

**Minutes of the meeting of the Board of Directors of  
Syngenta AG**

No.: 03/07  
Date: 25 July 2007  
Place: Basel, Rosental site  
Time: 08.30 h – 15.00 h  
Participants: Board Members:  
Martin Taylor, Peggy Bruzelius,  
Peter Doyle, Rupert Gasser,  
Pierre Landolt, Michael Pragnell,  
Peter Thompson, Jacques Vincent,  
Rolf Watter, Felix Weber, Jürg Witmer

Secretary:

Christoph Mäder

Part I of the meeting:

All Members of the Syngenta Executive Committee

Item 3:

Jonathan Seabrook

**Part I**

Martin Taylor opened the meeting and welcomed the Board and SEC members. He congratulated Mike Mack for his nomination as future CEO and John Ramsay for his appointment as CFO.

**1. Chief Executive's Report**

**INVESTOR RELATIONS AND SHARE PRICE PERFORMANCE**

The CEO commented on the share price performance since the last Board meeting. USDA's acreage report on 29 June which showed corn exceeding expectations at 93 million acres and an upgrade in earnings guidance by Monsanto had a favourable impact.

The share price had increased since end May by 4.6 percent, outperforming by 7 percent the Swiss Market Index, with news of the reversal of the European registration for paraquat largely dismissed by the market.

The share price closed at CHF237.00 on July 24.

### COMPETITOR DEVELOPMENTS

Monsanto reported record sales for fiscal third quarter 2007, 23 percent higher than the same period last year, led by seeds and genomics (up 32 percent) and increased its fiscal 2007 earnings outlook. The US Justice Department on 31 May, cleared Monsanto's \$1.5bn acquisition of Delta & Pine Land conditional on the divestment of a range of key assets; Monsanto subsequently completed the sale of Stoneville to Bayer for \$310m and of the "NexGen" brand of cotton seed to Americot; the \$50m payment by D&PL to Syngenta triggered by Monsanto's acquisition had been made, with the mandated transfer of 43 cotton lines to follow.

Bayer had also granted a non-exclusive licence to Monsanto for Bayer's "Liberty Link" herbicide resistance trait for corn and soybeans. Monsanto was to recommend BASF's "Headline" fungicide over Monsanto seeds. Monsanto's American Seeds Inc. unit had acquired two further US seed companies, Hubner Seed and Lewis Hybrids, taking the number of regional seed companies acquired by ASI to 15 since November 2004 at a total expenditure of around \$350m.

DuPont announced on 2 July that it had completed regulatory submission for its Optimum GAT trait in corn to FDA and USDA and that it was on track to complete its EPA submission later this year. DuPont (Pioneer) was expanding its seeds research in Iowa and Brazil; it was to develop with BP and Associated British Foods a bioethanol plant in Hull, UK. DuPont's CEO, Charles Holliday, commented in June that the company was not looking actively at a major merger.

### EXTERNAL DEVELOPMENTS

The recently-published OECD-FAO Agricultural Outlook for the period 2007-2016 suggested that strong prices for many agricultural commodities were partly due to temporary factors. However, structural changes such as increased demand for biofuel, and the reduction of surpluses due to past policy reforms, could keep prices above historic levels during the next 10 years. Higher commodity prices were a particular concern for net food-importing developing countries and would evoke on-going debate on the "food versus fuel" issue.

On 29 June USDA latest acreage report for 2007 indicated 93 million acres of corn planted in the US, a 19 percent increase on last year. The estimated soybean area in 2007 was equivalent to 64 million acres, a decrease of 15 percent from last year, and the cotton area at 11 million acres declined by 28 percent.

Following further failures by the EU GMO regulatory committee in June to agree on applications for import and use in food and feed of several traited corn products, the EU Trade Commissioner had highlighted the EU's slow progress in approving the import of GM crops which were widely grown elsewhere, and warned that the EU could not afford to be left behind.

US EPA had drawn up the first draft list of pesticide active and inert ingredients to undergo screening for potential effects on the endocrine system; CropLife America had described this screening as "duplicative and unnecessary". A federal appellate court had upheld environmentalists' standing to sue EPA over an industry advisory group created to assess the risks of, and develop policies for, the herbicide atrazine.

The European Commission had set the phase-out schedule for 6 organophosphate insecticides. Member States were to withdraw approvals before the end of this year and the Commission had directed that any sell-out period be as short as possible.

## **SEEDS**

The acquisition for \$95m of Zeraim Gedera Ltd from Markstone Capital Partners, subject to closing adjustments, had been announced on 9 July; the transaction was expected to close in 2007 pending regulatory approvals.

