



## Minutes

**Secret**

### Syngenta Executive Committee Minutes of the SEC Meeting held on Tuesday 29 January 2008

Present: Mr M Mack (in the Chair)  
Dr J C Atkin  
Dr R Berendes  
Dr D K Lawrence  
Mr E C Mäder  
Mr M Peacock  
Mr D Pisk  
Mr J Ramsay  
Mr J D Sullivan (Secretary)

In attendance: Mr J Seabrook (Minute 15/08)  
Ms J Gough (Minute 15/08)  
Mr K Neuffer (Minutes 16/08 and 19/08)  
Mr K Williams (Minute 17/08)  
Dr R Furter (Minute 18/08)  
Mr K Mewés (Minute 18/08)  
Mr R Dieterle (Minute 18/08)  
Mr M Wilks (Minute 18/08)  
Mr A Dias (Minute 18/08)  
Mr G Walker (Minute 19/08)  
Mr J Cox (by telephone) (Minute 19/08)  
Mr D Witherspoon (by telephone) (Minute 19/08)  
Ms B Becker (Minute 20/08)  
Mr C Goppelsroeder (Minute 20/08)  
Mr A Klontzaris (Minute 20/08)  
Mr T Kroenke (Minute 20/08)  
Mr S Holt (Minutes 21/08 to 24/08)



12/08 MINUTES AND MATTERS ARISING

The draft Minutes of the Meeting held on 10 January, 2008 were approved.

- Minute 01/08, Mr Ramsay confirmed that no changes to the treatment of STI in response to the Board Budget challenge were proposed which would require the consideration of the Compensation Committee
- Minute 01/08, it was agreed that to the extent that risk management was operationalised the Enterprise Risk Manager should not report to the Head of Internal Audit but that the final determination on the approach to risk management would be taken at a later date; pending this decision the reporting line to the Head of Internal Audit remained appropriate in the context of a current approach to risk management focused on reporting of Enterprise Risk
- Minute 04/08, Mr Ramsay had on 28 January circulated a draft "discussion paper" on Delisting and Deregistration from the New York Stock Exchange for the 6 February Board Meeting which incorporated the comments made by SEC members at the 10 January Meeting and which would initially be considered at the 30 January Audit Committee Meeting
- Minute 08/08, the Letter of Intent concerning the strategic alliance between Syngenta and the AgroFresh subsidiary of Rohm and Haas with respect to the "Invinsa" crop stress protection technology had been announced on January 17. The transaction had been determined not to constitute a joint venture and not to require the support of the Chairman's Committee but would be reported to the Chairman's Committee for information at its Meeting on 5 February
- Minute 09/08, the negotiations with DuPont with regard to second generation bisamides had been re-evaluated in the light of the publication of a new patent by Bayer in the same area of chemistry; it was now intended that each of Syngenta and DuPont independently carry out "due diligence" with respect to the other company's compound with a view to reaching agreement on co-development of one of the compounds
- Minute 10/08, Mr Páácock would next report to the 8/9 April Meeting on progress in relation to the Rosental Site Masterplan
- Minute 11/08, Dr Berendes said that the testing against the baseline of amylase performance in the Kansas trials had confirmed the initial results; a meeting to include SEC stakeholders had been scheduled for 1 February and Dr Berendes would circulate a short written briefing to the full Committee

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- the appointment of Ms S Hull, currently Head of Communications and Public Affairs NAFTA, as Global Head of Public and Government Affairs, effective 1 February, in succession to Mr C Ridley, would be announced on the day of the Meeting; Ms Hull would continue to support NAFTA directly pending the appointment of a successor to her current rôle. The experience of recent recruitment to senior positions in Corporate Affairs suggested the need for clear definition at the outset of the criteria for each rôle and greater discipline and rigour in the integration of stakeholder feedback. It was also agreed that any decision affecting the continuity of individuals in rôles at SMG grades "A" or "B" should be notified by circulation to the SEC.

