Bayer AG - Forests 2021

F0. Introduction

F0.1

(F0.1) Give a general description of and introduction to your organization.

“Health for all, hunger for none” – putting an end to hunger and helping everyone lead a healthy life, while at the same protecting ecosystems. That’s what we aspire to achieve, guided by our corporate purpose “Science for a better life.” The major issues of our time can only be addressed if we work together. Our campaigns #voranbringen in Germany and “This is why we science” in the United States underscore our approach. We are a life science company and a global leader in health care and nutrition. Our innovative products support efforts to overcome the major challenges presented by a growing and aging global population. We help prevent, alleviate and treat diseases. We also aim to ensure the world has a reliable supply of high-quality food, feed and plant-based raw materials. As part of this endeavor, the responsible use of natural resources is always a top priority.

We aim to enhance our company’s earning power and create value for customers, patients, shareholders, employees and society. Growth and sustainability are integral parts of our strategy, guided by our corporate values of Leadership, Integrity, Flexibility and Efficiency, or LIFE for short.

This culture ensures a common identity throughout the Bayer Group.

The management structure of the Bayer Group comprises three divisions – Pharmaceuticals, Consumer Health and Crop Science – which are also our reporting segments. We operate sites around the world, and some are used by multiple segments. As of December 31, 2020, the Bayer Group comprised 385 consolidated companies in 83 countries.

The portfolio and structural measures announced in late 2018 led to the following changes in the corporate structure: (1) The sale of our Animal Health business unit, agreed in August 2019, was completed and has therefore no longer been a part of the Bayer Group since August 2020. As a result, it no longer constitutes a reportable segment and has been accounted for retroactively for 2018 and 2019 as a discontinued operation. (2) The services previously performed by Business Services are gradually being transferred to the enabling functions and divisions as part of the Group restructuring.

As in our previous CDP reports, we are reporting according to the operational control approach to provide an accurate picture of Bayer's life science businesses.

Within our area of influence, including working with our farmer customers and within our supply chain, we seek to address the drivers of deforestation and forest degradation. We want to make a significant contribution not only to protecting existing forests, but also helping to restore lost forest land. We also participate in coalitions across the value chain with the objective to achieve net zero deforestation.

In the areas of palm oil and soy derivatives, we support the certified sustainable production of these raw materials as a purchaser of plant oil derivatives, which is especially important in Southeast Asia and South America. We are member of the renowned organizations “Roundtable on Sustainable Palm Oil” (RSPO) and “Round Table on Responsible Soy” (RTRS) and purchase so-called “credits” according to the quantities we use. The financial value of these credits rewards farmers who undertake to grow palm oil and soy in a legal and ecologically, socially and economically sustainable way. Crop Science cooperates with the RTRS to provide mutual support in the certification of Brazilian soybean producers according to high ecological, social and economic criteria.

Forward-Looking Statements

This report may contain forward-looking statements based on current assumptions and forecasts made by Bayer management. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. These factors include those discussed in Bayer’s public reports which are available on the Bayer website at www.bayer.com. The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

F0.2

(F0.2) State the start and end date of the year for which you are reporting data.

<table>
<thead>
<tr>
<th></th>
<th>Start Date</th>
<th>End Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reporting year</td>
<td>January 1, 2020</td>
<td>December 31, 2020</td>
</tr>
</tbody>
</table>

F0.3

(F0.3) Select the currency used for all financial information disclosed throughout your response.

EUR

F0.4
(F0.4) Select the forest risk commodity(ies) that you are, or are not, disclosing on (including any that are sources for your processed ingredients or manufactured goods); and for each select the stages of the supply chain that best represents your organization’s area of operation.

<table>
<thead>
<tr>
<th>Commodity disclosure</th>
<th>Stage of the value chain</th>
<th>Explanation if not disclosing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Timber products</td>
<td>Not disclosing</td>
<td>Manufacturing</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Within Bayer products no timber related materials are used for manufacturing. However, we buy packaging material for our end products. Paper related packaging is approximately 1% of our procurement spend and therefore classified as not material for our business. Our entire supplier landscape is part of a risk-based sustainability evaluation process. As part of this sustainability process also the most relevant packaging suppliers are evaluated along their sustainability performance through an EcoVadis-Assessment, TFS- or PSCI-Audit. These evaluations include also forest related checks. Additionally, we set out ambitious standards in our Supplier Code of Conduct, e.g., request voluntary certification schemes and adherence to standards like the Forest Stewardship Council (FSC). Due to the regulated environment (e.g., GMP requirements in Pharmaceuticals and Consumer Health) our influence and ability to change packaging is limited. Despite the lack of significance and regulations, we work on improving the sustainability features of our packages like increasing the use of certified packaging material, e.g., FSC.</td>
</tr>
<tr>
<td>Palm oil</td>
<td>Disclosing</td>
<td>Manufacturing</td>
</tr>
<tr>
<td>Cattle products</td>
<td>This commodity is not produced, sourced or used by our organization</td>
<td>&lt;Not Applicable&gt;</td>
</tr>
<tr>
<td>Soy</td>
<td>Disclosing</td>
<td>Manufacturing</td>
</tr>
<tr>
<td>Other - Rubber</td>
<td>This commodity is not produced, sourced or used by our organization</td>
<td>&lt;Not Applicable&gt;</td>
</tr>
<tr>
<td>Other - Cocoa</td>
<td>This commodity is not produced, sourced or used by our organization</td>
<td>&lt;Not Applicable&gt;</td>
</tr>
<tr>
<td>Other - Coffee</td>
<td>This commodity is not produced, sourced or used by our organization</td>
<td>&lt;Not Applicable&gt;</td>
</tr>
</tbody>
</table>

F0.5

(F0.5) Are there any parts of your direct operations or supply chain that are not included in your disclosure?  
No

F1. Current state

F1.1
F1.1 How does your organization produce, use or sell your disclosed commodity(ies)?

