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Minutes

Classification: SECRET
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Syngenta Executive Committee
Minutes of the SEC Meeting held on
Monday 11 and Tuesday 12 July 2011

Present:	Mr M Mack	(in the Chair)
	Dr A Aruffo	
	Dr J C Atkin	
	Dr R Berendes	
	Mr E C Mäder	
	Mr M Peacock	
	Mr D Pisk	
	Mr J Ramsay	
	Mr J D Sullivan	(Secretary)
In attendance:	Mr J Parr	(Minutes 69/11 and 70/11(A))
	Mr K Williams	(Minute 69/11)
	Ms N Martin	(Minute 70/11)
	Ms C Luscombe	(Minutes 70/11 to 73/11 and 78/11 to 80/11)
	Dr E Bartels	(Minute 70/11)
	Mr A Goig	(Minute 70/11(A))
	Mr C Clayton	(Minute 70/11(A))
	Mr J Suter	(Minute 70/11(A))
	Mr I Jensen	(Minute 70/11(A))
	Mr S Marten	(Minute 70/11(A))
	Mr J Barkhouse (by telephone)	(Minute 70/11(A))
	Mr D Tardit (by telephone)	(Minute 70/11(A))
	Mr S Dedominici (by telephone)	(Minute 70/11(A))
	Mr L Radaelli (by telephone)	(Minute 70/11(A))

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Mr L Grepl (by telephone)	(Minute 70/11(A))
Mr A Berkovskiy (by telephone)	(Minute 70/11(A))
Mr D Brown	(Minute 70/11(B) and (C))
Mr M Patrick	(Minutes 70/11(D), 71/11 and 72/11)
Mr N Dempsey	(Minute 70/11(D))
Mr J Seabrook	(Minutes 71/11 to 73/11)
Mr J Halliwell	(Minutes 71/11 and 72/11)
Ms J Gough	(Minutes 71/11 to 73/11)
Mr D Scott	(Minute 74/11)
Mr J Duan	(Minute 74/11)
Dr P Botham	(Minute 74/11)
Dr K Mewes	(Minute 74/11)
Ms S Hull	(Minute 76/11)
Mr P Pickering (by telephone)	(Minute 76/11)
Mr P Cohadon (by telephone)	(Minute 76/11)
Mr D Bachner (by telephone)	(Minute 77/11)
Mr M Mendes (by telephone)	(Minute 77/11)
Mr B Savioz (by telephone)	(Minute 77/11)
Mr J Riley (by telephone)	(Minute 78/11)
Mr M Stypa (by telephone)	(Minute 78/11)
Mr G Vail (by telephone)	(Minute 78/11)
Mr J Keiper (by telephone)	(Minute 78/11)
Mr T Dickinson (by telephone)	(Minute 78/11)

68/11 MINUTES AND MATTERS ARISING

The draft Minutes of the Meeting held on 27 June 2011 were approved with no corrections. Reference Minute 59/11, Dr Aruffo had on 8 July circulated a memorandum from Dr G Ramos providing a full explanation of the statement which he had made, during the R&D Portfolio Update (Minute 54/11) at the Meeting held on 9 and 10 May 2011, concerning the cost associated with the outsourcing of Product Safety activities in R&D, and it was agreed that Minute 54/11 would be corrected in line with that explanation.

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69/11 DRIVER SAFETY

Mr J Parr referred to the presentation circulated by Mr Mäder and Dr Atkin on 7 July proposing that deteriorating driving performance within Syngenta be addressed by concerted action by line management supported by the HSE team including active promotion of a culture of responsible driving through implementation of the "Alert Driving" e-learning program targeting the top 4000 at risk drivers (at a cost of $540,000 over 3 years) and encouragement for the use of visible measures embracing personal reward schemes and sanctions linked to driver safety performance.

The principal issues raised in the discussion which followed were:

- driver safety must be the responsibility of Territory Heads overseen by the Regional Executive Committees, with an annual review at the CRMC
- the proposal was focused on Syngenta employees rather than contractors but high severity incidents had regularly occurred involving contract sales promoters using motorcycles in developing markets; the question of whether these individuals were under separate management and supervision should be examined in determining whether or not to include them in the program
- the evidence suggested that a different refreshment initiative would be required year by year in order to achieve meaningful impact
- it was envisaged that each leadership team would maintain a balanced score card for driver safety performance; significantly more rigorous processes of incident investigation required to be introduced and leaders should be coached towards best practice.

70/11 BUSINESS INTEGRATION PROGRAM

(A) EAME STAGE GATE 2

Dr Atkin with Dr Berendes introduced a series of presentations by Mr J Parr, Mr A Goig; Mr A Berkovskiy, Mr S Dedominici, Mr L Radaelli, Mr D Tardit, Mr J Barkhouse, Mr L Grepl, Mr C Clayton, and Mr J Suter reviewing the Stage Gate 2 milestones for all Territories in EAME.

(1) Region Overview

Mr Parr and Mr Goig provided a review of the overall integration status including implications for organisation design. The main points were:

- all territories were highly engaged with strategy and integration planning with growth targeted in sales to $4.3bn (+20%) and in Business Contribution to $1.5bn (+35%) by 2013; the go-to-market plans and high level organisation blueprint had been completed and Field Force design was well advanced; and

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the savings target of $63m would be achieved, over 80% of this from a reduction of around 400 in the FTE headcount
- additional opportunities had been identified across all crops and geographies providing total incremental sales upsides compared to 2010 of $250m by 2013 and $2bn by 2020
- the go to market reviews all proposed increases in grower focus and demand creation; capability development would be a key success factor and the ability to transition people would require critical focus; consultation was in progress and it was planned to appoint around 850 FTEs to new roles after Stage Gate 2 approval
- the total restructuring cost in the current plan was $112m.

