

# Impacting Our Performance

## 2011: Factors

### Record demand pressures global fertilizer supply

Rising demand for agricultural commodities continued to support prices well above historical averages for a wide range of crops. This economic incentive and the nutrient requirements necessary to produce increased yields contributed to record world fertilizer demand. This was especially true for potash as global shipments reached an estimated 55 million tonnes, nearly eclipsing the previous record.

The strength in agriculture markets, along with tight supply/demand fundamentals in all three nutrients, resulted in rising prices through much of the year.

[Learn more: PotashCorp2011AR.com/factors](http://PotashCorp2011AR.com/factors)

## 2012: Outlook

### Fertilizer demand expected to remain robust

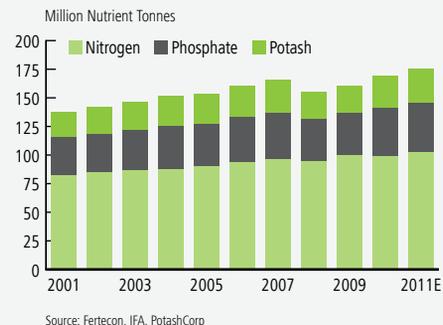
We anticipate that rising food demand will continue to pressure world grain inventories, which are already well below historical levels, providing support to crop prices. This environment is expected to encourage farmers around the world to apply the nutrients required to maximize production, driving increased fertilizer consumption. The International Fertilizer Industry Association (IFA) projects that world fertilizer use will increase by 2.3 percent in 2012, with potash rising by more than 3 percent.

While fertilizer buyers began 2012 purchasing cautiously, we anticipate that shipments will accelerate as the year progresses, to meet strong projected consumption.

[Learn more: PotashCorp2011AR.com/outlook](http://PotashCorp2011AR.com/outlook)

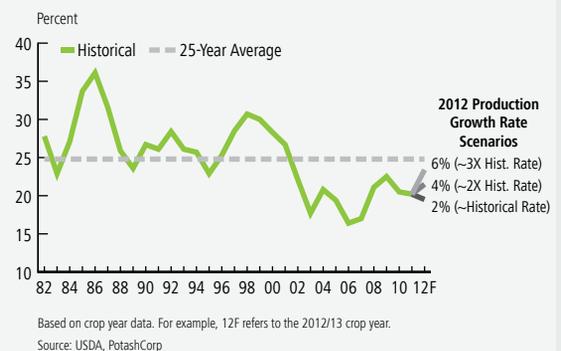
## World Fertilizer Use

Record consumption to meet rising crop nutrient requirements



## World Grain Stocks-to-Use Ratio

Grain inventories expected to remain tight in 2012





**\$1.13**  
2007

**Earnings per share  
– diluted\***

**\$3.64**  
2008

**\$1.08**  
2009

**\$1.95**  
2010

**\$3.51**  
2011

**\$4.00**  
to  
**\$3.40**  
2012F\*\*

### **Building a Better Tomorrow**

In 2011, we delivered our second-highest earnings per share on record, nearly surpassing the total achieved in 2008. These strong earnings – and the potential for rising earnings in the years ahead – not only create opportunities for our shareholders, they are the foundation for generating value for all stakeholders.

\* As we adopted IFRS with effect from January 1, 2010, 2007 to 2009 information is presented on a previous Canadian GAAP basis. Accordingly, information for previous years may not be comparable to 2010 and 2011.

\*\* As at January 26, 2012

## GOAL

# Create superior long-term shareholder value

## Why Our Performance Matters

Strong financial performance enables us to generate superior returns for our shareholders, which makes it possible for us to access capital to help grow our business. Further, it affords us the ability to maintain employment and create new jobs, to support our communities, to contribute taxes to local economies and to invest in the people and resources that will serve the long-term needs of our customers.

## Targets

### Total Shareholder Return (TSR)

#### Context

By tracking the return to investors through capital gains and dividends, then comparing that number to the performance of our peers and benchmark, we measure our ability to create and execute strategies that deliver shareholder value.

#### Target

Exceed TSR performance for our sector\* and the DAXglobal Agribusiness Index (DXAG)

#### Performance partially achieved ①

PotashCorp's TSR of -19.5 percent outperformed the sector's return of -22.8 percent. However, our performance trailed the DAXglobal Agribusiness Index return of -10.2 percent. While we outperformed this index for most of 2011, the slowdown in fertilizer demand in the fourth quarter resulted in weaker relative performance for the balance of the year.

