

Bayer Sustainability Council 2020 Report

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Letter from the Council Chairs

Dear reader,

On behalf of the Bayer Sustainability Council, we would like to thank you for your interest in sustainability and are pleased to present our first annual report.

Our mandate is it to offer independent advice and constructive criticism to management on its sustainability agenda. We have spent much of this first year understanding Bayer's business and its sustainability strategy. This report, therefore, reflects the Council's early impressions and preliminary observations on the strategy and actions that Bayer has taken so far.

This first year of Council work coincided with the emergence of the COVID crisis, which exposed many underlying and systemic challenges — economic inequality, unequal healthcare access, climate impacts, loss of nature and the great risk of zoonotic disease and the urgent need for systemic solutions. The scale and scope of the needed responses to these many inter-connected challenges will reshape the landscape that Bayer and other businesses will have to navigate in the future. As a major player in agribusiness and healthcare, Bayer has a vital role to play in leading the way on human and planetary health — better nutrition, better access to healthcare and medicines, better environmental stewardship of nature's bounty on which we all depend.

Against this backdrop, we have been generally impressed by the commitment of Bayer's management and their level of engagement. We are aware that Bayer's reputation has suffered during the past years and that Bayer's sustainability efforts are under close public scrutiny. We, too, will closely scrutinize Bayer's actions. Demonstrating progress and being transparent about it will be of particular importance to build trust.

The diverse background and expertise of Council members has been a great asset in the discussions, and we all look forward to continuing and intensifying the conversations with Bayer's staff and, as appropriate, other Bayer stakeholders. Over time, we will dive deeper to not only advise but challenge management on their journey to becoming a company that is both profitable and sustainable.



Sabine Miltner
Co-chair



Christian Klein
Co-chair

Bayer Sustainability Council: Who we are and what is our role

We are a group of independent external experts from the areas of health care, nutrition, agriculture, environmental and sustainable finance representing a broad range of experiences, views and geographies. In many ways, we have spent much of our lives helping to improve those of others and trying to ensure that the planet remains a good home for its population. Combined, we have many decades of experience driving sustainability at the highest levels in academia, government organizations, NGOs and the corporate world. We believe that corporations can be major drivers of change for sustainable development, that sustainable business is smart business and that companies should be held accountable for their contributions. For details see our bios on pages 9-10 of this report.

We offer advice to Bayer's Board of Management, the Sustainability organization inside the company and other relevant functions in all sustainability matters, helping Bayer leverage its potential in driving sustainable business.

- We challenge Bayer's sustainable business strategy and provide input on strategic shifts
- We advise on Bayer's R&D contributions to sustainability
- We review Bayer's progress towards the implementation of its strategies and goals and advise on next steps
- We advise on foundation activities & social innovation

In summary, we help Bayer achieve its sustainability targets in the best possible way and then push Bayer to go beyond its targets and transform into a systemic driving force for sustainability and a leader in its sectors.

I. The Council's reflection on 2020: Familiarize itself with Bayer and its sustainability ambitions

We started our work in the 2nd quarter of 2020 by meeting key internal stakeholders of the company, including the Board of Management, and became familiar with Bayer's businesses as well as its sustainability ambitions and actions. During our various interactions with Bayer (see Box 1), we had open and candid discussions. Various topics around the industries of health and nutrition, as well as challenges and opportunities around Bayer's businesses and its sustainability ambitions, were discussed. We highly appreciate Bayer's openness in our collaboration and are looking forward to continuing and deepening the dialogue in the months and years to come.

Box 1: Sustainability Council meetings in 2020

- Two onboarding meetings in August: Discussion of Bayer's businesses and strategy including sustainability ambitions (Group and divisional level). Participants: Council members, Chief Sustainability Officer (CSO) and other members of Bayer's Board of Management plus top leaders in the areas of Strategy and Sustainability
- One Council-internal meeting on self-organization in September
- One onboarding meeting in December on the contributions of Bayer's corporate and divisional R&D strategies to Sustainability and Group vision. Participants: Council members, CSO and the BoM member & President of Bayer Crop Science, R&D Executive Committee members plus top leaders in the areas of Strategy and Sustainability
- Several smaller meetings on biodiversity, environmental impact reduction and product stewardship in agriculture, as well as patient access to health, cause marketing in the consumer arena, the role of the Bayer Foundation, Risk Management and Sustainable Finance.

