



a summary of Agrium's
2007 sustainability report

a growing impact



our sustainability vision:

Agrium will make an increasingly positive impact on stakeholders while helping **to feed the world responsibly.**

t o o u r s t a k e h o l d e r s



Our business is to provide nutrients, products and services to growers. Our vision is to do so in a positive and responsible manner. We undertake actions that protect, sustain and improve humanity and the environment, today and in the future.

To achieve sustainability, we remain committed to governance, ethics, transparency, innovation, stakeholder engagement and continual improvement. We constantly look for ways to increase positive impacts on stakeholders and the environment, while decreasing the negative. By continually optimizing this equation we create more value for our stakeholders and grow our ability to help feed the world.

You will read in this summary, and in our longer report on our website, about the opportunities and challenges we encounter as we strive for sustainability. Since 2005, our acquisitions and expansions have enabled us to further diversify across the value chain, improving our

reliability to customers, communities and shareholders. In contrast, despite our efforts to obtain a secure natural gas supply, we had no option but to close our Kenai, Alaska nitrogen facility. Also, although our safety performance is improving, we regretfully experienced an employee fatality in 2006.

By working collaboratively with growers, communities, employees, regulatory agencies, industry associations and others, we can enhance the well-being of people, the environment and the economy. Together we can have a growing impact on the world.

Mike Wilson
President and Chief Executive Officer
Agrium Inc.

Nutrients play a unique role in replenishing our soils and **sustaining the world's growing need for food, fiber and fuel.**



t h e r o l e o f n u t r i e n t s i n s u s t a i n a b i l i t y

Nutrients play a unique role in replenishing our soils and sustaining the world's growing need for food, fiber and fuel. Agrium is part of an industry that provides these life-sustaining resources and maintains the quality of one of the world's most precious resources—our soil.

Replenishing Soils

As crops grow, they remove nutrients from the soil. If these nutrients are not replaced, soil quality and crop productivity decline. Agrium strives to ensure nutrients are applied in amounts that sustainably replenish soils.

Meeting Food Needs

Experts estimate that commercial fertilizer is responsible for the basic food needs of at least 40 percent of the world's population. Fertilizer is instrumental in ensuring a safe, low-cost, nutritious and abundant food supply. The agriculture industry is expected to achieve sustainable food production on existing cultivated land while minimizing environmental impacts.

Minimizing Environmental Impacts

Nutrients are essential to life in proper quantities, but excess and unwise nutrient use can contribute to a variety of environmental issues, such as the over-enrichment of water bodies, a lack of available oxygen in water bodies, and increased greenhouse gas emissions. Agrium is helping to ensure that fertilizers contribute to sustainability by developing best management practices embodied in the *4R Nutrient Management System* (right product, right rate, right time, right place) and new technologies like controlled-release fertilizers.

Providing products and promoting farming practices that optimize food, fuel and fiber production on existing farm land conserves greater space for wildlife habitat and recreation. It is estimated that without fertilizer, growers would have to bring 50 percent more land into production to produce the same amount of food.



We continually will **grow positive impacts, while working to reduce negative impacts** on stakeholders and the environment.

g r o w i n g p o s i t i v e i m p a c t s t o g e t h e r

Everything we do has an impact. Our sustainability programs are designed around the basic concept that we continually will grow positive impacts, while working to reduce negative impacts on stakeholders and the environment. We have categorized stakeholders into five primary groups: communities, employees, customers, owners and society. In this way we feel that

all of those who have an affect on Agrium or can be affected by our activities are considered. Although it is not a stakeholder in the strict sense of the word, the environment is also affected by our activities. All of our stakeholders are concerned about environmental protection, so we included a separate section in this report on the environment.

Our community projects are focused on investing in people, **to build community and individual capacity.**



c o m m u n i t i e s

In some communities Agrium has a significant presence—employing a measurable percentage of the population, creating business opportunities for local suppliers, and contributing to the tax base. Our retail outlets are often located in small rural communities. We offer employment and other business opportunities in areas where sometimes few choices exist. But we also use community infrastructure like roads, water and protective services, and generate noise and waste that can have an impact.

