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Minutes

Secret

Syngenta Executive Committee
Minutes of the SEC Meeting held on
Wednesday 3 and Thursday 4 September 2008

Present:	Mr M Mack	(in the Chair)
	Dr J C Atkin	
	Dr R Berendes	
	Dr D K Lawrence	
	Mr E C Mäder	
	Mr M Peacock	
	Mr D Pisk	
	Mr J Ramsay	
	Mr J D Sullivan	(Secretary)
In attendance:	Ms J Gough	(Minute 103/08)
	Mr J Seabrook	(Minutes 103/08 and 108/08)
	Mr J Halliwell	(Minutes 104/08 and 120/08)
	Mr P Berweger	(Minutes 106/08 and 115/08)
	Mr D Thomas	(Minute 106/08)
	Mr S Zybach	(Minute 106/08)
	Mr L Bouriot	(Minute 106/08)
	Mr B Wyssen	(Minute 107/08)
	Mr R Hertrich	(Minute 107/08)
	Mr M Ferroni	(Minute 108/08)
	Ms S Hull	(Minute 108/08)
	Mr K Neuffer	(Minutes 109/08, 110/08 and 113/08)
	Ms S Favrel	(Minute 110/08)
	Mr V Gaplik	(Minute 110/08)

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Ms C Bardewyk	(Minute 110/08)
Mr R Neill	(Minute 111/08)
Mr M Patrick	(Minute 111/08)
Mr K Williams	(Minute 112/08)
Mr D Morgan (by telephone)	(Minute 113/08)
Mr A Guimaraes	(Minute 114/08)
Mr A Aracre	(Minutes 114/08, 115/08(B) and 117/08(B))
Mr L Krattinger	(Minute 115/08)
Mr P Giraudet	(Minute 115/08(B))
Mr A Goig	(Minute 115/08(C))
Mr S Holt	(Minutes 116/08 and 120/08)
Mr W Boerger	(Minute 117/08(A))
Mr J Gonzalez-Valero	(Minute 119/08)
Mr M Piker	(Minute 120/08)

102/08 MINUTES AND MATTERS ARISING

The draft Minutes of the Meeting held on 9 and 10 July were approved subject to the revision of draft Minute 90(E) and the footnote to that Minute to reflect more clearly the sub-group discussion with respect to Northstar and in particular that both of the lead targets would require to be acquired in order for the proposal to be viable. It was also noted that an exclusivity period had been agreed with Synergene.

- Minute 92/08, Mr Mäder rather than Mr Peacock would circulate the headcount breakdown for the Rosental site to the SEC
- Minute 100/08, Dr Berendes had in March 2007 briefed the SEC on the business model change implied by the merger of Diversa and Celunol to create Verenium. It was confirmed that Mr Ramsay with Dr Berendes would review the potential divestiture of Syngenta's shareholding in Verenium and would circulate a paper detailing the strategy and timeline for such divestiture; the divestiture was supported in principle for recommendation to the Chairman's Committee provided that the contractual benefits of the relationship with Verenium were preserved.
  Mr P Berweger was also investigating with Mr D Morgan the possible disposal of Syngenta's 6.99% shareholding in Sakata Seed Corporation.

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103/08 HALF YEAR RESULTS ROADSHOW

Ms J Gough gave a presentation describing the issues raised by investors and analysts during the roadshow which had followed the Half Year Results Announcement on July 24. The main points were:

- the roadshow had covered 54% of the identified institutional ownership, in six cities in the United Kingdom and the United States; the questions received had focused on Crop Protection pricing; usage intensity, particularly in developed markets; the impact of lower commodity prices raw material costs; the products and markets targeted by the capacity expansion; and market share and prospects for triple stack success in NAFTA Corn & Soybean
- some degree of caution had been expressed by investors with respect to the growth scenario which in the case of Crop Protection would be validated only in 2010, the margin target for Seeds referring to 2011
- investors were also registering concern with regard to Syngenta's ability to increase prices, there being some level of impression in the market that Bayer and BASF had in Q2 outperformed Syngenta on both volume and price; in general investors were stripping out the effect of glyphosate price increases; the escalation in Syngenta's costs had also attracted attention
- an event for 20 analysts had been organised to take place in Budapest in week commencing 8 September with the participation of a presenter from the World Bank, would centre on the markets in Hungary and Russia and would include a series of presentations followed by farm visits.

The response was:

- Ms Gough, Mr J Hudson and their team were thanked for their contributions to the success of the roadshow
- having provided investors with target ranges on prices in H2 2008 and in 2009 the achievement of mid-single-digit price increases was crucial although the contribution of volume to profit would also be significant given the possibility of a price-eroding market appearing in two to three years' time
- the imperative to cover costs was also agreed as margin erosion could be expected to be negatively perceived; Syngenta must at least match if not outperform its competitors with respect to margin
- greater share price volatility closely correlated to crop prices should be assumed and the priority must be to demonstrate control of the near-term destiny of the corporation by delivery against commitments made to investors
- Ms Gough would circulate to the SEC copies of the presentation materials to be used at the Budapest event.

