



Minutes

Classification: SECRET
Owner: JONATHAN SULLIVAN

Syngenta Executive Committee Minutes of the SEC Meeting held on Tuesday 17, and Wednesday 18, July 2012

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 Halliwell (Minute 78/12)
Mr M Patrick (Minute 78/12)
Mr J Seabrook (Minutes 78/12, 83/12 and 87/12 to 89/12)
Ms J Gough (Minutes 78/12 and 79/12)
Ms C Luscómbé (Minutes 78/12 to 85/12 and 89/12)
Mr R Taylor (Minute 78/12)
Mr P Pickering (by telephone) (Minute 80/12)
Mr P Cohadon (by telephone) (Minute 80/12)
Dr E Bartels (Minutes 80/12, 81/12, 90/12 and 91/12)
Mr O Troude (Minute 81/12)
Mr D Sozzi (Minute 81/12)
Dr R Furter (Minutes 81/12 and 82/12)
Dr G Ramos (Minutes 81/12 and 82/12)
Dr M Clough (Minute 82/12)
Dr M VanLookeren Campagne (Minute 82/12)
(by telephone)



Mr D French	(Minute 83/12)
Ms L Zannoni (by telephone)	(Minute 83/12)
Mr V Hawkins	(Minutes 84/12 and 85/12)
Mr D Morgan	(Minutes 84/12 and 85/12)
Mr M Roim	(Minute 84/12)
Ms P Trivisvavet	(Minute 86/12)
Mr E Barbour (by telephone)	(Minute 86/12)
Mr M Kock	(Minute 87/12)
Mr P-E Boin	(Minute 87/12)
Mr L Melchers (by telephone)	(Minute 87/12)
Ms S Hull (by telephone)	(Minute 87/12)
Mr T Gray	(Minute 88/12)
Mr R Neill	(Minute 88/12)
Mr J Duan	(Minute 88/12)
Mr J Gonzalez-Valero	(Minute 89/12)
Mr R Sierra	(Minute 90/12)
Mr D Rose	(Minute 90/12)
Mr M Walker	(Minutes 90/12 and 91/12)
Mr D Thomas	(Minute 91/12)
Ms L Logiurato	(Minute 92/12)

77/12 MINUTES AND MATTERS ARISING

The draft Minutes of the Meeting held on 26 June, 2012 were approved with corrections to Minutes 67/12, 68/12, 69/12, 70/12 and 73/12.

- Minute 73/12(A), Mr M Walker would meet with Mr Mack to propose an organisational construct for property management
- Minute 76/12, Dr Bartels was in course of producing the minutes of the SEC offsite meeting held on 6/7 June.

78/12 FINANCIAL PERFORMANCE: PRELIMINARY HALF YEAR RESULTS, JULY AND Q3 SALES FORECASTS, LE UPDATES, AND TARGET SETTING 2013

Mr J Halliwell with Mr M Patrick gave presentations detailing the key issues emerging from the preliminary Half Year Results and sales forecasts for July and Q3; providing an updated view of LE2 consistent with targeted improvements in price and expenses; and discussing the critical drivers and assumptions underpinning target setting for 2013. In summary:



- including the impact of the advanced recognition of the MIR604 royalty income from Pioneer and the atrazine litigation settlement, gross profit margin was 0.9% higher and EBITDA 15% higher than 2011 at the Half Year but excluding that impact gross profit margin was 0.3% below, and EBITDA was 9% ahead of, the prior year
- EPS growth at the Half Year was 10% including, but 3% excluding, the Pioneer royalty and the atrazine settlement
- June free cash flow was an outflow of \$34m, \$283m adverse to 2011, higher sales driving an increased working capital build-up of approximately \$100m including 5% increased receivables at the period end
- the July sales forecast (excluding the Fafard divestment) was \$762m, 7% below the prior year and 12% lower than budget, at constant exchange rates, EAME and North America being the main contributors to this movement but with continued softening across all markets in Asia Pacific
- the Q3 sales forecast was \$2711m, 6% above 2011 but 1% below budget, at constant currency
- Mr Ramsay had on 3 July written to Regional Directors, the Head of Lawn & Garden, and Function Leads requesting a targeted increase in profit, by comparison with the provisional LE2, of \$108m, before tax in order to lock an LE2 at budget level; the improvements included a 2% positive price variance across the Crop Protection business for the remainder of the year which was believed to be achievable in the context of a 4% positive variance in H1, and a reduction in corporate costs equivalent to 2% from each function which was also judged to be within reach based on the running rate for the year to date
- the MIR162 licence to Monsanto, expected to be entered into at the end of September, would provide a \$65m (pre-tax) upfront payment of which \$25m would be repayable if defined registrations were not secured; it appeared that on a stand-alone basis (disregarding the Seed Care transaction) full value had not been realised in the licensing of MIR162 to Pioneer as it related to LATAM and care would be required in the valuation of the LATAM component in any negotiation with respect to 5307 licensing
- the revised LE2 implied EPS growth (including the Pioneer royalty and atrazine settlement impact) of 15% compared to an adjusted consensus of 19%
- LE2 free-cash flow was \$900m with higher working capital reflecting the level of inventories planned for the year end
- the dry and hot conditions in the U.S. could be expected to reduce fungicide sales with some offset from sales of tefluthrin to combat corn rootworm
- the U.S. drought had already materially affected yield potential in at least 50% of corn areas and in addition had accelerated pollination and maturity of the crop; the base case for corn seed generation was now 70% of plan in summer production, similar to 2011 but compared to 93% previously; this development was not yet factored into the 2013 targets; persistence of the drought conditions could lead the U.S. government to reduce ethanol mandates with a consequent need to seek opportunities for "Enogen" outside ethanol; an analysis of the potential impact to U.S. growers of the drought, after crop insurance, was in progress



