



REPORT ON THE SUSTAINABILITY DIALOGUE WITH SYNGENTA

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Mandate given to Ethos by Pictet Funds for its thematic Agriculture Fund

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1 Introduction

In 2009 Pictet Funds launched a thematic Agriculture Fund and wishes to include Syngenta in the invested companies' universe. Pictet Funds has entrusted Ethos with establishing a dialogue with the company on some sensitive issues that may possibly affect the reputation of the fund.

The three following topics for dialogue were proposed by Ethos and then accepted by Pictet Funds:

- Syngenta's supply chain management: child labour among seed suppliers in India;
- Health and Safety: crop protection product Paraquat and damages caused to users' health in developing countries;
- Human security policy: Syngenta's call on private security forces in politically sensitive regions where business activities are operated.

Ethos considers that the three issues represent altogether significant investment risks, notably in terms of the Company's reputation, which may adversely affect its shareholder value and, to some extent, its investors' reputation.

Before contacting Syngenta by letter, Ethos gathered and analysed available information about the issues from various sources: studies, reports, corporate publications and articles found on the dedicated websites and in the media.

On July 16, 2009, Ethos sent a letter to Dr. Juan F. Gonzales-Valero, Head of Corporate Responsibility at Syngenta. This letter reflected the remarks and questions Ethos had at the time with regard to the selected topics. In addition, this letter aimed at requesting a feedback from Syngenta regarding a series of unclear questions. These responses were to help organize a meeting to be held by the end of 2009.

Shortly after, Syngenta made contact with Ethos and demonstrated its willingness to address the issues during a visit at the company's headquarters in Basel and agreed

to respond to Ethos' questions prior to the visit.

Syngenta was late in sending its responses and, after two reminders from Ethos, they were sent on November 11, 2009. The meeting was then scheduled on December 7, 2009 and Ethos, on the basis of the written feedback and the documents collected, prepared its questions and remarks for the meeting.

The chapters thereafter successively point out, for each issue on the agenda, the analysis by Ethos and the responses given by Syngenta, either orally or as formalized in available corporate publications. Ethos provides its key conclusions and recommendations at the end of the three following chapters.

2 Syngenta's Supply Chain Management and the Child Labour Issue

Since the controversial issue of child labour on Syngenta's cotton plantations in India was publicly revealed in 2003 by the media¹, Syngenta has been seriously tackling the problem by implementing a significant project in India, in partnership with the Fair Labor Association² (FLA), an NGO specialized in monitoring labour standards among suppliers. Syngenta fully acknowledges the importance of the issue and implicitly recognizes the negative role it might have had in the previous decade.

As described below, the measures initiated by Syngenta encompass a global assessment of the situation, the adoption and implementation of a specific code of conduct and other policies, multi-stakeholder consultations, code awareness campaigns, internal audits as well as independent external monitoring led by the FLA.

The project initiated by Syngenta not only concerns child labour but also extends to other significant issues in relation with labour standards (working hours, decent salary, health and safety standards, etc.). Ethos and Syngenta actually share the view that a company, in order to exert its social responsibility, should regard child labour as one aspect of a more comprehensive issue and should, in this regard, tackle all social and environmental problems that emerge along the whole supply chain.

2.1 Assessment of Syngenta's Supply Chain Management

Ethos has assessed Syngenta's supply chain management of child labour against the six following criteria³:

¹ « Child labour and Trans-national seed companies in Hybrid Cottonseed Production in Andhra Pradesh », India Committee of Netherlands, 2003

² <http://www.fairlabor.org>

³ This assessment framework was developed by Ethos in 2009 in order to better understand companies' supply chain management to enhance the related dialogue

- exposure assessment to supply chain-related issues;
- supply chain strategy;
- code of conduct policies;
- monitoring measures;
- reporting on supply chain management;
- external collaboration.

2.1.1 Child Labour Exposure Assessment

- Syngenta, with the help of FLA, initiated consultation meetings with its major stakeholders in India in 2004. Ensuing recommendations were taken into consideration when Syngenta and FLA staff in India set up the monitoring programme for the cotton seed sector. Additionally, a study was commissioned by FLA in June 2007 to map the risks along the production chain⁴.
- Ethos has a major concern that these labour programmes are only limited to India. Syngenta acknowledges this situation and told Ethos that it is now committed to implementing monitoring programmes in all the other major sourcing countries in Asia and South America, within four years. These measures will be based on the monitoring tools developed with the FLA on Syngenta's Indian farms and will start with specific and appropriate situation assessments in these countries.