We require each of our major facilities to develop a community outreach plan. These plans include how we engage local residents through neighbor visits, open houses, emergency preparedness planning and educational activities. The plans also engage local government officials and interest groups.

We think it is important to provide stability to community investment programs that dovetail well with our values and strategy. As we continue to grow across the value chain and geographically, we plan to expand the international scope of many of our outreach programs, including our *Caring for Our Watersheds* program. Our

community projects are focused on investing in people, to build community and individual capacity, rather than building facilities. We believe that this approach creates greater value and has a more lasting impact.

We contributed to more than 800 charitable organizations in 2007 through our community investment programs. We strive to maintain our targeted contribution level of one percent of pre-tax profits over a five-year rolling average basis despite the rapid growth of our company. We plan to increase the absolute and relative amounts of funds donated to non-profit groups. An employee *Volunteer in the Community* program that began with Retail in 2004 will be taken company-wide in 2008. The program enables employees to contribute to a community project on company time.

Beyond our financial contributions, our operations also contribute to socio-economic dimensions of well-being. Although they cannot be measured by dollars, opportunities for human development, certainty through long-term agreements, and improvements to infrastructure are all important impacts we have on communities.

Indicator	Units	2003	2004	2005	2006	2007
Community Investments						
Total	\$ thousand	963	1,001	1,273	1,076	1,330
Percent of Pre-tax Profits	percent	1.5	6.3	1.7	0.8	0.9
Goods and Services Purchased	\$ million	1,861	2,083	2,362	2,616	3,231
Taxes	\$ million	61	143	185	149	137



We strive to create an environment where **all employees feel valued** and are engaged in the implementation of company strategies.

employees



Agrium has a significant impact on our employees by supporting their career development and financial goals. Our programs and policies directly impact workplace safety and create a work environment free from harassment and violence. We strive to create an environment where all employees feel valued and are engaged in the implementation of company strategies.

Agrium's true competitive advantage is our ability to attract and retain the right people. We recently developed a three-year People Strategy to address global workforce planning, leadership, retention, diversity and performance measurements. We support employee development through: mentoring; cross-business unit transfers; an annual leadership forum; and by investing in educational courses, conferences, professional memberships and educational rebates. Employees are engaged in company strategy through our performance management system, which aligns individual and team efforts with company strategies and measures.

Although employee turnover increased to 6.6 percent since 2005, our rate is still relatively low for our industry.

Each year, employees and contractors are required to acknowledge their compliance with our business conduct policies. These policies address conflicts of interest, fair dealing, corruption, and other ethical issues.

We implemented a new Human Resources (HR) Service Delivery Enhancement model in 2007 to improve our overall HR service to employees and leaders.

In 2007, we reduced our employee recordable injury frequency rate to its lowest ever; a reduction of 15 percent since 2005. More than 70 percent of our approximately 500 operating locations did not have a single recordable injury in 2007. We believe our commitment to communication and training throughout the company contributed to this major success. We conduct safety training at various levels: business unit leaders; facility-level leaders; site-specific; job-specific; and new employee orientation. Although our contractor recordable injury frequency rate is lower than in 2005, it is still significantly higher than our employee rate and requires our ongoing attention.

As we expand in new countries around the world, we work closely with employees to address their specific concerns and needs. We believe in hiring locally and maintaining our strong company-wide safety standards and business ethics. For example, in Argentina, we currently have only one expatriate employee at our production facility. We also ensure that our policies are relevant locally as we grow globally.