- soybeans in LATAM provided a potential upside with anticipated market growth of 12% to 15% and the accuracy of S&OP forecasting for the 19 July GSOP Meeting would be critical
- the 2013 top-down forecast add-up indicated net income of \$2152m representing 5% growth over 2012 LE2 (but 15% growth if the Pioneer royalty and atrazine settlement were excluded from 2012 LE2 and the 17% tax rate assumed for the current year was used as opposed to 20% in the strategic plan)
- the corporate assumptions other than the 20% tax rate were for an increase of 6% in SBS costs and 3% in other corporate costs, a reduction of \$15m in litigation costs, and NFE of \$200m for hedging, 2012 LE2 forecast exchange rates having been applied for the full year 2013
- it would be imperative to pinpoint with precision competitive price points in a potential environment of rising volume demand driven by commodity prices, and supply constraint relative to demand
- the \$430m business contribution increase demanded of North America by the targets was ambitious and assumed aggressive growth in corn seed sales which disregarded the impact of 2012 weather conditions on seed generation
- the broad shape of the 2013 targets was supported on the basis that more detailed analysis, including a refined view of the corn seed yield issue, would be undertaken with Dr Atkin, Mr Pisk and Dr Berendes.

79/12 DRAFT H1 RESULTS COMMUNICATION

Ms J Gough circulated, and led a brief discussion with respect to, the latest draft of the Media Release covering the 2012 Half Year Results.

It was agreed that, following further review, SEC members would submit to Ms Gough any comments in relation to the draft.

80/12 CHINA ALLIANCE STRATEGY UPDATE

Reference Minute 69/12, Mr Pisk introduced a presentation by Mr P Cohadon and Mr P Pickering providing an update, following a meeting held in Zurich on 12 July between Mr Pisk, Mr Cohadon and Dr E Bartels and senior management of Makhteshim Agan Industries (MAI) concerning potential areas of collaboration with MAI/ChemChina in China. The main points were:

- the three lines of possible collaboration considered by the discussions were the construction of a unique channel for seeds and crop protection products to provide connectivity with premium retailers; the creation of a leading seeds entity with full freedom to operate and the scale to achieve competitive market share; and scaled production and formulation to drive down costs in the output of technology based on strategic off-patent compounds



- the target market share of the first area of collaboration would be 10% growing over the mid to long term to 20%, but MAI currently had a limited number of registrations in China of MAI products and the four relevant entities owned by ChemChina were essentially manufacturing companies which sold chemicals to third parties, although acquisitions by ChemChina which sold to the retail channel could be included in the collaboration
- demand creation and marketing activities would be held outside the model, the collaboration being run as a cost centre with efficiencies from which Syngenta would derive benefit; in response to Syngenta's proposal that Syngenta hold 51% and MAI/ChemChina 49% of the collaborative entity, MAI had countered that a 50%/50% split would be acceptable
- the President and CEO of China National Agrochemical Corporation (CNAC), the holding company through which ChemChina had acquired its stake in MAI, had provided assurances to Syngenta that MAI's management had been given responsibility for consolidating ChemChina's assets and developing strategy for the agribusiness sector
- the risk of enabling MAI outside China through the collaboration was recognised but it was unlikely that MAI would acquire any unique knowledge
- competitor reaction to the collaboration must be anticipated
- the proposal in relation to seeds contemplated acquisitions in corn and rice by ChemChina following completion of which Syngenta would contribute its corn (Sanbei) assets; ChemChina had given MAI the remit to develop strategy for seeds and traits but Syngenta would support in the targeting of the acquisitions; there was no prospect, based on its competitors' experience, that Syngenta would be allowed by the Chinese government independently to make any further seeds acquisitions; the relative holdings of ChemChina and Syngenta in the collaborative entity would again be 51%/49%, similar to Syngenta's position in Sanbei, but by reference to a much larger entity and possibly with management control by Syngenta
- the dialogue on production and formulation was independent of the other two topics but resided in the context of purchases of active ingredients and raw materials by MAI and Syngenta in China with a combined value equivalent to \$1bn; in Q4 2012 it was planned to bring forward to the SEC a proposal in relation to manufacturing capacity at Nantong which would need to be revisited were a production collaboration with MAI to be in contemplation; in addition a number of Syngenta's existing procurement relationships were with Sinochem.

