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Background and progress report on Yara's engagement with Belaruskali and Belarus Potash Company in Belarus

Executive summary

Yara is a responsible and value-driven company with a global presence. Yara will always comply with international laws and regulations, including any applicable sanctions. Yara has a strong commitment to the universal human rights agenda including the right to strike. We condemn all human rights abuses. We support the United Nations Global Compact, the UN Guiding principles on Business and Human Rights, as well as the OECD Guidelines for Multinational Enterprises. Since the elections in Belarus in August of 2020, Yara has been in close dialogue with several stakeholders related to our sourcing from the Belarusian state-owned potash producer JSC Belaruskali ("Belaruskali") and the Belarusian Potash Company (BPC), which is the contractual partner of Yara. Yara's sourcing represents approximately 10-15 percent of Belaruskali's production. Belarusian opposition politicians are calling on us to suspend our agreement to put pressure on the current regime in Belarus. At the same time, we have been urged by local and international trade unions, as well as human rights NGOs, to continue to use our influence and presence in Belarus positively.

Yara has been clear in its concern for the deteriorating human rights situation in Belarus. At the same time, we have also been clear on what we can influence and Yara is one of the few foreign companies in Belarus having a positive impact by actively working to improve workers' rights on the ground. Thus far we have had a direct positive effect on the workers' situation and management's understanding of occupational safety risk. This is especially true in the area of health and safety for the Belaruskali workers.

Yara sells finished fertilizer products to approximately 20 million farmers in more than 150 countries, helping to feed more than 260 million people. Potash is a key, non-renewable, non-replaceable nutrient, used as an ingredient and final product in mineral fertilizers. The potash Yara sources from Belaruskali is mostly used in the production and distribution system for complex fertilizers (NPK) and blends, mainly in Europe and South America.

Since August 2020, Yara has conducted more than 150 meetings with relevant stakeholders. Representatives from Yara, including the CEO, have also made several trips to Belarus. One of our safety directors spent almost six months in Soligorsk, from June to November 2021, seconded to work on the ground with Belaruskali on occupational and industrial safety. We have also been clear about our support for human rights, and in particular our concern for the workers at Belaruskali.

The situation for trade unions in Belarus is still very challenging, with decreasing membership numbers and indications of independent trade unions being undermined by the management of several companies. However, Yara has contributed to improving the relationship between the independent trade union and Belaruskali management.

When Belaruskali in October 2021 reintroduced a system of Public Inspectors, elected by the workers and from the trade unions, the Independent Trade Union (BITU) was granted more influence proportionally compared to past practice. We have also been very vocal and active about trade union leaders being detained, also outside Belaruskali. Equally, and as a direct consequence of the Yara engagement with Belaruskali in the late fall of 2020, Belaruskali publicly announced on 17 December 2020 that those workers, who had lost their jobs over strikes during the fall of 2020 could get their jobs back if they filed the appropriate applications and followed regular

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hiring process. Furthermore, Belaruskali ruled that the employees previously deprived of bonuses due to disciplinary sanctions would have their bonuses restored.¹

To adjust a corporate culture takes time and encompasses more than strengthening occupational safety. If allowed to endure, however, the cooperation on safety could lay the ground for more profound changes in industrial safety as well as building a culture of real employee involvement in Belarus. With a modernized and strengthened safety culture, alongside first-class products, Belaruskali could become an example of modernization in Belarus.

The safety program is neither political nor commercial. Rather it is anchored in our mission and commitment to the UN guidelines, and the program should endure despite the current challenges in Belarus. We remain ready to support the workers in Belaruskali regardless of the sanctions-related wind-down of our sourcing from Belarus.

The role of potash and Belaruskali

According to the UN, half the world's population is dependent on mineral fertilizers to have food. After decades of reduced hunger, we have over the past years seen increased pressure on food security with the number of people suffering from hunger going up. Recently, food prices have also risen significantly.

Potash is a key nutrient for all crops and has no substitutes. Production is very concentrated, with Canada, Russia and Belarus representing about 70% of global production and 80% of global potash exports. Belaruskali is one of the largest producers in the world, accounting for approximately 20 % of world potash exports according to 2020 International Fertilizer Association (IFA) statistics. This volume cannot be replaced in the short term, as both new and idle mines elsewhere require large investments over several years to be put into operation.

