Bayer 2030
Sustainable Development Objectives

December 10, 2019

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Bayer’s Sustainability Journey

Started Decades Ago – Now We Will Significantly Step-Up Our Engagement

2010 - 2018
- Decade of portfolio transformation
- Continuous sustainability contributions

2018
- Sustainability declared as one of Bayer’s value drivers

2019
- Upgrading our ESG strategy with new management
- “Raising the bar initiative”

2020
- ESG becoming CEO priority
- Independent Sustainability Council

... and beyond
- Further development of our ESG approach
Our Portfolio Combines our Responsibility to Act With the Potential to Create Sizeable Sustainability Benefits

**Crop Science**
- #1 in seeds, crop protection, and digital agriculture solutions
- World-class R&D platform

**Pharmaceuticals**
- Leading positions in key therapeutic areas – incl. Women’s Health
- Innovative medicines in areas of high unmet medical need

**Consumer Health**
- Iconic household brands
- Leading positions in 7 of top 10 over-the-counter markets

**Stepping-up our sustainability engagement**
- Ambition to generate **impact at scale**
- Realizing **business opportunities**
- Anchoring sustainability as **integral part of our strategy and operations**
- **Leading by example** - Heightened responsibility for transparency and engagement
- Integration of non-financial targets into compensation schemes
- Sustainability governance firmly anchored in Board of Management and Supervisory Board

Positions: pro-forma calculations Bayer, Bayer CS market model; IQVIA; market model in-market sales OTC medicines, data from IQVIA, Nicholas Hall

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Science is Clear: The World Faces Complex and Urgent Challenges
Urgent and More Rapid Progress is Needed

Humanity cannot proceed at the current level of resource consumption. It requires the world to find a new balance between producing and preserving.

Ageing & growing world population with higher healthcare needs

Climate change, water scarcity and a loss of biodiversity among the most pressing challenges of our time

 Humanity has been consuming and emitting more than nature can recreate …
Measurable 2030 Group Targets Driving Sustainable Development

Help More People Thrive Within Planetary Boundaries

Our ambition is to generate a **positive sustainable impact** for **society** and the **environment** through our business operations.

- **Support 100m smallholder farmers**\(^1\) in low- and middle-income countries (LMIC)
- **Provide 100m women** in low- and middle-income countries with **access to modern contraception**
- **Expand access to everyday health for 100m people** in underserved communities around the world

Help more people thrive

**Making our own operations carbon neutral** and working with our suppliers to **reduce emissions across our value chain**

**Our targets are in sync with the UN Sustainable Development Goals**

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\(^1\) A farmer who farms crops on less than 10 ha (FAO definition)

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We are Committed to Supporting 100m Smallholder Farmers in LMIC

The Challenges

- **Smallholders** provide up to 80% of the food supply in Asian and sub-Saharan Africa\(^1\) - still, **malnutrition, stunting** and **wasting** remain major issues

- There are **550m smallholder farms** around the world\(^2\)

- But many still struggle to make a living, as they are also **extremely vulnerable to extreme weather conditions and crop losses**

Our Approach

- Provide smallholder farmers with **holistic solutions** to grow crops more sustainably, to increase their yields and their incomes

- Includes **access** to affordable quality inputs and good agricultural practices, and the facilitation of access to **finance, insurance** and the connection to **local food chains**

- **Partnerships** with public, private and local organizations are key to address smallholder farmers’ needs holistically

Impact:

- Improve local food supplies, improve smallholder livelihoods and reduce poverty in rural communities

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1. Food and Agriculture Organization of the United Nations (FAO), Factsheet “Smallholders and Family Farmers”, 2012
2. CGAP (Consultative Group to Assist the Poor), “The Global Distribution of Smallholder and Family Farms”, Sarah Lowder, Terri Raney, Jakob Sikoet, October 2014

LMIC: Low- and middle-income countries; Smallholder farmer: A farmer who farms crops on less than 10 ha (FAO definition)

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We aim to Provide 100m Women in LMIC With Access to Modern Contraception

The Challenges

// Today, gender inequality is still high. Teenage pregnancy and maternal death are serious health concerns, especially in LMIC