### **13/08 FINANCIAL PERFORMANCE**

Mr Ramsay gave a presentation reviewing, subject to final audit sign-off, the Full Year Results for 2007 and the revised Budget for 2008. In summary:

- Group Full Year Sales were confirmed at \$9.24bn and EPS before non-recurring income at \$11.06, 27% above 2006
- EBITDA excluding the \$50m non-recurring payment from Delta & Pine Land increased by 16% at constant exchange rates to \$1.85bn
- the Gross Profit ratio in Crop Protection and Professional Products of 50.5% was 0.4% lower than 2006, at constant currency, affected by the provision with regard to the Regional landfills and the EBITDA margin in Seeds at 4.9% was 4.7% below 2006, impacted by the switch from soya to corn planting in the U.S.
- Operating Income was 25% ahead of 2006 at constant exchange rates, the efficiency program contributing \$168m of cost savings in its first year
- final full year Free Cash Flow was significantly ahead of 2006 at \$802m versus \$614m with the Rosental site sale proceeds, Delta & Pine Land receipt and higher EBITDA partly offset by increased capital spend and financial expense cash flows
- Mr Mack would approach the Compensation Committee for approval for the use of a 90% Financial KPI ratio for NAFTA Corn & Soya for the purposes of STI
- the revised 2008 Budget was for sales of \$10.29bn and EBITDA of \$2.037bn, the currency variance from the original Budget at EBITDA level being \$18m
- the restructuring provisions totalling \$206m were driven by the Operational Efficiency and EOS programs
- the Likely Outturn for NAFTA Corn & Soya reflected a reduction by 2 million acres in corn and an increase by 3 million acres in soya plantings in the U.S. by comparison with the Budget assumption
- there appeared at this point to be some scope for margin improvement in Crop Protection and every effort would be made to deliver the 5% margin target in Seeds
- Mr Ramsay would consider together with Dr Berendes and Dr Lawrence the application of the Board Budget challenge to Business Development and R&D



- Dr Atkin would review further with Mr Ramsay the Quarterly sales phasing within the 2008 Budget for Crop Protection and Professional Products.

#### **14/08 DIVIDEND CONFIRMATION**

Mr Ramsay gave a presentation confirming the 2008 dividend distribution. The main points were:

- the dividend would be increased from CHF3.80 per share in 2007 to CHF4.80 per share in 2008, or a total distribution of \$415m
- approval would be sought in 2008 for a share repurchase of \$600m, equivalent to approximately 2.2m shares depending on repurchase price
- potential acquisition expenditure in addition to the cash return to shareholders in 2008 could increase net gearing to the top of the target range (35%)
- if appropriate the balance sheet strategy would be reviewed with the Board in May 2009 and if there was significant capacity to return cash to shareholders beyond the dividend the possibility of a put option would be examined.

The presentation was noted.

#### **15/08 DRAFT 2007 FULL YEAR RESULTS ANNOUNCEMENT**

Ms J Gough with Mr J Seabrook led a discussion of the draft Financial Release covering the Full Year Results for 2007. It was agreed that the input provided by SEC members would be incorporated into a revised draft for review by Mr Mack ahead of the Chairman's Committee Meeting on 5 February.

#### **16/08 STRATEGIC AGENDA**

Dr Berendes introduced a presentation by Mr K Neuffer seeking alignment on the Strategic Agenda for 2008 following discussion at the meeting of SEC members held on January 11 and dialogue held by Mr Neuffer with each of the sub-teams established at that meeting. The main points were:

- the Agenda would focus on a set of selected strategic priorities, being Corn & Soybeans; Water; Seed Care; Sugar Cane; Emerging Markets; and Agricultural Scenarios and Impact, with varying business and regional scope
- in addition to SEC leadership the project leads and core teams for each of the strategic priorities had been largely defined; meetings of the sub-SEC steering teams would be held every 3 to 6 weeks with one SEC workshop per priority held with the objective of providing input and guidance rather than final approval; the projects would be finalised or failing that major milestones achieved by the time of the Strategy and 5 Year Plan Review



- the SEC workshops would concentrate on exploring new business models and problem-solving around defined questions including wargaming competitive scenarios.

