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## Minutes

Secret

### Syngenta Executive Committee Minutes of the SEC Meeting held on Thursday 29 March 2007

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

In attendance: Mr J Ramsay (Minutes 34/07 to 36/07)  
Mr J Seabrook (Minutes 34/07 and 35/07)  
Mr C Ridley (Minute 37/07)  
Mr D Sadler (Minute 38/07)  
Mr P Giraudet (Minute 41/07)  
Mr J Kellerhof (Minute 41/07)

#### 33/07 MINUTES AND MATTERS ARISING

Mr Pragnell opened the Meeting by congratulating Dr Berendes and Mr Mack on the entering into of the agreement to acquire the Fischer group, which had been announced earlier in the day.



The draft Minutes of the Meeting held on 8 March 2007 were approved with a correction to Minute 28/07(C).

- Minute 24/07, Mr Mäder confirmed that the appointment with immediate effect of Mr P Gibbons, previously Regional Security Manager for EAME, as Head of Corporate Security, would be announced on 30 March
- Minute 24/07, Dr Berendes had on 20 March circulated a note defining the key terms of the proposed sale of a 70% equity stake in LongReach Plant Breeders to United Phosphorus Limited. The use of an 8% DCF rate was questioned given the likely variability of the revenue inflows and it was agreed that the internal rules on the application of DCF rates would be reviewed
- Minute 26/07(C), the agreed actions on working capital, and particularly inventory, management would be cascaded into the operational agendas for the Businesses
- Minute 29/07, concern was expressed as to whether the "breakthrough questions" had reached the intended quality of innovative thinking and whether the discussion format had allowed adequate opportunity to test these questions
- Minute 30/07, the draft booklet on Effective Decision-Making was agreed as directionally correct but clarity on the "Reserved Powers" would be essential. The target audience would be the population of around 5,000 First Level Leaders and its use within a broader program of training and development would be considered; Mr Pragnell would review the next draft of the booklet
- Minute 31/07, Mr Peacock reported in relation to the purchase of the Warteck property at the Rosental site that a revised offer of CHF2.0 million for the early termination of the McDonalds lease had been made; it was agreed that the purchase should be completed in the expectation that the lease buy-out would be resolved shortly thereafter
- Minute 32/07, Mr Mack had completed interviews with the external candidates for the position of Head of Diverse Field Crops and would reconfirm interest with the preferred candidates with a view to making an early appointment
- Minute 32/07, Dr Lawrence would schedule a presentation to the SEC on the technology collaboration opportunity with Rohm & Haas and Dr Atkin reported an opening in the post-harvest area involving Rohm & Haas, which had been reviewed by the CPLT
- Minute 32/07, Mr Pragnell reported on the 8/9 March Meeting of the Board of Directors of CropLife International which had included a series of compelling presentations on the regulatory environment by amongst others Ms D Castle of Syngenta; the topic could also valuably be addressed through presentations to the SEC.



### **34/07 FINANCIAL PERFORMANCE**

Mr Ramsay presented the March, Quarter 1, and April Sales forecasts and Latest Estimate 1. In summary:

- estimated March Sales of \$957m in Crop Protection and Professional Products were 5% above, but Seeds estimated March Sales of \$347m were 8% below, the prior year at constant exchange rates
- for Quarter 1, Sales in Crop Protection and Professional Products were estimated at \$1,972m, 4% higher than in 2006, Fafard making a significant contribution to NAFTA growth, and for Seeds were estimated at \$937m, 8% above the prior year
- the April Sales estimate foresaw strong growth in LATAM and APAC (44% and 10% respectively) in Crop Protection but an overall 11% adverse variance to the prior year in Seeds
- the LE1 2007, the main elements within which were sales of \$8793m, EBITDA of \$1768m, and net income growth of 15% to \$1001m, was accepted as presented; the favourable comparison with budget was noted
- every encouragement was given to Crop Protection to drive hard to seize the potential upsides particularly in Eastern Europe, LATAM and Asia Pacific; the anticipated pressure on pricing in the United States was also noted
- Seeds LE1 showed NAFTA corn Sales \$57m above but soya Sales \$43m below 2006 reflecting the shift in grower planting intentions, the gross profit margin also reducing from 49.7% to 46.9%
- the incentive to increased flexibility on credit terms in Crop Protection in Brazil to underpin the expansion plans for glyphosate must be tempered with the requirement to retain superior profitability and not to allow business quality to deteriorate
- Mr Ramsay would present an analysis of the LE1 restructuring charge for 2007 to the 15 May SEC Meeting ahead of the Board Meeting in May.

