



**Bruce G. Waterman**  
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June 21, 2005

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Saskatchewan Securities Commission  
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Ontario Securities Commission  
Autorité des marchés financiers  
Nova Scotia Securities Commission  
New Brunswick Securities Commission  
Office of the Attorney General, Prince Edward Island  
Securities Commission of Newfoundland and Labrador  
Registrar of Securities, Government of Yukon  
Registrar of Securities, Department of Justice, Government of the Northwest Territories  
Registrar of Securities, Legal Registries Division, Department of Justice, Government of Nunavut

**VIA E-MAIL AND ALSO DELIVERED  
BY COURIER WITH DISKETTE IN WORD FORMAT**

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Dear Sirs/Mesdames:

**Re: Proposed Multilateral Instrument 52-111, (the Internal Control/Attestation Rules)**

We refer to the Request For Comments by the Canadian Securities Administrators (the “CSA”), other than British Columbia, on the proposed Multilateral Instrument 52-111, its related Forms and Companion Policy.

I am the Chief Financial Officer, and Senior Vice President, Finance, of Agrium Inc. (“**Agrium**”), and I am making this submission on behalf of Agrium. Agrium, headquartered in Calgary, Alberta, is a leading global producer and distributor of fertilizers and other agricultural products and services, with substantial operations in Canada, the United States, and South America.

Agrium is organized under the *Canada Business Corporations Act*, and is an interlisted issuer with common shares listed on the Toronto Stock Exchange and the New York Stock Exchange. Agrium is an SEC registrant and a foreign private issuer in the United States, with a market capitalization of approximately U.S. \$2.7 billion. Agrium is strongly committed to high standards of corporate

governance and transparent disclosure, as evidenced by our consistently high corporate governance rankings, which include a Board Shareholder Confidence Rating of AAA+ for the second consecutive year from the University of Toronto's Rotman School of Management, as well as scores of 10 and 9.5 from GovernanceMetrics International in the past two years. In addition, Agrium was ranked in 2004 as having outperformed 99.5% of the companies in the S&P/TSX Composite Index according to the Corporate Governance Quotient Rating system developed by Institutional Shareholder Services.

As an SEC registrant, we are subject to the requirements applicable to foreign private issuers under the *Sarbanes-Oxley Act of 2002* and related SEC-rule making, and we have been working towards compliance with the SOX 404 internal control/attestation rules in respect of the fiscal year 2005. Notwithstanding the SEC one-year extension for compliance with SOX 404 by foreign private issuers, we are maintaining the momentum behind our internal control compliance project such that we intend to be in a state of readiness to comply in respect of this fiscal year, although we may take advantage of the SEC extension for foreign private issuers.

As a result, we believe that we are in a position to make this submission from the perspective of having the experience of preparing for compliance with this very substantial initiative over the past two years, and our submission is relatively free from self-interest in the sense that we are required to comply with SOX 404 in any event.

Agrium, its Management, and its Board of Directors, strongly support the various corporate governance reforms and initiatives that have recently taken place in Canada and the United States, and in particular, we commend the CSA on its continuing work to enhance the quality of corporate governance, disclosure practices, and financial reporting standards in Canada. However, we would like to express our concerns regarding the proposed Canadian internal control/attestation rules, and we strongly advocate a cautious and measured approach to the adoption of the SOX 404 regime in Canada as we believe that a more efficient and effective "Made in Canada" solution should be developed with the benefit of lessons to be learned from the U.S. experience.

Agrium is a geographically widespread, heavily decentralized enterprise with diverse operations. By the end of this year, we anticipate that we will have expended a total of approximately \$5.6 million in external costs in connection with our SOX 404 Project, which amount we would estimate is comparable to the massive internal resources across our entire organization that have been dedicated to this Project. Compliance costs will no doubt be disproportionately higher for smaller companies as well as those with complex or decentralized operations such as ours.

We are aware of a number of the arguments, statistics, and perspectives on both sides of the various issues concerning the implementation of the internal control/attestation rules in Canada and the United States, and we believe that these positions have been eloquently articulated by others and made known to the CSA. I do not propose to reiterate those discussions in detail in this letter. In short, Agrium endorses the positions that have been articulated by the CICA and the Ontario Chamber of Commerce to reflect the views of a number of senior Ontario business leaders in a joint Comment Letter dated June 2, 2005, and agrees with the theme coming out of that submission to the effect that the rules have swung the pendulum too far towards rigid controls. Agrium also strongly agrees with the consensus reached at the Internal Control Policy Forum jointly sponsored by the Alberta Securities Commission and Institute of Corporate Directors in Calgary on May 19, 2005 to basically the same effect, where there was virtually unanimous agreement that a SOX 404 regime would be entirely inappropriate in Canada in the absence of substantial modifications.

We share the concerns that we understand were expressed at the recent SEC Roundtable which suggested that a more top down, risk-based and value-added approach to internal control regulation be adopted rather than the overly conservative, rigid, indiscriminate, and detailed process-driven methodology that has led to the enormous compliance effort and consequential drain on resources to meet perceived requirements.

It is our submission, based upon our experience to date, that the Canadian internal control/attestation rules as proposed (and being nearly identical in most respects to SOX 404), will unnecessarily compel enormous compliance efforts in terms of microscopic process documentation, assessment of low-risk internal controls, development of detailed testing protocols, redundant testing by management, internal audit, internal “SOX Project Teams” and/or external consultants, and implementation of sustainable integrated procedures, in addition to the attestation work required to be performed by independent auditors, that will be excessive and will far outweigh any realistic benefits for the vast majority of Canadian issuers, institutional shareholders, the investing public, and other stakeholders.

A specific area in the proposed Multilateral Instrument that gives us particular concern is the extension of the internal control/attestation rules to joint ventures and variable interest entities, which we understand goes beyond even the SOX 404 rules. This is a particular area in which we suggest there is an exponential risk of unintended and detrimental effects that requires further detailed study.

We question the extent to which exhaustive documentation, assessment, testing, etc. of low-risk, process level internal controls will ultimately prevent material errors and fraud. In our view, an adequate level of assurance can be achieved using an entity level, top-down, risk-based approach, particularly if coupled with a focus on strong corporate governance and robust enforcement procedures.

We suggest that there could be potentially serious adverse and unintended consequences to Canadian businesses should we forge ahead with a mirror image of SOX 404 in Canada at this time and overlook the unmistakable signals from south of our border that they recognize that the mechanistic, check the box exercise which was the result of their legislation needs to be re-orientated to a top down, risk based assessment approach.

We are extremely supportive of the work of the CSA and its many accomplishments in enhancing the quality of corporate governance and disclosure standards in Canada. On this particular initiative, however, we strongly advocate deferring implementation of the proposed Canadian internal control instrument in order that further assessment of other alternatives and refinements can be more fully addressed. An implementation date which is a year later than the deadline for Canadian foreign private issuers under the U.S. legislation would allow Canadian legislation to fully benefit from the experience of companies under the U.S. legislation.

We appreciate the outstanding leadership and work that the CSA continues to provide, and we thank you for the opportunity to comment on this very important initiative.

Yours truly,

*/s/ Bruce G. Waterman*  
Bruce G. Waterman

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