROUP. Finally, the committee discussed focal points of the 2020 audit and noted with approval the report of the Chief Financial Officer on the regular assessment of the quality of the audit of the financial statements. At the meeting on December 8, 2020, a comprehensive report was provided on the updated IBR (independent business review), which had been compiled to reflect the advanced status of the sale process of the Americas operating unit. The Board of Executive Directors reported on developments with regard to consultancy fees and donations as well as on the engagement of the auditor with non-audit services. The meeting also adopted resolutions on remuneration for additional work performed by the auditor in relation to a project, on the engagement of the auditor for the 2021 financial year, and on approval required for non-audit services to be performed by the future auditor. Finally, the Audit Committee recommended that the Supervisory Board engage the statutory auditor to audit the 2020 non-financial statement. The head of Internal Auditing reported on his work in the K+S GROUP. Other points of discussion were the levels of debt and liquidity.

The quarterly reports and the half-yearly financial report awaiting publication, as well as the respective quarters under review, were discussed by the members of the Audit Committee, the Chairman of the Board of Executive Directors, and the Chief Financial Officer on May 7, August 10, and November 10, 2020. The meeting on November 10 also resolved on remuneration for additional work performed by the auditor for the audit of the 2019 financial statements and on the audit engagement for the combined financial statements for the period from 2017 to 2019 in connection with the sale of the Americas operating unit.

The **Personnel Committee**, which prepares personnel decisions of the Supervisory Board and is responsible for other Board of Executive Directors' matters, met seven times in 2020. It dealt with the target agreements and achievement of targets by the members of the Board of Executive Directors, adjustments to future pension agreements with members of the Board of Executive Directors, the appropriateness of the remuneration of the Board of Executive Directors in relation to management staff and the workforce as a whole, an increase in fixed remuneration for the member of the Board of Executive Directors Mark Roberts in light of his additional role as CEO of Morton Salt, Inc. and the resulting double responsibility, the results of the efficiency analysis of the Supervisory Board and Board of Executive Directors, the expansion of the Board of Executive Directors and the associated appointment of Mr. Holger Riemensperger to the Board of Executive Directors, as well as the redrafting of the remuneration system for the Board of Executive Directors and the Supervisory Board. The restructuring of Mr. Mark Roberts' service contract and compensation entitlements in the event of a sale of the Americas operating unit was also discussed in detail. Moreover, there was in-depth discussion of the decision to waive part of the fixed remuneration for 2019 to benefit charitable purposes. In addition, it deliberated the amendments to the German Corporate Governance Code and amendments in legislation relating to the Second Shareholder Rights Directive (SRD II) and the resulting adjustments to service contracts with members of the Board of Executive Directors. It also discussed an external consultancy agreement and dealt with short- and long-term succession planning for the Board of Executive Directors. Detailed information on the amount of compensation for the Board of Executive Directors in 2020 and the structure of the current compensation system can be found on pages 131–134.

The members of the **Nomination Committee** met once in 2020; the main topic of discussion was long-term succession planning for the Supervisory Board.

The **Strategy Committee** met seven times in 2020. It primarily discussed projects derived from the package of measures to rapidly generate value and reduce debt, such as the sale of the Americas operating unit as well as the restructuring of the administrative functions at the Kassel site. They also deliberated the strategic realignment of K+S.

The **Mediation Committee** did not need to be convened in the past financial year.

The members of the Supervisory Board are responsible for the training and continuing education measures required for their duties, such as on changes in the legal framework, and are supported in this by the Company. Internal information events are offered as required for targeted further training. Before new members of the Supervisory Board take up office, the form in which they require support, e.g. with regard to German legislation, is discussed and K+S provides appropriate support.

An overview of attendance at full Board and committee meetings by individual members of the Supervisory Board can be found in the following table **A.1**.