Indicator	Units	2003	2004	2005	2006	2007
Employee Voluntary Turnover	percent	4.0	3.0	6.0	6.0	6.6
Women in Senior Leadership Roles						
Senior Management	percent	14	10	9	16	19
Officers	percent	15	15	15	13	13
Board of Directors	percent	8	18	18	23	27
Recordable Injury Rate						
Employees	cases/200,000 hours worked	4.83	4.11	3.42	4.01	2.90
Contractors	cases/200,000 hours worked	4.25	2.51	4.66	2.69	4.07



We help our customers increase their productivity, **support their environmental stewardship efforts** and **improve user safety**.



customers

We strive to provide our customers with products and services that create value. While the creation of economic value is our primary focus, we also help our customers increase their productivity, support their environmental stewardship efforts and improve user safety.

Our customers have a right to know what is in the products we are supplying and how they should be used to protect the environment and the user. Our approach to product lifecycle management involves considering the journey of the product from its design through extraction, production, distribution, use and finally to its disposal or reclamation. We work with regulators and industry experts to extract raw materials in a manner that will minimize long-term environmental impacts and enable reclamation of the land. In our production processes we continually work to maximize energy efficiency and reduce emissions. We work with customers, carriers and governments to continually improve the safety and the effectiveness of our distribution system. Finally, we work with growers to ensure our products are applied using best management practices to improve performance and minimize losses.

Through our support of The Fertilizer Institute, we have completed product toxicology testing on numerous fertilizer products. To date, we have received international approval on five product categories comprising 23 unique chemicals including phosphate, ammonia, nitric acid, nitrate and sulphate products.

Through the use of technology, services and best management practices, we have reduced overall product use. Our controlled-release products allow growers to provide crops with nitrogen at the right time and rate. New herbicide-resistant seed varieties have the potential to reduce the amount of crop protection products used by growers. Since 2005, our seed sales are considerably up, while our chemical sales are slightly down. Through the use of global positioning systems we are able to apply nutrients and crop protection products more precisely in a field to reduce losses and overall application rates. By analyzing yield, soil test results, weather and crop scouting data, our Certified Crop Advisors are able to help growers make better decisions to improve their economic and environmental performance.

We are making investments that create long-term value for our owners, and are executing a strategy of **globally diversifying by product, business and geography** across the value chain.



owners

Our financial performance can affect our owners' financial well-being in two simple ways—we can multiply or diminish their investments. We can also help owners achieve non-financial objectives such as supporting a sustainable company.

To increase the stability of our earnings through economic cycles, we are making investments that create long-term value for our owners, and are executing a strategy of globally diversifying by product, business and geography

across the value chain. In the past two years we have taken significant steps to execute this strategy by: acquiring Nu-Gro, Pursell Technologies Inc., and Royster Clark; expanding potash and controlled-release nitrogen production capacity; and entering the Chinese market. By significantly expanding our Retail business, we provide more stable earnings through pricing cycles. With our strong sales of crop nutrients, we are well positioned to capitalize on high global grain prices.

Indicator	Units	2003	2004	2005	2006	2007
Dividends	\$ million	14	14	14	14	15
Interest	\$ million	80	69	49	63	70
Retained Earnings	\$ million	140	392	584	602	1,024



We actively participate in discussions and initiatives with governments to **improve our impacts on society.**

society

Beyond the stakeholders already highlighted in this report, we also affect suppliers, research institutions, governments and the general public. We can affect the regulatory direction in jurisdictions as large as nations, and when we collaborate with peers we can affect the direction of an entire industry. We can create value for the public when we get involved in educational and public safety initiatives. Above all, we have an impact on all of society by providing nutrients that produce abundant and nutritious food.

With our stakeholders, we implement a number of industry-wide stewardship systems and codes of practice to address issues affecting society. In the past two years, we have worked with the Canadian Fertilizer Institute to develop an ammonia code of practice that provides industry-wide standards for ammonia handling and storage.

By providing crop nutrients and other crop production inputs we are helping growers provide abundant and nutritious food. We support developing nations in their efforts to increase food production and improve environmental performance through the International Plant Nutrition Institute. With our recent entry into the Chinese market we see an enormous opportunity to promote sustainable agricultural practices. By helping millions of Chinese growers apply at the right rate and time using controlled-release technologies, we have the potential to make a significant positive impact on the environment and crop yields.