Signing of the acquisition agreement with respect to Project 600 was targeted to take place before the end of July provided that outstanding issues could be resolved. A 5 year production agreement would act as a back-stop.

The SEC had supported the acquisition through Greenleaf Genetics for \$2m of a 49 percent equity stake in Lime, the second largest player in soybean outlicensing, with an option until 2012 to acquire the 51 percent balance; payment was to be financed by loans from Pioneer and Syngenta to Greenleaf Genetics.

The approval of the MIR604 (Agrisure RW) event was progressing through the Japanese regulatory system and was believed to be on track for Q4 completion; a supplemental file on the approval of a 1 percent trade tolerance was also under review.

The reorganisation of the North American corn and soybean seed business had been announced on June 4; marketing, product management and operations were to be brought together in Minneapolis; including the headquarters of Garst and Golden Harvest alongside NK.

In Brazil the position at Cascavel had now almost resolved with no invading occupiers remaining. Syngenta's position had been upheld and reinforced by the courts with fines imposed on the state governor.

## **CROP PROTECTION**

The European Community Court of First Instance on July 11 found in favour of Sweden in its action (supported by Denmark, Finland and Austria) against the Commission to annul the 2003 Commission Directive by which

paraquat was re-registered by inclusion in Annex 1 to Council Directive 91/414. The decision related not to the safety of paraquat but to the way in which the re-registration procedure had been handled. The decision to annul a re-registration was unprecedented and was compounded by the Court's departure from its regular practice of allowing the instrument to remain in force while the Commission addresses the Court's findings. Those authorisations needed now to be withdrawn. "Gramoxone" sales in 2006 in the European Community were \$32m and worldwide were \$370m.

The Commission and Member States had the right to appeal the Court's decision within two months. Syngenta was in active dialogue with the Commission, Member States and trade associations with respect to the withdrawal process as well as the filing of an appeal. Syngenta was also considering whether to submit a new regulatory dossier for Annex 1 inclusion.

In a separate decision the Court of Justice on July 18 upheld an appeal from a decision of the Court of First Instance by IQV, a Spanish generic manufacturer, in relation to the Commission's decision in 2003 not to include the fungicide metalaxyl in Annex 1 because IQV had not completed its regulatory dossier within the prescribed timeframe. The Court of Justice had held that the Commission was wrong.

The SEC had reviewed branding proposals for the insecticide Rynaxypyr, licensed from DuPont for use in mixtures with Syngenta's proprietary insecticides; first launch of the combination products was targeted for Q1 2008 with peak sales forecast at \$300m; the lead brand was to be "Duri-vo".

The investigation of the Crop Protection fraud in Bangladesh involving the embezzlement of around \$400,000 via falsified expense claims had been completed; around 80 percent of the embezzled funds had been recovered and the head of the local company had been exonerated of complicity in the fraud.

Syngenta Crop Protection in Hungary had been voted 6<sup>th</sup> out of 500 in the mid-sized company category in a survey of the best employers in Central and Eastern Europe.

## **BUSINESS DEVELOPMENT**

The acquisition of the Fischer group had been completed following receipt of anti-trust clearances.

The SEC had supported a non-binding offer of \$60m with a \$10m earn-out for "Gladstone"; if successful the acquisition would significantly strengthen the S&G portfolio as well as securing a key supplier of geranium vegetative cuttings to Fischer.

A non-binding offer of \$70m for "Hamilton", a major producer of chrysanthemums, the third largest Flower crop market, had also been supported by the SEC.

The SEC had supported a collaboration in sugar cane research with the Queensland Government, the Queensland University of Technology, the

Sugar Research Institute, and Farmacule; the collaboration would have 10 scientists based in Brisbane for 3 years of whom 4 funded by Syngenta with a \$1.7m upfront contribution; royalties would be payable to QUT/Farmacule on products commercialised.

## RESEARCH AND DEVELOPMENT

A five-year research collaboration with the Institute of Genetics and Developmental Biology in Beijing was announced on June 25; the agreement focused on the identification and development of novel agronomic traits including drought tolerance for key crops, such as corn, soybean, wheat, sugar beet and sugar cane. Syngenta would have rights to commercialize previously and newly developed traits in the agreed range of field crops.

A contribution, averaging £200,000 per annum over a period of 5 years, had been agreed to be made in support of an initiative of the UK Royal Society of Chemistry to develop a web-based learning system for use in Africa, under the sponsorship of Dave Lawrence.

A series of events were held in June and July at SBI, Jealott's Hill and Stein under the banner "Syngenta Science Live 2007", to promote a high level of awareness of the R&D contribution to business strategies and to ensure that individuals understand their role in delivery; these were attended by some 2000 R&D employees with highly positive feedback.