// For women, sexual education and family planning are not only central to their health but can also give them greater autonomy over their lives

// Yet more than 200 million women in LMIC have an unmet need for modern contraception

// Family planning programs are still largely dependent on international donor-funded aid

Our Approach

// Provide access to affordable modern contraceptives

// Increase availability and add further options in long-acting reversible contraceptives to the method mix, meeting yet unsatisfied demand

// Increase self-reliance and help build donor-independent markets

// Leverage partnership programs to increase awareness, apply best-practice knowledge and achieve impact at scale

Impact:

// Improve women’s health, rights and economic status as a large step towards increasing gender equality

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1 Guttmacher Institute. Unmet need for contraception, 2017
LMIC: Low- and middle-income countries
We aim to Bring Everyday Health to 100m People in Underserved Communities

The Challenges

// Ageing population, a rise in lifestyle related diseases and a constantly increasing level of healthcare costs

// Expanding access to self-care solutions that address everyday health needs helps with early intervention and lowers healthcare costs for society

// Today at least half of the world’s population still lacks access to essential health services, including self-care

Our Approach

// Increase the availability and affordability of our trusted, high quality OTC brands in underserved communities around the world

// Support self-care education initiatives that form the basis for shaping behavioral change

// Empower consumers with reliable information/tools to enable them to manage their own health better

// Partnership programs to achieve impact at scale and apply best-practice knowledge

Impact:

// Improve people’s everyday health

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OTC: Over the counter medicines
Carbon Neutrality in Own Operations Plus Substantial Reduction Across Our Value Chain

Bayer Committed to Science-Based Targets

**Our commitments**

- **Scope 3**
  - Upstream emissions
  - 12-15m tons/year^2
  - Emission reduction by engaging with our suppliers

- **Scope 1&2**
  - Own Operations
  - ~4m tons/year^2
  - 100% carbon neutral operations through energy efficiencies, shift to green energy, and compensation

- **Extended value chain**
  - (Crop Production, only)
  - Largest lever
  - ~30% greenhouse gas footprint of in-field crop production where our products are used

Absolute reductions in line with the requirements of the Science-Based Target Initiative

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^1 Scope 3 downstream emissions (GHG protocol) +10%

^2 Tons = metric tons of CO₂ equivalents; expected baseline 2019

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Our Focus on Women Accelerates Sustainable Development in LMIC

Systemic Responses Will Contribute to Yield and GDP Increases

Women

Yield Increase
Smallholder Farming

Family Planning

GDP Increase
Climate Change

Most vulnerable to climate change

According to Pretty et al., 2008; cited by the Food and Agriculture Organization

GDP: Gross domestic product; LMIC: Low- and middle-income countries

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Sustainability as Integral Part of our Business and Operations

Our Approach to Sustainability Governance

**Principles & Processes**

- Clear and **measurable targets** to be rolled-out into divisions and regions
- Regular **annual reporting**
- Sustainability and reputational **risk screening**
- Bayer **Stakeholder Engagement principles** (BASE) as enhanced guideline

**Checks & Balances**

- New independent **Sustainability Council** advising the Board of Management
- **Sustainability expert** Ertharin Cousin as new member of the **Supervisory Board**

**Accountability**

- Additionally, **CEO** to become **Chief Sustainability Officer** as of Jan 1, 2020
- Cross-divisional **ESG Leadership Team** in place
- Sustainability targets embedded in **variable compensation** for managerial employees
Our Roadmap 2020/2021

Strategy implementation including:
// Define quantitative sustainability targets for compensation schemes
// Sustainability Council established
// Work on 2030 roadmaps for our commitments
// Activation of key partnerships

2019
// Board of Management decision to step-up engagement
// Commitments approved by Board of Management and endorsed by Supervisory Board
// Inclusion of sustainability objectives in compensation scheme
// Today’s announcement of Bayer 2030 sustainable development objectives

2020

2021
Ongoing strategy implementation including:
// Quantitative sustainability targets for long-term compensation schemes in place
// Involvement of the Sustainability Council in our planning and strategy cycle
// Continued focus on partnerships and stakeholder activation
Investor Conference Call

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