The response was

- the proposals appeared to represent a good opportunity for Syngenta to accelerate its growth in China in a way which would not be possible organically
- the crop protection elements of the suggested collaboration seemed more realistic than those relating to seeds, and the delinking of the dialogue on production and formulation was endorsed
- Syngenta should proceed cautiously at this point and should not close off alternative options; it would be necessary to provide a sufficiently positive but measured response to MAI/ChemChina to maintain the dialogue



- support was provided for the concepts embodied in the proposals to be pursued further; Mr Pisk with Dr Bartels would draw up an indicative timeline and workplan and the governance and working teams would require to be agreed and should include Mr R Neill for crop protection, with overall leadership by Mr Cohadon
- Mr Pisk with Dr Berendes would organise the production of a short slide presentation for the July Board Meeting providing a high level view of the opportunity which it was wished to explore
- the scheduling of a high-level meeting to leverage the business relationship between Mr Mack and president Ren Jianxin of ChemChina should be brought forward in order to provide increased assurance and to enable the ongoing dialogue to be correctly framed.

81/12 R&D FOOTPRINT AND CAPABILITIES

Dr Aruffo introduced a presentation by Mr D Sözzi seeking counsel in relation to the project scope and design with respect to the delivery of a scalable, fit-for-purpose, R&D footprint and capabilities. The main points were:

- the initial focus was on the Genetics R&D and Biological Assessment footprint and capabilities to deliver ICS
- the project incorporated risk management in line with the "Syngenta Way of Change" with a strong emphasis on attraction and retention of key talent
- sign-off of the final project design and business case would be sought at the October 8/9 SEC Meeting; the business case included efficiency gains, restructuring costs, growth investments and scale effects.

The key issues raised in the discussion which followed were:

- it would be critical to define the basis on which change would now be delivered in the context of inability for at least the last three years to do so
- stakeholder support in the EAME organisation must be more clearly validated
- guidance could only be provided by reference to concrete proposals, which had not yet been provided; a workplan must be defined and the active engagement of commercial leads secured; the workplan should be properly resourced and the anticipated stretch required of the R&D leadership to maintain operations while ensuring execution of the workplan would be considerable
- a plan would be needed to manage the significant people retention issues which could be expected to appear; the strategic workforce plan should be established and the pool from which new breeders would be recruited to replace those exiting must be identified
- the governance and decision-making process should be proposed and then reviewed by Mr Peacock and Mr M Walker with the benefit of their respective experience of Foundation and SBS while Dr Berendes and Dr Bartels would contribute insights from ICS on simplification and the consequences of moving from design to implementation.



82/12 R&D PORTFOLIO UPDATE

The papers circulated by Dr Aruffo on 11 July were taken as read. The principal points raised in discussion of the papers with Dr Aruffo, Dr M Clough, Dr R Furter, Dr G Ramos and Dr M VanLookeren Campagne were:

- establishing with Novozymes outside "Jumpstart" a full platform for the invention characterisation and development of biocontrols would be key to providing the ability to create a true portfolio with several options in each indication area
- Aida had "failed fast" in product safety studies and the Phoenix backup strategy, with four candidates, as well as a follow-up project, were under way
- the learnings provided by the isopyrazam appraisal including the need for early identification of alternative candidates had been valuable; solatenol and "Fusha" would reinforce the strength of the fungicides pipeline
- the scale of the production run for the QMAX technology for pelargonium and other crops had been held back while process issues were resolved
- a number of hypotheses had been developed on the causes of the male sterility seen with MIR162 and the genes involved had been mapped in an attempt to understand the mechanism of causation; in new stacks it would be endeavoured to modify the gene coding sequence
- the licensing from Monsanto of the RHS technology had been stalled in the negotiations on licensing to Monsanto of the 5307 trait but results indicated that the system worked as claimed; in parallel Syngenta would continue to pursue cytoplasmic male sterility (CMS)
- the hybrid wheat project presented greater challenges than hybrid barley given the greater genetic complexity of wheat and the need to chemically sterilise wheat to generate hybrids
- in Brazil, staff at MAPA and IBAMA were currently on a "work to rule"; should this develop into a full strike the entire regulatory process in Brazil would be halted for at least two months; a meeting would be held by 20 July with the two authorities together with ANVISA in order to determine whether an expedited registration could be pursued for "Avicta"; this development would also affect solatenol and could be expected to have serious consequences for the re-registration of abamectin
- Dr Aruffo noted the election of Professor Johan Six, currently of the College of Agricultural & Environmental Sciences at the University of California Davis, as the next Professor of Sustainable Agroecosystems at the Swiss Federal Institute of Technology (ETH) in Zurich from March 1, 2013, the professorship being funded under the CHF10m donation established by Syngenta in November 2010; Dr Ramos who had been a member of the election panel would circulate samples of publications by Professor Six to the SEC
- in process terms the review had provided a helpful summary although the pre-read was overly complex and should be treated as a reference document; better measures of germplasm performance would be desirable as would a clearer view of the state of progress on the platforms; an alternative approach might be at one in every two SEC Meetings to consider a thematic macro-