Belaruskali is 100% state owned and one of the biggest employers in Belarus. The company is a key source of foreign currency to the Belarusian state. Potash is Belaruskali's most important product in terms of both volume and revenues. Yara's contractual counterpart and commercial dealings are with Belarusian Potash Company (BPC). BPC is owned by Belaruskali (48%), the Belarusian Railway (42%) and Republican Enterprise of export-import insurance Eximgarant of Belarus (10%).

Yara's role

Yara International is one of the world's largest producers of mineral fertilizers, with around 17,000 employees, operations in 60 countries and sales to more than 150 countries. Each year we sell to and interact with around 20 million farmers and help feed more than 260 million people. The potash market is limited to a few producers worldwide and potash is a key ingredient in mineral fertilizer. Yara is one of the biggest non-sovereign buyers of potash globally and typically sources 10-15% of the total annual potash output of Belaruskali.

Our business relationship with Belaruskali and BPC dates back to 1996. The relationship has been mutually recognized as good, constructive and professional. Yara has visited Soligorsk on several occasions, and BPC has visited Yara plants multiple times. BPC is considered a business partner, which Yara has met on a regular basis. Thus, Yara is in a position to also address other issues than purely commercial matters.

Yara always strive to use its size, purchase power and strong focus on responsible business conduct to have a positive impact wherever we operate in the world. Pulling out of difficult geographical areas may in some cases be the right choice if positive change cannot be achieved. In other cases, however, it is more in line with our

¹ <https://kali.by/news/11746/>



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mission and dedication to help feed a growing world population, in a responsible and sustainable manner, to remain and make a positive change, even when this is challenged by select stakeholders.

The Code of Conduct for Yara's Business Partners (BP CoC) is an integral part of Yara's ethics framework and its commitment to be part of a compliant, responsible and sustainable supply chain. Yara has been in partnership with Belaruskali for a long time, and we have managed to use our position to improve the conditions of their workers and trade unions, with increased scrutiny and focus since the 2020 elections in Belarus. The Yara BP CoC is a central part of our contract discussions with all suppliers. Consequently, Yara has placed the same expectation on Belaruskali and BPC, with regards to compliance to the Yara BP CoC, as Yara does with all other business partners. Although not all partners are able to comply with our BP CoC at the onset, our commitment is to ensure that our partners continuously progress towards the standards Yara adheres to.

Yara has a strong commitment to the universal human rights agenda including the right to strike. We condemn all human rights abuses. We support the United Nations Global Compact, the UN Guiding principles on Business and Human Rights, as well as the OECD Guidelines for Multinational Enterprises. To strengthen its commitment and transparency with regards to the Human Rights agenda and transnational companies' responsibilities, Yara is an active member of the *Voluntary Principles Association*. With the support of human rights organizations and the independent trade union movement, Yara has sought to have a positive impact through continued presence, in full compliance with applicable sanctions on Belarus.

Our main concern remains the health, safety and well-being of the workers of Belaruskali. We believe that through a close and regular dialogue with management and the workers' trade unions as well as our strong focus and support on safety, and equal and fair treatment of the trade unions, Yara could make a positive and lasting impact on the ground. Yara's efforts have also been instrumental in helping people being released after detention in Belarus.

Dilemmas and stakeholder dialogue

What is the most ethical thing to do - to stay or leave? Is it possible to promote human rights and do business at the same time? Can Yara promote human rights in Belarus, without being political? Is it ethically justifiable to buy products that are needed to sustain global food production, while at the same time risking legitimizing a political leadership that isn't respecting fundamental and internationally accepted universal human rights? Would it be morally acceptable to leave the workers of Belarus behind, because the political situation is extremely challenging?

These are some of the fundamental questions this situation has triggered. On the one hand, our continued business relations with Belaruskali could be seen as financially supporting the regime. On the other hand, we know that in the event that we terminate our contract, this could potentially also put the thousands of workers at Belaruskali in an even more challenging situation while Yara would easily be replaced as a customer.

Respect for international human rights, freedom of expression and the right to participate in free elections are embedded in Yara's corporate values. We endorse the UN Guiding Principles on business and human rights, and we recognize and respect workers' rights, including the right to organize and the right to strike. We have therefore been vocal and active about trade union leaders being detained, even outside Belaruskali, and there are clear indications that our efforts have had a positive impact in helping people being released after detention.