### **35/07 Q1 TRADING STATEMENT: EXPECTATIONS AND ISSUES**

Mr J Seabrook led a discussion previewing the issues to be addressed in the Q1 Trading Statement taking into account market expectations. The main points arising from the discussion were:

- the contribution of the R&D investment in corn to the expected lower margin for the full year in Seeds would be explained
- reporting of Quarter 1 performance in Crop Protection in NAFTA must take into account the USDA annual survey of grower planting intentions which would be released on 30 March
- the better than anticipated year-on-year performance of Crop Protection in LATAM in Q1 would be described in the context of a strong harvest, firmer soya prices in Brazil, and the comparatively weak First Quarter in 2005, recognising also the volatility in the market.



36/07 SEEDS

(A) NAFTA CORN & SOYA SALES AND SHIPPING PROGRESS

Mr Mack gave a presentation describing progress in operations and shipping for corn and soya in NAFTA together with sales probability models and implied sales and gross profit variances to Budget. The main points were:

- of 5.1m shippable corn units produced, 4.1m had been aligned including 3.75m shipped or scheduled, with positive feedback from customers on shipping; soybean plant activity had been turned down due to the stock and order position and work was in hand to improve from 63% the remaining stock alignment
- LE1 corn sales were \$17m above, and soybean sales \$64m below, Budget, assuming corn acreage in the range 87m-89m acres (compared to Budget of 83.5m acres) and soybean acreage in the range 65m-67m acres (compared to budget of 70.8m acres) the gross profit percentage being 29% for corn and 44% for soybean.

The response was:

- it appeared that the ability to sell and ship soybean more strongly in the early part of the season could have led to higher market share
- Mr Ramsay would provide a presentation to the 25 April Meeting detailing the arrangement under which Syngenta hedged the soya price for growers.

(B) GROALLIANCE

Mr Mack gave a presentation seeking initial support for the making of a preliminary non-binding offer to acquire GroAlliance, a key corn seed producer in the United States. The main points were:

- GroAlliance had 1.1m units of corn and 2m units of soybean capacity and was one of two key external corn suppliers accounting for around 20% of Syngenta's production as well as supplying to Monsanto and to customers of GreenLeaf Genetics; while a growing contract for 2008 seed sales was secure, there was a significant supply vulnerability thereafter
- the manager of GroAlliance had an immediately exercisable option to acquire from the owner group the currently leased operating assets of the business and had requested the submission by Syngenta of a written offer (subject to due diligence) by April 11 as he was seeking to sell the business; it was understood that he had already received an offer from Monsanto
- it was proposed to tender an initial bid in the range \$30-\$50m subject also to Board approval.



The proposal was supported and it was agreed that Mr Mack would engage the M&A team immediately; the tactics of bidding would call for careful management in order to avoid a spiralling auction.

#### (C) 2008 CROP PLAN

Mr Mack briefly described the corn and soybean seed production plan for 2008. The main points were:

- the 2008 Crop Plan aimed to offer Agrisure traits in 65% of the hybrid portfolio and to meet demand for the glyphosate tolerance/European corn borer double stack and for the triple stack
- the corn production plan would respond to growing acres with an improved portfolio mix, reduced complexity, and maximum volume.

The report was noted; the projected increase in corn production by up to 1m units, taking into account lower useable carry-in, would be demanding.

#### (D) MIR 604 (CORN ROOTWORM) EVENT

Mr Mack detailed the latest developments with respect to regulatory approvals for the MIR604 trait. The main points were:

- APHIS approval had been received for the trait in the United States and shipping of seed containing the trait was under way
- the National Corn Growers' Association had issued a media release cautioning growers that the trait had not yet received full approval in Japan
- final approval in Japan of the single trait was currently expected to be obtained in November with approvals for the stacks with GA21 and Bt11 by December.

It was noted that the U.S. regulatory authorities supported Syngenta's position in releasing the trait immediately and that significant lobbying effort would be deployed in relation to both the political and regulatory processes in Japan.