topic, synthesising the key issues, and Dr Aruffo would give thought to topics lending themselves to this approach.

83/12 GLOBAL REGULATORY LEADERSHIP TEAM UPDATE

Dr Aruffo introduced a presentation by Mr D French and Ms L Zannoni seeking counsel on the strategic agenda for the regulatory organisation. The main points were:

- the joint Global Regulatory Leadership Team (GRLT) had been established in June 2009 and had been working to bring the former Crop Protection and Seeds functions together under a common strategic approach, including people development and ways of working with Product Safety and other key stakeholders
- the GRLT vision and purpose were to support the provision of crop solutions which were sustainable for the grower, for Syngenta, and for society by working closely with Syngenta R&D and Commercial partners to deliver truly integrated crop solutions; providing a clear view of the long term regulatory landscape, leading efforts to shape the external regulatory environment; and underpinning all of Syngenta's regulatory and safety activities with sound science and excellent communication and advocacy skills
- a systematic upskilling program for the organisation had been developed, centred around core capabilities each of which had been specifically identified as being critical for future regulatory and safety success; the program was supported by the Regulatory & Safety Excellence intranet with downloadable webinars created by internal experts covering a wide range of techno-regulatory topics.

The critical points made during discussion of the presentation were:

- while in the past the licence to operate had been defensible based on robust science, the political dimension had become much more acute; this called for a mindset that the first customer for products in development would be the regulator, who was to a greater extent politically influenced
- a more holistic approach would be required to data generation, including earlier testing
- the benefit of placing regulatory personnel in the GM trait discovery groups had been seen; with the approach to registration of 5307
- Regulatory should perform as a business partner rather than a service function, which would necessitate taking leadership and accountability in a different kind of dialogue involving active identification of risks and proposals for mitigation, and recognition of regulatory skills as a source of competitive advantage
- consideration should be given to seeking an external view of future trends and the implications for advocacy skills; this analysis should include testing of approaches to engaging with stakeholders which were not directly reliant on



the science data base, and alternative modes of interaction with portfolio management.

84/12 NORTH AMERICA "BALTIMORE" SYNERGY TARGET OPTIONS

Mr Pisk introduced a presentation by Mr V Hawkins and Mr D Morgan assessing options for delivery of the "Baltimore" synergy targets in North America. The main points were:

- the synergy targets which had been set for the North America commercial organisation based on the 2010 LE3 business and cost benchmarks totalled \$65m, or 20% of the commercial functional cost base, by the end of 2013
- three categories of options for consideration in securing the synergy targets had been identified, comprising further organisational adjustments (based upon the 2011 go-live structure) (\$35.9m), exiting of business segments which were dilutive to the overall regional objectives and which demonstrated low or no chance of substantive improvement in the 5 year planning period (\$10.0m), and additional organisational restructuring including the abandonment of non "mission critical" activities, the consolidation of similar activities across business segments and refocusing of technical support roles (\$15m)
- the abandonment of certain non-"mission critical" activities would be difficult, particularly from a reputational standpoint
- the analysis of business segment exits required further development in conjunction with crop teams and would be presented thereafter to the SEC
- none of exiting the CRM program, reducing the sales force, or consolidating the headquarters sites were recommended at this time
- support was sought for the remainder of the organisational adjustments and restructuring.

The response was:

- the recommended actions were agreed conditional upon syndication to and support by the affected functions
- where cost savings were not linked to FTE reductions the costs risked to reappear; at this point it appeared that only around \$30m of the cost savings target would be delivered in a way which ensured to be sustainable; and the transference of costs from Commercial to R&D must be avoided
- it was noted that the North American business had grown by some \$500m since the 2010 baseline had been set.

