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Minutes

Company Secret

Syngenta Executive Committee
Minutes of the SEC Meeting held on
Tuesday 22 May 2001

Present:	Mr MP Pragnell	(in the Chair)
	Dr JC Atkin	
	Mr JR Beard	
	Mr RB Bissell	
	Mr J Elias	
	Dr DA Evans	
	Dr DJ Jones	
	Mr EC Mäder	
	Mr R J-P Steiblin	
	Mr JD Sullivan	(Secretary)
In attendance:	Mr J Ramsay	(Minutes 72/01 and 73/01)
	Mr M Rezende	(Minute 74/01)
	Mr H Busanello	(Minute 74/01)
	Mr J Sherman	(Minute 74/01)
	Mr M Kester	(Minute 74/01)
	Mr L Lartaud	(Minute 74/01)
	Mr A Guimaraes	(Minute 74/01)
	Mr R Durand	(Minute 74/01)
	Mr L Kleynhans	(Minute 75/01)
	Mr B Bollag	(Minutes 75/01 and 76/01)
	Mr S Holt	(Minute 77/01)
	Mr S Renshaw	(Minute 77/01)
	Mr R Gray (CGE&Y)	(Minute 77/01)
	Mr S Haug (CGE&Y)	(Minute 77/01)
	Mr D Berry (CGE&Y)	(Minute 77/01)
	Mr S Phillips (CGE&Y)	(Minute 77/01)
	Mr D Seefeld	(Minute 78/01)
	Mr S Mohanty	(Minute 78/01)
	Mr P Talwin	(Minute 78/01)
	Mr JR Meikle	(Minute 79/01)
	Dr DJ Thompson	(Minutes 80/01 and 81/01)

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71/01 MINUTES AND MATTERS ARISING

The draft Minutes of the SEC Meeting held 2 May 2001 were approved.

- Minute 58/01, the STI scheme design would be completed by the end of May and Mr Elias would send written confirmation of completion of the process to Mr Pragnell. Dr Atkin would revert with specific proposals for LATAM following presentation to the meeting of the revised Business Plans for Argentina and Brazil
- Minute 58/01, Mr Pragnell reported that the Board had on 8 May supported the Tomono acquisition proposal
- REDACTED: PRIVILEGED
- Minute 62/01, Mr Steiblin had on 18 May circulated a note to the SEC dealing with the financial assessment of capital proposals and recommending discount and hurdle rates both of 20%, together with pro forma submissions forms and capital expenditure approval limits. It was agreed that:
  - the capital expenditure approval limits were approved and should be reviewed after 6 months
  - the pro forma submissions forms were also approved subject to certain editing changes recommended by the SEC
  - the discount rate should be 16%
  - Mr Steiblin should produce a concise note to management explaining the operation of the process; highlighting the very high capital base of the existing business; and underlining the need for the approvals process to reinforce progress towards the challenging medium-term financial targets.
- Minute 67/01, Mr Pragnell confirmed that the Board had approved the HSE Policy and that an assurance had been given to the Board that the development of the underlying Commitments would be completed ahead of the August 29 Board Meeting.

72/01 FINANCIAL PERFORMANCE

Mr J Ramsay gave a presentation, with commentary from Dr Atkin, Mr Beard and Mr Bissell, reviewing April sales and displaying preliminary results for the first four months. In summary:

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- Crop Protection sales in April were 2% below, and Seeds sales 8% above, 2000, at constant currency
- the impact of currency ($134m) on total sales for the year to date had been significant, particularly in West Europe and in Crop Protection in Asia Pacific; the scope for price improvements in Asia Pacific to counter this effect should be pursued with vigour
- the outlook for Crop Protection for the Year remained very difficult; commodity crop prices were not expected to improve in the near term
- the 10% decline in non-selective herbicide sales in April suggested weakness in marketing; urgent action was required to improve the sales performance of "Gramoxone" and "Touchdown", particularly in NAFTA, over the next two months
- cost management, particularly in Purchasing, should be tightened; the impact of scale benefits on variable costs was not yet apparent
- expenses appeared to be under control but the rate of accrual should be verified.