2.1.2 Supply Chain Strategy

- Ethos notes with satisfaction that Syngenta actually puts the sensitive issue of child labour high on its agenda by dedicating a specific section of its website to "tackling labour conditions" and by giving comprehensive information.
- The company pays due attention to its whole supply chain performance and notably focuses its effort on the

⁴ http://www.fairlabor.org/images/WhatWeDo/SpecialProjects/syngenta_projectreport_2007-2008.pdf

procurement corporate division by raising appropriate awareness to sustainability and delivering specific training to its procurement staff.

- Syngenta's strategy also strives to ensure and enhance the quality of its seed products. Labour standards are part of the quality requirements set out by Syngenta to its suppliers. In this regard, the company systematically aims at providing growers with incentives, including premiums, to improve crop seed quality. According to Syngenta, quality is central to its overall commercial strategy while enabling decent salaries and better living conditions for small farmers.
- Ethos shares Syngenta's view that "The use of child labour is often part of a broader socio-economic problem". However, the fact that global companies are continuously pushing for lower raw material prices can also generate insufficient salaries for small farmers and create conditions conducive to child labour. Ethos would still expect a much clearer communication and position on this issue within Syngenta's reporting.
- Through third party organizers working only for the company, Syngenta directly purchases its seeds from farmers and is consequently able to have direct control over its supply chain and to influence farmers' working conditions according to its Code of Conduct.

2.1.3 Code of Conduct: Provisions and Implementation

- Within the scope of its seed production activities in India, Syngenta's supplier policies clearly rely on the set of standards developed by FLA contained in the Workplace Code of Conduct. In addition, the FLA Code is complemented by very thorough and detailed guidelines (FLA Compliance Benchmarks) which cover all material social issues. However, Ethos suggests that Syngenta should strive to better communicate on this in its Annual Review.

- Syngenta has put in place environmental and social criteria to select and evaluate its suppliers within the framework of qualification procedures. Suppliers have to meet strict health and safety standards, which are the same as those that normally apply to its own employees in the course of their activities.
- Syngenta gives relevant explanations on how it tackles the monitoring process but remains quite silent, in its communication, on actual implementation of the Code of Conduct policies. It is Ethos' view that this important step should be better documented in the Annual Review, in particular regarding the way the company intends to disseminate its labour standards among farmers. The study commissioned by FLA in June 2007 highlights the fact that there appears to be only some general awareness about the issue of child labour in the field, and that this understanding is not consistent among all actors concerned. Therefore, it is recommended that Syngenta more clearly communicates its requirements to the actors involved in the production chain. In particular, according to FLA, ongoing training and awareness programmes are necessary.
- Syngenta is currently working with the industry association CropLife on developing a common position on child labour. Moreover, Syngenta has indicated that it aims at having all CropLife member companies adopt the same FLA supplier requirements with regard to the following issues: Legal, Health and Safety, Environment, Freedom of Association, Forced, Compulsory and Bonded Labour, Child Labour, Working Hours, Fair Wages, Discrimination. Ethos agrees that adhering to an industry code of conduct is a more effective and credible way to handle the issue.

2.1.4 Monitoring, Follow-Up and Remedial Actions

- The Fair Labor Association provides very detailed explanations on monitoring⁵ FLA clearly demonstrates Syngenta's commitment to effectively deal with the issue by taking credible internal monitoring measures. Syngenta actually reports that 20% of farms were internally audited in 2008 and points out its objective of auditing all seed suppliers in the three Indian regions by the end of 2009.
- Syngenta communicates the upcoming goal of having more than 30% monitored farms worldwide.
- The internal monitoring is collected in a specific database and is analysed and shared with the FLA and stakeholders through regular consultations.
- In addition to internal monitoring measures, in 2008 FLA conducted unannounced independent external monitoring in 25 of Syngenta's Indian farms. This survey led to key findings and recommendations: health and safety, code awareness and hours of work emerged as the top three non-compliance issues in external monitoring. Syngenta regards suppliers' reluctance to apply Health & Safety standards as the most pressing issue.
- Based on expert recommendations, Syngenta has developed a child labour monitoring tool for the farms. An incentive scheme was also introduced (Syngenta's Compliance Incentive Scheme for Growers) and piloted with some growers in April 2008 (premium granted in case of absolute compliance).
- In terms of monitoring follow-up, Syngenta has designed a remediation strategy. A disciplinary policy was implemented: after repeated reminders and remediation, a grower could be

rejected as a supplier if found delinquent on child labour for two consecutive production seasons.