The criminal misuse of fertilizer products for explosives and drug production is a threat we are committed to defeating. In 2005, Agrium announced that we would no longer manufacture ammonium nitrate for agricultural use in part due to the risk of its use for making crude explosives. In 2007, we began limiting the sale of third-party ammonium nitrate to blends or custom applied product. While we still manufacture explosive grade ammonium nitrate for industrial markets, all shipments of this product are tracked to reduce the risks of criminal misuse. Ammonia can be used to produce “crystal meth”. Agrium supported the development of an awareness program by the Progressive Agriculture Foundation to inform rural children and their families of crystal meth and the adverse consequences of its use. Agrium has locking capability at all of our ammonia storage facilities.

We actively participate in discussions and initiatives with governments to improve our impacts on society. Our goal is to help shape informed governmental policy decisions that meet society’s objectives while maintaining business viability.

Governments have supported Agrium in pursuit of generating major societal benefits. The Alaska and United States federal governments granted a total of \$7 million to support the evaluation work for our Kenai Coal Gasification project. The Government of Alberta has contributed C\$3 million for further development of controlled-release technology.

We work to **minimize negative impacts** created through the mining, processing, transportation and use of our products.



environment

Our fertilizer products help replace nutrients removed through harvesting to support the sustainable production of food, fiber and fuel. By optimizing production on existing farm land we minimize habitat and recreational land destruction. We work to minimize negative impacts created through the mining, processing, transportation and use of our products. If we do not do this well, we can negatively impact water,

air and soil quality through our emissions and wasteful consumption of raw materials.

The primary tool that guides us in implementing sound environmental practices is our Environment, Health and Safety Management System. The Environment, Health and Safety committee of our Board of Directors helps direct and govern our environmental efforts.



environment

Greenhouse Gases

In an effort to reduce greenhouse gas emissions, we have developed a comprehensive three-pronged strategy with stakeholders, targeting:

- Improvements in energy efficiency within our operations;
- Carbon capture and storage; and
- Reduced emissions in agriculture.

A recent study assessing opportunities to reduce greenhouse gas emissions from combustion at Canadian nitrogen fertilizer facilities indicated that, at most, a three to five percent improvement is possible. Given our actions since the 1990s to improve energy efficiency, finding a further five percent reduction in combustion emission intensity is challenging, but we are looking for all economical efficiency improvements in our nitrogen operations.

We continue to seek opportunities to capture carbon dioxide (CO₂) from our nitrogen production facilities for enhanced oil recovery, industrial use or underground storage. At our Borger, Texas operation, more than 185,000 tonnes of CO₂ were captured in each of 2006 and 2007 for enhanced oil recovery. In 2007, we signed an agreement to capture significant CO₂ emissions from our Redwater, Alberta facility for enhanced oil recovery by other companies. This project is scheduled to become operational in late 2011 subject to approvals.

Agrium has worked with stakeholders to develop an industry-wide nutrient stewardship system that will reduce nitrous oxide (N₂O) emissions by applying the right nitrogen products at the right rate, time and place through the implementation of best management practices. Although only small amounts of N₂O are released as a result of nitrogen fertilizer use, their release is of concern because N₂O has almost 300

times the global warming potential of CO₂. As well, we have developed a series of controlled-release nitrogen products for large acre crops, such as corn and wheat, which reduce N₂O emissions and increase crop yields.

Our absolute greenhouse gas emissions have decreased by 30 percent from 2005 to 2007 primarily as a result of reduced production at three of our facilities and unscheduled maintenance at a fourth facility. Our greenhouse gas intensity (tonnes CO₂ equivalent/tonne of production) has risen slightly from 2005 to 2007 because our production in 2007 included higher amounts of more energy-intensive nitrogen.