The response was:

- sales growth levels of around 7% per annum would be required in order to deliver the targets
- a key milestone would be the Crop Conference scheduled for September at which the allocation of responsibilities between Regional and Global Crop teams would be defined
- further clarity on the interaction with Foundation in France and North would be necessary in view of the adjacencies of the Go-Live dates
- Hybrid Wheat and Corn Seeds acceleration represented must-wins in the realisation of the longer term upside opportunities
- it was noted that a meeting had also been scheduled in August to connect Production & Supply and R&D to the commercial strategy
- the pressure on the platform business on the chemical side which was likely to result from agricultural policy including calls for reduction in pesticide use in Western Europe would bear further analysis
- to achieve traction with the channel would require clear demonstration of technical expertise and Field Force transition presented the highest risk in this context.

(2) CIS

Mr Berkovskiy described the core elements of the integration plans and targets for CIS. The main points were:

- sales were targeted to increase by 19% per annum from $413m in 2010 to $701m by 2013 and Business Contribution from $117m to $230m over the same period; the market share growth goal was from 17% to 23%; and a $3.3m savings target would be achieved
- Syngenta would build on a leading position in both Crop Protection and Seeds markets penetrating Cereals and Corn seeds to create an ICS platform and closing the Sunflower herbicide portfolio gap while exploiting significant cross selling for both field forces and managing credit risk

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- the go to market strategy focused on revision of the target segments, increased demand creation on farm, disciplined use of new CRM to capture grower data and rewarding channel partners based on added value
- the key success factors would be gaining momentum in the field force to embrace new ways of working while still delivering growth.

The response was:

- it appeared that neither Kazakhstan nor Belarus would in the short term be significant drivers of the growth agenda, Kazakhstan suffering from low profitability and strong generic competition while Belarus, although the most intensive and advanced market in the CIS, would need meaningful state support to allow farmers to invest
- the CRM tool would be enabled by simple, off-the shelf, support software (Salesforce.com) and would be piloted in 2012 in several regions in Russia and the Ukraine for potential scale-up in 2013
- a different approach to breeding corn germplasm would be needed to satisfy rising quality demand
- transitioning the mindset of the workforce from allegiance to the former business units towards embracing the new paradigm had proved challenging and could be expected to require more time
- the high risk of losing critical staff to local competitors based on current pay levels called into question the realism of the aspiration to contain function costs at the existing total until 2020.

(3) Iberia

Mr Goig and Mr Dedominici detailed the integration status and program milestones for Iberia. The main points were:

- Syngenta was a market leader in the combined business with unique links with food chain players and well positioned to grow share by offering broad technology platforms in an environment where ICS was completely aligned with market needs
- an opportunity scan had identified 5 key opportunities in vegetables, corn cross selling citrus integrated crop management, cereal go-to-market synergies, and hybrid barley, potentially delivering $55m and short and mid-term upsides in all crops totalling close to $150m
- distinct go-to-market approaches had been defined based on tailored segmentation by crop leading to alignment of sales districts each with multiple touchpoints
- a critical success factor would be the creation of demand for an integrated brand combined offer by the food chain which would inform grower choices
- the business plan projected sales growth from $235m in 2010 to $285m by 2013 at a Business Contribution of 48%; total net savings of $5.1m had been identified.

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The response was:

- the management of the multiplicity of activities contemplated by the program would require clear allocation of responsibilities across the organisation for each element of the strategy and the work on customer segmentation would be pivotal
- the transferability of the work on corn in Italy to Iberia should be exploited and suggested more broadly the scope for Regional crop strategies with in each case a lead Territory exemplar
- the question of a pan-European biopesticide strategy would require to be handled at Regional level and necessitated judgment on positioning opposite EU regulators in Brussels.

(4) Italy

Mr Goig with Mr Radaelli overviewed the progress of the integration program in Italy. The main points were:

- the Business Plan foresaw sales growing at a CAGR of 3.2% to $282m by 2013 with a Business Contribution of 50%; early pilot learnings under a single leadership had been used to consolidate Syngenta's position in a fragmented market
- the opportunity scan by crop indicated short-term upsides of $16m delivering a potential additional 6.5% growth through further gains in corn seed, value capture in cereals with an integrated offer, continued local gap-filling in grapes and vegetables including biocontrols, and accelerated strategic local industry partnerships
- distinct go-to-market approaches had been developed by key crops and geographies with larger field forces directed at major growth areas in corn (North) and vegetables (Sicily)
- savings totalling $4.9m had been identified; the focus until steady state would be on maintaining momentum from the pilot, delivering Integrated Campaign Plans, and concluding a local MaSE academy.

The response was:

- the most important enabler had been the quality of the people in the organisation, cross-fertilisation of knowledge and recognition of diversity as an asset
- the opportunity map appeared to be weighted toward the time horizon beyond 2013 (opportunities across all crops including this timeframe totalling $65m); the short-term priority would be gap-filling in the current portfolio in specialties and corn while the mid-term value would be delivered from working downstream including direct entry to cereal seeds to exploit genetics and introducing new technologies

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- the design of Sales Incentive Plans would place increasing emphasis on creating farmer pull
- the relatively higher profitability of Italy underlined the criticality of the business
- the decentralisation of influencer management was more pronounced than for any other Territory in EAME.

(5) <u>France</u>

Mr Goig and Mr Tardit outlined the principal features of the integration program for France. The main points were:

- the proposals represented an aggressive plan in a moderately growing market in which the regulatory environment was showing signs of becoming more favourable
- sales were projected to increase by 16% from $528m in 2010 to $615m by 2013 with an increase in business contribution of 28% or $60m and in market share from 14% to 16%; a $15.2m saving target would be achieved
- ICS projects across all crops had been identified with a sales upside of $26m in 2013 and peak sales of $86m and a revised go-to-market strategy developed involving more selective partnerships with distributors and increased pull through e-marketing and strengthening of field experts
- the FTE allocation and A&P spend was aligned with the strategic priorities, implying increases in relation to grapes and cereals and reductions for corn and sugar beet
- integration would be implemented sequentially first with the field force and then by portfolio leverage in major markets to increase share and ICS execution in smaller markets to raise profitability.