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In the book *Business and Human Rights: Dilemmas and Solutions* the authors provide clear examples on how “companies can effectively contribute to human rights issues beyond their areas of direct operations”.² To be able to influence, you have to be present and advocate the guiding principles actively. This message was repeated by the Norwegian Helsinki Committee and the Norwegian Confederation of Trade Unions (LO) in an Opinion Editorial in the Norwegian newspaper *Klassekampen* on 20 December 2021.³ Over the past 18 months, we have done so persistently. Equally we have met recurrently with a wide range of stakeholders, to understand the full complexity of this multifaceted issue.

In addition to its comprehensive stakeholder dialogue, Yara has published several statements and given interviews to different media outlets. Our key messages have been both on the situation for the Belaruskali workers as well as our support for human rights, free elections and endorsement of the UNGPs. The Yara CEO has been open about the dilemmas we are facing, that we are evaluating the situation on an ongoing basis, and that our position might change in the future.

Below is a list of Yara’s public statements:

- 22 September 2020:
<https://www.yara.com/news-and-media/news/archive/2020/yara-concerned-over-belarus-situation-updated/>
- 25 November 2020:
<https://www.yara.com/news-and-media/news/archive/2020/yara-concerned-over-belarus-situation/>
- 5 December 2020:
<https://www.yara.com/news-and-media/news/archive/2020/message-from-yara-ceo-svein-tore-holsether-on-situation-in-belarus/>
- 21 January 2021:
<https://www.yara.com/news-and-media/news/archive/2020/yara-statement-on-the-situation-in-belarus/>
- 6 February 2021:
<https://www.yara.com/news-and-media/news/archive/2020/ewc-statement/>
- 13 August 2021:
<https://www.yara.com/news-and-media/news/archive/2021/joint-statement-after-meeting-between-holsether-and-tsikhanouskaya-today/>

Health and Safety (H&S) work on the ground.

On a general note, the situation for the workers in Belarus is challenging. Yara is one of very few companies that engages with trade unions in Belarus. In Belaruskali after Yara strengthened the dialogue with the trade unions in 2020 and started to bridge the gap between the trade unions and management, the negative trend in membership numbers has also abated. Mutual trust is a prerequisite for good working relations. To build that trust takes time and effort from all parties involved. Consequently, trade union involvement remains a focal point for Yara in the project of improving the health and safety of the workers in Belaruskali.

Belaruskali employs around 17,000 people spread across several mines and associated processing plants in the vicinity of the city Soligorsk. Belaruskali is recognized to be amongst the best industrial complexes in Belarus.

² Rory Sullivan *et al*, «Business and Human Rights: Dilemmas and Solutions», (Routledge, 2017, NY, USA)

³ «Bli eller gå» by Geir Hønneland, Secretary General in The Norwegian Helsinki Committee and Julie Lødrup, 1. secretary in LO, Klassekampen 20. December 2021, available online: <https://klassekampen.no/utgave/2021-12-20/belarus-bli-eller-ga>



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According to the newsletter "The Word of the Workers" (the newsletter of the *Free Metalworkers' Union (SPM)*)⁴ issued on 24 September 2021, you need approximately 2000-2500 Belarusian rubles (BYN) per month to maintain a normal minimum level of living. Furthermore, the newsletter states that an average industrial worker earns less than a living wage. However, according to the same newsletter, the base salary of a worker in Belaruskali is approximately twice the level of other industrial workers in Belarus, and seemingly sufficient to maintain a decent level of living compared to other relevant industries in Belarus. Additionally, Belaruskali contributes extensively to building and maintaining the local community in Soligorsk, extending its services to amongst other housing, schools, kindergartens and sports.

Belaruskali is taking safety seriously and has comprehensive manuals and procedures to manage safety. However, Belaruskali has had a number of accidents over the last years, several of which were serious and, in some cases, fatal. According to the reported statistics from 2015 onwards, Yara assesses the fatality rate of Belaruskali (incl. external contractors) to be 2-3 times higher than the global average for similar industries.⁵ Changing corporate safety cultures cannot be achieved overnight. In Yara our current safety culture is a result of systematic work over many years. It is equally unlikely that there will be immediate evidence available, through declining accident rates. Only through persistence can a culture be changed, and the primary ingredient is top management commitment. This commitment, in our view, is evolving positively in Belaruskali.