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104/08 FINANCIAL PERFORMANCE: JULY RESULTS, PROVISIONAL AUGUST SALES, 2008 OUTLOOK AND 2008 FUNCTION EXPENSES

Mr J Halliwell gave a presentation overviewing the results for the Year to the end of July and preliminary August sales figures; the Full Year outlook; and the trend in function expenses compared to Budget. In summary:

- in Crop Protection sales for the first seven months at $6253m were 22% higher than 2007 at constant exchange rates and the EBITDA ratio at 35.3% showed a 2% improvement over 2007; in Seeds sales of $1863m were 17% above 2007 and the EBITDA ratio of 13.8% was 1.3% favourable to 2007; Group Net Income had increased year-on-year by 40%; and free cash flow was $605m compared to $625m at the same point in 2007
- Crop Protection including Professional Products sales in the month of August were 16% above the prior year but 1% below Budget, at constant currency, with Crop Protection sales growth particularly in NAFTA; August Seeds sales were 36% above 2007, 20% above Budget; with higher Corn & Soybean contribution from LATAM prices and lower discount and return provisions in NAFTA
- the relatively weaker performance in Flowers in Europe, where grower economics were under significant stress and recession was impacting sales, were noted; a large customer in the US had also recently been lost; Flowers must be included in the focus discussion at the 23/24 September off-site Meeting within a broader consideration of the milestones towards realising the business model for Plant Health; the fundamentals in the Flowers market had always been vulnerable and the business was margin-dilutive for Syngenta relative to an EBITDA target of 20% in the 5 Year Plan
- Crop Protection price variances against 2007 for the year to the end of August totalled 5% including glyphosate, compared to an LE2 of 6%; price variances in H2 would be regularly monitored
- the Full Year Likely Outturn was for a sales increase of 24% over 2007 in Crop Protection, the upside from the LE2 of 22% referring to volume gains; in Seeds an increase of 14%, in line with LE2, was foreseen
- a management commitment had been given to the Board in July to look for savings of the order of $70m-$80m against the $250m (net of currency effects) overrun in Group function Expenses compared to Budget which had been indicated by LE2; Crop Protection had indicated the potential to contribute $10m to $20m of a maximum $49m of savings so far identified; it was agreed that this level of savings was inadequate and that SEC members would agree with Mr Ramsay actions to ensure delivery of the Board Commitment, the Chairman's Committee also having expressed concern that sales volume gains were masking a relaxation of control of discretionary expenditure

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- Mr Halliwell would provide a detailed reconciliation of the Crop Protection and HQ permanent headcount increase of 30 personnel between the end of 2007 and July 2008 and also an analysis of the overspend against the salary budget in Crop Protection in EAME
- all elements of the expense expansion estimates for 2008 and 2009 would be examined on an individual basis; Mr Peacock would take responsibility for the oversight of costs of the Regional Fairs.

105/08 2009 BUDGET PROCESS

Mr Halliwell gave a short presentation previewing the proposed SEC Review Meeting process for the 2009 Budget. The main points were:

- the process assumed high level ownership by Leadership Teams of the targets, built up from business submissions, set earlier in the year
- in consequence of the separation of STI targets from the Budget process, STI targets for Crop Protection would be reviewed and Seeds targets ratified in January
- the CPLT would take responsibility for the Budget review coverage (to include Seed Care) for the regions, development and global supply and the SLT for all crops (with a dedicated review for NAFTA Corn & Soya due to criticality)
- accordingly there would no longer be regional presentations at the SEC Budget review meetings and it was intended to complete the agenda in under two days.

The response was:

- it was noted that the R&D review would focus on the cross-functional platform including abiotics
- it would be critical to ensure a consistent level of tensioning across the businesses in the Budget process
- in conjunction with LE3 Mr Ramsay would clarify where the targeting process was standing and ensure alignment of the timing of the business leadership team meetings in the approach path to the SEC Budget review process
- all of the Budget review presentations must be circulated to the SEC by 14 November.

106/08 M&A (I): DRESDEN

Mr Pisk introduced a presentation by Mr S Zybach and Mr D Thomas seeking support to enter into discussions with Nordzucker, the prospective purchaser of the business which included Dresden; to perform diligence; to update the valuation of Dresden and to submit a non-binding offer of up to €45m with €5m headroom. The main points were:

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- an offer had been made in 2006 to the current owners of Dresden which valued Dresden on a stand-alone basis at €16m; the valuation had been revised to €50m to include income from the royalty stream from the licence to Dresden which Syngenta would otherwise lose from 2009; the new proposal also reflected a high degree of conviction that the market would move to genetically modified crops
- the acquisition would maintain critical mass and profitability to fund the R&D program for sugar beet; synergies estimated prior to diligence at €37m were expected to be delivered by optimisation of production, improved multiplication and inventory management, and preparation of both channels and brands for the introduction of genetically-modified crops
- the identified risks included the fact that Dresden currently realised around 25% of its estimated annual sales of €27m through its parent sugar company; the loss of up to €7m sales had been factored into the revised valuation
- a fast track process in which the diligence was initiated immediately would allow the presentation to the SEC on 7 October and the Board on 15/17 October of a binding offer for approval with negotiation and preparation for signing and closing; otherwise the process would be delayed by around one month.

The response was:

- the initiation of due diligence was supported
- the submission of a non-binding offer, however, at this point, was not supported. The concept of making an acquisition to underpin potential options raised a number of questions and it was agreed that a sub-group would explore the possible scenarios and validate the revised valuation
- the acquisition would not address the more strategic question of Syngenta's inability to compete effectively using inferior germplasm; in parallel the viability of exit options with KWS, possibly involving the KWS interest in AgReliant Genetics, would be explored
- a further presentation covering these issues would be scheduled for the October 7 SEC Meeting.

107/08 ROSENTAL SITE DEVELOPMENT

Reference Minutes 10/08 and 92/08, Mr Mäder gave a presentation proposing certain improvement options, in relation to the "make over" of buildings 1004, 1007 and 1008 in the core area of the Rosental site, which could be provided at limited extra cost, as well as plans to provide full earthquake protection for those buildings. The main points were:

- in addition to the "make over" of the three buildings it was now proposed to provide a meeting centre on the ground floor of 1007 and a business lounge for the exclusive use of Syngenta in part of the cafeteria; to establish a further

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meeting centre on the ground floor of the building currently occupied at that level by McDonald's when their tenancy expired at the end of 2009, and to redesign the main entrance to the core area of the site

- in order to comply with Syngenta safety standards the building structures of 1004, 1007 and 1008 would also require to be enhanced to provide full earthquake protection
- the costs associated with the project taking into account the redefined scope were estimated at CHF41.9m ± 20% excluding CHF10.2m covering the costs of leasing temporary office accommodation and personnel movement between offices; the earthquake protection had been costed at around CHF6m; individual elements of the proposal would be brought forward to the CAC for approval on a phased basis, the project schedule envisaging completion of all elements by mid-2011
- support was requested for the redefined project scope and next steps including presentation of the credit request to the CAC on 22 September, the SEC on 7 October and the Chairman's Committee on 23 October, as well as the process for approval of individual elements by the CAC with notification for information to the SEC.