The response was:

- the downsizing of the sugar beet business was designed to render it profitable and contribute to savings of $3.5m; the quality of the current proprietary germplasm was uncompetitive but consideration would be given to expanding the sales force if new varieties were developed
- the implication that Syngenta was within reach of market leadership was noted; the business models of a number of competitors were unlikely to be sustainable under the prevalent market conditions
- securing new active ingredient registrations and defending registrations for existing active ingredients would be "must wins" for delivery of the strategy
- the scenario modelling which had been undertaken confirmed the quality of the business and the benefits of scale; the organisation was correctly sized in relation to the growth opportunities
- the ability to deliver seed of the highest quality would be critical to success in the market and issues which had appeared in 2010 would be addressed with Production & Supply.

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(6) North

Mr Barkhouse presented the highlights of the integration program for the North Territory. The main points were:

- the Territory comprised 9 countries with a diverse range of agricultural markets; the financial averages could lead to characterisation of the market in totality as mature but masked significant growth potential
- the base case Business Plan predicted sales growth from $386m to $440m by 2013 with Business Contribution of $196m (46%) whilst delivering $6.5m in function cost savings
- immediate opportunities from leveraging grower connections and from cereal hybridization (of which hybrid barley represented the stand-out opportunity) offered revenue upside potential of $15m to $20m while combining field forces, broadening of loyalty programs and e-marketing would deliver ICS opportunities
- go-to-market and crop team leverage would bring smaller countries into focus and centres of expertise would be established for the UK and Benelux.

The principal issues arising from the discussion which followed were:

- the cereals prototype in the UK had been helpful in aligning the sales force to grower concerns and needs and had resulted in modest market share gains but additional technology particularly in chemistry would be required to deliver significantly greater value
- the integration of Seeds to the existing Crop Protection loyalty programme had provided an immediate upside at minimal cost
- the proximity of the October Go Live for the Territory to the September "go live" for Foundation in Benelux was of concern; Mr Barkhouse confirmed that the Territory management were in close contact with the Foundation team to obtain foresight as to the potential risks, and customer service rationalisation in Benelux would not be triggered until Foundation was in place
- the introduction six months earlier of a new Sales Incentive Plan had gone some way to mitigating the risk of hiring away of sales force personnel by competitors
- notwithstanding differences between the loyalty programmes deployed in the UK (which was aimed at leveraging the relationship with the top tier of growers) and Germany (where a much broader tier was comprised in the segmentation), the objectives for the marketing leads in each country would be set with a view to promoting common understanding of the mechanisms of the loyalty programmes and their role in creating transactional relationships with growers
- traceability should be rolled out across the Region as a key tool to support the anti-counterfeiting effort
- to leverage resources at a single location across multiple countries had involved investing in providing the individuals concerned with the necessary equipment and travel budgets and setting a clear understanding of the amount of time they were expected to spend in each country for which they were responsible.

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(7) South East

Mr Goig and Mr Grepl isolated the key elements of the integration program for the South East Territory. The main points were:

- South East was a complex Territory with 6 commercial units, the Northern part dominated by field crops and the Southern part by vegetables and specialties; Syngenta was the market leader with a strong position in both Seeds and Crop Protection; the Business Plan showed growth from $448m to $542m by 2013 with a Business Contribution ratio of 54% while delivering total net savings of $6.7m
- approximately $80m in potential upsides in the longer term had been identified in the opportunity scan of which 5 key opportunities totalling $44m, in DFC and corn gap-filling, leveraging Vegetables expertise, increased face to face interaction, translating the corn ICS model developed in Hungary to other countries and crops, and providing financial solutions, would influence go-to-market design
- go-to-market approaches would be differentiated in line with market and organisational maturity
- the focus until steady state would build on improved team collaboration and delivery of more effective support across commercial units through crop marketing.

The key issues arising in discussion of the presentation were:

- notwithstanding the significant level of recent change in the leadership at country level the commercial leadership required to capitalise on Syngenta's strong position in all crops was believed to be secure but reinforcement of support was likely to be necessary
- the strong ratios in the Business Plan were underpinned by low function costs and the beneficial mix effect in corn and sunflowers where sales attracted higher margins, raising the question of the upside potential of additional investment
- the very rapid growth in demand for Seeds had stressed supply chain capability; the basis existed to address this at an individual crop level but in a cross-crop sense the issue required active management through the Regional Executive Committee and the S&OP; capacity planning was as yet sub-optimal and import and export barriers presented an additional challenge to the movement of seed between countries
- the assessment of smaller opportunities such as cotton in Turkey was still in progress.

(8) Central

Mr Clayton described the critical factors in the integration program for the Central Territory. The main points were:

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- the Territory comprised widely differing Commercial Units with common crops but dissimilar varieties requiring specific active ingredients and brands and go-to-market models; Germany and Austria together accounted for 60% of sales in the Territory
- Syngenta was the market leader in the combined business but not in either Crop Protection or Seeds or any significant segment
- the Territory Business Plan indicated sales increasing from $660m to $790m by 2013, Germany alone offering a sales upside of around 20%, and Business Contribution from $307m to $375m (48.9%), with total net savings of $12.1m
- significant potential existed to improve the Syngenta position beyond products including by rejuvenating the teams and shifting to a more marketing driven organisation in Germany
- three major tangible upside opportunities which could be delivered within the next 5 years, hybrid barley, Biogas, and enhancing and leveraging go-to-market to capture growth in Poland, had been identified with total incremental revenue of $100m, for which investment cases were being prepared

The response was:

- the German organisation had unparalleled technical expertise but much of the sales growth was based on pre-ICS opportunities, the proposal both to leverage the technical expertise outside the country and bring marketing focus to Germany was supported; more rigorous performance management could be required and consideration should be given to appointing a candidate external to the country management to lead Biogas
- Bayer was thought likely to react to Syngenta's strategy by stepping up their partnering with seeds companies
- the corn portfolio lacked a variety in the early maturity group
- the strong growth projected from Poland and the Baltics appeared to reflect some years of underperformance in Poland.