**Palm oil**

**Activity**
Using as input into product manufacturing

**Form of commodity**
Palm kernel oil derivatives

**Source**
Contracted suppliers (manufacturers)

**Country/Area of origin**
- Indonesia
- Malaysia
- Unknown origin

**% of procurement spend**
<1%

**Comment**
We use palm kernel oil derivatives in a very small number of our products. Bayer is not sourcing palm (kernel) oil directly, but its derivatives produced out of the oil (at the end of a highly complex supply chain: many tier levels, high number of raw materials, many processing sites). Thus, since 2017 we committed to the book & claim supply chain model to be able to have a better control over our activities and to support smallholder farmers directly. We are member of the renowned organization “Roundtable on Sustainable Palm Oil” (RSPO) and purchase so-called “credits” according to the quantities we use. The financial value of these credits rewards farmers who grow palm oil in a legal and ecologically, socially and economically sustainable way and who demonstrate this as part of an audited certification process. We want to ensure the production of sustainable palm oil in the amount that is needed to generate the volumes of palm oil derivatives that we purchase (thus covering 100% of our purchase volume of palm oil-based raw materials). External and internal communication to promote the production and purchase of certified sustainable palm oil:
https://www.bayer.com/en/procurement/strategic-sustainability-focus-areas. In addition to our book & claim process, an assessment of our main supplier, indicates that they have already switched to mass balance and delivering us sustainable palm oil. We are further committed to sustainability and have been starting to interact with our suppliers on how to increase sustainability.

**Soy**

**Activity**
Using as input into product manufacturing

**Form of commodity**
Soy derivatives

**Source**
Contracted suppliers (manufacturers)

**Country/Area of origin**
Unknown origin

**% of procurement spend**
<1%

**Comment**
We use soy derivatives in a very small number of our products. Bayer is not sourcing soy directly, but its derivatives produced out of the oil (at the end of a highly complex supply chain: many tier levels, high number of raw materials, many processing sites). Thus, since 2017 we committed to the book & claim supply chain model to be able to have a better control over our activities and to support smallholder farmers directly. We are member of the renowned organization “Roundtable on Sustainable Soy” (RTRS) and purchase so-called “credits” according to the quantities we use. The financial value of these credits rewards farmers who undertake to grow soy in a legal and ecologically, socially and economically sustainable way and who demonstrate this as part of an audited certification process. We want to ensure the production of sustainable soy in the amount that is needed to generate the volumes of soy derivatives that we purchase (thus covering 100% of our purchase volume of soy-based raw materials). External and internal communication to promote the production and purchase of certified sustainable soy derivatives:
https://www.bayer.com/en/procurement/strategic-sustainability-focus-areas We are further committed to sustainability and will increase sustainability.

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F1.2

(F1.2) Indicate the percentage of your organization’s revenue that was dependent on your disclosed forest risk commodity(ies) in the reporting year.

<table>
<thead>
<tr>
<th>Commodity</th>
<th>% of revenue dependent on commodity</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Timber products</td>
<td>&lt;Not Applicable&gt;</td>
<td>&lt;Not Applicable&gt;</td>
</tr>
<tr>
<td>Palm oil</td>
<td>1-5%</td>
<td>We use palm oil derivatives in a very small number of our products. To calculate this figure, we determined that palm oil derivatives are found in 11 of our brands. In the financial year 2020, our revenue from these products, represented approximately 3% of our company’s total revenue.</td>
</tr>
<tr>
<td>Cattle products</td>
<td>&lt;Not Applicable&gt;</td>
<td>&lt;Not Applicable&gt;</td>
</tr>
<tr>
<td>Soy</td>
<td>1-5%</td>
<td>We use soy derivatives in a very small number of our products. To calculate this figure, we determined that soy derivatives are found in 21 of our brands. In the financial year 2020, our revenue from these products, represented approximately 4% of our company’s total revenue.</td>
</tr>
<tr>
<td>Other - Rubber</td>
<td>&lt;Not Applicable&gt;</td>
<td>&lt;Not Applicable&gt;</td>
</tr>
<tr>
<td>Other - Cocoa</td>
<td>&lt;Not Applicable&gt;</td>
<td>&lt;Not Applicable&gt;</td>
</tr>
<tr>
<td>Other - Coffee</td>
<td>&lt;Not Applicable&gt;</td>
<td>&lt;Not Applicable&gt;</td>
</tr>
</tbody>
</table>
(F1.5) Does your organization collect production and/or consumption data for your disclosed commodity(ies)?