In the following, we're outlining our reflections following our first months of work with Bayer:

Strong commitment to sustainability

We saw a high commitment of Bayer's senior management to sustainability which was also indicated by the time they spent with us. We positively noted that CEO Werner Baumann is also the Chief Sustainability Officer of Bayer. We saw other Board of Management members and top executives seriously engaging in sustainability.

Bayer considers sustainability not only a responsibility but also a business opportunity and has set itself ambitious numerical targets which have been anchored in management compensation schemes. We find this the strongest signal that Bayer is not "greenwashing" but takes sustainability seriously. Also, we saw sustainability targets being reflected in the corporate and commercial strategies, though with varying degrees: The commercial strategies of Consumer Health and Crop Science prominently included sustainability aspects while we find Pharma can incorporate sustainability more cohesively.

To be fully credible, Bayer needs to also align country targets and compensation schemes to its global targets. This is now underway for 2021. Further, the innovation agendas of all divisions need to be aligned and synergies should be sought. We saw some promising examples of Leaps (Bayer's Venture Capital arm) and the Crop Science division, but still not on a broad systematic basis across Bayer. With an annual R&D budget of >5bn EUR (Divisional break-up: 52% Pharmaceutical, 44% Crop Science, 4% Consumer Health), Bayer can really make a difference for sustainable development. Bayer is committed to working on a systematic inclusion of sustainability into R&D and portfolio management in 2021. In addition, the Council sees strong potential in leveraging synergies between Bayer's different business divisions to reach more people on the ground - in particular in rural populations - and is committed to support Bayer in the further exploration and leveraging such synergies.

Increased access to health and nutrition – predominantly a local challenge that requires strong partners

We appreciate Bayer's engagement to increase access to its products and solutions to people in need, especially in low- and middle-income countries (LMIC). Bayer addresses urgent and large-scale needs in the area of health and nutrition, i.e., the 4bn people globally without access to essential health services, the 2bn affected by food insecurity and micronutrient deficiencies, the 700m suffering from hunger and the 200m+ women in LMICs with an unmet need for family planning.

These needs are at the center of Bayer's access targets (help 100 million smallholder farmers in LMIC to feed themselves and others; enable 100 million people in underserved communities to access everyday health; provide 100 million women in LMIC with access to modern contraception; and provide 100m people in LMIC with access to our Pharmaceutical products). As these targets are ambitious, Bayer will need to continue to use new and creative solutions around access, including partnerships and pricing.

Bayer already made good progress in partnering throughout 2020 e.g. with "The Challenge Initiative" for family planning. Gender equality will be a crucial factor in the coming years and access to modern contraception strengthens the role of women. Another example of Bayer partnerships is the "Nutrient Gap Initiative" with NGO partners such as Vitamin Angels in the area of consumer health. In addition, the Bayer Foundation collaborates with many NGOs and social enterprises in Sub-Saharan Africa in the field of health and nutrition. Still, we encourage Bayer to take an even broader perspective on partnering and working more closely with governments or those who influence government policy and practice on systemic solutions for major sustainability issues. For example, it will likely be value-adding to team up with other players and existing access as well as collaborative platforms like those of the World Economic Forum. Also, cooperation with competitors (where allowed) should be considered more frequently as a tool to confront social and ecological challenges as an industry rather than as individual market participants. Additional solutions to increase access range from innovative financing and access models, large-scale partnerships with the private and public sector to encouraging greater government funding and digital tools. We already provided input during 2020 and will continue to do so going forward and will be assessing the first outcomes of these partnerships to see what has been achieved and areas for more leverage.

At times, Bayer must face trade-off when pursuing its sustainability agenda. For example, consumers and farmers in underserved regions or LMIC typically need smaller package sizes than customers in other countries. In this case, increased access might imply increasing the amount of packaging waste through smaller package sizes. Bayer has taken up this challenge already, e.g., by looking for sustainable solutions for its consumer health products. These kinds of trade-offs are the ones the Council will be looking to identify and advise on.

