

April 2011

## **Phosphate Rock from the Western Sahara**

PotashCorp has received requests for information regarding the importation of phosphate rock from the Boucraâ region (or “the region”) in the Western Sahara. As part of our ongoing efforts to operate with transparency, we are providing a summary of our position on this subject.

### **Background on PotashCorp’s Importation of Phosphate Rock**

PotashCorp, through a wholly owned U.S. subsidiary, purchases phosphate rock under a long-term agreement from the Moroccan company Office Cherifien des Phosphates (OCP). This rock is sourced in Boucraâ and is used by PotashCorp at one of its 17 facilities. This particular site, Geismar, Louisiana, requires very high-quality phosphate rock to meet the specifications required under a long-term agreement with a large customer that produces food-grade phosphoric acid. We inherited this contractual commitment from a predecessor company and this customer commitment continues long into the future. Given the sensitivities to the particular qualities of the rock source, we have concluded that the use of phosphate rock from other sources, including from our own phosphate mines in the United States, is not a viable option. To provide context on the magnitude of the rock imported, the gross margin from the phosphate plant that imports this rock accounted for 0.2 percent of our corporate total over the past five years, and the amount of phosphate rock imported accounts for about six percent of the phosphate rock we process company-wide.

### **Western Sahara, an Unclear Political Situation**

PotashCorp is mindful of the dispute between the Kingdom of Morocco and parties who claim to represent the interests of the inhabitants of Western Sahara. Like many interested parties to the dispute, we are looking forward to a peaceful United Nations (U.N.) sponsored resolution.

## **Western Sahara, an Unclear Political Situation (cont.)**

PotashCorp's U.S. subsidiary imports phosphate rock in accordance with applicable trade and customs laws. There has been no determination by the U.N. or any other competent legal authority that the production and use of phosphate from Western Sahara is in violation of the Geneva Convention or any applicable law. The U.N. Security Council previously sought a legal opinion regarding the exploration and extraction of mineral resources from Western Sahara where it was concluded that such activities would be illegal "only if conducted in disregard of the needs and interests of the people of that Territory." As detailed below we have consulted with OCP regarding its activities in the territory and believe that OCP's investments there have significantly contributed to the development of the region and provide substantial economic benefits to the Saharawi people, all of which make it more likely rather than less likely that the people of the region can effectively exercise their right to self-determination.

Furthermore, while we appreciate the concerns that have been expressed about the status of Western Sahara, we believe the security situation is complicated and that Morocco's presence may be a stabilizing influence. The United States' government in its official comments preceding the signing of the U.S. - Morocco Free Trade Agreement praised Morocco for "its refusal to accept a terrorist state in the Western Sahara". In March 2011, U.S. Secretary of State Hillary Rodham Clinton reiterated "that Morocco's autonomy plan is serious, realistic and credible" adding that Morocco's approach would "satisfy the aspirations of the people in the [region] to run their own affairs in peace and dignity". We believe this position bolsters the conclusion that the interests and needs of the people of Western Sahara are being met in a stable environment.

## **PotashCorp's Commitment to its Code**

As a company, we are committed to ensuring that all suppliers comply with international law and labor practices, as well as the high ethical standards as defined in our [Code of Conduct](#).

To that end, we have been in communication with – and sought assurances from – the senior management team at OCP regarding its compliance. From such discussions, we can highlight the following:

## **OCP's Commitment**

### *Activities are consistent with international law*

- OCP has been a member of the Moroccan Sahara community for over 30 years through its wholly owned subsidiary, Phos-Boucraâ, and its actions have directly benefitted and are in the interests of the local population.

### *A significant contributor to the local community and economy*

- Phos-Boucraâ is one of the largest employers in the region, with over 1,700 employees.
- The company is committed to local sourcing – acquiring goods and services from over 40 local businesses (representing approximately 350 jobs).
- It plays a critical role in expanding economic development opportunities for local businesses, and supports various education, healthcare, housing and infrastructure projects.

### *Phos-Boucraâ is a local operation, run by people from the region*

- Phos-Boucraâ seeks to hire from the local population.
- More than 50 percent of Phos-Boucraâ's employees are from the region, and more than 60 percent of hires since 1995 are Saharawis.
- This level of hiring is significant, given the general lack of modern mining-related work skills in the local population.
- Executives and employees of local origin play key roles in both strategy and operations. The General Manager, who directs the subsidiary's activities, and the majority of the Phos-Boucraâ executive team are Saharawi.

### *Employment benefits and training are a top priority*

- OCP's salary scale is consistent across all regions – meaning that Saharawi employees are compensated like any other employee in the same position in another region.
- Medical care benefits extend to employees, pensioners and their families, with access to three medical clinics, outside medical services and dental care.

*Employment benefits and training are a top priority (cont.)*

- Retirement benefits are generally regarded as the best in the region, with a retirement allowance equal to three percent of an individual's salary multiplied by years of service.
- The company is committed to offering opportunities within the community to develop advanced vocational and engineering skills. In 1995, the company created a local center in the region's largest city to provide advanced vocational and engineering skills training – significantly expanding the number of skilled workers.

*Investing in the community and long-term infrastructure*

- All net income generated by Phos-Boucraâ has been reinvested in the region.
- Since 1976, OCP has invested more than \$250 million in Phos-Boucraâ and the region.
- The company's investments in infrastructure provide direct benefits and help assure the long-term viability of trade from the region:
  - Desalination facilities provide water for local use, as well as the operations.
  - Port infrastructure is designed for both import and export, broadening the impact of OCP's corporate investments on the local economy.
- These long-term capital investments – as well as related business partnerships, local infrastructure development and support for human and social programs – provide a solid foundation for the region's long-term economic growth.

**PotashCorp Summary**

As an ethical but non-political company, we have thoughtfully studied the issues surrounding Western Sahara. We appreciate the concerns that have been expressed, but also recognize that this issue is highly-charged and political in nature. Even if our contractual commitments to our long-time customer did not require us to import this particular rock supply, any decision to cease doing so would constitute a political judgment on our part (and one which might well undermine the very economic development in the region which is a necessary precursor for any resolution involving local self determination to take place).

As we believe the interests of our stakeholders are best served by a company that remains out of the political arena, we continue to support the efforts of the U.N. to enable the parties to hold a free and fair referendum on the future governance of Western Sahara, and to keep the peace in the meantime. In this regard, we are encouraged that the parties to the dispute have continued to engage in U.N. sponsored discussions and we look forward to a peaceful resolution to this complicated dispute.

As a company, we continue to assess OCP's social responsibility and the risks associated with sourcing this rock, but are comfortable that this practice is in accordance with applicable trade and customs laws and that the interests and needs of the people of the Boucraâ region are being met.