

Table 18  
**New Zealand's trade with the United States**  
 Year ended March

	2013	2014	2015	2016	2017
	NZ\$(million)				
<b>Exports</b>					
Goods	4,336	4,066	5,133	5,603	5,215
Services	2,146	2,560	2,350	2,779	2,821
Total	6,482	6,626	7,484	8,382	8,036
<b>Major goods exports</b>					
Meat and edible offal	1,252	1,129	1,708	1,751	1,501
Milk powder, butter, and cheese	518	371	608	558	503
Wine	277	323	353	452	500
Optical, medical, and measuring equipment	206	222	263	315	305
Mechanical machinery and equipment	264	263	293	317	297
<b>Major services exports</b>					
Travel services	522	778	901	1,226	1,176
Business travel services	73	86	80	149	130
Education travel services	52	51	52	58	66
Other personal travel	397	641	769	1,018	981
Transportation services	395	439	422	517	523
Other business services	294	319	336	342	398
<b>Imports</b>					
Goods	3,957	4,308	5,810	5,871	5,663
Services	1,750	1,934	2,148	2,083	2,523
Total	5,707	6,243	7,958	7,954	8,186
<b>Major goods imports</b>					
Mechanical machinery and equipment	886	1,010	1,120	1,261	1,266
Aircraft and parts	207	184	1,440	1,112	1,005
Vehicles, parts, and accessories	353	430	631	578	633
Optical, medical, and measuring equipment	400	434	437	470	458
Electrical machinery and equipment	265	272	254	285	280
<b>Major services imports</b>					
Travel services	375	448	523	544	625
Business travel services	65	70	81	82	83
Education travel services	10	12	13	19	18
Other personal travel	301	366	429	444	524
Other business services	538	633	728	666	651
Charges for the use of intellectual property	396	387	373	373	391

Source: Stats NZ

Table 19  
**New Zealand's trade with Japan**  
 Year ended March

	2013	2014	2015	2016	2017
	NZ\$(million)				
<b>Exports</b>					
Goods	3,142	2,815	2,955	2,963	2,967
Services	793	710	732	801	902
Total	3,935	3,525	3,687	3,764	3,869
<b>Major goods exports</b>					
Aluminium and aluminium articles	465	429	569	494	465
Fruit	335	250	258	328	406
Logs, wood, and wood articles	452	420	343	348	371
Milk powder, butter, and cheese	389	398	465	398	362
Meat and edible offal	284	261	263	230	272
<b>Major services exports</b>					
Travel services	490	468	504	562	625
Business travel services	21	24	29	20	17
Education travel services	253	279	300	303	341
Other personal travel	215	164	175	239	268
Transportation services	245	181	168	176	198
Other business services	16	19	20	21	39
<b>Imports</b>					
Goods	2,824	2,935	3,138	3,172	3,563
Services	162	145	199	161	180
Total	2,985	3,081	3,336	3,333	3,744
<b>Major goods imports</b>					
Vehicles, parts, and accessories	1,547	1,681	1,859	1,872	2,168
Mechanical machinery and equipment	517	442	502	486	590
Petroleum and products	103	202	207	116	108
Electrical machinery and equipment	145	105	108	140	104
Optical, medical, and measuring equipment	59	64	58	61	65
<b>Major services imports</b>					
Travel services	48	56	65	78	92
Business travel services	9	11	12	11	15
Education travel services	7	5	7	8	8
Other personal travel	31	40	45	59	69
Other business services	33	38	43	50	61
Transportation services	62	38	69	12	11

Source: Stats NZ

Table 20  
**New Zealand's trade with Taiwan**  
 Year ended March

	2013	2014	2015	2016	2017
	NZ\$(million)				
<b>Exports</b>					
Goods	848	950	1,019	1,091	1,103
Services	127	97	134	154	175
Total	975	1,047	1,153	1,245	1,277
<b>Major goods exports</b>					
Milk powder, butter, and cheese	254	360	379	294	310
Fruit	118	98	132	228	262
Meat and edible offal	188	178	183	256	249
Logs, wood, and wood articles	53	59	57	71	60
Preparations of cereals, flour, and starch	46	56	39	31	39
<b>Major services exports</b>					
Travel services	94	82	111	141	163
Business travel services	5	4	4	7	4
Education travel services	38	37	35	37	41
Other personal travel	51	41	71	97	118
Other business services	C	6	7	7	6
Government services	2	2	2	2	2
<b>Imports</b>					
Goods	748	771	717	734	749
Services	53	38	41	48	48
Total	801	808	758	781	797
<b>Major goods imports</b>					
Iron and steel, and articles	116	132	152	129	133
Mechanical machinery and equipment	92	94	104	112	113
Electrical machinery and equipment	106	112	108	106	99
Plastic and plastic articles	58	63	67	87	91
Vehicles, parts, and accessories	51	65	75	74	83
<b>Major services imports</b>					
Travel services	22	24	25	27	29
Business travel services	2	3	3	3	4
Education travel services	1	0	0	1	1
Other personal travel	19	21	21	24	25
Other business services	9	10	C	C	14
Government services	2	3	3	3	3

**Symbol:**

C confidential

**Source:** Stats NZ

Table 21

**Economic groupings**

Member countries of APEC, ASEAN, Eurozone, EU, GCC, PIF, OECD

**APEC – Asia-Pacific Economic Cooperation**

Australia  
 Brunei Darussalam  
 Canada  
 Chile  
 China, People's Republic of  
 Christmas Island  
 Cocos (Keeling) Islands  
 Hong Kong (Special Administrative Region)  
 Indonesia  
 Japan  
 Korea, Republic of  
 Malaysia  
 Mexico  
 New Zealand  
 Papua New Guinea  
 Peru  
 Philippines  
 Russia  
 Singapore  
 Taiwan  
 Thailand  
 United States of America  
 Viet Nam

**ASEAN – Association of Southeast Asian Nations**

Brunei Darussalam  
 Cambodia  
 Indonesia  
 Laos  
 Malaysia  
 Myanmar  
 Philippines  
 Singapore  
 Thailand  
 Viet Nam

**Eurozone**

Austria  
 Belgium  
 Cyprus  
 Estonia  
 Finland  
 France  
 Germany  
 Greece  
 Ireland  
 Italy  
 Latvia  
 Lithuania  
 Luxembourg  
 Malta

**EU – European Union**

Austria  
 Belgium  
 Bulgaria  
 Croatia  
 Cyprus  
 Czech Republic  
 Denmark  
 Estonia  
 Finland  
 France  
 Germany  
 Greece  
 Hungary  
 Ireland  
 Italy  
 Latvia  
 Lithuania  
 Luxembourg  
 Malta  
 Netherlands  
 Poland  
 Portugal  
 Romania  
 Slovakia  
 Slovenia  
 Spain  
 Sweden  
 United Kingdom