85/12 NORTH AMERICA MARKETING AND COMMERCIAL ORGANISATIONS

Mr Pisk introduced a presentation by Mr Hawkins and Mr Morgan describing a series of proposed organisational changes to Marketing and Commercial in North America. The main points were:



- progress had been made on aligning the North America Crop and Asset teams but the teams retained an inappropriate separation in approach
- it was recommended that the NA Crop Teams focus on the strategy and business development activities for their respective crops; that the Asset Team assume accountability for product and portfolio management for all technology platforms; that the U.S. Customer Marketing Team maintain national accountability for campaign development but assume a primary role in supporting the GTM strategy deployment; that an integrated Business Planning team be established; that closer operational alignment be created within and between the Communications and Corporate Affairs teams, and that clearer definition be developed of the respective roles of R&D, Solutions Development and Field Agronomy
- the total synergy provided by the recommended changes in Marketing, to be effected in Q3 2012, would be equivalent to 35 FTEs
- the key recommendations for the U.S. Commercial organisation would be to migrate from 3 senior commercial leaders to 2, combined with a re-balancing of span of control; to integrate local Customer Marketing into the Commercial Units; and to broaden national Customer Marketing to a "full services" (to the Commercial Units) role, supporting GTM strategy activation and campaign execution.

The response was:

- the recommendations were supported, subject to the need in the case of the proposed changes involving Seed Care to syndicate these with Mr C Goppelsroeder
- the financial impact of all of the changes except the compensation costs of the current Head of Sales had been factored into the preceding presentation
- it was noted that an announcement of the proposed changes was currently targeted for August; this announcement would need to be aligned with the announcements of the appointments to new roles of Mr S Hawkins, Ms P Trivisvavet and Mr P Pickering, and Mr Pisk would work with Mr V Hawkins, Mr Morgan, and these three individuals in order to finalise and coordinate the announcements.

86/12 MONSANTO TRAIT CROSS-LICENSING UPDATE

Mr Pisk introduced a presentation by Ms P Trivisvavet and Mr E Barbour providing an update on the status of the cross-licensing negotiations with Monsanto relating firstly to MIR162 and MON89034, and secondly to 5307 and RNAi. The main points were:

- the key terms of the MIR162/MON89034 cross-licence had been agreed; the cross-licence would be global, non-exclusive and include affiliates; Monsanto would make a \$65m upfront payment on signing, creditable against future royalties; Syngenta would commit to obtain by December 2013 import approval in Japan, China and Korea and technical approval in the EU for MIR162 failing



- which Syngenta would refund \$25m of the \$65m payment; the contract was expected to be finalised and signed before the end of September
- the financial case for the transaction gave rise to an estimated post-tax NPV @ 10% to Syngenta of around \$315m, including the savings from discontinuation of the need to licence Herculex 1 from Dow
 - a term sheet with regard to the cross-licensing of 5307 and RNAi had been provided by Syngenta to Monsanto on June 12 and Monsanto's response was awaited.

The response was:

- it was noted that Syngenta would require sub-licensing rights with regard to the use of MON89034 in "Agrisure" and Monsanto would likewise require sub-licensing rights in relation to the use of MIR162 in "Genuity"; this would be acceptable only on a bilateral basis
- the basis on which unlike Syngenta, Monsanto had elected to retain "Herculex 1" in their stacks, required further assessment
- a presentation covering the negotiations should be scheduled for the July Board Meeting requested support for the MIR162/MON89034 cross-licence.

87/12 INTELLECTUAL PROPERTY

Mr Mäder introduced a presentation by Mr M Kock reporting on the latest position concerning the precedential tomato case in the European Patent Office which threatened the patentability of native trait plants, and Syngenta's efforts in e-licensing and participation in an industry licensing platform in the face of strong political pressure in the EU to abandon patents for non-GM plants and to weaken overall intellectual property protection by reference to the breeders' exemption. The main points were:

- Unilever on June 28 had withdrawn its opposition and appeal, referred to the Enlarged Board of Appeal of the European Patent Office, challenging a patent owned by the Volcani Center of the State of Israel and exclusively licensed to Tomaisins Ltd (in which Syngenta had an 11.2% equity holding) which claimed a breeding process for and native trait in relation to a "raisin tomato" which dried on the vine; the question on appeal was whether if (as had been previously adjudicated) the breeding process claims were unpatentable (based on a legislative intent to promote freedom to operate) the native trait claims were nonetheless allowable (which would ostensibly undercut this legislative intent); despite Unilever's withdrawal the appeal would nonetheless proceed unless the patent owner and licensee stood down; an adverse finding would create a significant negative precedent
- confirmation of support was requested for the e-licensing by Syngenta of non-regulated (native) traits in vegetables and of non-crop-specific non-strategic enabling technology, as well as participation by Syngenta in an industry licensing platform for non-regulated (native) traits in vegetables, and for



continued advocacy and thought leadership on the incentive of intellectual property to innovate.