The response was:

- the requested support was agreed; every effort should be made to contain the project costs within the ±20% tolerance
- the need to provide enhanced earthquake protection for the other buildings in the Syngenta core area would also be investigated
- a parallel stream would work on the headcount allocation and distribution on the Rosental site and Mr Mäder would discuss this analysis individually with SEC members to include consideration of the location of external contractors and shared services; the inadequacy of the buildings retained by Syngenta in the core area to house the expanded headcount represented a planning failure; the need to buy back buildings 1032 and 1033 could not be excluded
- the learning from Stein and Jealott's Hill on interaction should be captured in the design of the meeting centres
- the possibility of securing the core area for exclusive access by Syngenta (subject to the need to provide continued access via the rear entrance to the cafeteria for non-Syngenta personnel) would be followed up as would the potential for "greening" of the piazza area
- the judgment not to provide a children's day care facility on the Rosental site could be problematic in the context of the diversity discussion
- it was noted that the project assumed continued occupation of 1002.

108/08 SYNGENTA FOUNDATION: OPERATIONAL STRATEGY

Mr Mack introduced a presentation by Mr M Ferroni proposing a more co-creative approach to the working relationship between Syngenta and the Syngenta Foundation. The main points were:

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- the challenge for the Foundation was to realise opportunities for poverty reduction, market development, environmental stewardship and economic growth in different agricultural settings in emerging countries; the Foundation's response focused on smallholder populations, with the aim of conversion from subsistence farming to wealth creation through technology and participation in the market, and on productivity and markets, with emphasis on sustainability, food security, income growth and business development
- among the areas of strength which the Foundation brought to its programs the ability to leverage Syngenta technology and product development and commercialisation expertise in a development context was seen by stakeholders as key; responses by stakeholders to a survey conducted in March 2008 also left significant room for crafting a productive relationship with the company; it was recommended that for impact the Foundation and the company cooperate more closely and that the Foundation be more adequately resourced
- the measures of success in relation to the development of the Foundation included sustained improvements in grower incomes through productivity gains and profitable sales; release and adoption of crop varieties and insurance structures; and reputation leadership through policy analysis, demonstrations and outreach; the independence of the Foundation within a co-creative relationship with the company would be underpinned by the Foundation's discrete project identification selection and preparation capability and governance through a separate Board; indicatively an expansion in funding of the Foundation from CHF7.8m in 2008 to CHF20m, over the next two years, was called for.

The response was:

- the suggested realignment of the relationship of the Foundation to the company would require a different articulation, in external communications, of the role of the Foundation; the notion that independence was core to the credibility of the Foundation required reassessment
- the target of the Foundation should be defined as growers and the segment of the smallholder grower population on which the Foundation would concentrate should be more clearly characterised as should the aim to introduce technology to support smallholders in becoming more professional growers
- more metrics should be provided to enable measurement of the impact of the projects sponsored by the Foundation and the countries in which programs would be prioritised should also be identified
- the issue of funding would be reviewed within the 2009 Budget process; a gradual approach to additional investment in parallel with stronger connection to Syngenta activity appeared to be indicated

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- the Foundation should connect with the strategic priority team working on Emerging Markets and the implications of the reorientation of the Foundation for the Syngenta Employee Value Proposition would also be considered by Mr Peacock in conjunction with Mr W Hussain
- the actions from the discussion would be followed up at the 7 October SEC Meeting.

109/08 STRATEGIC PRIORITIES UPDATE AND OFFSITE STRATEGY WORKSHOP

Mr Neuffer gave a presentation summarising the project status for each of the SEC Strategic Priorities and discussing the proposed purpose, agenda, discussion format and preparation for the SEC offsite strategy workshop on September 23 and 24. The main points were:

- the "SmartX" global concept for Seed Care had been refined through feedback from Monsanto and Pioneer and regional validation would proceed; an integrated technology strategy had been developed for Sugar Cane and an update would be provided to the SEC in October; Ag Scenarios would be transitioned from a project to an institutionalised business intelligence capability; the IRI/Agronomist model developed within the Corn & Soya strategic priority was in the implementation phase; high-level external engagements had been initiated in relation to Water; and detailed characterisation, clustering and financial assessment had been completed for Emerging Markets
- final review of the output from the strategic priority projects including assimilation of the learning from the first six months and consideration of the need for process revisions, as well as definition of the next set of priorities and potential extension of the Corn & Soya project outside the U.S., would take place at the offsite workshop
- the purpose of the workshop would be to define the corporate strategy, priorities and initiatives required to transform Syngenta in line with the aspiration for the company and to enable the ambition including $30bn sales by 2018 and 15% total shareholder return per annum to be realised
- the agenda for the workshop would cover market lift-off; financial plan, value creation and portfolio/focus; competitor strategies, consolidation and M&A; and business unit strategies, strategic initiatives and SEC priorities, leading to the co-creation of the "Plan A" corporate strategy; it was suggested that the Strategic Star be used as a tool to frame the discussion of the business unit strategies and SEC priorities.