**GCC – Gulf Cooperation Council**

Bahrain  
 Kuwait  
 Oman  
 Qatar  
 Saudi Arabia  
 United Arab Emirates

**PIF – Pacific Islands Forum**

**(excl Australia)**  
 Cook Islands  
 Fiji  
 Kiribati  
 Marshall Islands  
 Micronesia, Federated States of  
 Nauru  
 New Zealand  
 Niue  
 Palau  
 Papua New Guinea  
 Samoa  
 Solomon Islands

Netherlands  
Portugal  
Slovakia  
Slovenia  
Spain

Tonga  
Tuvalu  
Vanuatu

**OECD – Organisation for Economic Co-operation and Development**

Australia  
Austria  
Belgium  
Canada  
Chile  
Christmas Island  
Cocos (Keeling) Islands  
Czech Republic  
Denmark  
Estonia  
Finland  
France  
Germany  
Greece  
Hungary  
Iceland  
Ireland  
Israel  
Italy  
Japan  
Korea, Republic of  
Luxembourg  
Mexico  
Netherlands  
New Zealand  
Norway  
Poland  
Portugal  
Slovakia  
Slovenia  
Spain  
Sweden  
Switzerland  
Turkey  
United Kingdom  
United States of America

**FILE NOTE****MFAT call on progress on Western Sahara phosphate brief****Participants:** [REDACTED] MFAT; [REDACTED] NZSF**10 May 2018**

[REDACTED] sent an email asking us to review a paragraph in their draft brief which they are preparing for their Ministers. We finalised the agreed wording.

*“As part of the review of its engagement with certain companies on the portfolio that operate in or source from the Western Sahara, the New Zealand Super Fund sought background on the issue from the Ministry. The Fund was also interested in the issue of phosphate imports from Western Sahara into NZ for agriculture. The NZ Super Fund has briefed the Minister of Finance on its review of the issue.”*

[REDACTED] also attached some statistics on phosphate sources. [MFAT and WS Phosphate brief email](#)

Asking for an update on progress, the main outcomes are:

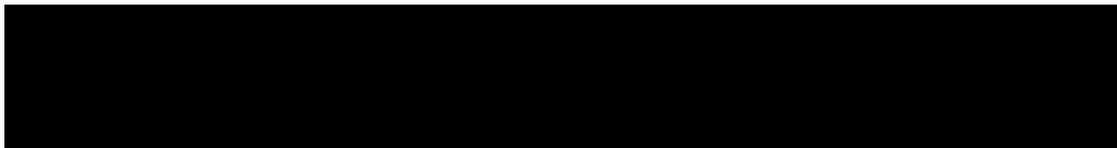
**WS Brief - progress**

1. They have completed half the brief. Following consultation with the fertiliser industry, OCP and others they have asked MPI to contribute economic advice including of the impact of not importing WS phosphate. The brief will cover therefore political and economic information including on implications of timing if the industry were to shift from WS.
2. MPI is still doing its analysis. I believe [REDACTED] will inform us when the final brief is going. Estimates in a few weeks time.
3. The brief will be sent to Minister Winston Peters and Minister Parker. A copy will go to the Prime Minister and the Minister of Agriculture, Minister O'Connor.

**MFAT findings**

4. MFAT believe from their research that by the end of the year (once the remaining large Canadian fertiliser firm stops importing from WS) NZ will be pretty much the main destination of WS phosphate. [REDACTED]
5. Most companies have left or cut ties voluntarily – countries haven't banned imports. However, we discussed a bit the EU ECJ rulings which were effecting EU-Morocco trade from WS (isn't that a ban?).
6. OCP supplies most phosphate from Morocco proper. [REDACTED]
7. [REDACTED]
8. Morocco is the only disputed territory on the UN list of non-governing territories. There have been regular (annual) UN resolutions on WS in trying to implement the UN de-colonisation process. [REDACTED]

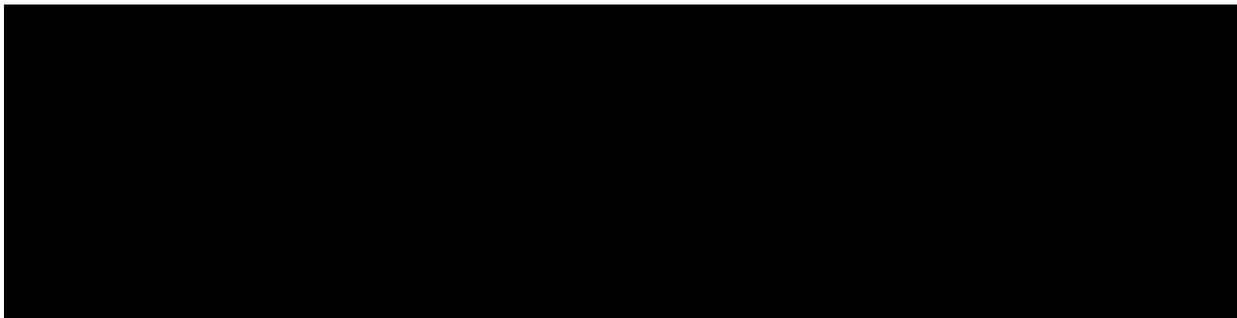
9.



10. Beef and Sheep farms use more phosphate than dairy.

**Next steps.**

awaiting MPI economic assessment, including if there was a timeframe over which the industry transition to alternative sources.



**File note: Meeting with MFAT to discuss the Western Sahara**

29 May 2018

Attendees from MFAT:

[Redacted]

Attendees from GNZS:

[Redacted]

**Meeting notes**

- The PM is following the issue closely and has already received a briefing from MFAT.
- The briefing by MFAT covered the following:
  - Risks for NZ
  - Legal implications
  - International relationships affected
  - [Redacted]
- They are still working on 'Part 2' of a briefing – the work being undertaken by MPI – which will cover:
  - Costs of importing already processed superphosphate
  - Costs and availability of sourcing product that doesn't come from the WS. They are looking at product that suits NZ's specific requirements (including environmental considerations and surety of supply etc.).

• [Redacted]

• [Redacted]

• [Redacted]

• [Redacted]

**MPI's economic analysis**

• [Redacted]