The response was:

- it was noted that although Syngenta's e-licensing offer had been promoted through a series of events including a conference sponsored by the Dutch patent office attended by many Dutch breeders, no licences had yet been taken up, possibly because potential licensees were awaiting finalisation of the industry licensing platform
- support was provided for Syngenta to the extent possible to advocate for Tomaisins Ltd to withdraw from the tomato case
- the enabling technology which was the subject of Syngenta's e-licensing initiative was reconfirmed to be non-strategic; the standard licence included a grant-back of rights to improvements and was unlikely to be attractive to competitors
- the governance process for the outlicensing activity must be fully defined
- the licensing initiatives were endorsed and had been complimented by a range of stakeholders including CropLife, with whose support the thought leadership element had been advanced, and NGOs; the issues should be brought more formally within the remit of the Licence to Operate Committee
- the European Court of Justice had on 12 July upheld the validity of two Directives on the marketing of vegetable seed and determined that the rigour of the standards which they imposed on the go-to-market regime was appropriate, but in so doing appeared to have conferred significant power on the EU Commission.

88/12 DIQUAT EXPANSION CAPITAL PROPOSAL

Mr Peacock referred to the paper and presentation which he had circulated on 12 July seeking support for \$23m expenditure to expand the R6 bipyridyl and "Reglone" (diquat) plants at the Huddersfield, UK site to support 5600 tpa sales by 2015. The NPV @ 16% of the proposal was \$32.6m including terminal value, the IRR 24% and the discounted payback period 7.5 years. The response was:

- the proposal was supported
- a more considered view of the regulatory position of diquat, including relative to paraquat and glufosinate, was required
- Syngenta's competitiveness with the compound was underpinned by the production efficiency based on a critical catalyst sourced from Johnson Matthey
- the length of the payback period was driven by the timing of commissioning of the additional capacity in relation to the trigger points for the expenditure
- the uses of diquat addressed by the expansion were consistent with the policy established by the Paraquat Issues Leadership Team.



89/12 CORPORATE RESPONSIBILITY COMMITMENTS

Mr J Seabrook with Mr J Gonzalez-Valero presented and led a discussion with respect to the proposed Syngenta Commitments. Following review by the Corporate Responsibility Panel six key areas of focus had been sharpened to three statements of intent, with regard to which the support and input of the SEC was now sought. The intended concept was to build on the foundation of food security and yield and embrace health, the environment and human rights, work being in progress to develop the required metrics. The principal issues raised by the discussion were:

- broad support was provided to make the Commitments a significant multi-year venture for Syngenta's public policy posture
- Dr Aruffo with Dr Berendes should consider and circulate to the SEC the "association" defining the criteria which each of the statements of intent would need to satisfy
- in the third statement of intent "More security/access/health, less poverty", "health" was preferred over "security" or "access"
- the statements of intent would be presented to the Corporate Responsibility Panel on July 23 and the Board on July 24/5; as the realisation of the statements must be business-led, Dr Atkin and Mr Pisk would attend the Corporate Responsibility Committee Meeting
- the Commitments had real potential to inspire Syngenta's employees and to connect with a wider network outside the Company
- it would be critical to determine what would be necessary (including the resourcing demand) to honour the statements of intent and how they would support Syngenta's ambition
- the Commitments would require to have evocative appeal for non-grower, including urban, populations in order to maximise the opportunity to create natural allies from a constituency which otherwise risked to provide opponents
- execution and reaching the right audience would become increasingly complex particularly in view of the deteriorating perspective on "big business"
- the concept of the ratio of input to output, while not explicit, was intended to be captured by the "More food, less pollution" statement, as a construction of input/ output relationships.

90/12 TERRA INCOGNITA

Dr Berendes introduced a presentation by Dr E Bartels and Mr R Sierra seeking counsel on the direction of Syngenta's digitization efforts. The main points were:

- Syngenta's digitization vision was based on three themes, comprising digital solutions, expanding the portfolio to support farmers with tools and platforms creating distinctive value; digitally enhanced relationships, generating compelling experiences and digitally leveraged forms of engagement with farmers and partners to increase market share and reduce costs to serve; and digital excellence, positioning Syngenta as world leaders in agricultural



production and supply and enabling in-silico, grower-focused product design and testing

- to succeed in any of these themes, innovate at "digital speed" and create continued competitive advantage would require new systems and capabilities
- the priorities for digital solutions were achieving scale and breadth; for digitally enhanced relationships were devising initial tools to demonstrate upside potential including a smallholders' platform; and for digital excellence were to examine and accelerate Syngenta's ability to leverage "big data" internally
- it was proposed to build a core team of 5 to 8 FTEs with the correct skills and to earmark an innovation budget for the early project phase, embedding and scale-up to be covered by the functions and lines, with potential additional costs in 2012 of the order of \$2m to cover staffing and implementation/launch
- the guiding principles for Syngenta's digitisation activities should include targeted discrete prototypes and tight information management; modular development emphasising interfaces and portable standards; hypothesis-driven exploration and fast innovation.