73/01 CORPORATE COST ALLOCATION

Mr J Ramsay presented for discussion a set of options for the future external reporting of corporate costs. The key points were:

- the main choices were between maintaining the status quo; focusing the attribution of costs to the existing segments; or adopting new segment definitions to break out costs associated with the investment in New Technology
- the choice between the options was a function of positioning of external perception of Syngenta's strategy
- the extent of cost attribution would focus attention on the level of profitability of Seeds.

It was agreed that Mr Ramsay should allocate dedicated Finance resource to the examination of one of two variants of the third option, with a view to displaying to the SEC the approach to presentation of this treatment of costs and the underpinning logic, and adopting the new corporate cost allocation in the Half Year results.

74/01 ARGENTINA/BRAZIL PROGRESS REPORT AND REVISED BUSINESS PLANS

Mr Steiblin introduced presentations by Mr M Rezende, Mr M Kester, and Mr J Sherman, describing the output from the project teams which he had tasked

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to increase the profitability, and reduce to acceptable levels the credit and currency risk, of Crop Protection in Argentina and Brazil.

The main points were:

- the Business Plan for Argentina would generate $83m cash flow before tax by the end of 2002; would increase the operating income percentage to over 30%; and would reduce working capital from $230m to $123m
- the largest component of the function costs savings in Argentina would flow from a restructuring of the business reducing the headcount from 218 to 90
- in Brazil the Business Plan would enhance Business Value Added from $69m to $141m; would raise the gross profit percentage from 46% to 53%; and reduce trade debtors from $452m to $350m
- "Touchdown" in Brazil would be repositioned from the current volume-oriented strategy and targeted for inclusion in premium-priced use programs.

In response the SEC commented as follows:

- the restructuring plan and organisation change proposals for Argentina were fully supported and should be implemented as rapidly as practicable;
- these should secure a firm base on which to build future value-creating marketing initiatives
- every effort should be made to collect as much as possible of the $52m critically overdue debts from distributors in Argentina; Messrs. Rezende, Kester and Busanello should develop options to achieve this and report back to the SEC through Dr Atkin
- the Business Plan for Brazil appeared to respond to the key issues confronting the business and should be executed as speedily as possible
- the "Touchdown' issue in Brazil required to be addressed separately in the Global Touchdown Strategy to be brought to the SEC later in the year
- the SEC thanked the project teams for their efforts and the progress which had been made to date; the need for a continued strong line of communication to Dr Atkin, and for the establishment of an ongoing financial monitoring system was underlined.

75/01 CREDIT RISK MANAGEMENT PROGRAM

Mr B Bollag introduced a presentation by Mr L Kleynhans setting out the main features of the proposed Credit Risk Management Program for the Syngenta Group. The main points were:

- the key components of the program were structured, uniformly applied credit risk management policies; reporting of customer and country credit

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exposures by age category to insurers on a monthly basis; and a credit risk insurance program covering sovereign and commercial risk in respect of approximately US$ 2.5 billion sales into 124 countries

- the insurance program contained an aggregate annual limit for each country as well as an annual policy limit of $50m; a retention layer up to $25m would be administered by a captive reinsurance company in Bermuda
- the impact on Group P&L, including the excess layer premium payable to AIG, would be $2m; the annual premiums payable to the captive reinsurance company would total $19m.

The SEC responded as follows:

- Mr Steiblin should ensure that a formal, documented, process was established to roll out the program to all operating companies in the Group within the next 3 months
- a basis must be defined for Group Finance to determine the circumstances in which individual legal entities could call on the program
- considerable value would attach to the promulgation of clear rules within the organisation concerning credit exposure.

76/01 TREASURY RESOURCES

Mr B Bollag gave a presentation seeking approval for the relocation of the operational part of Group Treasury to London.