**ATTENDANCE OF MEETINGS BY MEMBERS OF THE SUPERVISORY BOARD
OF K+S AKTIENGESELLSCHAFT IN THE 2020 FINANCIAL YEAR****A.1**

Supervisory Board members	Meetings, incl. committee meetings	Total number of full Board meetings	Attendance of full Board meetings	Total number of committee meetings	Attendance of committee meetings	Attendance as a percentage of total
Dr. Andreas Kreimeyer	35	13	13	22	22	100%
Ralf Becker	34	13	13	21	21	100%
Petra Adolph	20	13	12	7	6	90%
André Bahn	20	13	13	7	7	100%
Jella S. Benner-Heinacher	21	13	13	8	8	100%
Peter Bleckmann (until June 30)	7	7	7	—	—	100%
George Cardona (until June 10)	5	5	5	0	0	100%
Dr. Elke Eller	20	13	12	7	6	90%
Gerd Grimmig	14	13	12	1	1	93%
Axel Hartmann	20	13	12	7	7	95%
Michael Knackmuß	20	13	13	7	7	100%
Thomas Kölbl	20	13	12	7	7	95%
Gerd Kübler	13	13	13	—	—	100%
Nevin McDougall	13	13	12	—	—	92%
Anke Roehr	13	13	12	—	—	92%
Rainier van Roessel (since June 10)	8	8	7	—	—	88%
Philip Freiherr von dem Bussche	21	13	13	8	8	100%
Brigitte Weitz (since August 26)	5	5	5	—	—	100%
Total	309	207	96%	102	98%	96%

CONFLICTS OF INTEREST

No conflicts of interest involving members of the Board of Executive Directors or the Supervisory Board, about which the Annual General Meeting needed to be informed, were disclosed to the Supervisory Board during the reporting period.

**AUDIT OF THE 2020 ANNUAL FINANCIAL STATEMENTS
AND CONSOLIDATED FINANCIAL STATEMENTS**

DELOITTE GMBH WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT, Hanover, audited the annual financial statements of K+S AKTIENGESELLSCHAFT, prepared by the Board of Executive Directors in accordance with the rules of the German Commercial Code (HGB), the consolidated financial statements prepared on the basis of the international accounting standards as adopted by the EU and the supplementary German legal requirements required to be

applied in accordance with section 315e (1) of the *Handelsgesetzbuch* (HGB – German Commercial Code) and the combined management and Group management report for the 2020 financial year. The annual financial statements and the consolidated financial statements both received unqualified audit opinions. In addition to the statutory audit, the Supervisory Board of K+S AKTIENGESELLSCHAFT commissioned DELOITTE GMBH WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT to audit the conformity with limited assurance of the combined non-financial statement in accordance with the CSR-RUG. DELOITTE reported the results to the Audit Committee of K+S AKTIENGESELLSCHAFT at its meeting on March 8, 2021 and to the Supervisory Board at its meeting on March 9, 2021. Based on the audit procedures performed and the audit evidence obtained, no matters have come to the attention of DELOITTE that cause DELOITTE to believe that the condensed non-financial statement of the company for the period from January 1, to December 31, 2020 has not been prepared, in all material respects, in accordance with sections 315b, 315c in conjunction with 289c to 289e of the German Commercial Code (HGB). The aforementioned documents, the Board of Executive Directors' proposal concerning the appropriation of profits, and the audit reports of DELOITTE GMBH WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT, each of which had been submitted to the members of the Audit Committee and the Supervisory Board on time, were each addressed extensively at the Audit Committee meeting held on March 8, 2021, as well as at the Supervisory Board meeting held on March 9, 2021, in the presence of the auditor. All questions raised at both meetings were answered satisfactorily by the Board of Executive Directors and the auditor. Following its own examination of the reports presented, the Supervisory Board did not raise any objections. It agreed with the Board of Executive Directors on its assessment of the position of K+S AKTIENGESELLSCHAFT and of the Group and, at the suggestion of the Audit Committee, approved the financial statements for the 2020 financial year, thereby ratifying the 2020 annual financial statements of K+S AKTIENGESELLSCHAFT. The Supervisory Board endorsed the proposal of the Board of Executive Directors for the declaration on corporate governance (page 85). The resolution on the appropriation of profits proposed by the Board of Executive Directors was also examined, particularly with regard to the present and expected future financial situation of the K+S GROUP. Following extensive discussions, the Supervisory Board also approved this proposal made by the Board of Executive Directors.

All the best for the future!

On behalf of the Supervisory Board

Yours


Dr. Andreas Kreimeyer
Chairman of the Supervisory Board

Kassel, March 9, 2021