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Data availability/Disclosure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Timber products</td>
<td>&lt;Not Applicable&gt;</td>
</tr>
<tr>
<td>Palm oil</td>
<td>Consumption data available, disclosing</td>
</tr>
<tr>
<td>Cattle products</td>
<td>&lt;Not Applicable&gt;</td>
</tr>
<tr>
<td>Soy</td>
<td>Consumption data available, disclosing</td>
</tr>
<tr>
<td>Other - Rubber</td>
<td>&lt;Not Applicable&gt;</td>
</tr>
<tr>
<td>Other - Cocoa</td>
<td>&lt;Not Applicable&gt;</td>
</tr>
<tr>
<td>Other - Coffee</td>
<td>&lt;Not Applicable&gt;</td>
</tr>
</tbody>
</table>

(F1.5a) Disclose your production and/or consumption data.

**Forest risk commodity**

- **Palm oil**
  - **Data type**: Consumption data
  - **Volume**: 13384 Metric tons
  - **Data coverage**: Full commodity production/consumption
  - **Please explain**: <Not Applicable>

- **Soy**
  - **Data type**: Consumption data
  - **Volume**: 10490 Metric tons
  - **Data coverage**: Full commodity production/consumption
  - **Please explain**: <Not Applicable>

(F1.5b)

CDP
(F1.5b) For your disclosed commodity(ies), indicate the percentage of the production/consumption volume sourced by national and/or sub-national jurisdiction of origin.

<table>
<thead>
<tr>
<th>Forest risk commodity</th>
<th>Country/Area of origin</th>
<th>State or equivalent jurisdiction</th>
<th>% of total production/consumption volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>Palm oil</td>
<td>Indonesia</td>
<td>Don't know</td>
<td>19</td>
</tr>
<tr>
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<tr>
<td>Palm oil</td>
<td>Malaysia</td>
<td>Don't know</td>
<td>18</td>
</tr>
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</tr>
<tr>
<td>Palm oil</td>
<td>Unknown origin</td>
<td>&lt;Not Applicable&gt;</td>
<td>63</td>
</tr>
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<tr>
<td>Soy</td>
<td>Unknown origin</td>
<td>&lt;Not Applicable&gt;</td>
<td>100</td>
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</table>

Please explain

Bayer is not sourcing palm (kernel) oil directly, but its derivatives produced out of the oil (at the end of a highly complex supply chain). As such, we are facing a very complex and fragmented supply chain with limited transparency (many tier levels, high number of raw materials, many processing sites). Thus, we committed to the RSPO book & claim supply chain model to also be able to support smallholder farmers directly and to ensure the production of sustainable palm oil in the amount that is needed to generate the volumes of palm oil derivatives that we purchase (thus covering 100% of our purchase volume of palm oil-based raw materials). To increase the transparency into the value chain, we have started a supplier engagement project in 2020. The aim of our supplier engagement was to gain an understanding of country/area of origin, certification, deforestation risks and policy environment. Our aim for the next years is to intensify this exchange and to increase transparency as well as traceability.

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We use soy derivatives in a very small number of our products. In the areas of soy, we support the certified sustainable production of these raw materials as a purchaser of plant oil derivatives, which is especially important in Southeast Asia and South America. We are member of the renowned organization “Round Table on Responsible Soy” (RTRS) and purchase so-called “credits” according to the quantities we use. The financial value of these credits rewards farmers who undertake to grow soy in a legal and ecologically, socially and economically sustainable way and who demonstrate this as part of an audited certification process. To identify and assess future handling of sustainable soy derivatives we will start a project similar to the one for palm oil. Nevertheless, it needs to be recognized that the transparency for derivatives is less for soy compared to palm oil. Bayer is actively engaged in the RTRS community to increase transparency. On the local level, we have started projects to support certification of sustainable soy production.
F1.5e

(F1.5e) How does your organization produce or consume biofuel derived from palm oil?

Does your organization produce or consume biofuel derived from palm oil?
No

Data type
<Not Applicable>

Volume produced/consumed
<Not Applicable>

Metric
<Not Applicable>

Country/Area of origin
<Not Applicable>

State or equivalent jurisdiction
<Not Applicable>

% of total production/consumption volume
<Not Applicable>

Does the source of your organization's biofuel material come from smallholders?
<Not Applicable>

Comment

F1.6

(F1.6) Has your organization experienced any detrimental forests-related impacts?
No

F2. Procedures

F2.1

(F2.1) Does your organization undertake a forests-related risk assessment?
Yes, forests-related risks are assessed

F2.1a

(F2.1a) Select the options that best describe your procedures for identifying and assessing forests-related risks.
Which of the following issues are considered in your organization’s forests-related risk assessment(s)?

**Soy**
- **Value chain stage**
  - Direct operations
  - Supply chain
- **Coverage**
  - Full
- **Risk assessment procedure**
  - Assessed as part of an established enterprise risk management framework
- **Frequency of assessment**
  - More than once a year
- **How far into the future are risks considered?**
  - > 6 years
- **Tools and methods used**
  - Internal company methods
  - Other, please specify (a) benchmarking and Interaction with peer companies; (b) external reports and assessments

Please explain:

**RISK AND OPPORTUNITY IDENTIFICATION AND ASSESSMENT PROCESS**: Bayer has implemented a holistic and INTEGRATED RISK MANAGEMENT SYSTEM (ERM) designed to ensure the continued existence and future target attainment of the Group through the early identification, assessment and treatment of risks. **TOOLS** i) All relevant risks worldwide, incl. FOREST-related risks, are recorded and monitored at an early stage in our risk management system. Our ERM team together with the risk owner CONTINUOUSLY monitor the development of risks and take into account a wide range of resources including benchmarking and interactions with peers as well as industry initiatives and focus organizations. We included Forests into the ERM to ensure a holistic assessment and top management awareness. **CASE STUDY**: Bayer considers potential reputational risks arising from climate-related reputation incl. FOREST which could potentially affect the demand for our products. Investors, NGOs and the public are increasingly focusing on how companies are dealing with environmental issues such as deforestation or climate change and how they are integrating these topics into their business strategies and transparent communication. There is no indication that forest-related risks with relation to palm oil might increase for Bayer. ii) Our different sustainability policies (e.g. Deforestation policy and Supplier Code of Conduct) initiate a risk assessment and define mitigation actions. The risk portfolio is reviewed REGULARLY by the Bayer Assurance Committee. This tool was included to ensure minimum standards in all activities and awareness by all stakeholders. Tool seems very effective as we increase expectations and suppliers develop new solutions together with our experts. iii) During new product development and investment projects experts review all activities to further identify the corresponding risks and validate adherence to regulations and internal policies. This tool was included to set the priorities at the start of business activity. **EXAMPLE**: During intensive interviews with stakeholders, esp. consumers, we did set up a supplier engagement project in 2020. The objective is to further strengthen sustainability and transparency in our operations and beyond. An example of our effectiveness is the increased activities in food chain partnerships and certification with value chain partners.

**Palm oil**
- **Value chain stage**
  - Direct operations
  - Supply chain
- **Coverage**
  - Full
- **Risk assessment procedure**
  - Assessed as part of an established enterprise risk management framework
- **Frequency of assessment**
  - More than once a year
- **How far into the future are risks considered?**
  - > 6 years
- **Tools and methods used**
  - Internal company methods
  - Other, please specify (a) benchmarking and Interaction with peer companies; (b) external reports and assessments

Please explain:

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Availability of forest risk commodities

Relevance & inclusion
Relevant, always included

Please explain
i) WHICH TOOL WAS USED: Industrial marketing and sourcing managers CONTINUOUSLY monitor market developments and indicate upcoming opportunities and risks to the R&D, production, and sales departments, considering FOREST or climate-related customer and market needs, e.g. the need of adaptation to climate change in agriculture or consumers demanding plant-based ingredients. The identified risks are updated at REGULAR conferences and incorporated into strategic and operational planning, e.g. as part of the ANNUAL strategic planning cycle. The core phase of our strategic planning process starts with a comprehensive market analysis. The divisions build on this by analyzing their market environments to identify opportunities including climate-related opportunities with LINKAGE TO FOREST. Opportunities are also identified by management and employees through DAILY OBSERVATION of internal processes and markets. For our assessments we consider the whole value chain. ii) HOW WAS THE INFORMATION USED FOR INTERNAL DECISION-MAKING: As described above, Bayer uses soy and palm oil derivatives in a very small number for our products. In the areas of soy and palm oil we support the certified sustainable production of these raw materials as a purchaser of plant oil derivatives, which is especially important in Southeast Asia and South America. We are member of the renowned organizations RSPO and RTRS and purchase so-called ‘credits’ according to the quantities we use. The financial value of these credits rewards farmers who undertake to grow palm oil and soy in a legal and ecologically, socially and economically sustainable way and who demonstrate this as part of an audited certification process. Palm oil and soy derivatives are part of our registered products in Crop Science, Consumer Health and Pharmaceuticals. Replacement would require reregistration and could take years. THEREFORE the availability is relevant for us and included in our sustainability-related risk assessments. A risk of availability could directly impact our ability to serve the consumers and patients.

Quality of forest risk commodities

Relevance & inclusion
Relevant, always included

Please explain
i) WHICH TOOL WAS USED: Industrial marketing and sourcing managers CONTINUOUSLY monitor market developments and indicate upcoming opportunities and risks, considering forest- or climate-related customer and market needs. This assessment is done across the value chain. We have established quality teams on all levels and sites across the company. Quality of our products and services is key for Bayer and therefore a quality assessment and quality changes are constantly monitored. ii) HOW WAS THE INFORMATION USED FOR INTERNAL DECISION-MAKING: As described above, soy and palm oil derivatives can be hard to replace material in our production sites across the company. Quality of our products and services is key for Bayer and therefore a quality assessment and quality changes are constantly monitored.

Impact of activity on the status of ecosystems and habitats

Relevance & inclusion
Relevant, always included

Please explain
i) WHICH TOOL WAS USED: When planning new production sites or production extensions, Bayer takes into account that they must not be set up in areas that are statutory protected with regard to their natural characteristics, biodiversity or other factors. For each project we conduct a sustainability assessment. Due to our portfolio changes, we have continuously updated, compared and validate the geographical coordinates of our production sites against those of internationally recognized protected areas. Within the Supplier Code of Conduct, we expect the same of our suppliers and our value chain. ii) HOW WAS THE INFORMATION USED FOR INTERNAL DECISION-MAKING: Biodiversity incl. forests is an important asset to us, which we aim to protect and preserve in the scope of all our activities. As crop management practices are one of the main drivers for biodiversity loss, biodiversity is of particular relevance especially for the activities of Bayer’s Crop Science Division. To promote and improve responsible as well as sustainable agriculture we have an extensive stewardship program. Further reference please click here: https://www.cropscience.bayer.com/people-planet Our goal is to develop products that have the least possible side effects on ecosystems. This is ensured by sophisticated and thorough environmental safety testing and risk assessment. Furthermore, Bayer is investing in innovative sustainable solutions, like integrated crop management and precision application technology, to reduce the environmental impact of crop protection. Bayer provides collaborative support to farmers and promotes biodiversity friendly practices, with training programs such as BayGAP or Better Life Farming. With regard to our sites, the assessment of ecosystems and habitats is an important task of the environmental managers at our sites.