2.1.5 Reporting

- Syngenta dedicates a full section of its website to the issue and appears to correctly address it in terms of transparency⁶.
- The successive project steps are well documented by both Syngenta and FLA on their respective websites⁷.
- Syngenta's reporting on the specific issues of labour conditions on farms and child labour is satisfying and reflects a willingness to tackle the issue. In particular, Ethos notes two positive elements in the reporting: material data regarding the number of seed supply farmers included in Syngenta monitoring, with a time comparison; an independent and constructive comment made by a member of the FLA staff in India (Richa Mittal, author of the Syngenta Project Report 2007 – 2008).
- The testimony inside the report by the person responsible for the FLA-Syngenta project in India contributes to greater transparency and a better balance. However, Ethos would recommend that Syngenta itself mentions the most important challenges and difficulties it has to face along its supply chain.
- However, Ethos regrets that the reporting focuses too much on what has been carried out in India in association with FLA and fails to cover activities in other sourcing countries. There is too little information on China, except that 70% of audits have been conducted there, in comparison with 30% in India.
- Investors need quantitative information which concretely helps measure

⁵ http://www.fairlabor.org/what_we_do_special_projects_d2.html

⁶ http://www.syngenta.com/en/corporate_responsibility/tackling_labor.html

⁷ http://www.fairlabor.org/images/WhatWeDo/SpecialProjects/syngenta_projectreport_2007-2008.pdf

companies' sustainability performance. Ethos has found some relevant data, including ambitious targets of auditing all seed suppliers in the region covered by FLA activities, but thinks that they could be complemented with other core data.

- Given the importance of child labour issues, Ethos thinks that Syngenta should have any related information verified externally.
- In Ethos' view, the strength of this reporting process mainly relates to collaboration with external stakeholders, which has proved successful in India. FLA itself highlights the mutual benefits of this partnership to both the NGO and the company.

2.1.6 External Collaboration and Dialogue

- CropLife International announced in June 2009 the launch of an industry-wide initiative (regrouping Monsanto, Syngenta, DuPont, Bayer CropScience, BASF, DowAgroSciences) which aims at elaborating and implementing standards in order to eradicate child labour on seed farms.
- The partnership with FLA was built on strong and constructive bases.
- Both parties communicate on future projects to extend the monitoring methodology set up in India to other production countries. The stakeholder dialogue was successful in integrating a variety of concerns and expectations voiced by many key Syngenta stakeholders.

2.2 Ethos' Conclusion and Key Recommendations

2.2.1 Ethos's Conclusions

Syngenta's response to the child labour controversy raised in 2003 in India was serious and appropriate. The company rapidly understood the need to take responsibility for what had happened and to communicate

accordingly. However, Syngenta is not able to guarantee that it has definitely solved the problem and that all the farms it currently works with absolutely comply with this child labour requirement. As a matter of fact, Syngenta has been working on innovative and effective monitoring solutions in India only; it still has to adopt and adapt these monitoring programmes in other sourcing countries in Asia and South America, while ensuring their efficiency in the field. Some six years on, according to what was announced during the visit, the company now intends to extend the experience led in India to the other seed production countries within a period of four years.

It should also be noted that the company, through the CropLife association, has taken a proactive approach to the issue by promoting the elaboration of a set of common requirements for pesticide sector suppliers.

In Ethos' view the reputational risk linked to child labour in Syngenta's farms is real but "manageable" as Syngenta has taken, is currently taking and is committed to further develop appropriate and credible steps regarding this very sensitive issue.

2.2.2 Ethos' Recommendations

As the problem of child labour will persist in the future, it is important to carefully monitor Syngenta's activities in this area in order to ensure that actions taken remain credible regarding the sensitivity of the issue .