After the initiation of a more frequent and in-depth dialogue between Yara, Belaruskali and the trade unions in August 2020, more incidents have also been reported. Consequently, Yara put safety higher on the agenda of Belaruskali. After the meeting between Belaruskali and Yara in December 2020 an agreement was made specifically to address the shortfalls in industrial safety in Belaruskali.⁶ Yara committed to this safety program, offering expertise, methodology and systems. Improving occupational safety has become a joint effort.

From January 2021 to June 2021, the Yara Health and Safety team conducted several meetings via Teams and one physical visit in Soligorsk, to discuss and develop the framework of the assistance with its counterparts in Belaruskali. The visit in March 2021 included a safety review to determine the level of safety and to verify some of the allegations. Yara made succinct observations on sub-standard performances and a detailed report was made with a proposal for concrete improvements.

In June 2021, a safety director from Yara was seconded to Belaruskali, for a 6-month period, to work directly with the Health and Safety (H&S) team on structural improvements in industrial safety and corporate safety culture. During this uninterrupted period, there have been daily meetings between Yara HQ and the Yara representative in Belaruskali, to discuss progress, challenges and possibilities. In the process, Yara has been granted full access to procedures, accident records, facilities and most importantly, the workers.

While in Belarus, the Yara safety director was fully integrated in the Health & Safety (H&S) department of Belaruskali. Moreover, she was given frequent access to the Belaruskali CEO. Together, they have worked on risk-based safe work assessments and restructuring of the procedures in Belaruskali, to align local standards more with international standards. The safety director embarked with the Belaruskali H&S-team on a journey of corporate culture change, beyond individual procedures and investigating safety breaches. This included working with the team to influence how they should make their facilities more people-centric and have safety designed into their mines, plants and facilities.

⁴ «Рабочее Слова - Информационный выпуск Свободного профсоюза металлстов (СПМ)» #272, 18-24 September 2021, downloaded from Telegram

⁵ According to the statistics presented by Belaruskali and the International Council of Mining and Metal (ICMM).

⁶ <https://kali.by/news/11887/>



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When introducing changes to a large company with a strong corporate culture, it is necessary to start in one unit as a pilot, and make the positive work spread. In the Belaruskali case, this unit has been the Mining and Production Unit 2. The work has, amongst others, revolved around revising the operations' procedures. The adjustments have been tested and validated in the pilot unit. These revised regulations encompass actual hazards and adequate risk assessment, while adhering to Belarusian national legislation and standards. When operational across all of Belaruskali, these revised regulations will align the risk perception and judgment of the different units in Belaruskali.

In September '21, a team from Yara returned to Belaruskali in Soligorsk to observe, discuss and validate progress. The mid-term visit demonstrated tangible improvements in industrial safety, most notably in the pilot unit. Amongst the improvements observed were standardization of safety signage, improved housekeeping, better visibility of correct lanes in workshops and corridors, improved machinery protection and physical barriers towards areas with elevated risk. Equally, and already at the time of the visit, and with the assistance from Yara, Belaruskali had identified the most severe risks for their underground operations. A procedure had been developed on how to manage these risks (Procedure R1). The R1 had been approved by Belaruskali management and the Belaruskali trade unions. The order to make the R1 applicable and mandatory for all Mining and Processing Units, with an acceptable implementation period, has been issued to the units.

The working conditions of sub-contractors to Belaruskali have also been thoroughly addressed as a central element of improving the safety of the workers in Belaruskali. The shaft sinking project in Darazinsky is an example of this. While Belaruskali is the project owner, it is a different company (*OAO Trest Shahtospestroy*) that runs the actual operation. During our visit in March 2021, the safety conditions in this site were below standard and not in compliance with applicable local legislation. The sub-standard performance was documented by Yara and made part of the initial points to follow in the ensuing safety work. During the visit in September 2021, this site had been significantly improved and an understanding of the responsibilities Yara places on its contractors to also cover sub-contractors had been established.