### Cash Flow Return (CFR)

#### Context

Calculated on the total cost basis of the company's assets rather than on their depreciated value, cash flow return measures the effectiveness of our investment outlay.

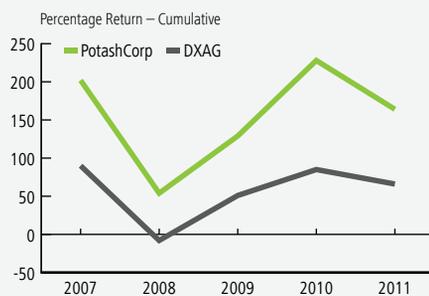
#### Target

Exceed CFR\*\* for our sector\*

#### Performance achieved ●

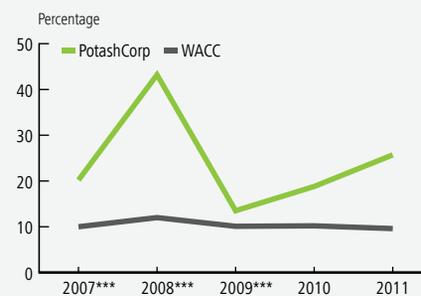
We continue to generate CFR above our weighted average cost of capital (WACC), which was 9.6 percent. This produced positive returns for investors on capital deployed. Our 2011 CFR of 26 percent exceeded that of our sector. This was driven primarily by a 66 percent increase in our operating income due to improved earnings across all three nutrients.

### Total Shareholder Return



Source: Bloomberg, PotashCorp

### Cash Flow Return\*\*



Source: PotashCorp

\* Sector: Weighted average (based on market capitalization) for Agrium, APC, CF Industries, ICL, Intrepid, K+S, Mosaic, SQM, Uralkali and Yara for most recent four fiscal quarters available

\*\* See reconciliation and description of certain non-IFRS measures on Page 78 of the 2011 annual report

\*\*\* Figures prepared in accordance with previous Canadian GAAP



## Progress Toward Our Goal

### 1 Partnering with the Aboriginal community

We are making significant efforts to build a more diverse workforce. We signed a Memorandum of Understanding with the Saskatoon Tribal Council – rooted in common values of respect, communication and education – designed to increase opportunities for First Nations workers and suppliers.

### 2 Developing tomorrow's leaders

We estimate that in the next three years, we will add almost 800 positions in potash and need to replace approximately 300 retiring employees. With such significant growth, leadership training is a primary focus. All our sites have adopted leadership core competencies, and many have incorporated these guidelines into their selection criteria and performance evaluations.

### 3 Enhancing recruitment outreach

PotashCorp participated in more career fairs and student events across Canada and the US in 2011 than ever before. We have developed partnerships with post-secondary institutions and other mining companies to attract required talent to Saskatchewan. We have also significantly enhanced our scholarships to build a talented and diversified workforce.

## External Acceptance Rate

### Context

The company's growth and the need to replace employees at or nearing retirement make it necessary for us to attract a significant quantity of new talent. This is a key metric to determine our attractiveness in an increasingly competitive labor market.

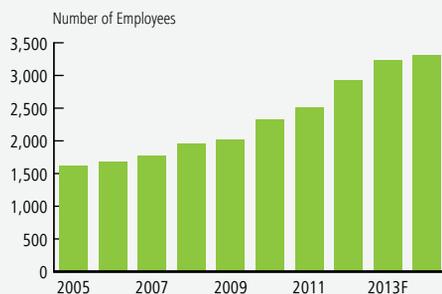
### Target

Achieve an acceptance rate of 85 percent on all external staff-level employment offers made

### Performance ● achieved

An acceptance rate of 93 percent indicates that we remain competitive in the industry and an employer of choice in the regions where we operate.

## PotashCorp Potash Segment Employment



Based on year-end mine site employee totals  
Source: PotashCorp

# 69

Students hired into summer internships or co-op positions in 2011

# 136

Average number of training hours per employee in 2011

# 61%

2011 increase in scholarship and bursary funds awarded

## GOAL

# Achieve no harm to people and no damage to the environment

## Why Our Performance Matters

Creating safe and environmentally sound operations is so vital to our company that it is embedded in our goals and Core Values. Rooted in respect for people and the planet, this goal reflects our priority of doing the right thing – and doing it well.