Based on oral and written responses provided by Syngenta as well as on the analysis of some documents, Ethos would recommend the following improvements to be required from Syngenta:

- Syngenta should continue to push for the adoption of industry-wide labour standards.
- In its communication, Syngenta refers too much to the FLA website's content, which is indeed very descriptive. Syngenta does not disclose enough information on the monitoring programmes initiated in India within its

own reporting. A more systematic reporting and greater disclosure on challenges and difficulties met along the supply chain would be expected from a global company exposed to such significant issues. In particular, Syngenta should mention most frequent non compliance cases and explain how it intends to address these issues. The reporting would gain in credibility.

- Syngenta could lean more on best practice regarding its reporting. The company should first report on indicators developed by the Global Reporting Initiative (GRI), in relation with supply chain management, in a more comprehensive way. Secondly, it should also have this type of particular sensitive information externally verified by an independent assurance provider.
- Finally, the project of extending the experience led in India to other sourcing countries, where child labour is highly suspected to occur, is absolutely necessary to ensure the credibility of all Syngenta initiatives regarding child labour. In this regard, visits and dialogue should be pursued on a regular basis in order to verify the progress achieved by Syngenta in India and other regions. This further dialogue should also ensure that the FLA keeps its neutrality and independence vis-à-vis Syngenta.

3 Health and Safety: Toxicity of Paraquat

Syngenta has to deal with increasing external pressures with regard to the toxicity of the Paraquat compound contained in its Gramoxone product, a significant pesticide product in terms of market shares⁸. The controversial way in which the company communicates on this issue also raises a series of concerns. Both problems are currently leading, in Ethos' view, to significant reputation damages and risks for investment.

3.1 Assessment of Syngenta's Paraquat Issue

Ethos has assessed the three following topics:

- Paraquat's damaging effects
- Syngenta's communication
- Reputational damages

3.1.1 Assessment of Paraquat's Damaging Effects

As a global investor, Ethos does not have the expertise to scientifically investigate the issue and look into detailed studies, facts and figures. However, having taken into consideration key trends in the scientific debate and literature, Ethos has come to the conclusion that the product is indeed posing a threat to human health when it is not handled properly. The World Health Organization (WHO) has classified the product into category II of chemical pesticides as "moderately hazardous". In this sense, the risks remain significant for workers or farmers using this type of pesticide on a regular basis, especially under certain socio-economic conditions.

While most developed countries are economically and legally able to regulate and restrict the use of Paraquat with appropriate

measures in terms of personal protection equipment (PPE), it is Ethos' belief and concern that the same measures cannot be systematically taken in many developing or emerging countries. Most concerns and problems come from countries where workers or small farmers suffer from poor labour rights standards and enforcement. In addition, studies and articles in the media have revealed that the cost of purchasing adequate PPE is often too high for them⁹.

A survey carried out in 2007 by the NGO Déclaration de Berne showed that in three countries, China, Pakistan and Indonesia, PPE is not always available, mainly due to the fact that most dealers do not supply this equipment¹⁰. In addition, the survey points out that farmers and agricultural workers are not keen to wear the PPE needed, because they simply cannot afford it (high price in comparison with low income) and because it is not comfortable to wear such equipment in a very hot and tropical climate. Furthermore, the study indicates that the level of awareness is particularly low among dealers and users: in spite of labels on products and some stewardship programmes conducted in the field among workers, there seems to be a real lack of perception regarding the risks incurred by handling the product.

A recent scientific survey¹¹, commissioned and funded by Syngenta itself, describes to which extent some groups of users, most of them in developing countries and especially in Africa, are concretely exposed to health risks when handling pesticides, some of which contain the Paraquat compound. The survey found that, 12 months prior to the interview, 1.2% of agro-chemical pesticide users interviewed had had an incident that required hospital treatment; 5.8% reported an incident requiring at least trained medical

⁸ For 2008, non selective herbicides, among which Gramoxone, represented 11% of Syngenta's sales.

⁹ See, for instance, a recent article about Malaysian plantation workers: <http://www.reuters.com/article/idUSTRE51103W20090202>

¹⁰ http://www.evb.ch/cm_data/Paraquat-Code_Survey_FINAL_rev1.pdf

¹¹ <http://www.springerlink.com/content/x6027360034w1356/>

treatment and 19.8% reported on a minor symptom.