(9) AME

Mr Parr and Mr Suter captured the primary components of the integration program for AME. The main points were:

- the Business Plan envisaged sales increasing by 15% from $307m in 2010 to $354m by 2013 and an increase in Business Contribution of 26%; the identified cost savings were $0.5m; and crop opportunities had been defined with a short term value of up to $40m but depending on access to corn seed
- AME would be structured in 5 commercial units based on business potential rather than geography, comprising in-market companies in Egypt, Kenya, Morocco and South Africa and a Basel-based incubator for "Frontier Markets"
- development potential would be captured through 4 New Business Models, smallholder expansion focusing on Egypt, Ghana, Kenya and Morocco; inward investment (large scale) business focused on Ethiopia, Mozambique, South

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Sudan and Zambia; integrated channel, piloting in Ghana and the Ivory Coast; and an infrastructure growth corridor partnering approach in Mozambique and Tanzania
- different go-to-market models would be deployed reflecting the diverse market position and customer priorities.

The response was:

- it was noted that with the exception of Egypt all of Middle East comprised Frontier Markets and that all of the transactional activity was managed out of Basel; but that Middle East should not be neglected as an agricultural market having important potential for growth in cereals and in vegetables export and estimated 2010 sales (excluding Egypt) of around $70m
- the segmentation suggested by the strategy was endorsed
- the dynamic of Africa was currently positive but would require continued close monitoring
- the analysis of the potential for collaboration in South Africa with Pannar should be revisited given that the ruling of the antitrust commission on Pannar's attempted acquisition by Pioneer was expected in September
- the investigation of the potential offered by the "Frontier Markets" was fully supported.

(10) Conclusions

At the conclusion of the presentations it was agreed as follows:

- the Territory plans were supported for progression through Stage Gate 2
- the proposal for a significant ramp-up in training over a relatively short period should be revisited
- leveraging the thinly-based Seeds expertise to full effect would be important to the success of the strategies
- it was not clear that the systems were yet in place to manage the talent and development pool which would be critical to delivery in those Territories for which the most ambitious targets had been set
- considerable encouragement could be drawn from the strong base from which in certain Territories the plans were being launched but a coherent marketing strategy was not yet apparent and the trajectory would be driven by making choices and prioritising amongst opportunities
- the alignment of 'back office" activities in support of the strategies through SBS and Foundation should attract significant focus
- the plans offered the scope to leverage strong leadership across all Commercial Units and likewise to leverage the Crop strategies; the opportunity analyses appeared to be well-grounded
- realisation of the major seed initiatives (particularly hybrid barley) would be fundamental to the financial projections
- inherent in the cost savings displayed was an assumption of increased productivity and higher revenue generation per person

- the potential for price increases associated with successful delivery of ICS should not be overlooked.

(B) ASEAN AND BRAZIL STAGE GATE 4 APPROVALS

Ms N Martin presented requests in relation to ASEAN and Brazil for support for Stage Gate 4 acceleration, comprising in each case business critical core commercial processes, tax and legal, and back office support. It was confirmed that tax and legal (deliverable 15) had been discussed with the functional team and that the core commercial processes had been the subject of extensive discussion in the Regional Executive Committees and with the COOs.

The requests were supported.

(C) PMO UPDATE

Mr D Brown presented an overview of the status of global business integration including project costs and benefits. The main points were:

- most activities were proceeding on track the only issue requiring intervention having been the office arrangements for Basel-based Crop and Asset managers
- the latest view of restructuring benefits and cost confirmed that the targets would be delivered, the total ongoing benefits of $800m taking into account a $161m (20%) contingency and the costs of $425m a contingency of $51m (13%)
- the detailed breakdown for EAME would be presented to the IAC on July 15 while the corresponding analysis for the other Regions was under production and the make-up of the $13.3m Above Territory target for Global Crops and Assets was also under evaluation
- a role reduction of 60 positions in North America had been completed in July with a further decrease of 130 positions planned to be achieved in 12 months' time.

The response was:

- the benefits and cost reduction trajectory must be monitored on a regular basis
- the characterisation of benefits as "to be identified" risked to signal time slippage; a discussion on the scope for acceleration of savings would be scheduled for the 13 July GCC meeting; and the ownership of headquarters savings must be confirmed; the savings from SBS were now projected for delivery in the period 2014/15
- the time demand on staff implied by the level of training inherent in the capability building plans had the potential to stress the maintenance of the ongoing business
- the issue of salary differences between the former Crop Protection and Seeds businesses would be addressed within the 2012 salary budget round.

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Ms Martin confirmed that linkage between all of the global change programs was in process of being put in place, the Territory leads having provided the commercial plans to which the plans for R&D, SBS and Foundation would be added. A Global Integrated Master Plan was under construction and would be continuously reviewed. Reconnection with Global Crops had established 8 common streams of activity which the Crop leads were interested in tackling jointly and an overview of this activity would be provided. The first joint project communications were planned to be issued on 18 July to the top 400 leaders and a plan was under development with Ms S Kelly for communications on ongoing activities to be published fortnightly. It was agreed that before launching this process the draft of the communication scheduled for 18 July would be made available to Mr Mack for review.