The response was:

- Mr Neuffer was congratulated on the rapid progress which had been achieved since 11 January
- the regional scope of Corn & Soybeans should include LATAM, with an overview of the Crop Protection/Seeds integration plan for LATAM; the contrasting issues presented in relation to NAFTA and LATAM suggested the need for sub-topics with different steering teams but common SEC members
- the Company was not yet at the point where its potential as a leader in Water usage optimisation and management was certain and the Steering Team for this topic should not assume that it would be raised to the level of an enduring platform
- the first wave investigation of Emerging Markets should take in Russia; the analysis of governance and organisation would embrace the Group tax structure
- in relation to Agricultural Scenarios an assessment of the output response on supply/demand imbalance was indicated; the rôle of India both as a consumer and a production centre for chemical inputs appeared to be significant
- SEC members would complete the nominations to core teams it being recommended that each nominee be a member of one team only
- the possibility of adopting different workshop structures for each topic would be kept open; the concept of allowing the workshop formats to drive creativity was endorsed.

#### **17/08 HSE REPORT: 2007/08 REPORTING YEAR QUARTER 1**

Mr Peacock introduced a presentation by Mr K Williams reporting HSE performance in the first Quarter of the reporting year commencing 1 October 2007. The main points were:

- the Group Injury Incident Rate in the Quarter was 0.51, with some signs of deteriorating performance in Seeds and a slight increase in Health cases
- better reporting of small vehicular incidents had been observed, the trend in vehicle incidents with injury being flat
- Mr Williams would follow up the late reporting of a breach of the air permit at Greens Bayou in 2007 which had resulted in the imposition of a \$90,000 fine by the regulatory agency.

The response was:



- concerns were expressed as to whether the Emergency Management System was sufficiently well understood to allow for the effective handling of protestors and site invasions
- the issues in relation to performance in Seeds were recognised and had been addressed through the location of a significant number of HSE professionals in the NAFTA Seeds organisation
- the improvement in safety reporting and performance in Crop Protection was noted and the equivalent records for Seeds would be followed up
- there should be greater emphasis in the reports on actionability of the issues raised by the data; a number of the reporting categories had indicators associated with an "early warning" and this should be extended more broadly to the Injury Incident Rate statistics
- incidents arising from product application appeared to fall outside the scope of HSE reporting; in this regard reference was made to a recent incident in Kauai, Hawaii, in which action had been taken to restrain Syngenta from spraying pesticides near a school which was adjacent to a Seeds leased site, following complaints by teachers and students of a noxious chemical odour.

#### 18/08 "GRAMOXONE"

Dr R Furter together with Mr Sullivan provided an update with regard to certain issues relating to "Gramoxone". The main points were:

- at the request of EPA a series of studies had been initiated which compared the toxicity of the "Inteon" product currently sold in the United States with that of the "Gramoxone Max" product which it had replaced
- the results of the studies could lead to a requirement for accelerated disclosure to EPA
- in compliance with the conditions under which it had been sanctioned by the Science Advisory Group, the data generated from the observational monitoring survey in Sri Lanka would shortly be published in an on-line medical journal, together with the views of an independent toxicologist
- an outline of a suggested governance framework for the management of issues with respect to "Gramoxone", also including the claimed association with Parkinson's Disease, had been developed and was presented for comment.

The response was:

- **REDACTED: PRIVILEGED**
- it was agreed that Dr Furter would be added to the members of the Leadership Team proposed by the governance model and that the naming of the Steering Teams in the model would be revisited.



#### **19/08 PROJECT OCEAN**

Mr Pisk introduced a presentation by Mr J Cox and Mr G Walker seeking support for a strategy to increase market share in NAFTA Corn & Soybean beyond organic growth, approval for engagement with potential targets to prepare Letters of Intent, and support to expedite the approval process if necessary. The main points were:

- independent seed companies held a significant (17%) but declining share of the U.S. corn market and varied widely by size
- the proposed strategy foresaw partnerships with the two largest companies under which Syngenta would create and own a new corn brand for each partner, the partners producing under contract and selling under exclusive distribution agreements for defined geographies; acquisitions focused on well-managed mid-sized seed companies, with four priority targets; to be undertaken through a new holding company, ISC, in order to preserve a "high touch" sales culture; and expansion of the Garst platform through conversion of smaller seed companies, recruitment of experienced agents, and establishment of new startups
- an initial 15% volume loss on corn and soybean due to the portfolio change was assumed in the acquisitions case, which estimated a \$6m negative impact to EBITDA in 2008
- next steps would include completion of contract negotiations with strategic partners; collection of the necessary data to support, and securing SEC approval for, non-binding Letters of Intent with respect to the acquisition targets, and conducting field research necessary to refine rollout plans and financial requirements in relation to the expansion of the Garst platform.