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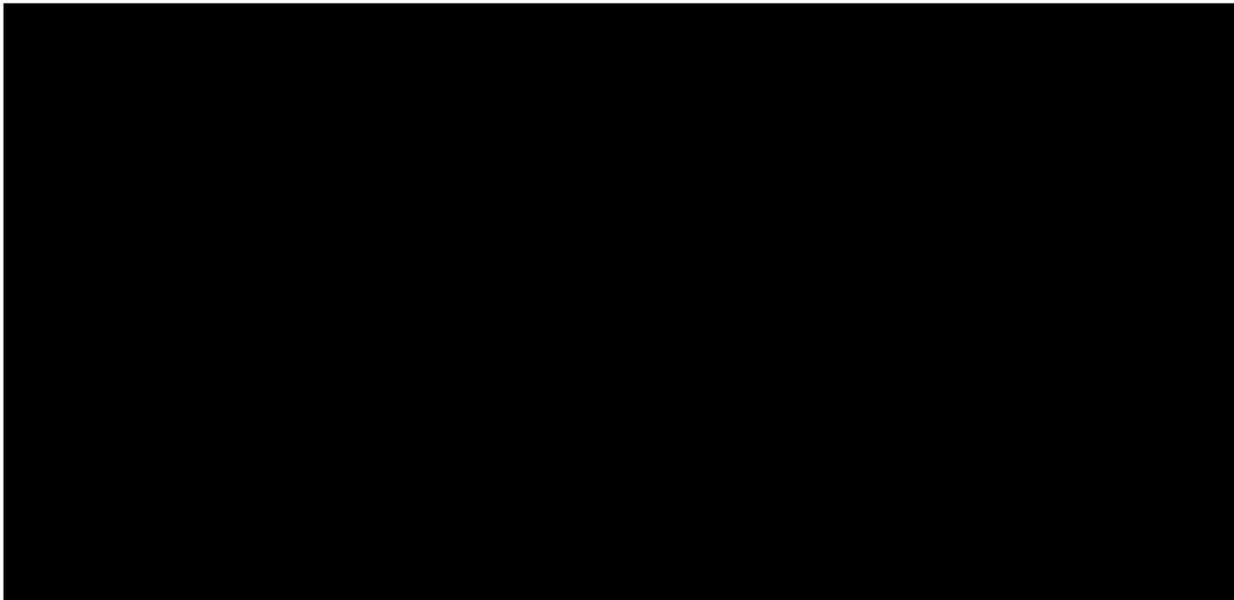
**What could the government do?**

- Don't have the ability to directly impose unilateral sanctions.

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**Other comments**

- The authors of the "Peers for Plunder" report indicated to MFAT that they expect NZ to be the last country (plus one Indian subsidiary of OCP) still sourcing phosphate from the WS by the time they produce the report next year.



**CFI  
BRIEFING****ITEM 3B****SOURCING PHOSPHATES FROM THE  
WESTERN SAHARA***Prepared by:**Date:**August 2018***1 Purpose**

1.1 For information.

1.2 This paper provides a short overview on the issue of sourcing phosphates from the Western Sahara, summarises the engagement that NZSF has done to date, on behalf of the CFIs and proposes next steps.

1.3 As at August 2018, we recommend the following actions:

1.3.1 Continuing to monitor the position of the New Zealand government and the UN. Currently, New Zealand offers full support to the United Nations Mission for the Referendum in Western Sahara (MINURSO mission), to allow the people of the Western Sahara to determine their future through a referendum.

1.3.2 Maintaining a watching brief on the situation in the Western Sahara. This includes:

a) Monitoring press on the situation.

b)



c) Monitoring any new commitments by companies to stop sourcing phosphate or other resources from the Western Sahara.

1.3.3 Continued engagement with listed companies that are held by the CFIs and that a) have resource extraction operations in the Western Sahara to ensure they are managing human rights risk, and; b) source phosphates from the Western Sahara to identify whether they are looking into commercially realistic alternatives available, in order to manage reputational risk.

**2 Background and context**

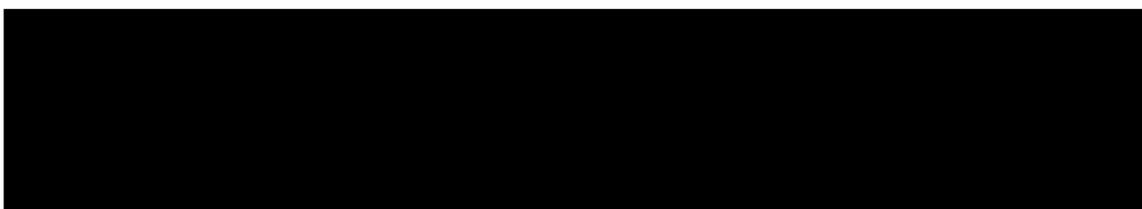
2.1 In late 2017, GNZS undertook some research into the disputed territory situation in the Western Sahara. A summary of this work was provided to the CFIs via the meeting papers for the 28 November 2017 meeting.

2.2 The research was prompted by the 2016 decision by the Norwegian Government Pension Fund to divest from companies with resource extraction operations in the region. The companies divested were San Leon Energy, Cairn Energy and Kosmos Energy. The decisions to divest were based on an assessment of the risk of particularly serious violations of fundamental ethical norms. It should be noted that these divestments were not the first that the Norwegian Government Pension Fund had made of companies operating in the Western Sahara. In 2011, they divested

**C2 - Internal Use Only**

from Potash Corporation of Saskatchewan Inc for the same reason (now called Nutrien). *We note that in February 2018, Kosmos Energy and Cairn Energy agreed to stop operations in the Western Sahara region. Nutrien has also recently made some (not full) commitments to stop sourcing phosphates from the Western Sahara.*

- 2.3 In addition, in 2016, [REDACTED] due to its continued extraction of phosphate from Western Sahara. This was brought to the attention of the CFIs at the 13 October 2016 meeting. At that meeting, it was agreed that further research was needed before deciding on a course of action. It was noted that exposure to OCP was via fixed income holdings, not equity.
- 2.4 Research into the issue of sourcing phosphates from the Western Sahara was also prompted by the 2016 decision of Gerard van Bohemen, Permanent Representative of New Zealand to the UN, to abstain from voting to extend Resolution 690, also known as the 'settlement plan' [for the Western Sahara]. He took this position as Morocco had expelled a two-thirds of UN peace keepers due to poor management and communication by the UN. Because there were now so few peacekeepers on the ground, NZ was of the view that the UN was unable to fully discharge its responsibilities in Western Sahara. Since then, there has been a new UN Commissioner, the peace keepers have returned - the escalated tension has returned to more normal levels.
- 2.5 Also of consideration, in 2017, a shipment of phosphate ordered from OCP by New Zealand fertiliser company Ballance, was seized in South African waters. In February 2018, a South African court ruled that shipment of phosphate belonged to the Western Saharan government-in-exile and not OCP.
- 2.6 That same week, The European Court of Justice (ECJ) ruled that a 2006 fisheries agreement between the Morocco and the EU did not apply to the waters off the coast of Western Sahara. The ECJ ruled that "if the territory of Western Sahara were to be included within the scope of the Fisheries Agreement, it would be contrary to certain rules of general international law... [including] the principle of self-determination." These rulings give a clear message that any product sourced from the Western Sahara must have the consent of the Polisari people or it may be illegal.
- 2.7 We also note that importing phosphate from the Western Sahara has attracted widespread criticism globally. New Zealand is now the largest importer of phosphate from the Western Sahara through fertiliser companies Ballance and Ravensdown. They are the main providers of phosphate to all New Zealand agriculture and horticulture industries, including to farms owned by the Guardians. Companies in other countries have stopped or committed to stop sourcing phosphate from the region leaving New Zealand increasingly exposed on the issue.

