

MAPLE LEAF FOODS

June 6, 2005



Mr. John Stevenson
Secretary
Ontario Securities Commission
20 Queen Street West, Suite 1900
Box 55, Toronto, ON
M5H 3S8

Maple Leaf Foods Inc.
30 St. Clair Ave. W.
Toronto, Ontario
Canada M4V 3A2

Mr. Stevenson:

I am writing to you in connection with your Request for Comments regarding Multilateral Instruments 52-109 and 52-111. My comments are on behalf of Maple Leaf Foods Inc. and Canada Bread Company, Limited and reflect the views of these two reporting issuers and their senior management.

Main Telephone
(416) 926-2000

Facsimile
(416) 926-2018

We are strong believers in the importance of effective corporate governance and internal control and believe that new investor confidence rules are necessary in response to the unfortunate incidents of corporate wrong-doing that have occurred over the past few years. We are very supportive of the principles and objectives of the new Multilateral Instruments; however, we do not believe that the rules-based approach which has taken hold will deliver on the intended objectives with the appropriate balance of costs and benefits. To the contrary, we firmly believe that the current implementation practices will cause our companies and others to expend a great deal of valuable resources to achieve minimal beneficial impact.

We have been closely tracking the results of US implementations as we have embarked on our own process. The conclusions of the Roundtables and the resulting interpretive guidance issued on May 16, 2005 by the SEC and Public Company Accounting Oversight Board (PCAOB) conform very closely to our own conclusions. In the interests of the shareholders of Canadian listed companies, we must learn from the year one experiences of companies that have implemented Section 404 of the Sarbanes-Oxley Act and incorporate the feedback. We have a golden opportunity to significantly improve the quality and output of this process for Canadian issuers.

Our specific comments are outlined below:

Importance of a Risk-Based Approach to Compliance

We strongly believe that companies should be permitted and encouraged to take a practical approach to compliance that focuses on the key financial reporting and disclosure risks to the organization. The compliance experience to date has shown that companies have been compelled by their audit firms to document and assess controls at a very detailed level, many of which do not relate to the key financial reporting and disclosure risks. Our experience to date in the processes that we have completed have confirmed this experience, in that we have spent a disproportionately high level of resources to document low impact and low risk processes. Specifically, we believe that the risk-based approach should be encouraged and applied in the area of scoping as too much emphasis is currently placed on quantitative measures such as the determination of in-scope locations and significant accounts and the perceived requirement to obtain benchmark percentages in coverage.

While the standards do not prescribe necessary coverage percentages, audit firms, in their interpretations of the rules, have required management to attain certain coverage with much less regard to risk (e.g. there is a perceived “requirement” to obtain at least 80% coverage across significant accounts). We believe that additional interpretive guidance is required for management and audit firms to stress the importance of qualitative factors such as risk and extent of judgment to balance out the quantitative criteria. As management, we believe that this will result in resources being directed towards more risky areas and away from relatively risk free areas.

Importance of Entity-Level Controls

We believe that insufficient importance has been placed on the role that entity-level controls play in financial reporting and disclosure. As a result, companies have documented process-level controls in far greater detail than appropriate. In looking back at the high-profile events of corporate wrong-doing which gave rise to the new certification requirements, most, if not all, of these situations resulted from systemic flaws in entity-level controls or involved instances of management override at the highest levels. We believe that the entity level controls at our companies are very strong, and are surprised that these controls are not sufficiently weighted in order to reduce effort in documenting process-level controls.

While the objectives of the new investor confidence rules are well-intended, the resulting interpretations have resulted in far too much emphasis on the documentation and testing of process-level controls that would be inadequate in an environment that has weak entity level controls. It appears that because it is easier to test process-level controls, that an over-emphasis on this area has resulted. In performing our assessment of controls, we believe that our entity level controls are significantly more important, and provide strong support for, process level controls. In our assessments, we believe it is more correct to emphasise entity level controls, but the audit firms would appear to prefer to rely on

evidence of massive documentation and testing of individual process controls, regardless of the risk profile of the particular financial statement account.

Auditor Attestation

We are supportive of the requirement for auditor attestation. Without it, there would be little integrity and consistency in the certification process. We do, however, strongly believe that the following matters must be addressed in order for Multilateral Instrument 52-111 to achieve its objectives in a reasonable and appropriate manner:

- 1) The audit firms must be required to implement one integrated audit comprising an audit of management's financial statements, an audit of management's internal control over financial reporting and an audit of management's internal control over the financial reporting assessment process. Experiences from year one of Sarbanes-Oxley Section 404 compliance revealed that, too often, the audit firms conducted separate audits with little synergies. Tougher standards and requirements on auditors with respect to the integrated audit and increased inspections by the Canadian Public Accountability Board (CPAB) will help to reduce inefficiencies and costs in this area. Our expectation is for our audit fees to increase by at least 80% in 2006, driven primarily by this lack of synergy and an over-emphasis on process-level controls, and we consider this to be unacceptable.
- 2) Audit firms should be provided with some level of certainty related to liability in the event of management fraud. While the auditors, without question, have a big role to play in identifying and detecting the potential for management fraud, the excessive and exorbitant liabilities faced by these firms have resulted in an unduly cautious and conservative audit approach being deployed, the costs of which are borne by reporting issuers. We also believe that this has significantly reduced the free flow of information between issuers and audit firms. Certainty of liability limits and accountability for the audit firms would enable the exercise of more judgment and help avoid an excessively detailed and conservative approach. We also believe this would result in more, not less, effective audits.
- 3) Additional guidance must be provided to the audit firms emphasizing the use of a risk-based approach to auditing internal control over financial reporting. Again, we must learn from the year one experiences of Sarbanes-Oxley Section 404 and must avoid the trap of excessive detail focused on the areas of low risk.

In closing, we would like to once again reaffirm our support for Multilateral Instruments 52-109 and 52-111, including auditor attestation. Our serious concerns stem from the unconscionable costs that have and will result if additional interpretive guidance is not provided to both management and the audit firms. In our view, this guidance must direct issuers and auditors to take a top-down risk-based approach to compliance that places less emphasis on quantitative measures of coverage. We believe this will have the

desired effect of focusing compliance efforts on the areas of greatest risk, will reduce the burden of effort in areas of low risk and will better serve our shareholders.

Thank you, in advance, for your consideration of our comments.

Yours truly,

A handwritten signature in black ink, appearing to read "M. H. Vels". The signature is fluid and cursive, with a prominent flourish at the end.

Michael H. Vels
Chief Financial Officer
Maple Leaf Foods Inc. and Canada Bread Company, Limited

cc: Michael H. McCain, President and Chief Executive Officer
Maple Leaf Foods Inc.

Richard A. Lan, Chief Executive Officer
Canada Bread Company, Limited