The response was:

- pursuit of the strategy was broadly encouraged subject to maintenance of continued focus on delivery of the core budget
- the scope for mitigation of the projected volume loss on the acquisitions, through negotiation with the licensor of the current portfolio and development of a proactive retention strategy should be tested thoroughly
- past experience suggested the need for significant integration effort to bring the acquisition targets to the right level of compliance
- Mr Walker would ensure that the M&A team were properly briefed on the internal approvals process; each acquisition would require to be the subject of a separate submission for approval.

#### **20/08 PROJECT LOUISIANA**

Dr Berendes introduced a presentation by Ms B Becker and Mr A Klontzaris seeking confirmation of support for the proposed strategy for sugar cane in Brazil; approval of a non-binding offer range for an acquisition target, Louisiana, tied to



securing a six month period of exclusivity for negotiations; and support to proceed with due diligence. The main points were:

- the sugar cane market in Brazil was projected to expand rapidly based on growth in the planted area by up to 30m hectares and market growth driven by both domestic ethanol demand and export opportunities; the strategic vision was for Syngenta to become the leading agronomic provider of productivity solutions for cane, increasing market share from 7% to over 20%; key account management in relation to the customer cane millers would be critical in the light of mill capacity expansion and consolidation among owners
- concept design and validation with respect to the Bola technology had been completed but in-field agronomic validation, establishment of a partnership with John Deere, scale-up of industrial processes and machinery and definition of logistics solutions required to be carried out in order for commercialisation, planned to start in the first half of 2009, to take place
- the acquisition of Louisiana had the potential to catalyse and accelerate the strategy, providing access to a strong customer base and increased penetration of pipeline products, enhancement of Syngenta's infrastructure and breeding capability in cane, and an opportunity for global leverage of a sucrose increase gene with the potential for expression in other crops
- preliminary valuation of Louisiana indicated a total incremental value (NPV assuming WACC at 12.5% and zero perpetual growth) of \$352m, the most significant sensitivity being the sugar price; the vendor's expectation was for a price of \$190m based on a 40% IRR on its investment to date in the target; Monsanto which had entered into a technology transfer agreement with Louisiana in 2007 was understood to have a right of first refusal until May 2009 with respect to the acquisition of Louisiana
- approval was sought to test the vendor's reaction to a non-binding verbal indication of willingness by Syngenta to bid in the range \$100m to \$200m, simultaneously requesting an exclusivity period of 6 months for negotiations.

The response was:

- the indicated strategy for sugar cane in Brazil was directionally supported
- the provision to the vendor of Louisiana of a non-binding verbal indication on bid range, at a meeting to be scheduled in the next three weeks, was also approved but the range should be set at \$100m to \$190m with emphasis on the uncertainties and lack of data at this point in the process; the possibility of staged payments should also be kept open
- the resource demand associated with obtaining and supporting registrations of genetically modified sugar in global markets as well as running germplasm and trait breeding and development programs should be factored into the analysis
- the Bola development program would be restructured with a view to providing clearer definition of the risk profile within the exclusivity period for negotiating the acquisition of Louisiana





- the steering team for Bola was confirmed as Dr Atkin, Mr C Goppelsroeder, Mr T Kroenke, Mr A C Guimaraes, Dr Berendes and Mr G Walker.

#### **21/08 "LEADING THE BIGGER GAME" IN 2008**

Mr Peacock led a discussion based on a paper setting out the agreed priorities to take the transformational agenda forward in 2008, being transformation of Human Resources and delivery of immediate 2008 priorities; transformation of Communications; engagement throughout the organisation on the Multipliers, allocation of resources to support the change programs; and refocus of the SEC, FED and Global Leadership Conference. The main points made during the discussion were:

- the assessment of the priorities was agreed to be correct
- the Full Year Results Announcement and associated communications would be used to reinforce the message of market lift-off
- the use of "channels of command" to engage the organisation around core themes was encouraged; greater management discipline around communication to and briefing of employees was indicated
- the FED would be deployed as the guiding group for leader development
- the level of engagement generated by the GLC was sub-optimal and pointed to a more tailored approach in which each SEC member defined the best means of engaging the people within their respective areas of responsibility with the SEC agenda, including where appropriate through Regional or functional meetings; Mr Peacock with Mr S Holt would co-ordinate the timetable of these meetings with a view to ensuring that a sub-group of the SEC appeared at each event
- it appeared that a large number of requests for support had been directed to Nowhere because of limited internal catalyst resource; it was agreed that a core group of senior catalysts would be identified and Mr Peacock with Mr Holt would seek nominations from SEC members, it being recognised that the catalysts would likely be most effective if the rôles were full-time
- change management skills would be integrated into a leadership development program which would be applied to a small targeted group of future leaders
- the induction of new employees to Frameworks required attention
- the scoping and SEC sponsorship of transformation of Communications would be addressed at the March meeting.

#### **22/08 HUMAN RESOURCES STRATEGY**

Mr Peacock together with Mr Holt then led a discussion on the first of the transformational agenda priorities, transformation of (and strategy for) Human Resources including immediate priorities for 2008. The key issues arising from the discussion were:



- the strategy should focus on the points of differentiation which would define the rôle of Human Resources in the organisation and the ways in which these points linked to and reinforced the Business strategy
- the allocation of responsibilities as between Human Resources and line management should be more clearly spelled out
- processes in Human Resources were too mechanistic and the current structure did not assist with Business focus; the value of the "Business Partner" model and the extended matrix which it engendered were questioned
- the core requirements of Human Resources were to provide capability in the organisation to deliver against Business priorities; to secure the broad engagement of employees across the organisation to the mid-term aspirations of the corporation; and through the professionalisation of recruitment to secure high calibre personnel, aligning them on joining to the organisational culture and Company strategy
- implementation should be assessed from a geographical perspective and should take place through Region and country organisations; tailoring to local legislation and practice with clear direction-setting and shaping from the centre
- the 2008 priorities would be professionalisation of recruitment (with particular emphasis on "onboarding" of new entrants, and including design of a flexible and competitive compensation and benefit framework); progressing redefinition of the operating model as part of the EOS program; and maximising the deployment of the Syngenta talent pool across the Businesses.

### **23/08 U.S. PENSION AND HEALTHCARE CHANGES**

Mr Peacock referred to a paper and presentation which he had circulated containing proposals in relation to the U.S. Pension Scheme and the Retiree Medical Program. The main elements of the proposals were:

- it was recommended that no changes be made to the U.S. Pension Scheme at this time; the U.S. Benefits and Operating Committees would complete a full review of total compensation by the end of 2008 and submit their proposals to the EBPC and SEC in early 2009
- it was also recommended to freeze rather than eliminate the Company paid retiree medical subsidy for all "grandfathered" employees at 31 December 2011, allowing those employees to retain the benefit if they stayed with Syngenta beyond 2011; the incremental NPV cost to the Company would be up to \$16m but was lower than the cost of the advanced recruitment and other retention payments which would otherwise be necessary to mitigate the consequences of accelerated retirements.

The recommendations were supported.



**24/08 SMG CALIBRATION RANKING REVIEW**

Mr Peacock together with Mr Holt led a peer review of the calibration ratings assigned to SEC direct reports and other members of the SMG in the 2007 performance review process.

**25/08 ANY OTHER BUSINESS**

- Mr Ramsay reported that a global Conference of the Finance function would be held in Paris from 23 to 25 April, driven by the need to advance the agenda for the function particularly in relation to Sarbanes-Oxley compliance and embedding of internal controls, and invited participation by other SEC members
- reports recently completed by Corporate Audit on Fafard and on GM Adventitious Presence had given rise to findings of "needs improvement" and "basically controlled (pending verification)"; the report in relation to Fafard would be considered in conjunction with Project Vancouver
- Mr Mäder said that a global Legal & Taxes Conference would be held in Miami from 27 to 30 May in furtherance of an F3 project initiated by the Leadership Team which looked at the operating model for the function
- the next round of negotiations by Basel Chemical Industry with regard to the new collective bargaining agreement would take place on 1 February; the unanimous position of the employers, which could lead to an impasse, was that the union demand for extension of the agreement to the entire non-management population was unacceptable; the current agreement formally expired at the end of March