**3 Engagement****3.1 Previous engagement (global)****3.1.1**

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[REDACTED] In the CFI Combined Papers from December 2013 meeting, it was noted that the positive response from the company had likely been fueled by the earlier decision of the [REDACTED] to divest.

**3.2 Recent engagement (global)**

3.2.1 We note that in recent months, there have seen a significant number of the companies with operations in the Western Sahara leaving or committing to leave the area. At 30 June 2017, GNZS had identified 10 companies with resource extraction operations in the Western Sahara or that were purchasing phosphate sourced from the Western Sahara (not all are in held by the CFIs). By early June 2018, 5 of these companies had made commitments to stop sourcing from the Western Sahara region. Therefore, we see that pressure for companies to stop sourcing from the area is having an impact.

3.2.2 Research in June 2018 identified that the only listed companies held by GNZS, that had not made a commitment (either partially or fully) to stop sourcing from the Western Sahara, were [REDACTED]

3.2.3 [REDACTED]

3.2.4 Divestment is only undertaken in rare situations where we believe that either our engagement attempts have been unsuccessful or that engagement may not be the best course of action. If we decide to exclude a company then we will make that decision public and give the reasons why.

**3.3 Engagement in New Zealand**

3.4 GNZS has also had conversations with our farm manager, MFAT, Ballance, OCP (the Moroccan-state owned company supplying Ballance) and other industry participants to understand more about the issue and to identify whether any commercially realistic alternatives are available for New Zealand. [REDACTED]

3.5 We will continue to stay abreast of the issue.

**4 Next steps**

4.1 As at August 2018, we recommend the following actions:

4.1.1 Continuing to monitor the position of the New Zealand government and the UN. Currently, New Zealand offers full support to the United Nations Mission for the Referendum in Western Sahara (MINURSO mission), to allow the people of the Western Sahara to determine their future through a referendum.

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- 4.1.2 Maintaining a watching brief on the situation in the Western Sahara. This includes:
- a) Monitoring press on the situation.
  - b) 
  - c) Monitoring any new commitments by companies to stop sourcing phosphate or other resources from the Western Sahara.
- 4.1.3 Continued engagement with listed companies that are held by the CFIs and that:
- a) Have resource extraction operations in the Western Sahara to ensure they are managing human rights risk, and;
  - b) Source phosphates from the Western Sahara to identify whether they are looking into commercially realistic alternatives available, in order to manage reputational risk.

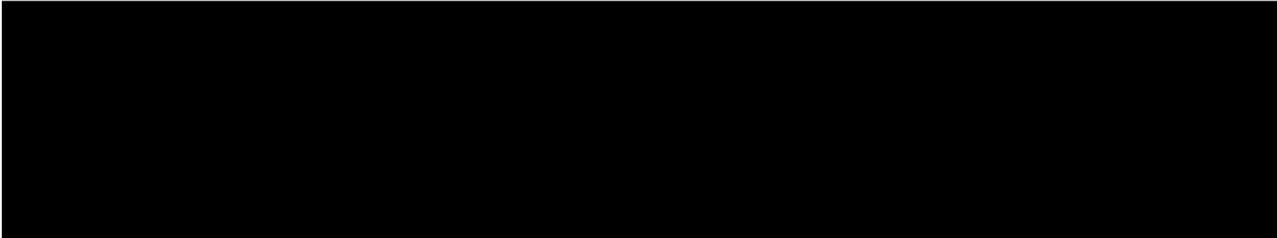
**Appendix 1: Background information to the Western Sahara (written by a GNZS intern)**

The Western Sahara (WS) sovereignty dispute between Morocco and the Polisario Front (WS representatives) has been occurring for 40+ years. The dispute centres around what is considered by many countries to be an illegal occupation of the Western Sahara by Morocco. The dispute is monitored by the United Nations and no international solution has been reached to date. There have been a number of conflicting international legal opinions and judgments on the sovereignty dispute (and exploitation of natural resources). However, NZ's lead is taken from the UN. Currently, no international or NZ laws are being violated by NZ companies in respect of the Western Sahara. There is, however, reputational risk to NZ within the world community on the issue.

The purchase of phosphate rock by countries including NZ has been condemned by activists as supporting Morocco's exploitation of WS natural resources in a territory that they hold contrary to international law. The point about 'exploiting natural resources without the consent of the people and benefits not being directed to them' is a sub-point of the sovereignty issue.

Ballance and Ravensdown are the two NZ companies that import WS phosphate rock and supply 98% of all fertiliser in NZ (FANZ).

New Zealand has featured in recent media reports as it is the largest importer of phosphate rock from the disputed WS territory. In addition, our new Prime Minister has previously visited the Western Sahara as President of the International Union of Socialist Youth. Also in the press recently was the shipment impounded and declared illegal in South Africa, which was destined for New Zealand. This shipment (ordered by, but at the point of seizure not owned by Ballance) was declared illegal by the High Court of South Africa, which found that the rock was owned by the Saharawi government and Morocco had no legal basis to sell it to NZ fertiliser companies.

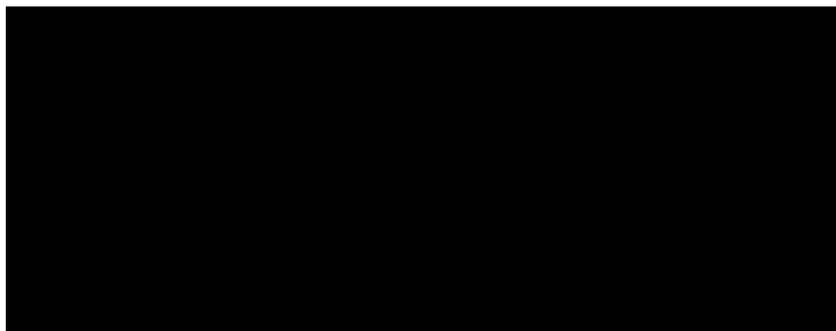


There are alternative phosphate rock sources in the world as identified by recently proposed EU Fertiliser Regulations. Russia, Canada, Jordan, Syria, Egypt and Tunisia are identified as having sufficient phosphate depositories. Venezuela, U.S, Saudi Arabia, Peru, South Africa and China are further alternative sources although there may be some internal restrictions on exports to protect their own supply. NZ can still source phosphate rock from OCP but from reserves in Morocco rather than the Western Sahara. Morocco holds 73% of the worlds phosphate reserves – Western Sahara reserves only accounted for 2%. There are three locations in Morocco where phosphate rock can be sourced, which largely accounts for over 30 million metric tonnes of phosphate rock it produces.

**File Note:** 5 April 2018 – 3pm – 4pm.

**Meeting :** Fonterra (hosted meeting) , NZS, OCP

**Participants:**



Purpose of the meeting was to understand the OCP operation from their perspective as we deliberated on the broader issue of supply risks of sourcing fertiliser from that region.

OCP was in NZ meeting NZ Fertiliser association and Fonterra. NZ Superfund took opportunity to discuss the WS issue with OCP whilst there here.