(D) FINANCE BUSINESS PARTNER SAVINGS PLAN

The presentation circulated by Mr Ramsay on 6 July was taken as read. Mr Ramsay said that the savings plan had been closely aligned to the commercial strategy, that if SBS delivered as projected it would be close to "best in class' and that Business Partnering would be in line with the benchmark median. There appeared to be some pockets of disproportionate resource demand.

The role savings by commercial and global function over the next two years had been validated.

The principal issues arising in discussion of the presentation with Mr Ramsay, Mr N Dempsey and Mr M Patrick were:

- the target was to reduce the current Finance total cost as a percentage of revenue of 1.78% by 0.3% which would also take Syngenta to the benchmark median, the headcount ratio of 1:90 sitting between the median and upper quartiles and reflecting the complexity of the organisation; to reduce the cost as a percentage of revenue to 1.2% would necessitate the elimination of a further 50-100 roles and acceptance of increased risk
- there would be an opportunity to revisit the plan in 2013 when Foundation had stabilised
- the analysis had enabled the mapping of capability requirements for the business partnering roles
- the Finance Career Development Group structure would be reinforced to help ensure collective ownership of the transformation program in line with the objective of "One Finance Function"
- the added value contribution of the Finance Business Partner function should be classified into 4-5 categories and proactive pressure exerted on the organisation to expose the issue of over-reliance on Finance Business Partners for non-value-adding activity.

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71/11 FINANCIAL PERFORMANCE: PROVISIONAL RESULTS FOR JUNE AND H1, 2011, LE2 UPDATE AND BUDGET 2012 TARGETS

Mr Ramsay introduced a presentation by Mr J Halliwell detailing the key issues arising from the sales and provisional results for the month of June and year to date, the revised LE2 and the 2012 targets. In summary:

- Crop Protection & Professional Products June sales were 8% above the prior year, with higher sales in all regions except EAME and 2% above budget with higher sales in LATAM and EAME; Seeds June sales at CER were 2% below 2010 with higher sales in Corn in LATAM and Vegetables in EAME and APAC offset by lower Corn & Soybean sales in North America, but were 9% above budget with higher sales in LATAM and North America
- Group H1 sales at constant currency were 12% ahead of the prior year, the growth rate exceeding consensus by around 2%, and 4% above budget
- the price variance in Crop Protection for the first six months was -2%, with some easing of the adverse position in North America, but was the main driver of the 1.1% fall in the gross profit ratio in Crop Protection compared to a 4.7% improvement in Seeds notwithstanding a 6% increase in function costs resulting from the allocation of higher STI
- the achievability of the 21% ($350m) sales growth in LATAM in H2 required to deliver LE2 would not become visible until close to the end of the year and the sovereign risk in Brazil which would be the biggest factor in H2 continued to be of concern; the -4% "to do" for EAME represented a conservative judgment based on retraction from "morte saison" sales in France and provisions for potential returns but an upside of the order of $10m to $20m remained possible
- growth in Net Income was 14% and in EPS excluding restructuring and impairment was 12%
- receivables had increased in part as a result of the effect of the Bold transaction (which gave rise to receivables of $60m to $70m without sales in the prior year) and in part from the impact of higher rebates within the gross to net pricing structure in the United States
- Free Cash Flow in the revised LE2 would be overviewed at $1050m recognising the tension from the ICS restructuring spend forecast and higher inventory in Seeds compared to Budget and LE1
- the 2012 sales forecast add-up of $14,267m (+7.6% against 2011 LE2) reflected continued volume momentum and price increases of around 1.5%; at constant exchange rates operating profit would grow by 18.4% but a currency impact of $203m would restrict by 9% growth in absolute terms; an additional $150m in post-tax profit would be required to reach consensus
- it was agreed that the messages to the July 13 GCC meeting would be that higher price increases (2.5%) should be targeted together with a 0.5% market share increase in Seeds but that expenses must continue to be managed tightly on the basis that achieving the higher price increases was likely to be demanding
- the 3% growth in forecast function expenses in 2012 compared to LE2 2011 took into account $63m in integration program savings but also salary increases

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totalling $78m; the differential between cost and sales growth, currently between 6% and 7%, was not sustainable in the longer term and required to be expanded by 2% to 3%
- it was agreed that units should budget for a zero salary increase with the full increase carried centrally.

72/11 SWISS FRANC CURRENCY EXPOSURE

The paper circulated on 7 July by Mr Ramsay was taken as read. As of the end of June 2011, the estimated 2011 full year impact due to the Swiss franc appreciation on Group EBITDA was $229m, offset by gains of $230m from related hedging activities. As referred to in Mr Halliwell's presentation, for 2012 it was estimated that the negative impact compared to 2011 would be over $200m, mainly due to the non-repeating hedging gains which would arise in 2011. It was recommended that further work be undertaken to examine ways to reduce the Swiss franc exposure and to reduce the Euro cost base.

The principal points arising from discussion of the paper were:

- the further investigation was supported and work would be undertaken with SEC members individually to identify costs relating to non-strategic resource in Switzerland the relocation of which would be neutral to the tax rate
- a clear message must be issued to the organisation regarding the undesirability of bringing additional costs into Switzerland
- an analysis of variable costs in Switzerland was already under way in Procurement; active ingredient manufacturing costs were reviewed annually but the pace at which the fixed cost base might be reduced was likely to be much slower
- Mr Peacock would organise an analysis of the scope for securing the pass-through benefit from suppliers with a dollar manufacturing base from whom Syngenta currently purchased paying in euros.

73/11 DRAFT H1 RESULTS COMMUNICATION

Ms J Gough circulated and led a discussion with respect to the draft Media Release of the 2011 Half Year Results. The key points emerging from the discussion were:

- while as earlier noted sales growth exceeded consensus by 2%, EPS growth would fall short of consensus by 5%
- the language relating to pricing in the second quarter would be revised
- care would be required with the text relating to the crop enhancement effects of "Amistar", the mechanism of which was not yet understood, which could be expected to be interrogated; the level of crop enhancement activity varied between fungicides and had been exaggerated by extension services in the U.S.