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- Dr Berendes had on 24 January circulated a status report with regard to the divestiture of the "Quantum" microbial phytase business. It was intended to enter into a sale and purchase agreement with AB Enzymes, a wholly-owned subsidiary of Associated British Food, whereby AB Enzymes would acquire, for a consideration of \$4m in addition to purchasing all outstanding inventory, the right to manufacture and sell "Quantum" phytase. Limited representations and warranties would be given
- Dr Berendes also reported that a Collaboration Agreement was to be entered into with Gulfstream Home & Garden, Inc. and Central Garden & Pet Company under which Gulfstream would have exclusive rights to sell Syngenta products in the consumer lawn and garden market in the U.S.. Together with earlier alliances with COMPO in Continental Europe, Westland in the UK and Ireland, and Fumakilla in Japan, this co-operation completed a series of collaboration agreements reaching around 70% of the global consumer Lawn & Garden market



- Dr Lawrence would circulate the plans for R&D in 2008 to follow up on the success of the "Science Live" events held in 2007
- a decision would be made on the day of the Meeting on the choice between the two routes to acquisition of the lease of the land on which the biotechnology laboratory in China was to be constructed
- Dr Atkin would circulate the output from the Regional Conference which he and Mr Mack had attended in APAC; this had brought together for the first time the Crop Protection and Seeds management teams for APAC; the format of the meeting had demonstrated the value of creating the right 'container' for dialogue and working by reference to live examples
- Dr Atkin and Mr Sullivan had attended a Meeting of the CropLife International Crop Protection Strategy Council in Washington on 24 January; clarity around the sharpness of external messaging continued to prove elusive
- Dr Atkin had provided an interview on 25 January to the "Wall Street Journal" which would be published shortly

## **REDACTED: PRIVILEGED**

- an internal investigation had been launched into claims in a report by the Department of Institutional Integrity of the World Bank, published in late December, that Syngenta and a legacy company had colluded between 1999 and 2004 with Bayer, Aventis (acquired by Bayer) and BASF in relation to tenders for the supply of pyrethroid insecticides for use in a Malarial Control Program in India funded by the Bank
- Mr Peacock referred to the paper which he had circulated in support of a Capital Proposal to fund and commit to an investment to debottleneck the current manufacture and supply of cyproconazole from Saltigo from 700 tpa to 1500 tpa. The associated supply contract would commit to the purchase of a minimum of 3950 tonnes over 5 years with a forecast requirement of 6450 tonnes. Support was requested for an Intangible Capital Commitment of €12.6m (\$17m) and a cumulative supply commitment of €180m (\$243m). The request was agreed
- Mr Peacock would attend the East Europe Regional conference
- No global conference would be held in 2008 in Global Supply but an EAME Regional Supply conference would take place as would a series of local tailored events modelled on "Science Live"
- it was agreed that FED Meetings in 2008 would be held at the Kempinski Hotel in Frankfurt
- Mr Pisk reported that a Global Seeds Conference would be held in week commencing 16 June, at a location in the U.S. to be determined, and invited SEC member participation
- Mr Pisk had circulated for information on 25 January a presentation requesting support for the entering into of negotiations potentially including the submission of a non-binding Letter of Intent for up to \$38m with regard to the acquisition of Agra, a vegetables business in India with a significant presence in the hybrids market for tomato, pepper and okra which were



priority crops for growth. The request was agreed. Mr Ramsay noted the need for an overall view of the possible acquisitions landscape in 2008

- the agendas for the Chairman's Committee Meeting on 5 February and the Board Meeting on 6 February were briefly reviewed
- the SEC Meeting previously scheduled for 6 March would now be held on 5 March in Rio de Janeiro to allow the SEC also to attend the LATAM Regional Conference starting on 3 March
- the arrangements for the media and analysts meetings following the Full Year Results Announcement were confirmed
- Dr Atkin would circulate the dates in 2008 of MaSE Academy graduation events, which SEC members were encouraged to attend
- the General Manager of Zeraim Gedera, Mr O Zuckerman, had resigned and his deputy would succeed to the rôle
- it was agreed that the Head of M&A would be instructed to devise a process to avoid duplication of project code names
- the SEC remit and Financial Authorisation Levels for the SEC in the Regulations Governing the Internal Organisation of Syngenta AG would be reviewed at the March Meeting. Mr Mäder confirmed that the Financial Authorisation Levels were being reprinted to reflect the changes agreed by the Board in October 2007.