The response was:

- the proposals were directionally supported but required to be exemplified in specific prototypes which would be presented to the October 8/9 SEC Meeting for review
- the project would also be presented to the December 5 Board Meeting
- the framework presented should be used to build on the most relevant internal lines of activity and to focus resource and energy, harnessing disparate endeavours for added efficiency
- the creation of a scalable data model within digital excellence to enable integration of data assets was core to OneBiology and required linkage to breeding trials and genetic data; fully exploited, the in-silico approach could allow fewer, later, or more precise trials in the field
- the importance of providing a cost analysis on each occasion when the status of the project was reported to the SEC was underscored.

91/12 COMMERCIAL PROCESSES

Dr Berendes introduced a presentation by Dr Bartels with Mr D Thomas seeking endorsement of the plans for H2 2012 and steer on 2013 priorities for the configuration of commercial processes. The main points were:

- the commercial process governance, scope and priorities had been established with the objective of harmonising process standards enabling scalable platform development; the scope had been defined to prioritise, in 2012, 11 processes managed in 5 activity streams
- the current situation was characterised by reactive process standards supported by highly fragmented systems and tools, with ICS redesign adding significant complexity to the challenge; the approach proposed was to improve



process maturity from the reactive mode to standardisation, enabling solutions and platform convergence

- significant impact to people, processes, data and systems should be anticipated in Pricing, Forecasting and Order Management but less so in Marketing and Sales processes; the required capability and resource was not in place for Pricing roll-out, Forecasting and Order Management and was inadequate for Marketing and Selling processes; the resource needs would be further developed and confirmed at the September GCC meeting; a fast payback on the investment was expected.

The response was:

- systematic process management would be required to ensure that those responsible for executing the processes did so in a consistent and thorough way
- in the overall assembly of marketing capabilities pricing was of measurably greater significance than advertising and promotion; the ability to raise input prices in a high commodity price environment would be a critical source of competitive advantage
- a centre of excellence should be established to ensure sustainability
- in addition to defining KPIs, the basis on which action would be taken on forward-looking indicators should be confirmed
- the results of the U.S. prototype should be presented to the SEC; creating excitement about upskilling in North America offered the opportunity to generate pull from other Regions
- it was noted that a proposal would also be made in September regarding the deployment of pricing managers; which envisaged rotations of four to five months in each Territory within a two to three year program in which the pricing managers would be used as a "SWAT" team to catalyse change.

92/12 MERGERS & ACQUISITIONS

Dr Berendes introduced presentations by Ms L Logiurato providing updates on projects Douglas, Savoy and Brussels.

(A) DOUGLAS

Following submission in June of a binding offer of \$120m to the vendors of Douglas, the vendors had signalled willingness to grant exclusivity to Syngenta if the offer was improved by \$5m in consideration for improved terms on cyantraniliprole supply and retention by the vendors of employees not required for the continued operation of the target business.

The raising by \$5m of the offer was supported on the basis that the consideration would also include a first right of refusal to the vendors' pipeline in the field of operation of the target business for 5 years with an option to extend by a further 5



years; the Board had provided headroom to offer up to \$130m and an update would be provided to them at the 24/25 July Board Meeting.

(B) SAVOY

Savoy was a leading sunflower seeds contract producer based in Sacramento, California with estimated sales in financial year ending 31 January 2013 of \$58m; acquisition of Savoy could offer the potential for significant acceleration of growth in Syngenta's sunflowers business. Dialogue was proposed to be pursued with the vendors in an effort to reduce the price by some \$10m to of the order of \$45m, with a decision point likely to be required within the next 10 days.

A reminder was provided of the need to determine the necessity for a SEC Meeting to be held before an acquisition proposal proceeded from the MAC to the Chairman's Committee.

The recommended engagement with the vendors was supported and it would be agreed whether this dialogue should be timed to take place prior to the Board Meeting.

(C) BRUSSELS

An indicative offer, supported by the Chairman's Committee, of up to €14 per share had been rejected by the two largest shareholders in Brussels at meetings held on July 16 and 17 at which they had instead counter-proposed price levels ranging from €15 to €18 per share dependent on the degree of security of the price opposite a higher bid from a third party. The shares were currently trading at €9.8 in the open market.

It was agreed that support would be sought from the Board for the making of an offer of €15 with €1 headroom and on the basis that the offer would be made on a "hard irrevocable" basis. Should this offer prove unsuccessful, project Mekong appeared to be an unsatisfactory alternative which would not deliver the required step change in rice genetics and breeding.

In addition it should be confirmed that ongoing R&D expenditure, in the event that the acquisition was successful, would not exceed the aggregate of the current spends of Syngenta in this area and of the target.