The response was:

- Dr Berendes should circulate the draft media release for "Bola", intended for publication on 29 October, to the SEC and a review of the communications plan would be scheduled for the 7 October Meeting with Mr J Seabrook and Ms J Gough in attendance

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- a project would be established with the involvement of Mr Neuffer, Dr Atkin, Dr Berendes, and Mr M Patrick to work in parallel on the "Plan B" corporate strategy which it should be assumed would also be presented to the Board in October
- the business unit strategy for Crop Protection should include a global assessment of downside scenarios and the structural options for Corn & Soybeans should also be evaluated
- in reviewing the overall R&D portfolio and resource allocation clarity must be provided on the targeting of R&D in relation to Vegetables
- the list of key strategic issues would be narrowed; Home Care should be covered in the portfolio review rather than under business unit strategies; and Mr Neuffer should produce half page executive summaries capturing the status of each of Sugar Cane, Water, Biomass, Rice and Emerging Markets; it was confirmed that the global strategy for Sugar Cane would be presented to the SEC in October
- the Strategic Star analysis should give greater prominence to the differentiated technology position in relation to the business unit strategy or SEC priority to which it was applied
- each component of the pre-reading materials would be distributed to the SEC as soon as that component was ready rather than circulating all of the materials together two days ahead of the meeting as had been proposed.

110/08 STRATEGIC PRIORITY WORKSHOP: EMERGING MARKETS

Mr Pisk introduced presentations by Ms S Favrel and Mr Neuffer examining how to align the whole organisation to the opportunity of emerging markets and how to leverage the existing and future global assets of Syngenta in order to accelerate growth in those markets The main points were:

- three clusters of emerging markets, defined mainly by productivity, population, and land availability, had been identified, Export Driven, Self-Sufficiency Driven and Pre-emerging
- double-digit growth was expected to bring the emerging markets by 2013 to similar size to developed markets; clustering had defined unique opportunities for Syngenta in the "Export Driven" cluster to support the creation of wealth and in the "Self-Sufficiency" cluster to participate in achieving food security; significant growth opportunities existed outside the four large BRIC markets; but more fragmented opportunities were expected to arise from the "Pre-emerging" cluster
- the projected CAGR of Syngenta's sales in the period 2007-2013 in Crop Protection was 17% in emerging markets compared to 9% in developed markets and in Seeds was 27% compared to 15% respectively; in China and India Crop Protection was gaining share but below the emerging market average; the "Export-Driven" cluster would drive sales growth in Seeds

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- it was recommended to focus on the "Export-Driven" and "Self-Sufficiency" clusters; BRIC would require individual attention in the case of Brazil and Russia because of rapid development, the scale of the opportunity; and regional influence and in the case of India and China additionally because of significant food security challenges, new business model opportunities and relatively weak starting positions; the "Pre-emerging" cluster should be second priority for which only an opportunistic approach should be adopted; capital investment must be rebalanced to reflect the size of the opportunity
- talent management, to be prioritised by the HR Leadership Team, should be the number one strategic priority for emerging markets together with investment in local capabilities and focus on new business models; the accelerated adoption through EOS of shared services would be key as would securing flexibility and speed in local decision-making; "managed differentiation" could be expected to be required only in a few selected areas; there would be an imperative to manage uncertainty and to adapt to a different risk/reward profile; investment in the creation of a "Syngenta brand" with food and feed productivity as a key differentiator would be critical; and integration between Crop Protection and Seeds should be the default model, with joint country leadership and alignment of the commercial organisation based on crop-driven go-to-market models; and a series of specific recommendations were put forward in support of these themes.

The key issues raised by the discussion which followed were:

- the analysis failed to take account of political and economic discontinuities; linear growth was unlikely to be seen in all of the emerging markets
- an emphasis on increased intensification would point logically to focus on the "Self-Sufficiency" rather than "Export-Driven" cluster
- Syngenta's management structures in emerging markets remained largely unchanged; the need to build capability and potentially to manage the businesses in those markets differently, taking a longer view, was agreed
- a step change was required in India and China which was unlikely to be achievable through organic growth alone
- the "Pre-emerging" cluster would not rank as a priority at this point but 3-4 countries in AME and APAC should be identified in relation to which the longer-term opportunity would be analysed
- a project at global level was likely to be required in order to organise corporate resources behind technology improvements in key crops, and to arrive at the correct orientation for Human Resources and Corporate Affairs
- a globally robust workforce planning process must be devised which covered both emerging and developed markets but with the clear expectation that emerging markets were likely to need more support and expertise
- a rigorous focused process should be brought to bear on succession planning to local leadership roles in emerging markets and profiles should be developed of individual leaders for emerging markets; management

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experience in an emerging market should be expressed as a formalised step in progression to every senior commercial role
- the concept of an "emerging market university" to provide a capability upgrade through accelerated training and sharing of experience among managers from different emerging markets was endorsed
- the existing single global LTI/STI framework was not an obstacle to tailoring of STI to local markets, as recommended, but consideration should be given to deepening LTI to underpin retention in emerging markets and the target populations should be identified
- personnel retention must be identified separately as a key issue in relation to emerging markets
- it was doubtful whether a "Scenario Planning Excellence Center" was merited for each of the regions but rather a small group of globally networked individuals should be established
- the ring-fencing of resource implied by the recommendation for a dedicated budget for product lifecycle management tailored to emerging markets was not supported but a view of the appropriate allocation would be incorporated into the Budget process
- it was agreed to schedule a broader discussion on organisation and resourcing in China, with particular reference to M&A, for the October 7 SEC Meeting and a sub-group comprising Mr Peacock, Mr Pisk, Dr Atkin, Mr Mäder and Dr Lawrence would undertake the planning for this discussion
- customer credit management in emerging markets was a source both of competitive advantage and risk management; the necessary resources were in place but delivery must be ensured; global currency risk hedging was inadequate in relation to emerging markets because the currency systems of the countries involved were not susceptible to robust hedging mechanisms
- Mr Peacock would review with the Business Services Group the acceleration of EOS implementation for emerging markets in LATAM, APAC and Eastern Europe
- the recommendation of cross-business integration as the default model for emerging markets was not supported and would instead be reviewed on a country-by-country basis
- the issue of compliance with laws and corporate standards was absent from the analysis
- the Global Leadership Fairs should be used as a vehicle to share the thinking on emerging markets and to engage participants in discussion.

