



The Mosaic Company
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December 8, 2011

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, NW
Washington, DC 20006-2803

Via Email to comments@pcaobus.org

Re: Concept Release on Auditor Independence and Audit Firm Rotation
PCAOB Release No. 2011- 006

The Mosaic Company's (Mosaic or the Company) Audit Committee appreciates the opportunity to comment on the Public Company Accounting Oversight Board's (PCAOB) Concept Release on Auditor Independence and Audit Firm Rotation. Mosaic's Audit Committee oversees the Company's financial reporting and external audit processes on behalf of the Board of Directors and has frequent interactions and communications with the Company's audit firm. While we are supportive of the highest quality audit standards, we are concerned about a potential mandate that requires the rotation of audit firms and strongly believe that the speculative benefits of such a mandate are more than outweighed by its negative effects.

Appendix A to this letter provides our responses to selected questions posed by the PCAOB on the Concept Release on Auditor Independence and Audit Firm Rotation.

Thank you for considering our comments. If you have any questions regarding our responses, please feel free to contact Anthony T. Brausen, Mosaic's Senior Vice President – Finance and Chief Accounting Officer at tony.brausen@mosaicco.com or (763) 577-2829, who can facilitate communications with us.

Sincerely,

The Mosaic Company Audit Committee

William R. Graber, *Chair*

Nancy E. Cooper

Phyllis E. Cochran

William T. Monahan

Enclosure



Appendix A
The Mosaic Company Audit Committee

Questions for Respondents
Concept Release on Auditor Independence and Audit Firm Rotation

The Mosaic Company is one of the world's leading producers and marketers of concentrated phosphate and potash crop nutrients for the global agricultural industry. We serve customers in approximately 40 countries and currently have approximately 7,700 employees worldwide. Our net sales were \$9.9 billion for our most recent fiscal year (the year ended May 31, 2011). Mosaic is included in the S&P 500 and our common stock is traded on the New York Stock Exchange.

The Mosaic Company was formed through the business combination of IMC Global, Inc. and the Cargill Crop Nutrition fertilizer businesses of Cargill, Incorporated on October 22, 2004. KPMG LLP has served as the Company's independent registered public accounting firm since that time.

We are responding to the following selected questions presented in the Concept Release on Auditor Independence and Audit Firm Rotation (Concepts Release), as these are the most pertinent to Mosaic or appear to be the most appropriate for an audit committee to respond:

Would audit firm rotation enhance auditor independence, objectivity and professional skepticism?

We do not believe that mandatory audit firm rotation would serve to meaningfully enhance independence, objectivity and professional skepticism. As the Concept Release indicates, independence, objectivity, and professional skepticism are largely an element of mindset or attitude of a firm, or more importantly, the individuals serving on the audit team. In our view, changing audit firms at required, established intervals would not necessarily enhance such qualities, and may reduce them, depending on the individuals involved. We believe these qualities have been strengthened by more comprehensive reporting and discussions between the audit firm and the audit committee, and the requirement to limit the performance of non-audit services by the firms.

Further, we believe the five-year mandatory audit partner rotation provides a "fresh-look" of the audit approach, as well as through the natural rotation of staff below the partner level. These factors positively contribute to the independence, objectivity, and professional skepticism for the audit, while maintaining the history and base of knowledge developed with an audit firm.

Moreover, we do not believe that the concept of mandatory audit firm rotation adequately recognizes the benefits of experience and continuity of the audit engagement team. As a large multinational corporation that was only recently formed, we believe The Mosaic Company has a unique perspective on the amount of time it takes even the best audit engagement team to gain a deep understanding of the complexities of multinational businesses and the multiplicity of transactions in which they routinely engage. We utilize our audit firm and other accounting firms routinely to assist us with complex transactions and issues, and to provide statutory audit services at our various subsidiaries worldwide. Experience and context matter, both to the engagement team's ability to optimally apply highly technical accounting concepts and even more so to the engagement team's ability to evaluate the judgments inherent in accounting for complex transactions and to its ability to spot any emerging areas of concern. Because of the importance of these factors, we believe that the demonstrable detriments of mandatory audit firm rotation more than offset the potential incremental benefits and that such a rule would degrade the quality of audits, including statutory audits, particularly in the first years following each rotation.



What are the advantages and disadvantages of mandatory audit firm rotation? If there are potential disadvantages or unintended consequences, are there ways a rotational requirement could be structured to avoid or minimize them?