- OCP is state owned since 1920 <http://www.ocpgroup.ma/en/who-we-are/our-governance>
- Morocco holds 72% of global supplies of Phosphate, 51 billion tonnes of reserves
- Source of rock has high P levels, is soft and with low cadmium levels
- OCP believe they have an extra duty to be operate to high legal and ethical standards and be best in class.
- Phos bukra is a subsidiary of OCP
- [REDACTED] is a WS national and [REDACTED] also worked for OCP
- Largest private employer in the region
- 44Million tonnes/year mined and sold as phosphate rock or food graded phosphoric acid.
- Have been trading with Balance and Ravensdown for 30 years
- Provided history of claims to southern region dating to the colonisation of Morocco and involvement of various other countries including France/Spain/Portugal
- Phos bukra was setup in 1975 after a purchase from Spain.
- NZ purchases about 400 000t of rock (this seems at odds with the 44M tonnes mined above)
- Phos bukra employs large numbers of the local population and claim all profits are applied back into the region. [REDACTED]
- State that a some other regions fall under same UN status as Western Sahara, including Noumea (France) , Guam (USA) and Tokelau.
- Believe they operate to high standards of corporate responsibility including through the provision of schools training centers. Have recently committed to a [REDACTED] infrastructure program including port, desal plant and fertiliser manufacturing

## C2 - Internal Use Only

- OCP Foundation has been setup to assist with WS development across a number of areas, Social and Cultural Development (Training, Sports), Education and Health, Urban Development, Agriculture (Salt tolerant corps, Massey university assistance, Quinoa, Development of farms in desert).
- Working with DuPont on H&S education
- Suggested that Phos Bucra plants are sub scale and have higher production costs than are ideal.
- To close the plant would result in significant numbers (2700 staff and 600 contractors) of people would be out of work

### Summary Thoughts

- OCP/Phos Bucra appear to take their responsibilities seriously.
- The dispute is an issue that will likely persist given the length of the dispute.
- It is not an easy solve in terms of replacement supplies for NZ agriculture.
- We need to maintain a watching brief on the situation for impacts on our portfolio.

**From:** [REDACTED]  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** FW: New Risk Briefing Paper  
**Date:** Thursday, 25 January 2018 9:42:22 AM  
**Attachments:** [REDACTED]

Alert: External email.

[REDACTED] – did I send you this last year? It's my summary of the situation from 18 months ago.

Cheers,

[REDACTED]

**Fonterra Co-operative Group Limited**

[REDACTED]@fonterra.com

Private Bag 92032, Auckland, 1010  
 Fonterra Centre, 109 Fanshawe St, Auckland, New Zealand  
[www.fonterra.com](http://www.fonterra.com)

**The Executive Summary**

- The human rights issue relates to the purchase of product from a region (Western Sahara) whose sovereignty is in dispute. The Sarahawi people assert they should be a sovereign nation, Morocco assert that Western Sahara is a Moroccan territory. This has been in dispute for some 40+ years
- In our supply chain we have NZ companies (Ballance and Ravensdown, represented by the Fertiliser Association of NZ (FANZ)) buying resources from a region where the benefits may, or may not, (there are arguments both ways) flow to the people of the region (are their resources being “stolen”) – this is a pretty grey area as you’ll see below.
- FANZ (and associated companies) are continually undertaking due diligence in this area – they believe that they are acting legally and morally in sourcing phosphate from this region
- This issue is being particularly highlighted at the moment with recent international interest in this region (UN, EU statements), and as NZ is about to chair the UN Security Council – as NZ is an importer of product from this disputed region, there could be increased activity highlighting the profile of this issue.
- We’re not going to solve a decades long dispute on national sovereignty, but we can satisfy ourselves that our indirect involvement in the purchase of phosphate from this region does not negatively impact and may even add value to the local people and local economy. I recommend our response is:
  - work with FANZ to quantify the nature of the phosphate from this region used in dairy
  - continue to work with FANZ to understand their due diligence process and leverage this information
  - undertake our own review of the information publically available (Agrium report, published information on OCP website, general media) to build a picture of OCP operations
- Attached is the FANZ position for reference.

**Why do we care?**

- Ballance and Ravensdown import phosphate from OCP ([www.ocpgroup.ma](http://www.ocpgroup.ma)), a Moroccan company that operates a mine in Western Sahara. The phosphate is particularly low in Cadmium, which is important from an NZ soil perspective.
- Some of the product created from this phosphate will end up on NZ dairy farms (we’ve requested more detail on a breakdown of how much goes to dairy vs other industries).
- There is no contention at this stage re the operations of OCP, or any specific human rights abuses by the company.

**The macro view**

- The macro human rights issue is the dispute over the sovereignty of Western Sahara, which has been running for over 40 years.
- A colony of Spain from 1880, the administrative control of Western Sahara was transferred to Morocco and Mauritania on Spanish withdrawal in 1973.
- In 1975 Morocco annexed Western Sahara and claimed sovereignty over the territory – this is disputed by the POLISARIO, the political front of the indigenous Saharawi people.
- A 16-year-long armed insurgency ended with a UN-brokered truce in 1991 and the promise of a referendum on independence which has yet to take place.
- The key issue is that the Western Saharan people do not have control of (and fully benefit from ) their own

resources

### International Position

- The UN recognises Western Sahara as a non-self-governing territory, whilst also recognising Morocco's administrative control
- It's been trying for the last 20+ years to run a referendum on self-determination but can't get the parties to agree on how it will be carried out.
- Recently
  - in Dec 2015 Court of Justice of the European Union (CJEU) ruled to suspend an agricultural trade agreement between the EU and Morocco because it included the Western Sahara (WS) within its territorial scope
  - in March 2016 Ban-Ki Moon referred to the Western Sahara situation as "occupation"
  - in Sept 2016 an advocate general at the Court of Justice in Brussels, said that "Western Sahara is not part of Moroccan territory and therefore ... neither the EU-Morocco Association Agreement, nor the Liberalisation Agreement are applicable to it." Advocates general provide independent legal opinions to judges at the Court of Justice. These opinions are advisory and non-binding but are often influential.

*This is not an issue that we (as Fonterra) will resolve – it's an issue for the UN to resolve*

### NZ Government / Legal Position (as articulated by Fertiliser Association)

- NZ Government opinion provided to the Fertiliser Association in 2005 was that trade with OCP to purchase product from their mine in Western Sahara was legal and appropriate.
- The current government position is "make your own mind up"
- The current legal advice that the FANZ have is domestic and international law currently permits the import of phosphate rock into New Zealand, pursuant to arrangements with OCP, sourced from the territory of Western Sahara. This is based on a UN legal position of 2002 that the needs and wishes of the local people are being met.