Ethos doubts whether these figures would be acceptable for a company in the case of an internal Health and Safety policy. In this area, companies usually communicate on a zero accident target and strive to fulfil it.

Ethos fully adheres to the principles laying down the foundation of sustainability, among which the precautionary principle is really central. Whereas this principle is likely to be fully applied in developed countries thanks to stringent internal regulations, it is worrying to observe the ongoing damaging effects of Paraquat in poorer countries where health and safety standards are inexistent or disregarded.

Following the provisions set out by the Food Agriculture Organization “Code of Conduct on the Use and Distribution of Pesticides” (article 3)¹², Ethos recognizes that states still have to play a more important role in this sensitive area by notably enforcing existing restrictions and developing their educational role on this theme with concrete actions and projects for the benefit of end-users. However, as the Code was also agreed and adopted by the pesticide industry, its provisions are binding on companies which have signed up to these principles. In particular, they must ensure that dealers selling their products are suitably trained and properly informed about the hazardous effects of the pesticides. The dealers should have a perfect understanding of the PPE specifically needed for the use of products and they must be able to provide users with adequate warnings.

Ethos, in particular, fully adheres to article 3.5 that stipulates that “pesticides whose handling and application require the use of personal protective equipment that is uncomfortable, expensive or not readily available should be avoided, especially in the case of small-scale users in tropical climates”. There is repeated evidence that

these standards are not fulfilled in the case of Paraquat and other chemicals.

3.1.2 Assessment of Syngenta’s Communication on the Paraquat Issue

Ethos has found some evidence that Syngenta still has major difficulties in dialoguing with key stakeholders on this specific Paraquat issue – in contrast with other environmental and social issues at stake, among which child labour.

Syngenta has definitely taken an “aggressive” stance against some Swiss and international NGO expressing adverse views on Paraquat effects (in particular Déclaration de Berne and Pesticide Action Network). Syngenta questions the scientific basis of studies and surveys mentioned and conducted by this group of NGO. By biasing some quotes and comparing them to small isolated lobby groups on its corporate website, the Company also tends to question the credibility of these two NGO and accuses them of only having a political agenda in mind¹³. This opinion, expressed by the company, was reaffirmed during the visit.

Ethos notes that on its website, Syngenta clearly commits to a transparent and open dialogue with its stakeholders. However, Ethos is really concerned that expectations conveyed by other groups of stakeholders directly affected by Paraquat’s effects on human health, including consumers and users of Paraquat, are not significantly taken into consideration.

In terms of reporting with regard to this sensitive issue, Ethos also sees some significant gaps and shortcomings:

- Adverse views on Paraquat expressed by external groups of stakeholders are not integrated or even mentioned and commented. For instance, Syngenta should express its view on allegations about systematic breaches of the FAO

¹² http://www.fao.org/fileadmin/templates/agphome/documents/Pests_Pesticides/Code/code.pdf

¹³ http://www.syngenta.com/en/products_brands/gramoxone6.html

Code of Conduct by the Company. Syngenta is actually accused by Déclaration de Berne of regularly violating provision 3.5 (pesticide management) and other provisions included in article 11 regarding fair advertising and marketing.

- On Syngenta's website dedicated to stewardship community, the presentation of a study commissioned by Syngenta to investigate the attitude on safe use of pesticides only uncovers some results and fails to present other negative findings¹⁴. It notably neglects to provide injury and illness rate data in relation with use of the pesticide. This information is material and should therefore appear in the reporting.
- The data contained in the 2008 Annual Review, in Ethos' view, do not allow calculating the sustainability performance with regard to farmers' health and safety.
- Syngenta remains silent in terms of risks caused by the ongoing marketing of Paraquat. In particular, in its reporting, it does not express its view and official position on commercial risks caused by global companies' decision to phase out use of Gramoxone. Nor does the 2008 Annual Review include any information on various governments' recent decisions to ban registration of Paraquat. This issue should be addressed in the reporting under the section dedicated to sustainability strategy. Given the important current debate around Paraquat's toxicity, the corporate strategy exposed in the introduction of the Annual Review should not only focus on product stewardship goals – promotion of safe and effective use of products – but should rather identify the broad range of risks associated with Paraquat's use, in terms of commercial, legal and reputational risks. This point is definitely critical to the overall strategy of Syngenta.