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- the commentary on volume growth and pricing in the Outlook statement would also be reviewed; Ms Gough would join the discussion on pricing in the GCC meeting and consider language capturing the objective to target price increases while recognising the risk to achievability.

74/11 PARAQUAT

(A) U.S. LAUNCH PLANS FOR "INTEON" REPLACEMENT

Reference Minute 74/10, Dr Atkin introduced a presentation by Mr D Scott describing the launch plans for the replacement product for the "Inteon" formulation of paraquat in the U.S., with commentary from Dr Aruffo on the regulatory position. The main points were:

- safety equivalence had been established between 'Inteon' and a new 240 gram/ litre SL formulation for which U.S. registration had been obtained and which would be launched under the name "Gramoxone SL" in September 2011
- U.S. EPA had in approving the label for the new product incorrectly referred to the new product as containing "Inteon Technology" notwithstanding that Syngenta's confidential submission had referred to the removal of sodium alginate, and this error would be pointed out to EPA
- the new product had the potential to deliver sales growth to $70m by 2013 (compared to "Inteon" sales of $58.3m in 2010) from glyphosate-resistant weeds and mixture products with saflufenacil could drive sales to $100m
- the EPA re-registration process for paraquat would start in 2012.

The response was:

- the launch was supported
- Dr Aruffo would circulate a note to the SEC and Mr Sullivan reporting the outcome of the dialogue with EPA on their error in approving the label for the new product
- Existing demand for Syngenta's paraquat-based products outstripped capacity, raising the question of how the projected upside would be satisfied.

(B) MODE OF ACTION STUDIES-OUTPUT FROM THIRD PHASE

Mr Sullivan reported that the most recent results from Syngenta's research program into the claimed links between paraquat exposure and Parkinson's disease confirmed that, even at the maximum tolerated dose, paraquat administered to mice by the intraperitoneal route did not cause dopaminergic neuronal loss or a loss in striatal dopamine and was not associated with any neuropathology. Syngenta would now initiate an inter-laboratory study involving three laboratories to investigate the reproducibility of the mouse model between laboratories.

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Dr P A Botham, who had led the research and whose presentation of the output was circulated in the meeting, underscored the exacting standard to which the research had been carried out, and Dr K Mewes said that the Australian regulatory authority, with whom he had recently shared the output, had been highly complimentary of the rigour of the research.

The response was:

- Dr Botham and his team were congratulated on the progress which had been achieved
- encouragement was given to probe the scope for publishing the research (which had also been suggested by the Australian regulatory authority) in order to share the findings with the broader scientific community.

75/11 CAPITAL PROPOSAL: GILROY SITE MASTER PLAN: A2 GREENHOUSE REPLACEMENT

Dr Berendes referred to the paper circulated on 6 July by Dr Aruffo and himself seeking support for $8.25m capital to replace two greenhouse ranges, both over thirty years old, as well as the chemical storage and pot filling structure and the associated hoop houses at the Gilroy, California Flowers Pro site. Following discussion of the paper and additional material analysing the investment case presented by Dr Berendes it was agreed as follows:

- the proposal was consistent with the R&D strategy for Lawn & Garden to focus the footprint for ornamentals research on Gilroy and Enkhuizen and was supported
- the investment had been included in the acquisition plan for Goldsmith and was expected to step up the rate of velocity rather than catalysing the business, by bringing the greenhouse facility up to the standard already available to Syngenta's major competitors
- the element of the proposal relating to physical security of the facility should be re-examined
- the investment represented the first of four phases of a global program and addressed the sustenance requirement; the next phase (A3) had a significant component of office accommodation, was less compelling, would require separate review and decision by the SEC at the appropriate time, and could not be supported based on the current evidence.

76/11 CHINA: REVIEW OF VISIT OF DEPUTY-MINISTER OF AGRICULTURE

Reference Minute 67/11, Mr Pisk opened a discussion with regard to the development of policy in China and as to how that policy might impact Syngenta's activities in China, following the visit on 16 June to the Syngenta headquarters of

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Mr Zhang Taolin, Vice Minister of the Ministry of Agriculture of China. Mr P Cohadon had circulated a recent article from "China Economic Weekly" containing hostile comments on multinationals. A workshop had been scheduled for the end of August on the strategy in relation to SBC and a broader strategy review with respect to China would be held in Q1 2012.

The main points arising from the discussion were:

- the article circulated by Mr Cohadon, as well as the announcement, reported by Dr Aruffo, by the Chinese Ministry of Agriculture that they intended to carry out inspections of both the greenhouse and laboratory facilities at SBC to confirm that Syngenta was in compliance with its permit to work with genetically-modified organisms were of concern; there appeared to have been an escalation in anti-multinational sentiment and sustained influencing would be vital to redress the balance
- the handling of the follow-up visit by Vice Minister Zhang to SBC, for which he had accepted an invitation for October, would be important
- Mr A McConville was undertaking research designed to provide a better understanding of the decision-making processes of the Chinese government and this would be integrated into the strategy workshops
- the value of collaboration with a significant local partner in augmenting Syngenta's influencing ability was as yet unproven; the experience with Sanbei had not been encouraging in this respect
- the existing strong local management team in China should establish contact with the government on a more continuous basis
- a more robust set of assumptions as to the posture of the authorities to Syngenta's licence to operate must be developed and contingency planning undertaken for the scenario where continuity was in jeopardy
- the value of listing the local subsidiary in China (which had been pursued by other multinationals such as Standard Chartered and GE) should be appraised
- the government position on food security should be probed, it being anticipated that protectionism in relation to technology associated with highly politicised agriculture such as rice would be prevalent
- periodic briefings should be provided to the SEC on the thinking emerging from the strategy reviews
- SEC members intending to travel to China should advise Ms S Hull to enable her to organise appropriate meetings with local officials.