## SITES/CAPITAL EXPENDITURE

The following expenditure proposals had been supported by the SEC since 23 May 2007:

	<u>\$m</u>
Seeds Acquisition of Land in Oahu, Hawaii	15.3
EOS (approved by Chairman's Committee)	<u>40.0</u>
	55.3

The sale of land at the Whittlesford site in the UK at a price of \$13m had been supported as well.

Following the successful tender offer, shares in Syngenta India Limited were delisted from the Mumbai Stock Exchange effective 22 June, a six-month period for non-accepting shareholders to tender their shares at the offer price commencing on that date.

## HUMAN RESOURCES AND HSE

The Injury Incident Rate for the Group in the First Half was 0.46 compared to 0.43 at the end of 2006. The SEC had reviewed the risk assessment and planning for the Monthey site, a significant contributor to deteriorating performance; the safety culture at the site was showing improvement and the need for vigilant management of environmental issues and the relationship with the local community had been underscored.

The SEC had held its 6-monthly Succession and Talent Review. People planning as well as greater focus on external recruitment remain essential to maintaining a strong flow of talent.

The Swiss trade union Unia had submitted notices terminating the collective bargaining agreements which affected staff at a number of the sites in Switzerland; the negotiation of new agreements will begin in September.

## OTHER

Standard & Poor's had raised its long- and short-term corporate credit ratings for Syngenta to A/A-1 from A/A-2 and Moody's had upgraded its senior unsecured issuer and debt ratings on Syngenta to A2/P-1 from A3/P-2 with a stable outlook.

From over 2'500 entries, the LACP (League of American Communications Professionals) 2006 Vision Awards Annual Report Competition had awarded Syngenta the Platinum Award for best report in the Agriculture category. Syngenta's report ranked 34th over all. Syngenta was also awarded Silver in the special category for Best Letter to Shareholders.

An update of all major litigation cases had been distributed in advance of the meeting ([Appendix 1](#)).

## 2. Half-year results including LE2 for 2007

John Ramsay, John Atkin and Mike Mack presented the reports as attached in [Appendix 2](#).

Overall, sales in H1/2007 increased by 6% CER vs. 2006 to \$5690m, with CP (incl. PP) sales up 7% and Seeds sales up 4%. Especially LATAM and Eastern Europe performed well. Operating income rose 11% CER vs. 2006 to \$1556m. EPS after restructuring was at \$12.45, up 33% from last year. The 35% EBITDA margin in CP was the highest H1 margin achieved in the company's history. Seeds EBITDA was down by approx. \$70m or 31% vs. 2006, primarily due to an unprecedented shift of acreage from soybean into corn. Latest estimates for the 2007 full year were, with regard to sales and EBITDA, above consensus expectations.

The Board discussed the half year results, LE2 for 2007 and its implications for public announcements to the markets. It was noted that the massive market shift into corn had come prematurely for Syngenta in building its full traits offer in corn. The Board was reassured that Syngenta now had the necessary technology to compete effectively in the future. However, the Seeds outlook for 2008 in corn and soya remained flat, since sufficient quantities of stacked corn would not be available before the 2009 season.

*Decision: The Board supported a proposal to increase the full year cash return target from \$800m to around \$1bn, thereby increasing the total share repurchase amount for 2008 from \$600m to \$700m.*

## 3. Draft media announcement

Jonathan Seabrook joined the meeting and the Board discussed the draft H1/2007 results announcement.

## Part II

### 4. Minutes of last meeting

Draft minutes of the Board meeting of 23/24 May 2007 had been distributed in advance of the meeting.

*Decision: The Board approved the minutes of the meeting of 23/24 May 2007.*

### 5. Industry Update

The Chairman and the CEO reported on several contacts with companies Dallas and Detroit, with which possibilities of cooperation had been explored.

*Decision: The Board took note of the reports.*

### 6. Audit Committee report

Peggy Bruzelius reported on the Committee meeting held on 24 July 2007. The main topics addressed at such meeting were:

- H1/2007 results incl. LE2
- Critical accounting policies, incl. funded status of major pension funds, provisions for doubtful receivables, impairment and environmental provisions
- Pension funds: asset management performance
- Follow-up to a comment letter received from the US Securities and Exchange Commission
- Accounting treatment re. restructuring programmes
- Fraud case in Bangladesh
- Quality assurance review by PWC for Internal Audit

Since some uncertainties had occurred most recently to that end, the Committee asked the Board to clarify the reporting lines for Internal Audit between Executive Management and Board level.