111/08 CROP PROTECTION PRICING REVIEW

Dr Atkin introduced a presentation by Mr M Patrick and Mr R Neill describing actions in place to underpin delivery of targeted price increases in Crop Protection. The main points were:

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- price increases totalling close to $1bn ($700m excluding glyphosate) over two years had been targeted of which approximately $400m (a 5.5% increase over 2007) in 2008 and $590m (a year-on-year increase of 6.5%) in 2009
- strengthened price leadership capability would be delivered through a new MaSE module and the use of a price optimiser tool; peer benchmarking to create a dialogue on pricing; monthly tracking of price performance; and a new COGS report to support price increase strategies
- for the year to the end of July price increases of 4%, equivalent to $193m, had been achieved.

The response was:

- the priority, resourcing and creativity which had been applied to the pricing initiative were welcomed
- as it was unrealistic to believe that pricing could be managed centrally, country management accountability and responsibility for decision-making should be reinforced
- the applicability outside Crop Protection of the pricing methodology provided by the consultants engaged in support of the initiative would be considered
- the likely need to modulate messaging to customers on price increases to take account of a decline in oil prices should be kept in view.

112/08 HSE PERFORMANCE REVIEW: QUARTER 3 REPORTING YEAR 2007/8

Mr K Williams presented the key issues with respect to HSE performance in the three months to the end of June 2008. The main points were:

- the Group Injury Incident Rate for the Quarter at 0.59 represented a deterioration in safety performance; there had also been a sharp increase in recordable Motor Vehicle Incidents including a fatality in Indonesia when a rider had fallen from a motorcycle and been struck by an oncoming lorry
- in Seeds the IIR for the year to the end of June was 0.8 compared to 0.53 at the corresponding point in 2007; a $1m investment in new resources to focus on education and operational improvement had been made in the US where 50% of the incidents had originated; the "blitz" program in Thailand based on safe systems of work could be an indicator of the approach to be followed in other locations
- recordable Health and Stress cases were flat at Group level but 14 occupational stress cases had been seen in EAME; no major incidents had been recorded in relation to distribution safety, environmental releases or HSE regulatory compliance.

The response was:

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- better quality of analysis of the Injury Incident Rate was required in order to break out those incidents of greater severity; the approach to reporting of near misses with a view to identifying systemic issues also merited consideration
- fresh urgency, impetus and thinking must be brought to bear on the IIR in Seeds including management action to raise the profile of the issue; the challenge appeared to be how to federate resources in order to have impact across a large number of sites both quickly and sustainably
- the maturity model used at a number of sites should be revisited; it was noted that process safety reviews had been piloted to provide gap analysis
- the difficulty of sustaining performance at the current level (including recent external awards for safety performance given to SBI and Jealott's Hill) was recognised and pointed to the need to reinforce training programmes
- an audit of safe driving procedures would be carried out in Indonesia.

113/08 RICE STRATEGY

Mr Pisk introduced a presentation by Mr D Morgan examining the market opportunity, competitive environment, opportunity for Syngenta, execution plan and potential upsides with regard to rice. The main points were:

- demand growth for rice would be driven mostly by population rather than per capita consumption growth; expected demand would require further yield increases with significant productivity upside potential
- key competitors particularly Bayer and Pioneer had established positions in rice, this commitment being reflected in their growing share in target markets including India where Bayer had an estimated 41% and Pioneer 14% share in 2007; the hybrid rice momentum had attracted investment also from second tier companies
- hybrid rice technology penetration scenarios provided an NPV range of $50m to $300m corresponding to 15% and 50% adoption rates respectively; a mid-case scenario pointed to Syngenta sales by 2023 of $352m, EBITDA margin of 33% and market share of 14%
- the yield and disease resistance performance of Syngenta's rice hybrids lagged slightly that of competitor hybrids and its cost of production was relatively higher; in order to regain competitiveness it was proposed to build the R&D and Supply Chain infrastructure, recruit talent and strengthen the brand; the total capital expenditure requirement was of the order of $30m of which $4.5m in 2008 and $4.1m in 2009; operating expenditure of $26.5m in 2008-2011 of which $3.5m in 2008 and $5.7m in 2009 was also required
- potential upsides included penetration of over 30% of rice in Asia by genetically modified input traits by 2020, creating an initial market value of around $400m; reduction of methane emission through conversion of flooded rice to dryland cultivation created a carbon credit opportunity tentatively valued at $5bn-$10bn.

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The response was:

- the strategy was directionally supported, including the 2008 expenditure, but with a request that the Crop Protection strategy for rice productivity also be presented to the SEC at the earliest opportunity in order for an assessment to be made of the potential of an integrated rice strategy; a stage-gate process would be applied to funding of the strategy
- the scope for accelerating the strategy by achieving a more competitive position through acquisition should be explored
- the likelihood that dryland cultivation could represent a significant part of the market opportunity was agreed and called for evolution to higher-yielding, less water-dependent hybrids but this shift in the method of cultivation would necessitate a higher level of professionalisation and enhanced infrastructure
- the unique strength of Syngenta's trait portfolio in rice should be leveraged for advantage.