The principal points were:

- considerable difficulty had been experienced in recruiting treasury professionals in Switzerland, resulting in the current high risk reliance on contract resource
- the recommended option was to split Treasury in two parts and relocate the liquidity management; dealing; and operations planning and support activities to London; this would be a team of 8-10 people, leaving the Treasurer and the Treasury Control in Basel
- leased accommodation had been identified at an estimated cost of $0.4m per annum, it was proposed to commence operations from July 2001 to enable timely implementation of the Treasury Management System for 2002
- the next steps included completion of the review of the optimum legal entity structure for the operation.

The SEC responded as follows:

- the difficulty of recruiting treasury professionals in Basle was recognised and the relocation was supported in principle

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- the strategic aim of the exercise should be to provide the capability to the Group by the end of the year to create value, in the context of a potential currency loss of $60m in 2001
- the legal and tax analysis must embrace consideration of the application to the operation of the UK financial services regulatory regime; and this review must be completed by 5 June
- subject to the outcome of this analysis, the proposal should be reported to the Chairman's Committee.

77/01 SYNCHRONY

Dr Jones introduced a presentation by Mr R Gray of Cap Gemini Ernst & Young (CGE&Y) seeking to define the path forward for the Synchrony Program; to obtain SEC commitment to the transformation process implied by the program; and to obtain authorisation to proceed with the next phase of work.

The main points were:

- in order to implement a new strategic operating model through a cross-functional, enterprise-wide approach, Syngenta should engage in a transformation program which would deliver new capabilities and facilitate future growth
- the need to invest in new IT systems provided the catalyst for a fundamental process re-appraisal
- the program could be expected to return $200-300m annually through increased market share, new profitable services; reduced cost of supply; and efficient infrastructure. The estimated time required for implementation was 3 years and the total cost $250m over that period
- the program would offer the flexibility to re-prioritise objectives at key milestones
- the initial "blue printing start-up" phase was expected to take 16-20 weeks and would focus on executive alignment and integrated solution strategy design
- successful delivery of the program would require a robust system of governance led by a Global Program Director and Workstream Executive Sponsors.

After the presentation CGE&Y left the meeting.

Following extensive discussion of the proposal, it was agreed that:

- it was clear that an estimated $125-150m investment in new IS could not be undertaken without a reappraisal of business processes

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- the program appeared ambitious and resource-intensive; it was not clear that the need for organisational buy-in had yet been fully addressed
- Dr Jones should revert to CGE&Y on the basis that the SEC wished better to understand the process, and in particular the work program for the initial 6-8 weeks
- Dr Jones should also confirm the cost for the "blue printing start-up" phase alone.

78/01 E-BUSINESS STRATEGY INCLUDING U.S. CAPITAL PROPOSAL

Mr D Seefeld gave a presentation seeking the approval of the SEC for a global e-Business strategy including overall scope and direction and specific global projects. The main points were:

- e-Business would play an important rôle in the development of agribusiness, and Syngenta needed to develop and maintain a clear position
- e-Business also had the potential both to enhance Syngenta's value proposition and substantially lower its operating costs
- to deliver this potential a 5-point e-Business strategy was required in which Syngenta should:
  - build Internet-enabled direct grower relationships
  - participate in B2B "sell side" activities in the channel
  - implement e-Procurement and B2B "buy side" tools
  - ensure the underlying IS platform was fully-supported
  - support the necessary business change
- e-Business costs identified to date through budget estimates totalled $23.7m over 3 years; but this figure could increase significantly if all current projects were supported. e-Business IS implementation costs included in the Synchrony proposal amounted to approximately $58m, leaving an outstanding unbudgeted figure for the additional projects of up to $37m.