Furthermore, the "*Work at height*" procedures implemented in Yara have been translated and will over the next period be tested and validated for use in Belaruskali. Once approved these will also become the standard in all facilities in Belaruskali. Additionally, Belaruskali is reintroducing a system of Public Inspectors. If managed carefully this program could represent a major leap for occupational safety and become comparable to the Norwegian system of "*Verneombud*". In the Public Inspector program there is ample opportunity for senior management to further the equal treatment of the trade unions and to forward a culture based on reward rather than punishment. By the end of November 2021 all the Public Inspectors had been elected by the trade unions and their training had been completed. Proportionally, the Independent Trade Union (BITU) has elected more of the Public Inspectors than in earlier practice.

The initial phase of the safety project with Belaruskali ended in the first half of November 2021, by which time Yara and Belaruskali had committed to a long-term plan for improving occupational and industrial (technical) safety in Belaruskali. This plan involves the roll-out of the program to all the Mining and Processing units, investments in safety and engaging with the workers and trade unions to cement the safety gains and strengthen the safety culture. Equally, the plan potentially implies Yara presence in Soligorsk in 2022, to monitor progress in industrial (technical) and occupational safety and to assist with competency, training and safety process tools if required. Yara is prepared to continue the safety program in full compliance with applicable sanctions, even if Yara is unable to continue sourcing from BPC.

Although the project is a success thus far, it is far from finished. There are still institutional and legislative confines built in the Belarusian way of implementing industrial and occupational safety. The corporate and safety



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cultures in Belaruskali are products of these traditions. Equally, the project is criticized by some, for its lack of revolutionary results and for failing to prevent undesired incidents and accidents. However, it is widely recognized that improving a corporate safety culture and implementing safer practices and routines, are initiatives that have a much longer lead time than 6 months.

One of the keys to improved conditions for the workers and modernizing the corporate cultures in Belarus resides with the trade unions and their ability to work independently. To this end the empowerment, equal and fair treatment of trade unions remains a focal point in Yara's engagement with Belaruskali. Accordingly, the independent trade unions represent an important force for modernization in Belarus, which Yara supports explicitly.

There are clear indications that the H&S-team in Soligorsk is adopting the standards introduced by Yara. They seem to be embracing the project as their own and are identifying learnings as they proceed with assessing in depth the intrinsic risks of their operations. In November 2021, the H&S-team conducted the safety dialogue with their production units differently than 6 months ago, advocating amongst others to observe leading risk indicators rather than lagging indicators. Equally, there are indications in social media that Belaruskali is seeking a more transparent way of communicating challenges in industrial safety and opportunities with trade union involvement in workers' safety than has previously been the case⁷. In essence these elements represent the core of modern safety work – continuously assessing safety-related risks, and ensuring adequate communication, reporting, learning and improving. This should be monitored closely, but concurrently applauded and reinforced in the time ahead. If allowed to endure, the cooperation in safety could lay the ground for more profound changes in industrial safety in Belarus.

Yara continues to nurture a close relationship with the trade unions of Belaruskali as well as the H&S-team and its management in Belaruskali, even in times without presence in Soligorsk and despite the troublesome political situation. This will be achieved with regular meetings and visits to verify progress and discuss challenges and potential in occupational and industrial safety. Yara is committed to supporting the workers of Belaruskali and Yara personnel are ready to visit Soligorsk with an ambition to support and verify progress in occupational and industrial safety also in 2022 and onwards.

Concluding remarks

To strengthen a corporate safety culture is an initiative that holds a lot of other aspects than just finding new procedures. If allowed to endure, the cooperation in safety could lay the ground for more profound changes in industrial safety in Belarus. If the project continues and the milestones of the plan are met, Belaruskali could become a leading example of modernization in Belarus. When other industries in Belarus observe the benefits of taking workers' rights and safety more seriously, they might also seek to improve along the lines of what Belaruskali is undertaking.

With this in mind, Yara believes it is possible to have a positive and lasting impact on responsible and safe operations in the entire value chain. By upholding close dialogue and management of expectations directly with Belaruskali and BPC, it is also possible to influence the situation of the workers in Belarus positively and potentially with lasting effect. The safety program is neither political nor commercial. Rather it is anchored in our mission and commitment to the UN guidelines, and the program should endure despite the current challenges in Belarus. We remain ready to support the workers in Belaruskali regardless of the sanctions-related wind-down of our sourcing from Belarus.

⁷ For references see for instance the Belaruskali Telegram Channel on 24 and 26 November 2021



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Oslo, 9 January 2022