## Targets

### Site Severity Injury Rates and Life-Altering Injuries

#### Context

Our No. 1 focus is to keep our people safe. We strive to continually improve our safety systems, to prevent accidents and promote safe behavior, and to ensure accountability throughout our operations by reporting on our performance.

#### Target

- Achieve zero life-altering injuries at our sites
- Reduce total site\* severity injury rate\*\* by 35 percent from 2008 levels by the end of 2012

#### Performance

not achieved ○

Sadly, we had a fatality at our Aurora phosphate facility in 2011.

on track ●

We have achieved a 44 percent reduction from 2008 through 2011.

### Greenhouse Gas Emissions

#### Context

Our target to reduce total greenhouse gas (GHG) emissions by 10 percent is voluntary and not required by regulations.

Our nitrogen production is responsible for more than 85 percent of our total GHG emissions, mostly through ammonia and nitric acid production. An ammonia plant emits CO<sub>2</sub> by burning fuel and as a byproduct of production. Some of this CO<sub>2</sub> is sold as a product, while some is used to make urea. The remainder is vented as process CO<sub>2</sub>.

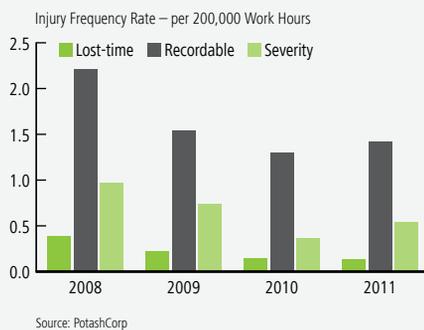
#### Target

Reduce company-wide GHG emissions per tonne of product by 10 percent by the end of 2012, compared to 2007

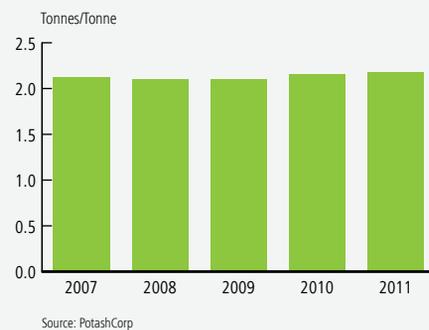
Performance on track ●

We installed GHG controls at our largest nitric acid plant in 2011, which is expected to lower overall company-wide emissions in future years.

### Total Site\* Injury Frequency Rate



### Greenhouse Gas Emissions



\* Total site includes PotashCorp employees, contractors and all others on site.

\*\* Severity injury rate is the total of lost-time injuries and modified work injuries for every 200,000 hours worked.



## Reportable Environmental Incidents

### Context

To be a good neighbor, we must care for our resources and pay attention to our environmental footprint. We measure and report all environmental incidents that occur within our operations while looking for ways to reduce all negative impacts.

### Target

Reduce total reportable incidents (releases, permit excursions and spills) by 10 percent from our 2010 levels

### Performance ● achieved

We had 14 reportable incidents in 2011, which represented a 30 percent reduction from 2010 levels. This was the lowest number of incidents since we began reporting these data.

## Water Usage per Product Tonne

### Context

After evaluating our use, discharges and local availability in 2010, we established a new water use efficiency target in 2011. Most of our operations are closed loop by design to minimize water losses.

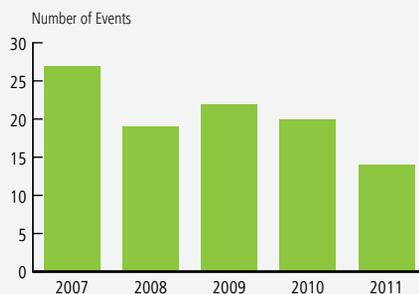
### Target

Maintain or reduce company-wide water usage per tonne of product

### Performance ● achieved

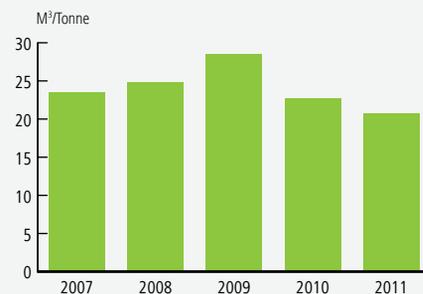
Company-wide water usage in processing plants decreased by 9 percent from 2010 levels. In 2011, 92 percent of the water used in our operations was recycled.