Regulation

Relevance & inclusion
Relevant, always included

Please explain
i) WHICH TOOL WAS USED: INTERNAL COMPANY METHODS: Our Public Affairs, Regulatory, Legal as well as HSE organization constantly monitor for new regulations and ensures that we adjust our processes and standards where required. Bayer manages its businesses responsibly and in compliance with the statutory and regulatory requirements of the countries in which it operates. We continuously strive to improve our activities and processes incl. laws, regulations, and voluntary standards. We have a zero tolerance regarding in-compliant behavior. ii) HOW WAS THE INFORMATION USED FOR INTERNAL DECISION-MAKING: Bayer considers regulatory risks arising from policy changes. We acknowledge the responsibility we have for the sustainable production and manufacturing of commodities and manufacturing products with ingredients coming from FOREST related risk commodities. To further strengthen sustainability, we engage with relevant stakeholders. i) One example is our activities regarding the EU’s declared intention to reduce its role in global DEFORESTATION by targeting commodities and products entering its market via a set of regulatory and non-regulatory measures.
Climate change

Relevance & inclusion
Relevant, always included

Please explain
i) WHICH TOOL WAS USED: Potential climate-related risks and opportunities are reported to the Head of Public Affairs, Science & Sustainability and the Enterprise Risk Management Function who are accountable for their identification and evaluation. Bayer has identified climate as a topic with high importance and set ambitious targets including joining the Science Based Targets initiative. Risks are classified as high, medium or low to assess their materiality regarding the overall risk portfolio. Impact is rated according to severity of the potential impact and likelihood of occurrence, taking into account established mitigation measures, in a 5x5 matrix. A QUALITATIVE ASSESSMENT is based on criteria such as the impact on our strategy or reputation, the potential loss of stakeholder confidence, and the potential violation of sustainability principles. Additionally, Bayer identifies and prioritizes sustainability-related opportunities and risks, incl. those related to climate change, by considering the expectations of important stakeholders. These are matched up with an internal assessment. The findings are documented in a material matrix. Risks with a potential impact of >5,000 mio. are separately examined by the Bayer Assurance Committee to determine their potential to endanger the company’s continued existence. A report on the risk portfolio is submitted to the Board of Management and the Audit Committee of the Supervisory Board AT LEAST ONCE A YEAR.

ii) HOW WAS THE INFORMATION USED FOR INTERNAL DECISION-MAKING: Bayer considers the loss of markets risk strongly connected to regulatory, climate changes and reputational risks. Other causes might be changes of commodity prices, interest rates or foreign exchange fluctuations.

b) We fully support the TCFD recommendations and have published a TCFD Report in 2020.

Impact on water security

Relevance & inclusion
Relevant, always included

Please explain

i) WHICH TOOL WAS USED: Bayer experts are continuously working and observing market developments to assess our suppliers. Bayer procurement experts have designed a Supplier Code of Conduct which is part of our contractual negotiations with all suppliers. This code is designed to align with the criteria listed. Suppliers who fail to comply with our code are excluded from any purchasing activities. With some suppliers, we conduct supplier audits, assessments and in some cases have development activities with joint objectives.

ii) HOW WAS THE INFORMATION USED FOR INTERNAL DECISION-MAKING: a) Bayer assessed its water performance in a holistic way since 2013. This includes, for example, the analysis of water parameters such as water use, quality and discharge. Bayer has implemented a holistic and INTEGRATED RISK MANAGEMENT SYSTEM designed to ensure the continued existence and future target attainment of the Group through the early identification, assessment and treatment of risks. i) HOW WAS THE INFORMATION USED FOR INTERNAL DECISION-MAKING: Bayer considers the loss of markets risk strongly connected to regulatory, climate changes and reputational risks. Other causes might be changes of commodity prices, interest rates or foreign exchange fluctuations. Another example is the enhanced transparency promoted by our Crop Science Stewardship initiative of European pharmaceutical associations. We have adopted the initiative’s methods for the risk assessment of pharmaceutical traces in production wastewater as part of the concept.

b) A second example is the development of the sustainable commodity and credit prices, as a result we are evaluating what we can change in the supply chain and our internal processes.

Tariffs or price increases

Relevance & inclusion
Relevant, always included

Please explain

i) WHICH TOOL WAS USED: Bayer experts are CONTINUOUSLY working and observing market developments in order to assess the risks of tariffs and pricing appropriately. An additional assessment is done by our procurement colleagues. As a globally acting company, Bayer closely monitors tariffs or price changes. E.g. in the year 2020 the Covid situation, especially the focus on trade barriers and disrupted supply chains for agricultural products, global businesses and trade flows were impacted. 