114/08 FORMULA 1

Dr Atkin and Mr Pisk introduced a presentation by Mr A C Guimaraes and Mr A Aracre proposing the integration of the sales and operational marketing organisations of Crop Protection and Seeds for Corn & Soybeans in Brazil. The main points were:

- the introduction of genetically-modified traits to corn and soybeans in Brazil was expected to generate a significant value shift from Crop Protection to Seeds which Syngenta's competitors, particularly Monsanto and DuPont/Pioneer, were currently better positioned to capture
- Syngenta had attained leadership in the Crop Protection market but the current strategy was reaching maturity and likely to face new challenges; in Seeds, Syngenta was gradually gaining market share but the level of share gain reflected inadequately the strength of the portfolio
- in Crop Protection Syngenta benefited from distinctive customer segmentation and channel structure as well as a stronger field force which would be reinforced by the creation of a new technical team focused on generating demand and monitoring product performance; a joint go-to-market organisation with Seeds would allow Syngenta to build the largest field force in the industry and leverage Seeds share on Crop Protection market share with expected benefits of additional revenue with an NPV @ 16% of $370m
- the integration of the sales and marketing forces was projected to increase the market share of Seeds by 3% in corn and 4% in soybeans and of Crop Protection by 2% in both crops by 2017
- actions were in place to mitigate the impact of potential competitor reaction; Formula 1 would address the impact of a commercial collaboration between Monsanto and Bayer only with respect to corn & soybeans

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- the launch of Formula 1 would be phased over the period October 1 2008 to 1 April 2009 and would require training of the sales and marketing teams for joint operation, the definition of single performance indicators for Crop Protection and Seeds, the establishment of unified commercial policies, the detailing of a channel network integration plan and the development of internal and external communication plans; a $3m investment in IS would be required to integrate the SAP platforms.

The response was:

- the proposal was supported
- the Crop Protection potential appeared to be undercalled and the sales and market share forecasts should be revisited; also absent was an evaluation of the role of integrated technology, including 524 together with traits and "Invinsa" with drought-tolerant corn, in driving sales in corn & soybeans
- the SAP integration represented a process change carrying significant complexity and risk; Mr M Walker would be required to provide an executive summary on this issue at the Business Systems Committee meeting on 12 September
- it was noted that the combined sales and marketing organisation would be led by Mr J P Zampieri, currently Head of Sales in Brazil for Crop Protection; Mr Zampieri would report to the Country Heads for Brazil of both Crop Protection and Seeds
- the risk of a commercial collaboration between Monsanto and Bayer was perceived to be relatively low and the Seed Care relationships with Monsanto and Pioneer were believed to be manageable
- the importance of fully training the sales team in the Seeds area should not be underestimated.

115/08 M&A (II)

(A) LOUISIANA

Mr P Berweger reported on the latest developments in relation to Louisiana. The main points were:

- a revised Letter of Intent had been submitted in August including a price for 100% of Louisiana of $259m of which 70% unconditional and 30% tied to milestones based on performance and scientific progress until 2012; the Letter of Intent had not been signed by the owners of the target, and had lapsed, based on a provision triggering $5m liability in case of breach of confidentiality and request for clarification of the milestones
- scientific "due diligence" had nonetheless been allowed and was in progress
- Monsanto had also conducted "due diligence" on Louisiana in August and were expected to tender an offer by 5 September; both Syngenta and

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Monsanto had sent a waiver, to allow Syngenta to approach Monsanto, in the context of Monsanto's rights of first refusal and first offer, to Louisiana who had however declined to sign it

- in addition there were indications that Bayer and/or BASF had been contacted by Louisiana's owners and that one of those companies was conducting "due diligence" on Louisiana.

The response was:

- it appeared that Louisiana's owners were in process of creating and clarifying competing options
- consideration should therefore be given to an announcement that Syngenta would pursue opportunities in sugar cane germplasm which would signal both to Louisiana's owners and Monsanto readiness on the part of Syngenta to proceed independently of Syngenta's acquisition or otherwise of Louisiana.

(B) SANTANDER

Mr P Giraudet provided an update on Santander requesting support to advance contract negotiations around a purchase price of up to $28m in Enterprise Value together with a Net Asset Value adjustment mechanism. The main points were:

- a Letter of Intent for $30m in Enterprise Value had been accepted by the vendors and provided exclusivity until mid-October; the valuation had been revised downwards to reflect "due diligence" findings and to apply a higher discount rate due to increased credit spreads in Argentina
- a seven-year exclusive in-licensing agreement, providing access to the "Roundup Ready 2" trait for soybeans, would be negotiated with Santander's 51% shareholder Don Mario prior to closing, the establishment of a relationship with Don Mario as the second largest soybean seed producer in Argentina being among the strategic aims of the proposed acquisition
- the structure of the transaction would require the acquisition of Santander, Pau Semillas, a small R&D entity, and Santander's 49% shareholder Multisem; an update would be provided to the SEC on October 7 with a view to seeking Board support for the transaction (which would require post-closing antitrust approval) at the October 15/17 meeting.

The response was:

- the key driver of the deal was the opportunity to participate in market value creation in soybeans with the advent of the "Roundup Ready 2" trait as well as establishing a relationship with a leading source of soy germplasm; there was an implied execution risk in transitioning corn from in-licensing to proprietary germplasm and traits
- the acquisition case appeared insufficiently ambitious, the projections being in line with market growth

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- the critical valuation issues were the level of confidence in the upside; the appropriate risk factor to apply; and the level of synergies required to be shared in order to secure conclusion of the transaction
- support was given to proceed at a purchase price of up to $30m.

(C) VERDE

Mr Pisk introduced a presentation by Mr A Goig describing an acquisition opportunity in Branded Fresh Produce. The main points were:

- Verde was a leading producer of greenhouse-grown tomatoes with $137m sales, was the US market leader in retail cherry tomatoes with 72% share, and had achieved 15% net sales and 19% EBITDA growth per annum over a period of 5 years
- acquisition of Verde would provide opportunities to leverage Dulcinea Farms eastwards with enhanced access to retailers; to integrate significant knowledge of fresh produce operations; and to capture value downstream for Syngenta's complex traits; the key risks were associated with the ambitious growth plan for Verde, the focus of production in Mexico, potential negative reaction of Verde competitors in their role as Syngenta Seeds customers, and loss of know-how residing with key employees
- in view of the identified risks and lack of strategic fit, it was recommended not to pursue the acquisition.