The SEC responded as follows:

- the scope of the proposed strategy was supported and every encouragement was given for the businesses to seek opportunities to exploit the technology
- the fundamental question was how to use the technology to gain additional traction with growers; e-Business tools must be integrated within a much broader marketing strategy
- Syngenta should aim to establish a global platform and global IS standards in support of e-Business
- the spend would be reviewed on a year-by-year basis and tight cost control would be required within the marketing budget; the scope for capitalising

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software investment of an "experimental" character should also be determined.

Mr P Talwin presented a Capital Appropriation Request with respect to a project to implement a web-enabled B2B platform (Click) in Crop Protection in NAFTA

The main points were:

- the platform would provide Syngenta with the ability to address competitive threats from Bayer, Monsanto, and generic manufacturers, and would provide a secure link to SAP for Farm Assist
- the project required an investment in software and consulting fees of $3.1m and was expected within 5 years to yield annual savings of $1.7m.

The CAR was supported, with the proviso that there was no robust methodology to measure the pay-back. The investment should therefore not be capitalised. As a general rule CARs should in future be presented by a member of the team championing and executing the project involved.

79/01 HUMAN RESOURCES

(A) Succession Planning Process

Mr Elias gave a presentation seeking SEC endorsement for a process to evaluate the organisational capability of Syngenta to deliver its strategy, a truncated version of this process being envisaged for 2001. The main points were:

- the Organisation Capability Review ("OCR") process must address the structural complexity of Syngenta's businesses; the urgency for top management cadre succession; and identified weaknesses in some key competency areas; as well as the need to build key future skills
- the process would set an agenda for action on people management and development, the aiming point being to identify the rôle or job which each individual captured by the process could legitimately aim to be in within a timeframe of 5 to 10 years
- the normal annual calendar for the process would commence with strategy input in April and culminate in an SEC review in December. It was proposed that the process be launched this year in early July and that for 2001 the focus be on the validation of post-merger selection decisions and confirmation of "deep-reach" capability.

The response was:

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- the need for succession planning capability was serious and urgent, having regard in particular to the high average age of SEC and CPMT Members
- opportunities should be sought to make key appointments in the organisation which would close key skills gaps, for example in Brand Management
- the proposed timing of the OCR cycle conflicted with other processes and did not recognise the potential need for Board review; it was agreed that the cycle should be completed within the first half of the year
- the proposal to produce and circulate a detailed guidebook on the process by the end of June was ambitious and this timetable should be reviewed
- for 2001 the process should focus on an audit of key appointments, and approval of Top Team succession plans which should be completed by the end of October; the analysis of "deep reach" capability should be postponed to 2002.

(B) <u>AESOP</u>

Mr Elias introduced a presentation by Mr JR Meikle in support of a paper seeking directional approval for the development of an all-employee discount share purchase plan, and discussing possible phasing choices.

The main points were:

- Syngenta had expressed an aspiration to encourage sharing of success through employee shareholding; an opportunity had been created within the otherwise restrictive tax deed to deploy 1.5% of equity over 3 years for broad employee benefit purposes
- legacy savings-based share plans existed in Switzerland and the UK; in the case of the Swiss plan the company would have to buy out the residual value and a range of options to do this were under examination
- dependant on constraints, a preferred design framework for new plans was that a 15% discount be granted on the purchase of shares; that the holding period be 3 years and the maximum employee contribution 10% of base salary; and that local tax efficiency be delivered wherever possible
- a key decision would be whether to focus on a few markets or to spread the opportunity more thinly over a wider geographic area
- funding of the discount would involve a P&L effect of circa $12million; set-up and launch costs were estimated at around $750K and ongoing administration costs at around $150K per annum.

The response was:

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- the concept of a savings plan with a discount was supported as a global template
- more clarity was required on the number of shares available before a decision could be taken on the geographic scope of the scheme
- the concept of a buy-out of the residual value of the Swiss plan was also supported. Mr Mäder should work with Human Resources on the examination of the options and an appropriate communication regarding the new Swiss plan should be produced by the end of June to allow time for the development of a solution in which the SEC had confidence
- Mr Meikle should continue working on the design of the plans.