### Reportable Environmental Incidents\*



\* Includes releases, permit excursions and spills  
Source: PotashCorp

### Fresh Water Used for Operations per Tonne



Source: PotashCorp

## GOAL

# Achieve no harm to people and no damage to the environment

(continued)



## Progress Toward Our Goal

### 1 Keeping safety at the forefront

Our employees understand how safety impacts everyone every day. PotashCorp's safety record and all incidents are shared daily across the company to help ensure we learn from our experience. At each of our sites, we stress the importance of getting back to basics – refocusing on validating our safety procedures and ensuring they are being used effectively.

### 2 Recognizing results

In 2011, most of our facilities reached safety milestones, which were recognized company-wide as we believe recognizing our employees in this way is critical to the ongoing development of our "culture of caring." The International Fertilizer Industry Association recognized PCS Nitrogen Trinidad for its excellent safety, health and environmental performance by selecting it as first runner-up for the prestigious Green Leaf Award.

### 3 Implementing best practices

At all our sites, we are implementing a process aimed at preventing serious injuries and fatalities (SIF). Applying what we learned through participation in a research project led by Behavioral Science Technology (BST), our strategy focuses on the potential outcome of incidents and near-misses. By identifying and investigating incidents with SIF potential, we can better develop action plans to eliminate such exposures.

### 4 Developing new environmental targets

We are monitoring waste and water usage with the aim of setting new reduction targets in 2013. We have included energy efficiency and environmental observation metrics in our short-term incentive plans (STIP) at sites to better align our reward structure with environmental performance.

### 5 Protecting water, land and air

**Water:** We are exploring projects at our phosphate facilities – the largest user of water in our operations – to improve efficiency. In 2011, we installed reverse osmosis technology to increase water recycling at our Lima nitrogen facility, reducing overall use.

**Land:** While our production process does impact land, particularly in our phosphate operations, we remain steadfast in our commitment to restore land disturbed at Aurora and White Springs.

**Air:** Beyond complying with all required laws and regulations, we search for ways to reduce GHG and other emissions. In 2011, we completed the installation of air pollution controls at one of our nitric acid plants at Geismar, which has reduced its GHG emissions by an estimated 75 percent.

## 2 to 1

Acres restored for each acre used in our phosphate mining at Aurora

## 30%

Reduction in reportable environmental incidents

## 44%

Reduction in site severity injury rate from 2008 levels

# Building and protecting value with governance

## Governance and Remuneration at PotashCorp

Our Board of Directors and its committees fulfill their responsibility to stakeholders by developing governance and remuneration practices that minimize risk, maximize management performance and ensure the integrity and transparency of the company.

Combined with stakeholder engagement efforts, such practices help build long-term value for the company, reduce reputational risk and protect the interests of the stakeholders who are essential to PotashCorp's success.

By monitoring regulatory developments and company disclosure, the Board continually evaluates and enhances PotashCorp's corporate governance practices.

The Board is also committed to engaging stakeholders on compensation, sustainability, governance and other important items to determine and better serve their interests.

## Board's view on directors

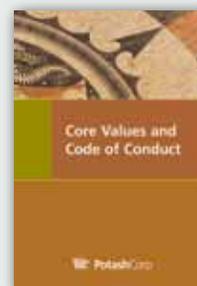
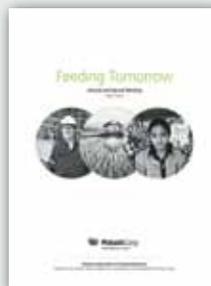
Each director must possess and exhibit the highest degree of integrity, professionalism, values and independent judgment. Directors and senior officers are bound by the "PotashCorp Governance Principles" and "PotashCorp Core Values and Code of Conduct," which can be found together with other governance-related documents on the company's website.

We believe boards function most effectively when individual directors are free from conflicts of interest and exercise independent judgment in discharging their responsibilities. We comply with the independence requirements of all applicable regulators.

All directors are elected by the shareholders each year at the annual meeting of shareholders. When filling director vacancies, the greatest emphasis is on finding the best qualified candidates given the Board's particular needs and circumstances.

#1

PotashCorp's governance ranking among 253 companies in The Globe and Mail Board Games in 2011



More information on our director nomination and Board renewal process can be found in the Corporate Governance section of our 2012 Proxy Circular.