The response was:

- the opportunity could not be properly evaluated in the absence of historic cash flow information; the vendor's forward cash flow projections suggested that Verde would not be profitable until 2012
- it was agreed that a management presentation and key data would be sought from Verde; no price indication would be given to Verde's owners having regard to the incomplete nature of the available information on cash flows.

(D) OTHERS

Mr Berweger summarised the status of each of a series of further M&A projects as follows:

- the owners of Gladstone had unilaterally disengaged, based on cultural fit issues, at an advanced point in the negotiations; as a result of a meeting with the owners by Dr Berendes and Mr J Parr the transaction dialogue was once again moving forward including progression of negotiation of the sale and purchase agreement
- the vendors of Hamilton had accepted an offer of $36.5m and the acquisition agreement was under discussion with the aim of signing at latest by early October

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- a letter of intent, the consideration to include a $9m earn-out, had been entered into with Synergene, one of the targets in Northstar; revised financial data in relation to Pybas was under evaluation with a view to submission of a letter of intent in week commencing 8 September; there was continued confidence that both proposed transactions could proceed in parallel
- the valuation range for Agra, of a potential maximum of $48m to $52m, was being tested against the vendors' expectations of $60m
- it was believed that the owners of one of the top three targets in Tsunami might be motivated to negotiate a potential sale to Syngenta; up to six smaller companies were thought also to be available but it was recommended not to pursue acquisition of any of these companies if acquisition of one of the larger targets proved impossible.

In response it was agreed that the mechanism by which it was intended to link the two acquisitions contemplated by Northstar should be clarified.

116/08 2009 SALARY BUDGET REVIEW: US, UK AND CH

Mr S Holt presented the Salary Budget requests for 2009 for the US, the UK and Switzerland. The following points were agreed in response to the presentation:

- a Budget of 4% was confirmed for the US pending completion of a Total Remuneration Study the results of which would be presented to the SEC
- Mr Holt would provide a memorandum explaining the discrepancies between 2008 Approved Budget and 2008 Implemented Budget in a number of the US business units
- the UK Budget would be 4.5%
- the Budget for Switzerland would be 3.2%.

117/08 SEEDS

(A) DISCOVERY PHASE 2 FUNDING

A proposal for phase 2 sanctioning of the Discovery program at $17.8m ($17.3m capital and $0.5m revenue), taking the overall program to $28.9m ($28.4m capital, $0.5m revenue) was supported.

(B) BRAZIL SOYBEAN R&D PLAN 2008-2011

Mr Aracre gave a presentation seeking support for a program of capital investment totalling $8.9m over five years in soybean breeding in Brazil. The main points were:

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- the soybean planted area in Brazil was predicted to grow from 24m hectares in 2008 to 40m hectares by 2018, certified soybean seed reaching 74% of this area and GM penetration approaching 95%
- a competitive position in soybean seed required an expansion of the R&D effort
- 82% of the proposed investment would fund the purchase of field equipment, but the spend would also facilitate establishment of a new research site at Rondonopolis.

The response was:

- the investment was supported and Mr Aracre was congratulated on the rapid growth in market share achieved over the last two years
- it was noted that the market share projections while flat over the period 2010 to 2013 increased in the longer term to 18% compared to 11% in 2009.

(C) SEEDS OPERATIONAL CHANGE PROGRAM

Mr Pisk reported for information the approval by the Chairman's Committee on 12 June of the $83m Foundation project (including a $22m supplementary sanction) within a total operational change program, including exchange and write-off, of $159m. It was noted that the $13m identified as "Other Projects" would include supply chain and quality management role alignment as well as branding.

118/08 "INTEON"

Dr Atkin confirmed that a review of regulatory and formulation strategy for "Gramoxone" would be brought to the October 7 SEC Meeting; this would include the approach to re-registration in the European Union as well as an update on actions to address the claimed links in published literature between paraquat and the onset of Parkinson's Disease.

119/08 CORPORATE RESPONSIBILITY: DONATIONS

Mr J Gonzalez-Valero gave a presentation seeking support for the establishment of a policy covering corporate contributions in the form of donations to humanitarian crises, in order to provide a visible entry point for aid organisations looking for support from the company. The main points were:

- it was recommended that long-term partnerships be created with a limited number of selected professional aid organisations
- all corporate contributions would be reviewed by the Corporate Responsibility Panel

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- product donations would only be granted where the necessary stewardship framework was in place
- it was suggested that a central annual budget of $10m be provided, and that employee engagement be encouraged through a matching policy
- a draft of the overall policy would be presented for sign-off to the Corporate Responsibility Panel in November and the SEC in December.

The response was:

- the concept of an enhanced framework for dealing with humanitarian crises where the size of donation involved exceeded local capability was endorsed
- the creation of the $10m budget was not supported; the responsibility for monitoring the total spend would reside with the Corporate Responsibility Panel
- in defining collaborations a clear distinction should be drawn between advertising and sponsorship, and crisis reaction and humanitarian relief
- the question of longer-term collaboration with humanitarian organisations should be examined as a separate issue; consideration would be given to matching employee donations to such collaborations as well as to the relief of humanitarian crises.