### Fertiliser Association Position

- The current legal advice that the FANZ have is domestic and international law currently permits the import of phosphate rock into New Zealand, pursuant to arrangements with OCP, sourced from the territory of Western Sahara. This is based on a UN legal position of 2002 that the needs and wishes of the local people are being met.
- Access to low-Cadmium phosphate from Western Sahara is important to it's operations.
- FANZ and its member companies continue to exercise due diligence on this issue and continue to receive a variety of information from OCP on their business practices, including key indicators on employment of local people and local community investments. In addition, FANZ member company representatives have recently visited OCP's operations in Western Sahara and can confirm that OCP has undertaken significant investment in the local community including in housing, schools, healthcare centres, social facilities and a new university campus.
- FANZ support the ongoing process by the UN to seek solutions in Western Sahara.
- FANZ believe that the operations of OCP are vital to the Western Saharan economy and the prosperity of the people (who are dependent on the fishing and phosphate industries), and that stopping purchases from this region would have a detrimental effect on livelihoods in the region.

*It would seem from a cursory view that FANZ are taking all steps to satisfy themselves that OCP are operating effectively within the Western Saharan environment, and at this stage there is no evidence of human rights abuses by OCP. The position that withdrawal from the region could actually be detrimental is in keeping with UN Guiding Principles on Business & Human Rights.*

*We have access to a Human Rights Assessment Report on Phosphate Rock Supply from Western Sahara, prepared by Norton Rose Fulbright for Agrium (a Canadian company, and the biggest global importer of phosphate from this region). At a high level they conclude:*

- *As further developed in the body of this report, the Reviewers conclude that Agrium is not compelled by the UN Guiding Principles to end its supplier relationship with OCP/Phosboucraa and could continue sourcing phosphate from OCP/Phosboucraa consistent with the UN Guiding Principles on the basis that:*
  - *Agrium is not causing or contributing to potential or actual negative human rights impacts in Western Sahara by its supplier relationship with OCP/Phosboucraa; and*
  - *Agrium has leverage to mitigate potential or actual negative human rights impacts linked to the Supplier Relationship.*

### Why does it matter now?

- This is relevant now as NZ is about to chair the UN Security Council – as NZ is an importer of product from this

disputed region, there could be increased activity highlighting the profile of this issue.

**Our Response**

- *We're not going to solve a decades long dispute on national sovereignty, but we can satisfy ourselves that our indirect involvement in the purchase of phosphate from this region does not negatively impact and may even add value to the local people and local economy. I recommend our response is:*
  - *work with FANZ to quantify the nature of the phosphate from this region used in dairy*
  - *continue to work with FANZ to understand their due diligence process and leverage this information*
  - *undertake our own review of the information publically available (Agrim report, published information on OCP website, general media) to build a picture of OCP operations*

Cheers,



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**From:** [REDACTED]  
**To:** [REDACTED]  
**Subject:** FW: Ballance meeting raw notes  
**Date:** Monday, 4 March 2019 11:50:49 AM  
**Attachments:** image001.jpg  
image002.png  
image003.png

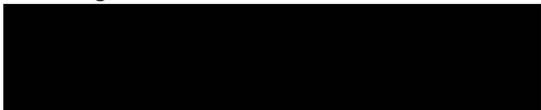
---

Meeting notes from Ballance meeting [REDACTED] did.

---

**From:** [REDACTED]@nzsuperfund.co.nz>  
**Sent:** Tuesday, 24 April 2018 5:27 PM  
**To:** [REDACTED]@nzsuperfund.co.nz>  
**Subject:** Ballance meeting raw notes

Meeting notes



- Multiple ingredients in Superphosphate
  - 4 rocks (in sand texture) to make a superphosphate granule
- Physical Considerations
  - Granule makeup to ensure plant availability
  - Granule strength
- Manufacturing considerations
  - Smell
  - Organic matter
  - Dust
  - Heavy metals - from raw materials
    - Cadmium
- Supply considerations
  - Suppliers - supply chain
    - Sustainability
    - Price
    - Workforce practice
    - % of locals employed (audited by KPMG)
    - Community reinvestment
      - Phosbucra mine - reinvest all profits of mine back in to community
      - Every year one of Balance senior management spends two days auditing this
        - Schools, dairy farm development, saline water conversion, community training centre, sports centre etc
- Countries that have phosphate
  - Morocco - 70% of known commercial reserves
  - Algeria
  - Libya
  - Egypt
  - Jordan
    - These are all sedimentary (from sea floor)
  - Iran
  - Iraq
  - South Africa -
    - different type - igneous, volcanic, hard rock
    - Takes a lot of grinding

- Slower to react and bind and become available
- Australia - far inland so not economic
- China
  - Tax phosphate rock exports so it gets used domestically
- Morocco
  - 4-800 yrs supply at current extraction rates
  - Was volcanic activity with uranium and cadmium in it that contributes to the metals today
- Geopolitical background
  - Nomadic, when abandoned by Spain, Mauritania Algeria and Morocco fought
  - Mauritania dropped out
  - Sahawari - nomadic people
    - Wanted to give them a vote on who they wanted to govern area
    - But hasn't happened because cannot define what a Sahawari is eg genetic
  - [REDACTED]
  - [REDACTED]
  - On Algerian side, keep them in refugee camps because believe it will be best dealt with this way
  - Morocco exited African union 20yrs ago when majority of African union backed Algeria's side
    - South Africa is biggest influencer in union
    - Has declined in last 20yrs
    - Morocco 2yrs ago came back into AU
  - Detaining ship in SA?
    - SA is a major supplier of arms to Algeria - hence ordered ship to be seized
    - The route they took was the first time it was taken in 20yrs - [REDACTED]
    - At last court hearing admitted based on evidence there is no case against, but has not passed a judgement yet so ship continues to stay there
    - Ordered sale of cargo for cost relief to ship
      - Shipping company's cost at [REDACTED]
- Balance met with MFAT 3 weeks ago
  - Have 3 OIA requests from 3 person
  - [REDACTED]
  - Balance has met with Damian O'Connor and David Parker
- So ask UN guidelines on area with no self determination
  - Yes you can take non-renewable resources from there
  - Have to reinvest
  - Non-discriminatory work practices with locals
  - Have to have the 'mandate of the people'
    - Algerian side don't give mandate
    - Moroccan side do
    - Obvious result as it's a disputed territory
- [REDACTED]
- Ethical question now
- Argument is that best way to resolve this is create commercial industry to sustain it
- [REDACTED]
- Why not sourcing from other areas?
  - Cadmium
  - NZ limit is 280ppm per kg phosphate
  - Aus limits is 400ppm per kg phosphate
  -