Reducing the environmental footprint (climate action, lowering the environmental footprint of agriculture and preserving biodiversity)

Bayer is taking action to decarbonize its entire value chain: it has set for itself ambitious science-based climate targets for its own operations and its supplier base. Also, Bayer aims at reducing in-field greenhouse gas emissions in agriculture, where we see the largest lever given the relevance of agriculture in global total greenhouse gas emissions. Bayer is also working to support farmers to capture carbon and it launched an initiative in the U.S. and Brazil designed to help farmers become a part of existing carbon markets through sequestering carbon in their soils. This concept is currently being adapted in other regions based on local conditions. This approach is highly interesting given the fact that humanity needs to develop reliable carbon sinks on its path towards net zero carbon emissions. Many questions are still unsolved, though, e.g., how long carbon can be stored. Still, we think this approach is highly attractive for Bayer, farmers and society. It could set a real incentive for farmers to adopt climate-smart practices that capture carbon and help slow down climate change. Further, Bayer is advocating for an ambitious climate agenda on the upcoming UN Climate Change Conference - Conference of the Parties (COP) 26 meeting in Glasgow to cut GHG emissions on a path to net zero by 2050.

Bayer is also taking measures that help farmers adapt to the effects of climate change. Examples of such adaptation are short stature corn that tolerates storm events better and needs less water than conventional corn. Going forward, we encourage Bayer to take a holistic perspective on sustainable agriculture by considering other aspects, such as soil health, not only Ag inputs. Also, we encourage Bayer to address increasing freshwater shortages which we see as a mid- to long-term risk to Bayer's agriculture portfolio and an increasingly important issue in LMICs.

Climate change and biodiversity loss are closely interrelated. Slowing down climate change and preserving biodiversity are among the key challenges of our time. Industrialized agriculture is deemed among the causes for the unprecedented loss of biodiversity during the past decades. We welcome Bayer's plans to reduce the environmental impact of crop protection by 30% by 2030. Still, the agriculture industry's impact on biodiversity is significant, including due to misuse and sometimes overuse of pesticides. In addition, public concern and awareness of specific classes of pesticides such as neonicotinoids is growing. We believe Bayer should play an even greater role in setting new standards for the entire industry.

We urge Bayer to make biodiversity preservation an essential part of industrial agriculture. The Sustainability Council calls on Bayer to set for itself clear targets on how and to what degree to contribute to the protection and fostering of biodiversity in support of the UN Aichi Biodiversity Targets and the upcoming Convention on Biological Diversity in Kunming, China. Aside from a reduced environmental impact of crop protection, this can include increased genetic crop variety on the field, land restoration and habitat conservation as well as innovative farming practices, for example.

We believe that preserving biodiversity will pay off in more stable yields, food security and finally farmer's incomes in times of progressing climate change. We are eager to provide further input on this important topic going forward. We believe Bayer can play an important role in helping to increase sustainable farming practices around the globe, especially through collaboration with its global peers and other value chain actors.

Resilience in global health and food systems

We regard resilience in the global health and food systems as a key topic for Bayer and as a topic that should be further examined and promoted by Bayer – especially as it is a market leader in health and nutrition. For that, a systemic approach that considers all kinds of social, ecological and financial aspects along the value chain, is required. Currently, global systems in the health and agriculture sector are vulnerable to shocks. For example, Covid-19 led to supply chain disruptions in both health and agriculture and exposed huge inequities in these systems that need to be addressed particularly impacting women in the developing world. Also, diverse cropping systems and integrated crop management can help make farmers more resilient to things like diseases and the effects of climate change. Access to nutritious food is closely linked to good health, therefore increased resilience in agriculture would also directly contribute to enhanced human health. Bayer - together with other players in these systems, including policy makers and value chain partners - is well placed to support the development of more resilient systemic solutions.

For example, increased access to self-care could increase the resilience of local health systems in LMICs, especially in areas with poor healthcare infrastructure. Government partnerships and collaborations with local players and partners in key areas such as women and maternal health, including family planning and micronutrients could increase the resilience of local health systems for the most vulnerable members of society, including women and children.

Sustainable finance aspects towards impact investing

We appreciate Bayer's business development perspective on its sustainability efforts, i.e. considering sustainability not only for risk mitigation but creating business opportunities. Though, during a transition phase, increased engagement in low- and middle-income countries may yield less returns than more developed markets like the US. Therefore, transition finance could play an important role during this transition phase. By partnering, Bayer can not only increase its reach but also share costs. Sustainable

finance instruments such as green or social bonds could be attractive for both Bayer and also investors who want to achieve sustainability impacts. As Bayer's access and environmental targets are measurable and externally audited, we could imagine Bayer pursuing this kind of financing. Going forward, Bayer should not only measure outcome or reach but also drive the measurement of actual impact. As there are no real standards in the area, we see great potential to help shape this area for Bayer and other companies.