Tariffs on certain groups of products might be of direct impact on other commodities. Here we are observing the new rules on deforestation, supply chains but also carbon border adjustments which are currently discussed as part of the EU Green Deal. Bayer experts are continuously working and observing market developments in order to assess the risks of tariffs and pricing appropriately. In addition, this risk is regularly assessed by our procurement team during the purchase of RSPO book & claim certificates.

ii) HOW WAS THE INFORMATION USED FOR INTERNAL DECISION-MAKING: a) Bayer assessed its water performance in a holistic way since 2013. This includes, for example, the analysis of water parameters such as water use, quality and discharge. Bayer has implemented a holistic and INTEGRATED RISK MANAGEMENT SYSTEM designed to ensure the continued existence and future target attainment of the Group through the early identification, assessment and treatment of risks. i) HOW WAS THE INFORMATION USED FOR INTERNAL DECISION-MAKING: Bayer considers the loss of markets risk strongly connected to regulatory, climate changes and reputational risks. Other causes might be changes of commodity prices, interest rates or foreign exchange fluctuations. Another example is the enhanced transparency promoted by our Crop Science division introduced in 2019 and further developed in 2020. We set high ethical standards that represent how we measure ourselves and our partners. Through greater efforts in transparency, we can work together to turn the impossibilities of today into the breakthroughs of tomorrow. We aim to remove the barriers surrounding access to detailed information on the safety of our products. By enabling access to product safety study information and regulatory submission documents in parallel with background materials, we hope to foster an open, science-based dialog on products and techniques used in modern agriculture.

Loss of markets

Relevance & inclusion
Relevant, always included

Please explain

i) WHICH TOOL WAS USED: Within our Enterprise Risk Management (ERM) framework, a holistic assessment approach is selected to cover the largest range of risks possible, and these are periodically assessed. The Bayer Group has implemented a holistic and INTEGRATED RISK MANAGEMENT SYSTEM designed to ensure the continued existence and future target attainment of the Group through the early identification, assessment and treatment of risks. ii) HOW WAS THE INFORMATION USED FOR INTERNAL DECISION-MAKING: Bayer considers the loss of markets risk strongly connected to regulatory, climate changes and reputational risks. Other causes might be changes of commodity prices, interest rates or foreign exchange fluctuations. Another example is the enhanced transparency promoted by our Crop Science division introduced in 2019 and further developed in 2020. We set high ethical standards that represent how we measure ourselves and our partners. Through greater efforts in transparency, we can work together to turn the impossibilities of today into the breakthroughs of tomorrow. We aim to remove the barriers surrounding access to detailed information on the safety of our products. By enabling access to product safety study information and regulatory submission documents in parallel with background materials, we hope to foster an open, science-based dialog on products and techniques used in modern agriculture.

Leakage markets

Relevance & inclusion
Relevant, always included

Please explain

i) WHICH TOOL WAS USED: Bayer experts are continuously working and observing market developments to assess our suppliers. Bayer procurement experts have designed a Supplier Code of Conduct which is part of our contractual negotiations with all suppliers. Within our Supplier Code of Conduct we have certain standards addressing the ecological, social and ethical aspects. A link and translation in major languages can be found here: https://www.bayer.com/en/procurement/supplier-code-of-conduct ii) HOW WAS THE INFORMATION USED FOR INTERNAL DECISION-MAKING: As part of our supplier due diligence and contract negotiations, we always include the Supplier Code of Conduct and align with the criteria listed. Suppliers who fail to comply with our code are excluded from any purchasing activities. With some suppliers, we conduct supplier audits, assessments and in some cases have development activities with joint objectives.
Brand damage related to forest risk commodities

Relevance & inclusion
Relevant, always included

Please explain
i) WHICH TOOL WAS USED: Brand image is for us very important. Sustainability issues are evaluated through an annual risk evaluation in procurement for all our suppliers. The identified suppliers are validated through an evidence-based assessment (EcoVadis) or physical on-site audit (TIS or PSCI). The aggregated sustainability risks are entered into our Bayer Enterprise Risk Management (ERM) system. Compared to other sustainability risks the risk of reputational damage related to palm oil or soy is low. ii) HOW WAS THE INFORMATION USED FOR INTERNAL DECISION-MAKING: At Bayer we firmly believe that compliance is key for our license to operate worldwide. As a founding member of the United Nations Global Compact (UNGC), Bayer is one of the companies seeking to modify its operations and strategies to meet the 10 universally accepted principles in the areas of human rights, labor, the environment and anti-corruption. We all share the aim of providing people with innovative solutions that improve the quality of life. The Corporate Compliance Policy outlines Bayer’s principles of business conduct. We take pride in doing things right. Each day we need to exercise good judgment, act with integrity, and observe the principles of our policy. The Bayer Supplier Code of Conduct strongly emphasizes that “Suppliers shall not practice or tolerate any form of corruption, extortion, embezzlement or money laundering”. A comprehensive supplier analysis including an EcoVadis assessment, the mandatory Supplier Code of Conduct and supplier audits belong to the countermeasures of corruption. Although we don’t have direct relationships with palm oil or soy producers, we see a reputational risk that we are made responsible for issues in our deep supply chain. If the topic receives high media coverage, this could affect our brand image.