77/11 CAPITAL PROPOSAL: PLENE PROJECT: FIRST SITE PHASE 1 400 NPS ITAPOLIS

Mr Peacock referred to the paper and presentation which he had circulated on 7 July seeking support for the submission to the Chairman's Committee on 14 July of a request for $33.6m capital to bring forward cutting, sensing and semi-automated de-husking machinery to meet projected demand from February 2012 through to

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February 2013. The proposal had been reviewed by Mr Peacock, Dr Atkin, Mr Ramsay, Dr Berendes and Dr Aruffo.

The main points were:

- pricing expectations had continued to rise from $900/ha in 2010 to now $1300/ha for 2013 and the number of committed contracts had risen; some initial results indicated the potential for up to 10% yield increase on the second harvest
- a semi-automated solution for de-husking the sugar cane from the nurseries had been successful albeit in prototype form
- the business case was most sensitive to the Plene long-term planting rate; launch in April had demonstrated that 90K to 100K Pl/Ha was an appropriate planning rate for October but the business case assumed the achievement of a 40K Pl/Ha long term rate
- production of sugar cane for processing into Plene had been badly impacted by unusual weather this season resulting in a condition known as "flowering" and some disease damage due to "red stripe" which had given rise to swollen buds on virtually all the cane and increased the sensitivity to the cutting and treatment processes
- in order to meet the planned increase in planting in October and then far more significantly in February 2012 it was necessary to pull forward the order of new machinery for de-husking, cutting and treating to allow a significant ramp-up in the production rate for October
- the NPV of the overall business case, for which the proposal was a critical enabler, was $328m, a reduction from the last SEC update of $427m.

In discussion of the proposal with Mr Peacock, Mr D Bachner, Mr M Mendes and Mr B Savioz the principal conclusions were:

- the proposal was supported for submission to the Chairman's Committee on July 14
- no further customers should be signed up until the deliverable had been derisked
- a new generation of cane in which the "flowering" effect was absent would be available from February 2012
- the proposal necessarily required the scaling up of a sub-optimal prototype in order to meet customer demand and to advance Syngenta's position simultaneously with solving the technology issues
- the planting rate and price were critical to the economic case
- it was noted that the machine performance shortfall would be addressed by installing a new single lane (as opposed to multi-head) cutting, sensing and dehusking layout for September to eliminate feeding bottleneck.

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78/11 CAPITAL PROPOSAL: S-MOC MICROCAPSULE FORMULATION CAPACITY AT ST GABRIEL

Mr Peacock referred to the paper which he had circulated on 7 July seeking support for $7.2m capital to install formulation capacity at the St Gabriel site for the launch of new formulations of "Lumax" and "Lexar" and a new brand, "Zemax" from 2012. The proposed investment would support incremental sales of $167m with an NPV of $28.7m (excluding terminal value) and a discounted payback of 2.7 years. Field trials of all of the redesigned formulation variants, and a limited 2011 commercial launch of the redesigned "Lumax", had shown equivalence in crop tolerance and in weed control pre- and post-emergence between current commercial formulations and the redesigned formulations.

The key points made in discussion were:

- the proposal was supported
- significant temperature cycle testing had been undertaken and the low temperature issue eliminated
- the demonstrated weed control equivalence was applicable across all species
- dose rates would be unchanged but convenience of use would be significantly improved, enhanced compatibility with fertilisers would be provided, and more flexible application windows would be available by comparison with competitor products
- COGs would increase as a result of microencapsulation but margins continued to be acceptable.

79/11 SEC MEETINGS TIMETABLE

The draft SEC Meetings Timetable for 2012 circulated on May 24 was agreed with changes to the Meeting dates in May from 7/8 to 8/9; in June from 25 to 26; and in August from 20 to 22. Mr Sullivan would circulate the final version of the 2012 Meetings chart and Mr Pisk and Dr Atkin would propose the GCC Meeting dates for 2012, for agreement at the August 19 2011 SEC Meeting.

In addition it was agreed that there would be no Global Leadership Conference in 2011 but that consideration would be given to rescheduling to October 19 to 21 the face to face GCC meeting currently scheduled for September 20 and 21.

The November 2011 SEC Meeting would be held on November 1.

Finally the SEC half-year calibration would be scheduled for 11:00 to 14:00 on one of the two days of the September 2011 SEC Meeting.