¹⁴ <http://www.stewardshipcommunity.com/stewardship-in-practice/safe-and-effective-use.html>

3.1.3 Assessment of Reputational Damages

Ethos considers that evidence of Paraquat's toxicity on small farmers and the way Syngenta chooses to communicate on this have led the Company to face very significant challenges in terms of reputation. Ethos actually perceives today a series of increasing pressures coming from a wide range of different actors, apart from civil society and NGO communities.

- Global corporations: Major agriculture producers with international reach like Dole and Chiquita are increasingly showing distrust in Paraquat and openly communicate on their responsibility to phase out, as much as possible, the use of agro-chemical products like Gramoxone. Dole clearly perceives the market trend pushing for more responsibility towards its suppliers, workers and farmers¹⁵. Other important companies active in the palm oil industry are progressively moving in the same direction – mostly members of the Roundtable for Sustainable Palm Oil –, according to the responses given to a survey conducted by Déclaration de Berne and Trade Unions coalition IUF¹⁶. Additionally, palm oil buyers and retailers are today more and more committed to Paraquat-free products and favour suppliers operating without using the substance: the Body Shop International, Migros, Coop, Carrefour, Sainsbury, Unilever, Nestlé, etc. Whatever their own conviction of the economic benefits they could derive from Paraquat's use for their own productions, agro-food companies face a significant amount of pressure and demands stemming from their consumers asking for Paraquat-free products. This significant signal coming from huge corporations reflects the existence of a huge commercial risk

¹⁵ <http://www.dole.com/CompanyInformation/PressReleases/PressReleaseDetails/tabid/1268/Default.aspx?contentid=10059>

¹⁶ http://www.evb.ch/cm_data/Goodbye_Paraquat.pdf

facing Syngenta. These companies, at the end of the supply chain, consider themselves exposed to potential commercial and reputational damages because of their indirect involvement in the use of Paraquat.

- Investors: Human rights issues are on the investment agenda. For example, the Norwegian oil fund disinvests from companies involved in child labour cases, violations of human rights, or the production of nuclear, chemical or biological weapons. Long-term investors closely look at ethical investment decisions taken by the Norway sovereign fund. The exclusion criteria of ethical/SRI funds may also include product toxicity. In addition, mainstream and socially responsible investors have become very sensitive to reputational risks and are therefore highly likely to disinvest from companies exposed to systematic controversies.
- Public authorities: Ethos notes the shift of State authorities' position from pro to anti Paraquat. Already in 1989 the Swiss Federal Government decided to ban the registration of Paraquat. Questioned by Members of Parliament, the Federal Council made it clear that Switzerland is firmly opposed to the use of Paraquat¹⁷ and would even support a worldwide ban on Paraquat by adding it to the chemicals listed in the Rotterdam Convention on Prior Informed Consent (PIC) (Annex III list)¹⁸.
- On the European level, Ethos also interprets the EU Court of First Instance's ruling of July 2007 as a strong judicial and political sign against Paraquat. Prior to this decision, countries like Sweden, Austria and Finland had already banned registration of the substance. Outside Europe, it should be noted that a growing number of developing countries are taking the same position (Sri Lanka, Ivory Coast,

Syria). Evidence suggests that this coalition of countries will gain importance in the future. Ethos considers that this trend represents significant political and legal risks for Syngenta.

- International standards (UN agencies): A set of international principles and tools clearly encourage alternatives to chemical crop protection products (Integrated Pest Management). For two decades now, the United Nations have been clearly committed to the reduction of pesticide hazardous effects on the environment and human health. In particular, since 1992, the precautionary principle has become central to international conventions in relation to human rights, labour rights and also environmental and health global issues. According to this approach, future international rules will certainly push for safer production methods in agriculture through more stringent standards. Ethos also notes that several contracting party States to the Rotterdam Convention on the Prior Informed Consent Procedure have notified their wish to put Paraquat on the Annex III list of banned and/or severely restricted chemicals¹⁹.
- Voluntary standards: In the field of sustainable agriculture, a number of labels and certificates have integrated pesticide criteria, which prohibit the use of Paraquat. These voluntary standards have become very well known: FSC, UTZ Certified, Rainforest Alliance, Fairtrade Labelling Organizations (FLO), the Common Code for the Coffee Community (CCCC). Final customers pay great attention to these standards and companies are keen to benefit from this competitive advantage.