Corruption

Relevance & inclusion
Relevant, always included

Please explain
i) WHICH TOOL WAS USED: Sustainability issues are evaluated through an annual risk evaluation in procurement for all our suppliers. The identified suppliers are validated through an evidence-based assessment (EcoVadis) or physical on-site audit (TIS or PSCI). Bayer supports different kinds of certification schemes against corruption. The overarching risks are entered into our Bayer Enterprise Risk Management (ERM) system. Compared to other sustainability risks the risk of corruption damage related to palm oil derivatives or soy derivatives is low. ii) HOW WAS THE INFORMATION USED FOR INTERNAL DECISION-MAKING: At Bayer we firmly believe that compliance is key for our license to operate worldwide. As a founding member of the United Nations Global Compact (UNGC), Bayer is one of the companies seeking to modify its operations and strategies to meet the 10 universally accepted principles in the areas of human rights, labor, the environment and anti-corruption. We all share the aim of providing people with innovative solutions that improve the quality of life. The Corporate Compliance Policy outlines Bayer’s principles of business conduct. We take pride in doing things right. Each day we need to exercise good judgment, act with integrity, and observe the principles of our policy. The Bayer Supplier Code of Conduct strongly emphasizes that “Suppliers shall not practice or tolerate any form of corruption, extortion, embezzlement or money laundering”. A comprehensive supplier analysis including an EcoVadis assessment, the mandatory Supplier Code of Conduct and supplier audits belong to the countermeasures of corruption. Although we don’t have direct relationships with palm oil or soy producers, we see a reputational risk that we are made responsible for issues in our deep supply chain. If the topic receives high media coverage, this could affect our brand image.

Social impacts

Relevance & inclusion
Relevant, always included

Please explain
i) WHICH TOOL WAS USED: Sustainability issues are evaluated through an annual risk evaluation in procurement for all our suppliers. The identified suppliers are validated through an evidence-based assessment (EcoVadis) or physical on-site audit (TIS or PSCI). Bayer supports different kinds of certification schemes against corruption. The overarching risks are entered into our Bayer Enterprise Risk Management (ERM) system. Compared to other sustainability risks the risk of corruption damage related to palm oil derivatives or soy derivatives is low. ii) HOW WAS THE INFORMATION USED FOR INTERNAL DECISION-MAKING: At Bayer we firmly believe that compliance is key for our license to operate worldwide. As a founding member of the United Nations Global Compact (UNGC), Bayer is one of the companies seeking to modify its operations and strategies to meet the 10 universally accepted principles in the areas of human rights, labor, the environment and anti-corruption. We all share the aim of providing people with innovative solutions that improve the quality of life. The Corporate Compliance Policy outlines Bayer’s principles of business conduct. We take pride in doing things right. Each day we need to exercise good judgment, act with integrity, and observe the principles of our policy. The Bayer Supplier Code of Conduct strongly emphasizes that “Suppliers shall not practice or tolerate any form of corruption, extortion, embezzlement or money laundering”. A comprehensive supplier analysis including an EcoVadis assessment, the mandatory Supplier Code of Conduct and supplier audits belong to the countermeasures of corruption. Although we don’t have direct relationships with palm oil or soy producers, we see a reputational risk that we are made responsible for issues in our deep supply chain. If the topic receives high media coverage, this could affect our brand image.

Other, please specify

Relevance & inclusion
Relevant, always included

Please explain
Value Chain: i) WHICH TOOL WAS USED: Sustainability issues are evaluated through an annual risk evaluation in procurement for all our suppliers. The identified suppliers are validated through an evidence-based assessment (EcoVadis) or physical on-site audit (TIS or PSCI). The aggregated sustainability risks are entered into our Bayer Enterprise Risk Management (ERM) system. Compared to other sustainability risks the risk of reputational damage related to palm oil or soy is low. We encourage the RSPO who has widened their certification scheme to include a wider range of metrics. ii) HOW WAS THE INFORMATION USED FOR INTERNAL DECISION-MAKING: Violation of human rights due to the production of soy and palm oil is a general problem in several countries and not a specific Bayer problem. This circumstance might be picked up by the media or NGOs, drawing public attention to the topic. Although we don’t have direct relationships with palm oil or soy producers, we see a reputational risk that we are made responsible for issues in our deep supply chain. If the topic receives high media coverage, this could affect our brand image. Especially for the soy upstream value chain, we support farmers with sustainable and innovative solutions as well as trainings. Further information about the Bayer Food Partnerships can be found here: https://www.crops.se.bayer.com/who-we-are/farmer-partner-resources/food-chain-partnership.

F2.1c

(F2.1c) Which of the following stakeholders are considered in your organization’s forests-related risk assessments?

Other, please specify
Customers

Relevance & inclusion
Relevant, always included

Please explain
Bayer is actively engaged in a continuous dialogue with stakeholders including e.g. employees, customers, neighbors, NGOs, politicians and the general public. After all, their expectations and viewpoints affect our public acceptance and thus our commercial success. This is also reflected in our “Bayer Societal Engagement (BASE) principles” published in 2019. Further information can be found here: https://www.bayer.com/en/stakeholder-dialogue.aspx One result of our stakeholder engagement is our Position on DEFORESTATION and FOREST DEGRADATION. We consider CUSTOMERS as relevant in our forest risk assessments BECAUSE they have a significant impact on the success of our business. Our customers are farmers that are directly impacted by forest-related risks. Their well-being is important for our success. METHOD OF ENGAGEMENT: In 2020, our everyday business once again included dialogue with our CUSTOMERS – especially with respect to their satisfaction with our products and services. We analyze needs and satisfaction as well as complaints by our customers, and thus foster partnership-based cooperation and dialogue with them. For example, every two years Crop Science conducts customer surveys through their country organizations according to a standardized process, aiming to make the dialogue more target group- and region-specific. Within our area of influence, including working with our farmer customers and within our supply chain, we seek to address the drivers of DEFORESTATION and FOREST DEGRADATION. We want to make a significant contribution not only to PROTECTING existing FOREST, but also helping to restore lost forest land. Another dialogue example is Bayer’s ForwardFarming: Key to success in farming is to implement new technologies and connect social and environmental aspects to achieve better harvests. On ForwardFarms, like the Nossa Senhora Aparecida Farm, Bayer and farmers demonstrate together sustainable practices in agriculture. https://www.crops.cience.bayer.com/people-planet/forwardfarming/brazil