Measuring sustainability: from output to impact

Bayer's sustainability targets are backed numerically and the method of calculation as well as the outcome has been audited and published ([see weblink here](#)). We believe that openness and transparency as well as public scrutiny are essential elements of credibility, so sharing information on status and methods as Bayer does is highly welcome.

Furthermore, sustainability targets are part of Bayer's management compensation. This sends a very strong signal. As it is Bayer's ultimate goal to generate impact and improve the lives of people, we also recommend measuring not only the number of people reached but also the actual impact that is generated.

The start of a transformation journey

As a leader in health and nutrition, Bayer wants and needs to be a driving force for change towards a more sustainable future in these industries. It has already taken the first steps. However, it is clear that the transformation path is long. It will encompass a large cultural and mindset shift across the entire organization. It will also include pushing further, above and beyond the currently set targets. The world needs drastic changes. The Council looks forward to both challenging and helping craft this new way forward for the company and supporting Bayer on its journey. The Council itself is also on a journey. The year 2020 was just a first introductory step and all impressions shared in this report are preliminary.

II. Outlook: Priorities going forward

Going forward into 2021, we will focus our engagement with Bayer around the following topic areas

- 1. The future of Agriculture & Health in the context of Bayer's company vision "Health for all, Hunger for none"**
We will support the development of the big, long-term picture.
- 2. Bayer inclusive growth strategy / boosting impact of access commitments**
Bayer's access commitments are about inclusive growth and generating impact on the ground. We will explore options to boost impact by e.g. leveraging synergies between Bayer's agriculture and health businesses, leveraging external partnerships and forming new business models.
- 3. Biodiversity**
We will provide input to Bayer's new biodiversity strategy.
- 4. Decarbonization in Agriculture**
As the industry leader in Agriculture, Bayer is well positioned to play a lead role in the decarbonization of the entire industry. Comprehensive action has already been taken towards carbon reduction, carbon removal and climate resilience. We will help Bayer explore further opportunities in these areas.
- 5. Sustainable finance and ESG**
Sustainability is a joint effort with many players who all have a common goal. We want to support Bayer in ensuring its sustainability efforts are strengthened by e.g. the EU taxonomy, green / social bonds and attracting impact investors.

We are all looking forward to intensifying the discussions around these focus areas.

III. Sustainability Council members

and their personal statements around their Council membership



Sabine Miltner – Council co-chair

Bio: [click here](#)

“I believe Bayer can make a difference in the global effort to reconcile projected increases in food production with the necessary protection of nature. I joined the Sustainability Council to support Bayer in this endeavor, which will demonstrate that sustainable business is profitable business.”



Christian Klein – Council co-chair

Bio: [click here](#)

“We believe the social and climate challenges facing humanity can only be overcome by steering the capital markets and real economy towards sustainability. My goal is to use the knowledge gained through our extensive research to help Bayer implement its ambitious sustainability goals and really generate an impact on this transition.”



Braulio Ferreira de Souza Dias

Bio: [click here](#)

“I accepted the invitation to join Bayer’s external Sustainability Council due to my drive to help reverse the global biodiversity decline crisis which has the expansion and intensification of agriculture as its main cause and hoping to help push Bayer as the top crop science global company to take a leading role in this effort.”



Ashok Gulati

Bio: [click here](#)

“I believe that senior management in a company like Bayer can get things done much faster and cost effectively, provided they are wedded to the idea of sustaining this planet’s real natural endowments- clean air, fresh water, rich soils and biodiversity.”



Suzanne Hunt

Bio: [click here](#)

“Our current dominant/conventional agricultural paradigm - broadly speaking - is bad for farmers, bad for biodiversity, and bad for water, soil and the climate system. Bayer plays a central role in the current paradigm, and with all of its human and technical resources, could play a central role in transforming it. Just as the world is transitioning away from extractive energy systems to renewable energy systems, we must transition away from extractive agricultural systems to those that regenerate wealth and wellbeing in rural communities, and those which regenerate agricultural soils and healthy landscapes more broadly. Transforming business models and business culture is not easy, but I joined the Council because I believe that the Bayer leadership are up to this challenge. We are at an all hands on deck moment in the climate crisis and we have to have these uncomfortable but necessary conversations if Bayer is going to make the changes that are necessary to meet this moment.”