¹⁷ http://www.parlament.ch/d/suche/seiten/geschaefte.aspx?gesch_id=20075176

¹⁸ <http://www.pic.int/home.php?type=t&id=27&sid=29>

¹⁹ <http://www.pic.int/INCS/CRC5/h8/English/K0842858%20CRC-8.pdf>

3.2 Ethos' Conclusion and Key Recommendations

3.2.1 Ethos' Conclusions

The responses given by Syngenta are not fully satisfying but show some signs of openness to further dialogue. The company, while still insisting on the safety of Gramoxone, implicitly recognizes that it has lost the communication combat and admits it has to face significant challenges in terms of reputation. In Syngenta's opinion, Gramoxone opponents and critics are mainly driven by political reasons rather than scientific evidence and genuine concerns.

Syngenta does not seem to be ready to exit this business in the short term. However, it has indicated its willingness, as a next step, to organize a meeting with Ethos and François Meienberg, in charge of the Paraquat campaign from Déclaration de Berne, in order to discuss alternatives to current Paraquat marketing. This discussion should notably attempt to evaluate to which extent an exit from this business may affect the image and reputation of Syngenta.

In the light of the several above-mentioned risks and health damages caused by the ongoing marketing and use of Paraquat contained in Gramoxone, and based on Syngenta's arguments given during the visit, it is Ethos' belief that the Paraquat compound does not meet investor expectations, not only in terms of sustainability but also in terms of commercial, regulatory and reputational risks.

3.2.2 Ethos' Recommendations

Unlike Syngenta, Ethos is convinced that genuine health and safety concerns are currently driving political institutions and market actors to ask for the discontinuation of the Paraquat's use. In that sense, Ethos would recommend the following:

Syngenta should take greater and more credible measures to restrict the use of Paraquat products in the short term. As a

first step, the sale of Gramoxone must be restricted to licensed dealers and users.

Syngenta should learn more from the benefits brought by the type of dialogue it has been sustaining with FLA and should use this model with other stakeholders, including NGO with opposite views, in order to better tackle the issues relating to Paraquat hazardous effects on human health.

Finally, as the controversy is more likely to increase than decrease in coming years, we consider that holding Syngenta within a fund dedicated to agriculture is of high reputational risk. The fund could be directly targeted by NGO and especially Swiss ones like Déclaration de Berne. Furthermore, the fact that widely accepted standards like the Round Table on Sustainable Palm Oil has excluded Paraquat shows how the inclusion of the biggest producer of this herbicide bears a lot of risk within a fund dedicated to agriculture.

Given these high reputational risks, Ethos recommends that Pictet Funds continues to closely monitor this specific issue and considers the organization of a second meeting. The key objective of this meeting between Syngenta and Ethos in 2010 should be the evaluation of measures enabling the restriction of access to Paraquat within exposed countries.

4 Human Security Policy

Like other transnational companies, Syngenta may need security forces' help under certain circumstances, especially in some unstable political and social contexts. In the aftermath of the shooting, by security forces, of an activist demonstrating against Syngenta on one of its Brazilian plants in 2007, according to the assessment Ethos made in the first place, the company has successfully and rapidly responded and it delivered proper and credible actions.

4.1 Ethos' Assessment

Moreover, in response to Ethos' additional questions, Syngenta provided written information on the new corporate security policy it issued following its adhesion to Global Compact Voluntary Principles in January 2009 (see Annex for details)²⁰. Among other positive outcomes, this new policy has concretely led to a worldwide reduction in the use of armed guards.

4.2 Ethos' Conclusion and Key Recommendations

Ethos is confident that Syngenta fully understands the issues at risk when employing private security forces. Nonetheless, it would expect more comprehensive reporting from Syngenta on this specific issue, which does not imply disclosing sensitive information (actual threats from external groups for instance) but rather providing information about the group-wide human security policy's main features.

Given that Syngenta has taken credible measures to assess this problem, Ethos recommends that Pictet Funds stop this theme.

²⁰ <http://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/Principle2.html>