Other Major Environmental Issues

In anticipation of upcoming nitrogen oxide (NO_x) regulations, we are replacing existing burners with low NO_x burners in 2008 in our Fort Saskatchewan, Alberta operation. We report emissions to the Canadian National Pollutant Release Inventory (NPRI) and United States Toxic Release Inventory (TRI). Air emissions, excluding criteria air contaminants (CACs), have decreased seven percent since 2005. CACs include emissions such as NO_x, sulphur dioxide (SO_x) and particulates. CACs have decreased 12 percent since 2005.

In 2007, Agrium received fines and penalties, or reached settlements for environmental violations totaling \$1.1 million. This large increase over previous years is primarily due to a \$750,000 settlement with the United States Environmental Protection Agency for air permit violations that occurred at a former Royster Clark nitric acid plant in Cincinnati, Ohio before our acquisition. In addition to the fine, the settlement requires us to install pollution control equipment to reduce NO_x emissions from nitric acid production by 80 percent. Equipment improvements are expected to cost up to \$2.5 million.

Indicator	Units	2003	2004	2005	2006	2007
Greenhouse Gas Emissions						
Absolute	thousand tonnes CO ₂ equivalent (e)	4,644	5,050	4,870	4,151	3,426
Intensity	tonnes CO ₂ e/tonne of production	0.347	0.344	0.361	0.360	0.370
Criteria Air Contaminants*	tonnes	13,877	21,067	13,860	12,891	12,199
Other Air Emissions	tonnes	4,886	5,810	5,851	5,797	5,500
Water Use	million m ³	69.5	78.0	74.2	77.6	68.0
Water Discharges	tonnes	3,045	3,243	3,449	3,248	3,287
Environmental Events**	number	52	46	44	54	51

*Includes CO, NO_x, SO_x, VOCs and particulates.

**Spills, upset air releases, non-compliances, enforcement actions.



about Agrium

Agrium is a major retailer of agricultural products and services in North and South America, a leading global wholesale producer and marketer of agricultural nutrients, and the premier supplier of specialty fertilizers in North America. We produce and market all three primary groups of nutrients: nitrogen, phosphate and potash, as well as controlled-release fertilizers and micronutrients.

Agrium is the only publicly traded company that is integrated from mining the raw materials for fertilizer production through to selling to growers. We have three

business units: Wholesale, Retail and Agrium Advanced Technologies. We are the largest direct-to-grower agricultural retailer in the United States. We also supply materials that a variety of industries use to produce goods such as mining explosives, household products, pulp and paper, fiberboard and aluminum.

Agrium is headquartered in Calgary, Alberta, and is listed on the Toronto and New York stock exchanges under the symbol AGU.

Indicator	Units	2004	2005	2006	2007
Employees	number	4,617	4,719	6,554	6,618
Net sales	\$ million	2,838	3,294	4,193	5,270
Net earnings	\$ million	266	283	33	441
Total assets	\$ million	2,661	2,785	3,265	5,839
Retail centres	number	224	254	436	444
Major production facilities	number	14	13	13	12
Nitrogen production	thousand tonnes	4,200	5,894	4,870	4,925
Phosphate production	thousand tonnes	1,200	1,078	895	1,041
Potash production	thousand tonnes	1,700	1,720	1,209	1,729

about this publication

This publication highlights aspects of our sustainability performance. A more comprehensive discussion on our sustainability systems, policies and performances is provided in our full report at www.agrium.com. A print

version of the 52-page report is available upon request. We used stakeholder input and the Global Reporting Initiative's Sustainability Reporting Guidelines to establish content for our report.

get in touch!

We welcome and value your feedback on this report and our sustainability initiatives. If you have any questions, comments or concerns, please contact us:

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Agrium became a participant in the United Nations Global Compact in late April 2008, during completion of this report. In our next report we will demonstrate how we are implementing the Global Compact's ten principles on human rights, labor, environment and anti-corruption.