#### (E) MAISADOUR SEMENCE JOINT VENTURE

Mr Mack gave a presentation seeking support for the restructuring of the existing supply chain contract with Maisadour Semence through the buyout for €9.5m of four years' remaining quality fee commitments, with an operational COGS benefit of €2.4m per annum.

It was agreed that the proposal would be referred to the Capital Approvals Committee for consideration.



### 37/07 CROP PROTECTION: "GRAMOXONE" UPDATE

Dr Atkin and Mr C Ridley gave a presentation describing messaging and targets for the communications outreach activity in relation to "Gramoxone" as well as the actions in place to manage the EU interim review process. The main points were:

- the outreach activity required to embrace a complex array of issues and stakeholders; messaging would be refined to the changing environment and would reflect the need to engage employees; a draft core message had been developed
- governance for the EU interim review process would be provided via core and steering teams, the steering team also covering global outreach
- early contact would be established with key decision-makers in the European Commission in order to provide visibility of Syngenta activities and reinforce the benefits case as well as to understand the concerns of and the level of information received by, the Commission

The response was:

- the need to ensure that any incident involving paraquat was reported to the SEC through the proper channels within 24 hours of occurrence was underscored
- the core message should profile the unique properties of and customer pull for "Gramoxone"; place higher emphasis on the elimination of hand-weeding and the opportunity for double cropping; and reiterate that the product was safe in normal use
- it was agreed that the message would be made available in the alternative forms of a bullet-point script and a further evolved version of the full-length core message which had been presented; the issue would be considered further at the 25/26 April SEC Meeting
- the proposal to engage employees in the communication process was supported
- it was noted that the RDLT would undertake in May a technical review of the claimed link between paraquat and Parkinson's Disease.

### 38/07 HIGH THROUGHPUT FORMULATION ROBOT

Mr Peacock and Mr D Sadler gave a presentation seeking support for \$8.6m capital to build and install a High Throughput Formulation Robot at Jealott's Hill. The main points were:

- the implications of the Crop Protection Strategy for formulation development included more challenging formulation technology to provide customer solutions, fast track processes and lower formulated product costs



- the Robot would allow the preparation and characterisation of up to 1000 formulations each day allowing the identification and optimisation of a large number of options at significantly increased speed
- the NPV of the proposal was \$9.8m, the IRR 32% and the payback 7 years.

The proposal was supported.

### 39/07 DIVERSA

Dr Berendes gave a presentation overviewing the governance arrangements, guiding principles, and ways of working underpinning the new research collaboration agreement with Diversa. The main points were:

- governance would be shared by a Management Steering Team responsible for oversight of the scope of the collaborative activities, the quality of the collaboration, strategic options for the relationship and value share, and a Research Committee which would break down technical goals to research projects and assign them in each case to Syngenta, Diversa or a third party
- the Research Committee would redefine reporting requirements to ensure necessary communication and foster increased dialogue
- the Diversa/Celunol relationship would be leveraged for the benefit of the Joint Bagasse Project; a three-way confidentiality agreement had been entered into with Diversa and Celunol and a meeting held with the CEO of Celunol
- a review of the partnership options (including Diversa/Celunol) for biomass would be presented within the SEC workshop on 26 April.

The response was:

- the repositioning of governance, and in particular the separation of research from commercial oversight, was welcomed
- Dr Berendes would establish the frequency with which the Management Steering Team would meet and the number of members, through an exchange of letters with Diversa; it appeared that the Syngenta constituency should be reduced and Syngenta's right to appoint the chairman of the Team should be confirmed
- the decision rights of the Research Committee would also be defined and nomination by Syngenta to the leadership rôle on the Committee established
- the accountability for driving each of the research projects and for success or failure in each sector covered by the Market Development Teams should reside with a named individual.



#### **40/07 BIOCARBON FUND**

Reference Minute 32/07, Dr Berendes reported on progress in participation by Syngenta and the Syngenta Foundation in the World Bank BioCarbon Fund. The main points were:

- the confirmed co-investors in the current tranche of funding were Abengoa, a zero emissions carbon trust, and the governments of Ireland and Spain
- the first window of activity by the Fund would deal with projects under the umbrella of the Kyoto treaty while the second window, to be led by the Syngenta Group and Abengoa, would focus on soil carbon management including no-till practices
- funding would be split 50:50 between Syngenta and the Foundation; a formal consultation mechanism on carbon finance had been established and a steering team would meet regularly to review the progress of the Fund and Syngenta's interests.