Liz Jarman

Bio: [click here](#)

“An organization as large and diverse as Bayer has a real opportunity to step-change what they do in the sustainability arena that will make a lasting difference, and to also strongly influence the industries in which they operate. I believe Bayer is truly committed, demonstrated by the time spent with the board of management and their teams, their thoughtfulness and openness to be challenged and the candid conversations we have had. They don’t assume they have all the answers and are setting themselves audacious goals linked to financial incentives across the organization. It is exciting to be on this journey with them.”



Carolyn Miles

Bio: [click here](#)

“A companies’ role in changing to adapt to the increasing calls for accountability to the sustainability agenda will determine the organizations that survive and thrive in the coming decades. Being part of that movement through the work of the Sustainability Council at Bayer is something that is important to me. I believe these kinds of efforts will help make our world a better and more equitable place for all people - and for future generations.”



Anushka Ratnayake

Bio: [click here](#)

“I am inspired and excited to join Bayer in their mission to reach 100 million smallholder farmers, 100 million people in underserved communities and 100 million women to achieve a world where there is "health for all and hunger for none". It's a bold and important strategy that puts people and the environment at the center of how Bayer does business.”



Jeff Seabright

Bio: [click here](#)

“I joined the Bayer Advisory Council because I believe they can be a powerful force for good in the world, and want to support the leadership team in reaching their ambition of “health for all, hunger for none.” 2021 is a year when the world is turning its attention to planetary health issues — from the UN Food Summit to COP26 and Bayer has a vital role to play.”

IV. **Appendix:**
Sustainability at Bayer: Both a responsibility and a business opportunity
 A brief introduction by Bayer

Already today, we are reaching more than one billion people globally with our products and services in health and nutrition. Sustainability means for us to help both people and the planet thrive, but also leverage the business opportunities that are associated with addressing some of the largest challenges of our time, such as diseases and lacking access to health, inequalities, climate change, biodiversity loss and water scarcities.

Helping people and the planet thrive stands at the core of our strategy as well as our Group vision Health for all, Hunger for none. Together with many others, we have set ourselves clear targets in line with the United Nations Sustainable Development Goals (SDGs). These targets are geared towards inclusive growth by helping more people thrive and reducing our environmental footprint all along our value chain, from our suppliers to our own production and the use of our products by consumers, patients and farmers:

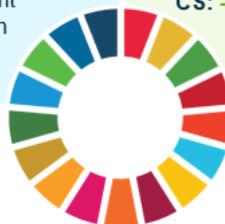
We aim to create impact and growth in line with the UN Sustainable Development Goals



Our 2030 sustainability goals

Help more PEOPLE thrive	Decrease ECOLOGICAL footprint
<ul style="list-style-type: none"> Support 100m smallholder farmers in LMIC¹ Expand access to self-care for 100m people in underserved² communities Provide 100m women in LMIC with access to modern contraception <p>PH: Increase the availability and affordability of our products in LMIC via equitable pricing and patient affordability programs, with the ambition to reach 100m people</p>	<p>Climate neutrality at own sites + reduced emissions in our supply chain</p> <p>CS: -30% greenhouse gas emissions produced by key crops in the main regions we serve</p> <p>CS: -30% environmental impact of crop protection</p> <p>CH: Sustainable production and transition to circular options that reduce, recycle, reuse, and replace</p>

¹ LMIC: low and middle income countries - All countries included in the [World Bank list](#) as per 1 July 2019
² underserved: Economically or medically



These goals as well as a wider Environmental, Social and Governance (ESG) mindset are being included into Bayer's core processes and decision making. Already today, major quantitative access and climate targets account for 20% of long-term management compensation. Our Sustainability Council shall guide and support us on our journey, generating a true positive impact for society and the planet through our business.

More information on sustainability at Bayer:

- [Bayer Sustainability Website](#)
- [Bayer Annual Report](#)
- [Bayer Sustainability Report](#)



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