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80/11 ANY OTHER BUSINESS

- it was agreed that systematic reports be provided to each SEC Meeting by the responsible SEC member from each of the BSC, the MAC, the CRP, the CRMC, the Asset Committee. the Seeds Committee, the LTO Committee and the SLC (to the extent that a meeting of the respective Committee had been held since the preceding SEC Meeting); that the content of the SEC report be a standing agenda item at each Committee Meeting; and that the Minutes of all Committee Meetings be circulated to the SEC
- in line with this agreed process, reports were provided as follows:
  - Mr Peacock said that the BSC had last met on May 20 and the agenda for the next meeting on 15 July had been circulated to the SEC. The key items on this agenda were a request for guidance on ISAP next steps and proposals for investment in the e-HR program and in CRM for North America. A proposal for investment in the next phase of the MINT program in R&D had been put back to the following meeting in September
  - Dr Berendes confirmed that the draft Minutes of the MAC meeting held on July 6 had been circulated by Ms L Logiurato. The meeting had dealt with the reviews of the Sanbei joint venture and the Strasbourg acquisition to be presented to the Board; the decision to discontinue investigation of Atlanta; and the agreement to follow up with the Australian business team the expressed interest of Landmark in acquiring the 50% share held by Syngenta in a joint venture with Bayer for the sale and distribution of cotton
  - Mr Mäder said that the Corporate Responsibility Panel had last met on 8 June the main topics being in follow-up to the offsite SEC Meeting and the focus on the three pillars comprising the "greening" of the portfolio, the metrics base, and the smallholder and "frontier markets" strategy. The food security agenda in which Syngenta continued to take an active role through the WEF had also been addressed as had the Corporate Responsibility Reporting and Assurance process
  - Dr Atkin reported that at its most recent meeting the Asset Committee had reviewed and agreed a number of compounds for Stage 2 promotion. Much of Syngenta's new chemistry had attracted restrictions and label ratings which had not been anticipated and the advancement of technology to registration and launch has slowed with some leads falling out of the process. The investment in new compounds was an average $15m at Stage 2 and $90m to $100m at Stage 3 and Dr Atkin had triggered a deeper review of resourcing and strategy for the chemistry pipeline
  - Mr Pisk said that the Seeds Committee had met immediately after the last GCC Meeting. The major topics considered had been the quality management system, management of intellectual property, ways of working on trade involving GM traits, new business models (by analogy with the cotton initiative in Brazil), learning on hybrid barley, and the wheat business model for East Europe. A proposal for promotion of the TPP water optimisation trait would be brought to the August 19 SEC Meeting

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- Dr Aruffo said that the LTO Committee had met on July 4 and had focused on a report on regulatory and public affairs activity in APAC, the major effort being invested in China and South Asia and a need to refocus some of this effort having been agreed
- Dr Berendes confirmed that three meetings had been held so far of the SLC. A dashboard of ongoing key projects had been defined and transparency provided of transactional touchpoints with Syngenta's five leading competitors
- Mr Mäder reported that the Q2 meeting of the CRMC had been held on July 8 and had covered HSE performance, the anti-fraud policy and framework, the CRMC setup in the ICS environment, a review of the 5 key risks in LATAM, and seeds production standards. A comprehensive review would be carried out with regard to the operation of the site at Goa following an audit earlier in the year which had disclosed deficiencies in HSE, risk management and change control, and a new site manager had been appointed

- REDACTED: PRIVILEGED
- Dr Berendes reported that the Head of Corporate Venture Capital, Mr J Cripps, had been suspended pending the outcome of a formal investigation into allegations of bullying; a hearing would be held before Mr J Barkhouse with a right of appeal to a second stage process to be overseen by Mr Peacock
- REDACTED: PRIVILEGED
- Mr Ramsay commented on two recent internal audit reports which had given rise to "needs improvement" findings. The first of these dealt with credit control in Russia; the finding was disappointing given the level of effort put into formal sign-off of credit control policies but there had been no evidence of fraud. The audit team would also now undertake an audit on credit control in the Ukraine. The second report referred to Foundation/SBS post-implementation processes in Seeds in France and had exposed lack of functional leadership which would require to be addressed in order to establish accountability for and ownership of the actions implied by the report

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- Dr Atkin would schedule a presentation to the SEC concerning the competitive environment for manufacture of azoxystrobin with specific reference to China and would provide a Q&A on this issue for the Half Year Results Announcement
- Mr Pisk said that two grain traders, Bunge and Continental Grain, in the United States had ordered installation of signs on grain elevators stating that Syngenta's "Viptera" hybrids should not be accepted because the trait had not been deregulated in China. The action appeared to have been taken by the traders involved to protect themselves against the risk of shipments being refused at the port of entry in China. Analysis of the appropriate response was being undertaken with the support of the National Corn Growers' Association. Approximately 30% of Syngenta's portfolio in 2012 would contain the trait. Deregulation of the trait by the Chinese authorities was currently expected to take place by Q2 2012
- Mr Peacock provided an update on the "Helix Xtra" contamination issue in Canada. It was agreed that Syngenta would work cooperatively with Viterra to define the appropriate recompense for their claim and would also continue to negotiate with Monsanto on the basis that payment would not exceed their contractual entitlement. Opposite Nufarm, Syngenta would maintain its demand for compensation in full; Dr Atkin would contact Mr D Rathbone of Nufarm and the broader relationship with Nufarm would be analysed
- Reference Minute 62/11, Mr Pisk had circulated on 10 July a paper containing more detailed financial projections and assumptions for the "Tegra" business case. It was underscored that "Tegra" was still in proof of concept as a complete system and that the projections must be treated as estimates only. It was recommended that an early review be undertaken to "stress test" the business case, and that Mr D Bachner and Dr D Fox be invited to take part in this review
- Dr Atkin referred to the paper which he had circulated dealing with an apparent attempt by Bayer to establish a new seeds company in Brazil and to target through a local executive search company, FESA, around 12 Syngenta executives for recruitment. It was agreed that Ms Luscombe would in the first instance talk to the Head of HR in LATAM to determine next steps
- the agendas for the Chairman's Committee meeting on July 14 and the Board Meeting on July 19 and 20 were briefly considered
- it was agreed that Mr Mack with Ms Luscombe would develop a proposal for a more strategic annual approach to the setting of salary budgets for consideration by the SEC at the August 19 Meeting
- Mr Sullivan said that the fifth Scientific Advisory Panel (SAP) meeting of U.S. EPA in the new evaluation of atrazine was scheduled to be held in Washington from July 26 to 29 and would complete the human health risk assessment by reviewing those elements of non-cancer risk the review of which had not been completed at the September 2010 SAP meeting as well as cancer risk, drinking water monitoring frequency and the determination of a reference dose. A report published on May 27 from the U.S. Agricultural Health Study had stated that the researchers had found no consistent evidence of an association between atrazine use and any cancer site. EPA was expected by the end of 2011 to determine the regulatory action to be taken as a result of the assessment of

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human health effects and a further SAP meeting would be held in 2012 on the assessment of ecological effects particularly on aquatic plant life.

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