- Balance and Ravensdown sell phosphate with [REDACTED]
- o Pasture testing - shows no cadmium accumulation from areas with 150ppm phosphate applied
- o Rock from Togo is 220-240ppm cadmium, would increase accumulation
- o Different types of crops take up different levels of cadmium so need to be sure of levels at input
- [REDACTED]
- [REDACTED]
- [REDACTED]
- What is plan B?
  - o Go to Togo - note the Cadmium issue, but also shortage of capacity
    - Only have 10yrs supply in that seam
    - Protests about that supply source as well
  - o North Africa alternative supplies
    - Either cadmium, dust or carbonate issues
  - o Egypt
    - Dust issues
  - o Libyan
    - High organics so have smell issues
  - o South Africa
    - Volcanic and hard
    - Would need tens of millions of capex for grinding facilities
    - [REDACTED] price increase
    - Slow down production capacity - super process takes a very long reaction, and continues to react for weeks after it has left the plant affecting trucks, spreading, storage etc
  - o USA
    - High cadmium
  - o Canada pull out of WS
    - JV partner of Agrium is against WS
    - Are no longer making Superphosphate
    - Other plants source from Canadian sources - partner they have merged with have domestic capabilities
  - o Vietnamese and Chinese rock
    - Phosphate levels would be too low so would need to blend in extra triple phosphate
    - Cost increase
  - o Pure imports of finished product
    - [REDACTED] price increase
  - o Move to DAP only - most realistic
    - Higher nitrogen so more nitrogen issues domestically
    - Di Ammonium phosphate
    - By product of production is phospho-gypsum, creates a lot of cadmium (gypsum mountains)
      - China is possibly going to put into products sold to western world
      - Moroccans pump out to sea
      - USA bulldozed it into ground
    - Have closed 50% of Urea factories in China in last 3 yrs
  - o North Morocco
    - High carbonate - means granules eventually react and turn to dust before spreading
    - Europe source a lot of rock from south Morocco - higher cadmium
- Superphosphate has one of the smallest overall footprints in production
  - o

In NZ, burn waste product in Whangarei and use exothermic reaction to generate electricity to sell back into grid

- Why has this flared up?
  - Ship was detained in South Africa
  - NZ is biggest buyer

- [Redacted]

- [Redacted]
- [Redacted]
- [Redacted]

[Redacted]

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Agenda item 5c(i): New Candidates for CFI Global Focus List (Q1 2016/17)

[Released under Official Information Act - April 2019]  
New candidates for CFI Global Focus List

Note	Company	Industry	Flag	IVA	ESG	Issue(s)	Status	Recommendation	CFI Holdings		
									NZSF	GSF	ACC
	Cairn Energy	Oil & Gas Exploration & Production				<p>Excluded by NBIM (June 2016) as recommended by the Council of Ethics due to an unacceptable risk of contributing to serious violations of fundamental ethical norms through hydrocarbon exploration offshore Western Sahara.</p> <p>The Western Sahara is a non-self-governing territory without a recognised administering power. In practice, most of the area is administered by Morocco. However, Morocco does not have the sovereign rights over the resources in the area. The area has a history of human rights abuses allegedly perpetrated by the Moroccan government to the local Sahrawi people. Sahrawis have opposed Morocco's presence in the region, which has led to armed conflict. Under the terms of a ceasefire brokered by the UN in 1991, stakeholders agreed to set up a referendum where the Sahrawis could express whether they would like independence or integration with Morocco. No such referendum has taken place, and in March 2016, the Moroccan government expelled UN staff who were mandated to prepare for the vote. For over 40 years, at least 90,000 Sahrawis have been living in refugee camps in southern Algeria under difficult conditions in a harsh desert climate.</p> <p>Note that Cairn is not currently producing oil in this area - only mapping. The Council of Ethics was not satisfied that the company had consulted sufficiently with local people.</p>	CFI priority issue. BMO has reviewed the Council of Ethics research and agrees the lack of consent of the local communities is a serious concern given the disputed ownership of the territory. BMO will engage the company to ask for their response and whether they plan to continue their role in the project.	GNZS to undertake further research on the Western Sahara issue. Add to GNZS-Monitor list.	Yes		
	Kosmos Energy	Oil & Gas Exploration & Production				<p>Also excluded by NBIM for the same reasons as Cairn Energy.</p> <p>Kosmos Energy is the only company in the world with a license from Morocco to conduct oil exploration and seismic studies in Western Sahara's coasts. Like Cairn Energy, Kosmos is not currently producing oil in this area - only mapping.</p>	CFI priority issue. BMO plans to engage with Cairn Energy rather than Kosmos as they have an existing relationship with Cairn to draw on. They see little scope for engagement success with Kosmos given the Council of Ethics has already had several meetings.	GNZS to undertake further research on the Western Sahara issue. Add to GNZS-Monitor list.	Yes		
	OCP S.A.	Specialty Chemicals				<p>CFI priority issue. BMO (via F&amp;C) has been involved with collaborative engagement with companies regarding operations in the Western Sahara in the past. While they do not plan to engage with OCP directly on this issue, they continue to monitor the issues in the region. They note that OCP is a private company with &gt;90% Moroccan state ownership. Therefore, there is limited scope for engagement success.</p> <p>CFIs have engaged on this issue with chemical companies in the past.</p>	GNZS to undertake further research on the Western Sahara issue. Add to GNZS-Monitor list.	No			

KEY	
	MSCI Red Flag
	MSCI Orange Flag
	MSCI Yellow Flag
	MSCI Green Flag
	No MSCI Impact Monitor Report
	No MSCI IVA Report
NEW	New addition to Focus List
BMO - P	BMO 2016 Priority
BMO - TE	Relevant BMO thematic engagement
UNPRI	Relevant UN PRI engagement

**From:** [REDACTED]  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** RE: Boeing's Iran deal, Fund exposure to firearms, hazardous Child Labor on Indonesian tobacco farms [ref:\_00D708dGg\_5003921wtKU:ref]  
**Date:** Wednesday, 14 March 2018 9:22:21 PM  
**Attachments:** [image001.jpg](#)  
[image002.jpg](#)  
[image004.jpg](#)  
[image005.jpg](#)  
[Latest - OCP SA ESG Controversies Report.pdf](#)  
[Jun 2016\\_OCP SA ESG Controversies Report.pdf](#)

**Alert:** External email.

Hi [REDACTED]  
Please kindly find attached for the latest controversies report and the one back in the middle of 2016.  
Do let me know if I can be of further assistance.  
Thanks and regards,

[REDACTED]  
[REDACTED] MSCI  
[REDACTED]

*Local registered entity*

You can now **Ask Questions and Get Answers** via our new Online Case Management Portal. Click [here](#) or visit the [MSCI support site](#) to check it out.

**From:** [REDACTED]  
**Sent:** Wednesday, March 14, 2018 3:31 PM  
**To:** [REDACTED]@nzsuperfund.co.nz  
**Subject:** FW: Boeing's Iran deal, Fund exposure to firearms, hazardous Child Labor on Indonesian tobacco farms

Hi [REDACTED]  
I hope you are well.  
Thanks for your question. I am out of the office and have copied in ESG Client Service. Ruiming will be able to answer your question quicker than me.  
Cheers

**From:** [REDACTED]@nzsuperfund.co.nz  
**Sent:** Tuesday, 13 March 2018 11:57 AM  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** FW: Boeing's Iran deal, Fund exposure to firearms, hazardous Child Labor on Indonesian tobacco farms

Hi [REDACTED]  
Hope you are well?  
Back in the middle of 2016, MSCI initiated coverage of OCP with a red flag. Would it be possible to get a copy of the report please?  
Thanks in advance  
Best

**From:** [REDACTED]@msci.com  
**Sent:** Saturday, July 9, 2016 2:25 AM  
**To:** [REDACTED]@nzsuperfund.co.nz  
**Subject:** Boeing's Iran deal, Fund exposure to firearms, hazardous Child Labor on Indonesian tobacco farms

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**CONTACT US**

08 July 2016

FROM MSCI ESG RESEARCH INC

**MSCI ESG SCREENING BULLETIN**

Welcome to the MSCI ESG Screening Bulletin. Our research team has hand-picked a selection of Business Involvement, Sanctions, and ESG Controversies news that we think will be most interesting to our screening clients. We hope you find this useful, and we welcome feedback or suggestions for improvement.