The response was:

- it was agreed that Dr Berendes would provide a further report at the mid-year
- the participation of Syngenta and the Foundation in the Fund would not be formally announced but would be positioned externally with the World Bank
- it was noted that Mr P Natkanski would report to the 16 April meeting of the Corporate Responsibility Committee on a study to determine Syngenta's carbon footprint and recommended actions to manage this issue, which was integral to the positioning of the Syngenta brand in a broad ethical sense; it was agreed that these actions should include the development of an overarching statement of Syngenta's position on global warming; and Mr Mäder together with Mr Peacock and Dr Berendes would schedule a presentation to the 25 April SEC Meeting addressing these themes
- as earlier requested, Mr Scala would also follow up the possibility of establishing a trust vehicle to fund the Syngenta Foundation.

#### **41/07 PROJECT EAST WIND**

Reference Minute 28/07(B), Mr Mack introduced a presentation by Mr P Giraudet seeking support for the submission to the Board for approval of the final terms of the investment in East Wind. The main points were:

- based on the enterprise value of \$55.4m, it was proposed that Syngenta acquire for \$33m (including a \$8.7m capital increase) 49% of the equity of East Wind (with provision for a net asset value adjustment from the date of the latest audited balance sheet to closing) with an option to acquire the 51% majority holding also
- the transfer out of East Wind of certain R&D assets including intellectual property would now be in favour of a branch (for which approval was





- expected shortly) of an existing Syngenta onshore vehicle rather than a Wholly Owned Foreign Enterprise
- finalisation and signature of the transaction agreements was targeted to take place by the end of April, Syngenta's negotiating exclusivity terminating on 8 May.

The response was:

- it was noted that Syngenta would remain free to acquire other corn seed companies in China, subject to a right of first refusal (for the first four years of the life of the joint venture) on the part of the joint venture to participate in such acquisitions; the option should be pursued for Syngenta to consolidate further acquisitions with East Wind
- further efforts would be made in the negotiations to secure provision for dispute resolution to take place outside China
- a paper covering the key points of the transaction, including minority shareholder protection and voting rights on the board of directors, would be circulated to the Board following approval by the Chairman's Committee; the paper should refer also to the anticipated minimum six month period between signing and closure pending government approval.

#### 42/07 ANY OTHER BUSINESS

- Reference Minute 08/07, Mr Sullivan provided a brief update on certain litigation matters:

**REDACTED: PRIVILEGED**

- Dr Atkin confirmed that an action plan was in place to address the findings of an audit with respect to the Crop Protection business in Malaysia



- Dr Berendes said that FDA approval for corn amylase was expected shortly, the Science Review Team within FDA having provided its clearance
- Dr Berendes reported that negotiations were in progress with the Queensland government, the University of Queensland, and a sugar research institute, with regard to a potential collaboration in cane (biomass) transformation technology; Dr Berendes would revert with further details when the terms were closer to finalisation
- Mr Mack said that Bayer had broken off negotiations concerning the "Liberty Link" trait citing a pending transaction with Monsanto in cotton
- Mr Scala provided an update on the attempted acquisition of the 16% publicly-owned minority shareholding in Syngenta India Limited, the making of a tender offer for the minority had been approved at an extraordinary general meeting of the shareholders on 15 March and the offer document had been mailed; the floor price for the acquisition was 351 rupees based on the 26-week average price during the period leading to the offer; the spot price had reached 475 rupees suggesting that a premium of 50-60% over the floor price could be required to secure acceptances from the minority shareholders
- the agendas for the Chairman's Committee Meeting on 19 April and the SEC Meeting on 25/26 April were briefly discussed
- Mr Pragnell confirmed that he had agreed with Mr C Tilger and Mr C Ridley that they would provide a presentation to the 15 May SEC Meeting on a strategy for Reputation Management
- a business school case using Syngenta as a model which had been released without internal approval to IMD had been withdrawn; it was agreed that the creation of such cases was inappropriate and should be avoided
- the arrangements for the May 23-25 Board Meeting were also discussed
- Mr Scala would circulate a short note on the analysis carried out of the issues associated with Syngenta's listing in New York
- the outcome of the 27/28 March FED Meeting and implications for the Frameworks program would be reviewed ahead of the next SEC Meeting.