*Decision: The Board took note of the report. The proposal by the Audit Committee to have Internal Audit reporting on a straight-line basis to the Audit Committee, and on a dotted-line basis to the CFO, was supported.*

### 7. Corporate Responsibility Governance

Christoph Mäder gave the presentation attached as [Appendix 3](#).

The main purpose was to raise the game in Corporate Responsibility (CR) matters and to establish a clear separation of duties between executive management and the oversight role of the Board. A clear governance structure and clear allocation of responsibilities would enable an effective implementation of Syngenta's CR related policies, an alignment of CR priorities with the business strategy and improve Syngenta's overall performance in CR matters.

It was proposed to establish, as a formal Board Committee, a Corporate Responsibility Committee (CRC), composed of 3 to 4 non-executive Board members plus the CEO (the draft charter of the CRC had been distributed to Board members ahead of the meeting). The CRC would meet twice a year and act, on behalf of the Board, as the custodian of CR related matters. It would review and advise on overall CR priorities, policies and issues and oversee the effectiveness of the implementation of CR policies as well as the action plans and reports.

On executive level, a CR Panel (CRP) would, on behalf of the SEC, coordinate the different CR workstreams, set priorities, policies and action agendas, manage the implementation of policies and monitor compliance and performance against agreed metrics. The CRP would also sponsor and support the production of the CR report.

CR related reports should be submitted to the SEC and the Board more frequently.

*Decision: The Board supported the proposal and approved the formation and the charter of a Syngenta Corporate Responsibility Committee. The Chairman would propose nominations for CRC membership to the October 2007 Board meeting.*

#### **8. Disclosure of Management Transactions / Securities Trading Policy**

Christoph Mäder presented a proposal for a new Syngenta Securities Trading Policy and revised Syngenta Regulations on the Disclosure of Management Transactions ([Appendix 4](#)).

Syngenta's "Interim Securities Trading Policy" dated back to 2000 and its "Regulations on the Disclosure of Management Transactions" had been adopted in 2005. Based on recent developments of best practice and due to some weaknesses identified with the systems in place, a comprehensive review of the two policies had been conducted. The purpose of the review was to ensure full compliance with applicable laws, regulations and best practice as well as to improve the reliability of the processes.

The key terms of the two proposed policies were:

##### **Securities Trading Policy**

- The Policy would apply to all directors, officers and employees worldwide, as well as to parties closely linked to these persons.
- A person subject to the policy would not be allowed to trade in Syngenta securities while such person is in possession of material non-public information.
- As a general principle, no transactions in derivatives on Syngenta securities would be allowed for persons covered by the policy.
- Additional restrictions would apply for a selected group of "Senior Officials" (incl. Board members):
  - Formal certification of the policy's terms
  - No transactions during "Blackout periods"

- The policy would contain specific rules for trades under the Syngenta equity compensation plans.
- A "cooling-off period" of one full trading day following announcements of results or other material information would be introduced.

#### **Regulations on Disclosure of Management Transactions**

- The regulations would be applicable to all directors, SEC members and a small number of other senior managers.
- A pre-notification to the Chairman would be required for all equity transactions by Board members.
- A pre-approval by the CEO would be required for all equity transactions by SEC members.
- An after trade notification to the Company Secretary would have to be submitted within 2 days.
- The Company Secretary would be responsible for the notification to SWX Swiss Exchange.

The Board discussed the proposals and emphasized the need for a strict application of the respective rules. It was felt that the proposed processes, if implemented well, would represent a distinct improvement over the past and would ensure full compliance in these areas.

*Decision: The Board approved the proposed "Syngenta Securities Trading Policy" and the proposed "Regulations on the Disclosure of Management Transactions".*

### **9. Other business**

#### **9.1. SEC Nomination**

A new COO Seeds in succession to Mike Mack was expected to be selected from three candidates in the succession plan (Valdemar Fischer, André Goig, Davor Pisk). The Board agreed this should be announced before the next meeting in October.

#### **9.2. Syngenta Science and Technology Advisory Board (STAB)**

Peter Doyle reported on the main topics discussed at the recent STAB meeting in Iowa in June. The STAB members had been given the opportunity to review key technological aspects of the NAFTA corn and soybean business. The STAB had been very impressed by the quality of people, technology and processes.

#### **9.3. Board meeting May 2008**

The Chairman confirmed that the May 2008 Board meeting would take place in Minneapolis (without partners).

Martin Taylor thanked the Board members and closed the meeting at 15.00 hours.

The Board approved the minutes in its meeting of 17/18 October 2007.

Chairman:

Company Secretary:

Martin Taylor

Christoph Mäder