---

## HIGHLIGHTS

- Did you miss our webinar on **The New SRI: Trends in Values & Controversies Screening**? You can still learn about emerging issues and increasingly sophisticated data and tools via the **recording**.
- Following the recent tragedy in Orlando and the US House of Representatives sit-in, we have updated our paper on **US Investor Responses to Gun Violence** to include a look at fund exposure to the civilian firearms industry.
- In June, Boeing signed an agreement to sell commercial passenger airplanes to Iran Air, a state-owned company in a deal whose value may reach \$25 billion. The agreement is tentative and Boeing is still in the process of securing necessary US government approvals. As noted in our recent Global Sanctions **webinar** and **issue brief**, additional companies may enter or re-enter Iran in the coming months.
- In May, Human Rights Watch reported on hazardous working conditions for child laborers at Indonesian tobacco farms. A majority of the 130 children interviewed showed signs of nicotine poisoning or respiratory infection, among other issues. Companies including **British American Tobacco (1/Orange)**, **Japan Tobacco (1/Orange)**, **Philip Morris International (1/Orange)**, **PT Hanjaya Mandala Sampoerna (1/Orange)**, and **Universal Corp (1/Orange)**, confirmed to HRW that they sourced tobacco from Indonesian farms.
- We initiated controversies coverage of **OCP S.A.** at **0/Red**. OCP, a fixed-income issuer and Moroccan state-owned-enterprise, operates a phosphate mine in Morocco-occupied Western Sahara. OCP's mine is viewed by many as a support to the occupation, and its existence represents a possible violation of international law.

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If you have any questions or would like to provide feedback, please contact the Client Service team at the below details.

Regards,  
**MSCI ESG Client Service**

### MSCI ESG Research Inc.

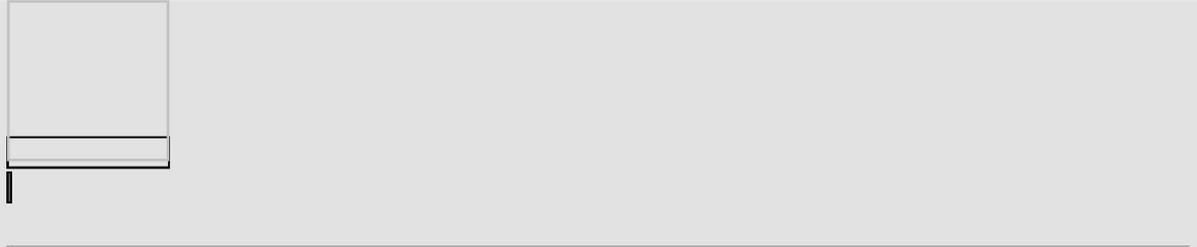
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BMO call

25 Sept 2017

Attendees: [REDACTED] (BMO), [REDACTED] (NZSF)

[...]

**BMO – Western Sahara**

- BMO RI Fund exclusions decision were based on Norwegian research and engagement. Trusted them. See SD#2326722 for Norwegian decision on Cairn and Kosmos.
- BMO's engagement – have had a long standing engagement with Cairn via Cairn India and due to the issue of them gaining a licence to explore in Greenland - a sensitive area. They didn't really discuss Western Sahara. But they developed a good relationship with the company. In response to the Western Sahara issue, they had a call with their contact at Cairn to get their side of the story. They confirmed the findings of NBIM. They had no intention to sell their licence because the licence was only for exploration, not development.

[REDACTED]

## Notes from call with MFAT 18/12/17

## What is our overall Context and background?

- NZ Government's position generally is to support the UN and promote self-determination in situations such as this.
- NZ was on the UN Security Council for 2 years over 2015 and 2016. 15 other countries are also on the Council. However those countries are all divided on the issue. NZ played an active role in supporting continued peace keeping between Morocco and WS. But now NZ is off the security council so are no longer influential.
- UN security are still split on the issue – even though no country in the world recognise Morocco's claim of the WS. [REDACTED]
- [REDACTED] This meant that 2/3 of the UN Peace keepers on the ground were dismissed by Morocco and asked to go home. NZ felt they couldn't support a mission if it isn't fully functioning – how can they work on any further peace keeping or settlement? [REDACTED] NZ wants peace keepers to be returned to Morocco to continue their mission.
- [REDACTED] most of the phosphate comes from the morocco controlled side. MFAT have met with OCP and [REDACTED] they do put resources back into the disputed territory.
- However there are 100,000 Sawarian people in refugee camps on the Algeria side of the WS.
- The state is split as 2/3 moroccan territory, 1/3 is controlled by the Polisari but is filled with land mines and then remaining are in refugee camps near the Algeria border. Algeria hosts the camps, their military provides security support and they provide development and the ability to go to school etc.
- [REDACTED]
- The ICJ in 2005 has put a decision that operations from WS needs to benefit the community and it must be compliant with the wishes of the community. It is illegal if this isn't met. [REDACTED]
- MFAT has provided us the following statement summarising NZ's policy position:

*New Zealand views the situation in Western Sahara as a 'frozen conflict', but one which will continue to threaten international peace and security as long as the root causes of conflict remain unresolved. New Zealand supports the UN process in Western Sahara, including the holding of a genuine act of self-determination by the Saharawi people, as called for by the UN Security Council.*

[REDACTED]

MFAT explained that NZ imports the rock and processes it into super phosphate. [REDACTED]

[REDACTED]

NZSF asked MFAT about where else in the world NZ can source phosphate rock from. [REDACTED]

[REDACTED]

**What is the Cadmium level in the WS phosphate rock?**

[REDACTED]

[REDACTED] (currently we are operating at about half that level). The new EU standards are even lower [REDACTED]

[REDACTED]

MFAT also clarified that the majority of mines that OCP (SOE) owns are in the North of Morocco.

[REDACTED]

## Meeting with MFAT

28 Nov 2018

Attendees: [REDACTED] (MFAT), [REDACTED] (GNZS)

### Western Sahara

- Foreign Affairs, Defence & Trade Committee started an inquiry into WS
- MFAT summoned for briefing in mid Oct

- [REDACTED]

- MFAT received and OIA on whether they provide legal advice to FANZ. No is the answer.

- [REDACTED]

[REDACTED]