## Our Approach to Executive Compensation

We design executive compensation policies to attract, motivate and retain world-class talent to lead our company and to maximize long-term shareholder value. Our program:

- Links much of executive compensation to performance that drives long-term stakeholder value;
- Aligns executive interests with shareholders through stock ownership requirements;
- Benchmarks compensation levels to a peer group median, providing executives with the opportunity to earn above the median through short-, medium- and long-term incentive plans; and
- Helps guard against excessive risk-taking.

## Aligning compensation with company goals

At PotashCorp, accountability is a core value. To that end, we annually set targets that reflect the interests of our stakeholders and hold ourselves accountable to these targets. We design our compensation plans to help drive achievement of our goals and objectives.

The compensation committee considers it a serious responsibility to maintain full transparency and garner feedback from our shareholders on our executive compensation program. In 2011 and 2010, we reached out to stakeholders through our website, and provided an opportunity for them to comment through a survey.

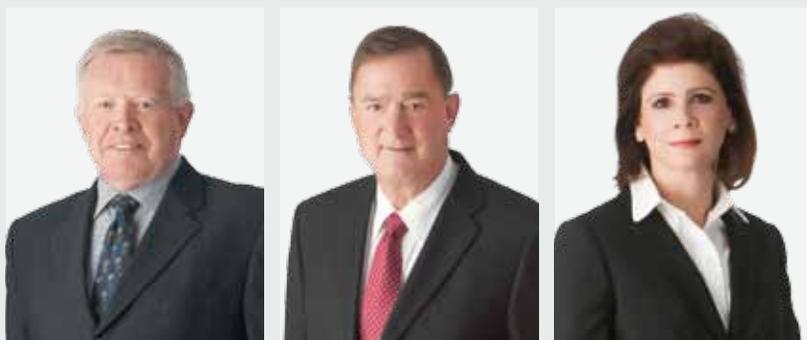
Please visit [PotashCorp.com](http://PotashCorp.com) to participate in the 2012 executive compensation survey.

## Pay for Performance

Goal	Alignment with Compensation
Create superior shareholder value	At-risk incentive compensation plans include short-term, medium-term and long-term cycles and are based on TSR, share appreciation or a related measure.
Be the supplier of choice to the markets we serve	The short-term incentive program (STIP) is based on annual Board-approved goals for sales, productivity and profitability. Achieving them requires us to meet the needs of our customers.
Build strong relationships with and improve the socioeconomic well-being of our communities	Our policy is to invest 1 percent of consolidated income before income taxes on a five-year rolling average in the communities in which we work and other philanthropic programs. We actively encourage all employees, particularly executives, to participate in philanthropic programs in our communities, and we offer gift-matching opportunities for our employees. To make this investment in our communities, it is important to sustain earnings on a consistent basis.
Attract and retain talented, motivated and productive employees who are committed to our long-term goals	Target compensation is competitive with the industry average. Executives are motivated to achieve strong results through opportunities to earn above target based on company and individual performance.
Achieve no harm to people and no damage to the environment	At all plant locations, one-half of the annual STIP payout depends on performance in relation to local metrics, a significant portion of which relates to safety and environmental performance.

To learn more about our compensation practices and policies, visit [PotashCorp.com](http://PotashCorp.com)

## Board of Directors



**Top to bottom** (l to r)

**Christopher M. Burley**<sup>A,D</sup>

Calgary AB

**William J. Doyle**

Saskatoon SK

**John W. Estey**<sup>B,C</sup>

Glenview IL

**Gerald W. Grandey**

Saskatoon SK

**C. Steven Hoffman**<sup>C,D</sup>

Lincolnshire IL

**Dallas J. Howe (Chair)**<sup>A</sup>

Calgary AB

**Alice D. Laberge**<sup>A,D</sup>

Vancouver BC

**Keith G. Martell**<sup>B,D</sup>

Saskatoon SK

**Jeffrey J. McCaig**<sup>B,D</sup>

Calgary AB

**Mary Mogford**<sup>A,B</sup>

Newcastle ON

**Paul J. Schoenhals**<sup>\* B,C</sup>

Calgary AB

**E. Robert Stromberg**<sup>\* C</sup>

Jackfish Lake SK

**Elena Viyella De Paliza**<sup>C</sup>

Dominican Republic

\* Retiring in 2012

Committees:

(A) Corporate Governance and Nominating (B) Compensation  
(C) Safety, Health and Environment (D) Audit

Learn more at [PotashCorp.com](http://PotashCorp.com)