93/12 COMMITTEE REPORTS AND ANY OTHER BUSINESS

- Selected reports from Committee meetings were provided by the respective SEC leads as follows:
 - Dr Atkin noted that the Crop Protection Asset Committee meeting held on June 4/5 had seen a request that the full vision for the BioControls



- platform, including the implications of targeting a \$1bn business in BioControls, be brought to the September CPAC Meeting
- Dr Berendes said that the Strategic Licensing and Collaborations Committee would undertake an analysis of the extent to which the SLC competitor reviews were resulting in actionable items, and the results of this analysis would be reported to the 4/5 September or 8/9 October SEC Meeting
 - Mr Pisk reported from the latest Global Seeds Committee that an apparent impasse had been reached with BASF in negotiations for access to second-generation imidazolinone tolerance technology. Mr Mack offered to raise the issue if appropriate with the President of BASF's Crop Protection division. Mr M Heldt
 - the arrangements and draft Agenda for the Board Meeting scheduled for July 24/25 were reviewed. One of the recently-appointed non-executive Directors, Mr G Brock, had requested individual meetings with SEC members on 25 and 26 July, which would be organised
 - Dr Atkin confirmed that with Dr Berendes he would sponsor a workshop in August to address the latest assessment of Plene
 - Mr Mack reported on a recent visit by Mr M Taylor and Mr J Parr to the location in Krasnodar, Russia of the proposed formulation and seeds processing plant, and follow up actions; the project Steering Group would meet in week commencing 23 July
 - Dr Atkin said that the Head of Seed Care Mr C Goppelsroeder had resigned to take up a senior role in another company (which was not a competitor with Syngenta) and that Mr K Neuffer would be appointed as Head of Seed Care in succession to Mr Goppelsroeder
 - Mr Sullivan reported that the Office of Research Integrity of the U.S. government Department of Health and Human Services had determined that the neuroscientist Dr Mona Thiruchelvam, a former assistant professor at the University of Medicine and Dentistry in New Jersey, used fabricated data in published studies claiming a role, in the animal model, for paraquat, alone and in combination with the fungicide maneb, and for atrazine, in the neuronal mechanisms involved in Parkinson's disease. Although the determination cast doubt both on the work now compelled to be retracted and on earlier studies by Dr Thiruchelvam also involving paraquat, independent researchers had claimed similar findings with paraquat
 - Responding to the question as to whether Crop Strategies were sufficiently syndicated out of the GCC meetings, Dr Atkin confirmed that the minutes of the meetings had been appropriately circulated and the essential work was being undertaken, the Territory/Crop plans being developed to the required level
 - Mr Ramsay referred to the paper which he had circulated on 10 July covering the negotiation with an expanded, double layer, core banking group of the back-up facility to Syngenta's commercial paper program, under which \$1.2bn cover had been put in place for the period 2006-2012 and \$1.575bn cover would be established for the period 2012-2015. The new facility was expected to give rise to significantly higher payments by Syngenta both as to the annual



commitment fee (\$2.2m) and the margin which would be payable should the facility be drawn down

- Mr Ramsay said that 22 Internal Audit Report had been issued in Quarter 2 2012 of which 5 had given rise to "needs improvement" findings, including for Germany where a cross-functional team were working on the action points arising from a change program, Panama where a lack of leadership (which had now been addressed) had not been fully recognised and month-end reconciliations (now reconciled to the end of June) for high-volume transaction accounting had not been carried out on a timely basis, and France where recommendations from an earlier Audit on the supply chain/Foundation had not been implemented by the specified deadlines
- Mr Pisk reported that the Bt10 trait had been detected in June in Syngenta trials in Puerto Rico; the detection had resulted from the application of systematic controls and was not a reportable incident but underscored the need for rigorous processes to be maintained, it being the first time in over 5 years that the trait had been detected
- Dr Berendes confirmed that the Chairman's Committee on 10 July had supported an investment by Syngenta Ventures of \$25m for an approximately 8.5% equity stake in Agrinos, a Norwegian biotechnology company which owned manufactured and distributed proprietary "High Yield Technology" plant growth enhancement products; the investment would create optionality in the biofertilisation strategy
- it was noted that the former Head of Security in Brazil had resigned to take up a position with a pharmaceutical company
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REDACTED: PRIVILEGED

- the proposed dates of the SEC Meetings in 2013, circulated by Mr Sullivan on 11 July, were agreed subject to the change of the date of the June Meeting from 25 to 17 June
- Mr Peacock would discuss with Mr Mack a proposal to remove from the option list for business flights for three months Lufthansa and Swiss International Airlines; based on their refusal to negotiate a discount from their standard fares
- Dr Berendes said that WEF was seeking a successor to the Africa team lead of the "New Vision for Agriculture" initiative, as the current jobholder would return to Yara. Ms.K Prakash-Mani had been considered as a candidate but it was judged essential to retain her in her Syngenta role, and Ms S Hull would manage Syngenta's continuing input to the succession process. Independently Mr C Allen had contacted Dr Berendes regarding roles with WEF focused on Asia, and could be a candidate for the NVA country partnerships in South East Asia, to be decided by the WEF leaders.