(C) Plans for HR Organisation

Mr Elias presented a framework for a proposed new Human Resources organisation. There were significant gaps and ambiguities in the existing organisation which rendered accountability very difficult; the new organisational structure aimed to position Human Resources to make a strategic, operational and transactional contribution.

The proposed new framework was approved.

80/01 PROJECT SNOWDROP

Dr Evans introduced a presentation by Dr DJ Thompson in support of a paper recommending the closure of the Mogen biotechnology research facility at Leiden.

The key points were:

- the review of the biotechnology portfolio had identified duplication of resource and revealed that a more rapid reduction in manpower than had previously been envisaged would be possible
- the closure of the Leiden facility implied a reduction of the research staff in the Netherlands by 73 and the transfer of a further 6 staff, and would include a sale of the fixed assets
- the project would deliver savings of $5.7m per year for a one-off cost of $2m
- the timetable envisaged an announcement on June 21 or 28, having first opened discussions with the Works Council, which would continue through June and July.

The response was:

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- Dr Evans should task Dr AC Dubock to construct a potential package for the sale of the facility as a going concern; this exercise should include an analysis of the intellectual property separation issues by Dr DK Lawrence; and the conclusions should be presented to the 18/19 June SEC Meeting
- any announcement with respect to the future of the Leiden facility would need to be co-ordinated with the announcement on Stein
- it was confirmed that Human Resources would provide the necessary support to the closure or divestment processes.

81/01 SABRI LONG-TERM SITE STRATEGY

Dr DJ Thompson gave a presentation in support of a paper seeking approval to initiate negotiations to purchase 31 acres of undeveloped land close to the R&T facility at Research Triangle Park, North Carolina (SABRI) for potential development of the site, at an anticipated total purchase price of $2.5m.

The request was supported.

82/01 GOVERNANCE OF GROUP COMPANIES

Mr Mäder gave a presentation describing the proposed framework for the governance of companies in the Syngenta group.

REDACTED: PRIVILEGED

The proposed framework was supported and should be submitted now to the Chairman's Committee.

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83/01 ANY OTHER BUSINESS

- Dr Jones gave a short presentation concerning the Global Management Conference, which would now take place on 29-31 October, and for which he had circulated a draft outline Agenda and a proposed list of participants. The underlying theme of the Conference would be "business transformation". It was agreed that SEC Members should provide comments on the Agenda and attendance list to Dr Jones by 29 May. The overall size of the participation would be driven partly by the extent to which communication was a prime objective of the Conference, and should be reviewed in that context.
- Dr Atkin confirmed that media releases would shortly be issued with respect to registrations of "Callisto" and "Acanto"
- Dr Evans reported that SABRI had been renamed Syngenta Biotech Inc.
- Mr Mäder reported on recent animal rights protest activity directed against Novartis
- Mr Mäder said that the Form 20-F for Syngenta for 2000 required to be filed with the Securities And Exchange Commission and the New York Stock Exchange by 7 June and would require review in advance of filing by SEC Members
- Mr Elias said that the Bermuda captive insurance company, Syngenta Reinsurance Limited, would be used to reinsure pooled local contracts of insurance for life, disability and medical insurance for employees
- Mr Elias would bring a paper on Benefits Governance to the 18/19 June SEC Meeting
- Mr Elias confirmed that a task team had been established to complete the negotiation of new contracts of employment with personnel relocating to Basel by the end of June
- REDACTED: PRIVILEGED
- Mr Beard would present the Seeds Corn Strategy to the 18/19 June SEC Meeting. The Seeds Strategy Review would be brought to the SEC meeting on 25/26 September
- REDACTED: PRIVILEGED
- The case for closure of the North Little Rock formulation and pack site, set out in the paper circulated by Mr Bissell to the SEC on 17 May, was supported. A fuller presentation concerning Site Rationalisation, as well as the Purchasing Strategy, would be made to the 18/19 June SEC Meeting.