We appreciate the discussion and presentation in the Concepts Release of the various advantages and disadvantages of mandatory firm rotation. From Mosaic's standpoint, we believe the potential benefits of mandatory rotation are minimal at best, and far outweighed by the disadvantages. We also do not believe that there are effective means to avoid or minimize the disadvantages, and offer the following observations:

- We note that proponents of mandatory audit firm rotation believe ending a firm's ability to develop a long-term relationship with an audit client might "significantly enhance the auditor's ability to serve as an independent gatekeeper." In our view, developing such a long-term relationship with our auditors significantly enhances audit quality by allowing them to invest in, develop and maintain a greater understanding of our operations and industry while developing a cohesive international service team and audit approach.
- We agree with the observations that mandatory rotation would significantly increase costs and disrupt normal audit and financial reporting processes. This is particularly important in an environment in which the financial markets expect reporting of financial results at the earliest possible moment. The on-boarding and learning curve of a new firm would be especially disruptive and costly, as we believe firms would be less likely to absorb first-year or learning costs in a mandatory rotational process. In addition to paying for this learning curve, our time and internal resources necessary to facilitate a new audit firm would be significant. Furthermore, the time and effort of soliciting and evaluating audit proposals would also be significant in our case.
- As a large, multinational public company, the pool of potential firms to provide audit services is very limited. This is exacerbated when those firms provide non-audit services that impair their independence. Further, we are mindful that firms, even after an audit relationship has ended, need to maintain their independence in order to provide auditor's consents for filings made with the Securities and Exchange Commission. Accordingly, mandatory firm rotation would create unnecessary limitations on our ability to secure quality audit and non-audit services for our company and would be disruptive for existing services currently provided by firms other than our auditor.
- The Concepts Release discusses the belief that audit quality will increase with mandatory rotation, because a current auditor will know that another firm will be reviewing their files. From a practical standpoint, we believe audit firms currently approach engagements with the expectation that their files will be reviewed, whether it would be by regulators, including the PCAOB, or by other audit firms related to due diligence or other transactional requirements.
- We believe there is increased risk that complex transactions or arrangements may not be audited properly any time a change in audit firms is made. Having a firm that has a history with our company and more fully understands our business including past transactions and arrangements is critical to us in order that current developments and transactions be understood appropriately.

In short, we do not believe the current system of audit firm oversight is broken, and do not support mandatory audit firm rotation. We respect the professionalism of our audit firm to provide quality audit services and to maintain appropriate levels of independence, objectivity and professional skepticism. If we observe that these qualities are not being provided, we will consider appropriate responses, including the potential change in audit firms.



To what extent have audit committees considered implementing a policy of audit firm rotation? If audit committees have not considered implementing such a policy, why not?

We have not considered a policy of audit firm rotation for Mosaic. The formation of the Company, as described above, along with our on-going operations and the geographic range of our business create complexities for which, in our view, such a policy would be detrimental. One of our primary objectives is to have our audit firm fully understand our operations and the industry in which we operate so that it can provide quality audit services and meet our reporting timelines and other requirements.

Additionally, our audit committee spends a significant amount of time evaluating the qualifications, performance and independence of our audit firm, including a review and evaluation of its lead partner serving our company. Annually, we confirm that our audit firm meets the independence requirements set forth by the PCAOB and oversee that the firm's audit partners rotate as required. If we determine that we are not receiving the services, objectivity, and independence required from our present audit firm, we will consider our alternatives as an audit committee, including a potential change in our auditors. Due to the significance of these activities, we do not believe that mandatory auditor rotation would provide meaningful additional benefits.

Could audit committee oversight of the engagement be otherwise enhanced in a way that meaningfully improves auditor independence?

In its oversight role of the audit process, Mosaic's Audit Committee discusses with our auditors, at multiple times annually, their scope and plans for the audit including the adequacy of staffing and budget, their independence, audit results, difficulties encountered during the audit, disagreements, if any, with management, and their evaluation of Mosaic's internal controls and quality of Mosaic's accounting policies and financial reporting. We also review written communications prepared by the audit firm relative to these areas and management's responses.

These discussions and communications are substantial, detailed, and candid. We believe our oversight is appropriate to address the significant aspects of the audit process, including auditor independence.

Finally, we believe the enhanced activities of the audit committee and relationship with the audit firm arising from the provisions of the Sarbanes-Oxley Act of 2002 have been beneficial to our company and all public companies. In particular, restrictions of non-audit services performed by a company's auditor, the direct role of the audit committee in the appointment and reappointment of the audit firm, and the creation of the PCAOB as the regulator of audit firms have had positive impacts on the audits of public companies. Considering these requirements, as well as the audit committee activities described in the response to the previous question, we do not believe that mandatory auditor rotation would provide meaningful additional benefits.