120/08 STI FINANCIAL TARGET SETTING AND MEASURES 2009

Mr S Holt introduced a presentation by Mr M Piker proposing the simplification in 2009 of the financial metrics for STI and setting out the suggested timetable for STI financial target setting The main points were:

- for employees below SMG the current system involved considerable variation of the combined financial metrics and the 50/50 financial/role weighting was not consistently applied
- it was proposed for 2009 that for all positions below SMG, the applicable SMG measures would be cascaded following the respective reporting line; Group Net Income would be the main funding trigger at 85% of STI target with a maximum of 115% of STI target; and the 50/50 financial/role weighting would apply to all staff
- under the indicative timetable the SEC would on 28 January 2009 review the STI financial target proposals developed by Crop Protection and Seeds, to enable those targets to be approved by the Compensation Committee and the Board on February 3/4 2009.

The response was:

- Dr Atkin would define a list of roles with the ability to have material impact on pricing and would propose the appropriate weighting of the respective measures

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- it was agreed that cost-saving be removed from the measures for Global Supply
- there was a perceived leadership issue with regard to differentiating variable reward between high and low performers
- the target-setting process should not be allowed to continue beyond February 3/4 2009 but instead SMG-relevant Region and Country STI target should be included in the SEC review on 28 January 2009.

121/08 ANY OTHER BUSINESS

- Mr Peacock presented a proposal for the sale for £4.05m of the Whittlesford, UK, site together with adjoining agricultural land to be sold for £1.65m. The proposal was supported, confirmation being requested of the book values of each of the properties to be sold
- Mr Peacock presented a paper informing the SEC of the appointment of Jacobs Engineering as the contractor for the engineering design, procurement and construction of the azoxystrobin expansion at Grangemouth. It was intended to agree an umbrella contract with a value of approximately £50m which would be presented to the SEC and the Board for approval in October; in the meantime an initial contract to cover the initial phase of engineering design and the procurement of long lead time items would be signed; the expenditure under this contract would be limited to the total approved by the existing Planning Credit
- Mr Mäder reported on next steps in relation to the draft Code of Conduct. The input provided by the SEC had been assimilated and the draft submitted to the Corporate Responsibility Committee. The final draft would be presented to the SEC for ratification on 7 October ahead of submission to the Board
- Mr Pisk presented a proposal for the sale of the Nampa, Idaho, USA large seed sweet corn vegetables (LSV) processing plant for a minimum selling price of $6m; the NPV @ 16% of the proposal was $3.1m and the payback period 1 year. The proposal was supported. Concern was however expressed regarding the recent 40% overrun on a $300,000 investment in a vegetables facility in India, and the implications for expenditure control in relation to the construction of the new sweet corn conditioning plant in Washington State, USA
- Mr Ramsay gave a short presentation covering the governance arrangements in place for commodity risk management. A Global Risk Management Committee, including Mr Ramsay, Mr Peacock and Dr Berendes, had been established with responsibility for approving operating risk procedures and for forward thinking with regard to emerging exposure. The 2008 corn and soybean seed production in NAFTA was fully hedged; for 2009 the corn exposure was not hedged but a strategic hedge had been taken on 4m bushels of soybeans. In relation to oil the hedged volume for 2009 was 1.575m barrels at a minimum $128 and maximum $144 per barrel. A

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proposal for value at risk measures would be brought to the SEC before submission to the Audit Committee

- Dr Atkin referred to an approach from INSEAD seeking interest from Syngenta in nominating a participant to the AVIRA (Awareness, Vision, Imagination, Responsibility, Action) executive education program, designed for business leaders with CEO potential. It was agreed that Mr Peacock would consider the request which should be assessed in the context of its fit to the overall strategy for people development
- Mr Pisk confirmed that the appointment of Mr M Ellis as Head of Supply Chain for Seeds would be announced in week commencing 8 September, Mr Ellis' responsibility for Foundation being taken up by Mr D Rose and for Change Management by Mr M Ranzi
- Mr Mäder said that a recruitment search had been initiated for an APAC Compliance Officer initially to be located in India, and that KPMG together with a local external law firm had been engaged to put a compliance framework in place in the Indian organisation
- it was confirmed that Syngenta had been included in the Dow Jones Sustainability Index
- Dr Berendes reported that a new distributor relationship with John Deere Landscapes in the US, representing up to $25m of business for Lawn & Garden, would shortly be announced
- Dr Berendes also commented that a Letter of Intent with DSM to partner with Syngenta in Enzymes was close to signature
- Dr Lawrence referred to the series of issues addressed by a note which he had circulated on 27 August, including the need which had arisen to rework the design of the permanent building which would house the biotechnology laboratory in Beijing, taking into account emerging understanding of the planning regulations, as a result of which it would no longer be possible to locate the business office to the laboratory site in 2011
- REDACTED: PRIVILEGED
- Mr Peacock said that the St Gabriel, Louisiana plant had been impacted by Hurricane Gustav with a power outage expected to last for 10 days
- a proposal that Ms D Skala be appointed as Head of HR for Switzerland was supported
- an offer by Mr C Fernandez-Aràoz of Egon Zehnder, the author of "Great People Decisions", to meet with SEC members would be declined on this occasion as the proposed date conflicted with the Global Leadership Fair for EAME

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- the Global Leadership Fair for Global Functions would be held from 24 to 26 March 2009 at the Sheraton Hotel Frankfurt Airport, the global Syngenta Awards ceremony to be held at the FED Meeting in April 2009; the learnings from each of the Regional GLFs would be assimilated and applied to the Global Functions GLF
- it was noted that the holding of functional conferences should be subject to prior approval by the SEC
- Mr S Holt had circulated to the SEC a note on talent management including a list of potentials for progression; it was agreed that holders of SMG "B" roles with potential to progress to SMG "A" would be identified by the SEC
- Mr Mack referred to a proposal by CropLife International for a "CropLife International Demonstration Project" in which member companies would be given access to demonstration plots at a few worldwide locations in order to demonstrate technology benefits; the proposal appeared to present a number of practical problems and it was determined that Syngenta would not support it.