Employees

Relevance & inclusion
Relevant, always included

Please explain
Employees are relevant in sustainability risk assessment including FOREST assessment. Forests play a vital role in mitigating climate change, fostering biodiversity, and enabling water and soil conservation. Millions of people rely on forests for food security, livelihoods and energy sources. While the rate of forest loss and degradation has slowed globally since 2000, they still contribute to climate change and biodiversity loss. METHOD OF ENGAGEMENT: We assess employee satisfaction with the help of institutionalized feedback discussions and regular employee surveys. This enables us to monitor the effectiveness of our initiatives and implement any necessary improvements. At Crop Science and Consumer Health, employee surveys involving spot checks were implemented. The approval rate for employee engagement was 80% at Crop Science and 81% at Consumer Health. Additionally, we conduct various global as well as local webcasts, trainings, provide platforms for employee interactions and highlight with different communications throughout the year relevant topics in regard of sustainability. A third internal initiative highlighting the importance of forests was the Young Bayer Group. The young Bayer Group initiated around the world forest day in the beginning of 2021 the Ecosia challenge. Every employee was asked to use the Ecosia search engine which invests their profits into forest projects. This was one special example of our engagement from within the company, based on our corporate values and raising awareness for the topic.

Investors

Relevance & inclusion
Relevant, always included

Please explain
We consider investors as relevant in our risk assessment BECAUSE climate-related risks and opportunities including forest could have an impact on their investment decisions. Bayer has an own team to understand investors sustainability requirements as well as to provide information and answer questions related to our sustainability performance. EXAMPLE: Our investor base comprises investors that require Bayer to report on its sustainability performance, incl. topics such as CLIMATE (incl. FOREST). Not meeting our investors’ expectations could negatively impact their investment decision. METHOD OF ENGAGEMENT: We include investors in our internal monitoring and assessments, and we disclose the relevant information on forest topics in our Annual Report. Furthermore, we have regular dialogues with investors, analysts and rating agencies, and conduct roadshows and investor conferences as well as stockholder forums. We explain our strategy and implementation of our nonfinancial targets and provide information on the most important fields of our sustainability activities, including FOREST-related topics. An important investor relations event in 2020 was a webinar we held to outline the status of our sustainability performance and show the progress we had made since announcing our ambitious and measurable targets in 2019. Due to the COVID-19 pandemic, the majority of our investor relations activities in 2020 took place in virtual forma. Despite the restrictions relating to the outbreak of the pandemic, we were able to continue the intensive dialogue with stockholders, participating in a large number of conferences and roadshows as usual. The conferences and roadshows focused mostly on Europe and North America. Members of the Board of Management were frequently part of these events. The capital markets’ growing interest in sustainability was also reflected in our discussions with investors and rating agencies in 2020. Our sustainability strategy focusing mainly on climate protection, our Group targets and the role they play in management compensation, the tasks of the Sustainability Council, and the effects of our products on the environment were the key topics addressed. Other important topics were the integration of Monsanto and especially the Group’s response to the COVID-19 pandemic.

Local communities

Relevance & inclusion
Relevant, always included

Please explain
We consider local communities as relevant in our risk assessment BECAUSE the acceptance of the local community is key for the successful operation and the reputation of Bayer. Furthermore, local communities play a decisive role in the success of any investment project. The key RISK we consider is a potential loss of reputation and acceptance within the community. When talking about soy and palm oil as well as linked risks, we would like to emphasize on our human rights policy. We include and respect the rights of indigenous people and the human rights in our complete value chain. METHOD OF ENGAGEMENT: In 2020, as part of our sustainability strategy we announced three 100 million challenges in all our relevant business areas. Our aim is to support 100 million smallholder farmers in low- and middle-income countries, expand access to self-care for 100 million people in underserved communities and to provide 100 million women in low- and middle-income countries with access to modern contraception. Additionally, we want to increase the availability and affordability of our pharmaceutical products in low- and middle-income countries. Further information can be found on our website. Additionally, local communities are one of the stakeholder groups included in our regulatory and internal assessment through various methods of engagement. An important part of our stakeholder dialogue takes place in the direct vicinity of our sites. We are working on being recognized everywhere as a reliable partner and attractive employer that is aware of its social responsibility. In the case of investment projects for example, the involvement of the local community plays a decisive role in ensuring their success. In the communities near our production sites in particular, we keep an open dialogue between community members and local management, which is supported by the respective country organization. This dialogue includes personal discussions with citizens’ initiatives, representatives of religious communities and the regional press. This community dialogue is anchored in a globally valid corporate policy on site management.
NGOs

Relevance & inclusion
Relevant, always included

Please explain
We consider NGOs as relevant in our risk assessment BECAUSE they publicly comment on certain company matters which might impact our reputation and therefore potentially our business growth as the main RISK considered. E.g., the topic of human rights issue discussed by NGOs, exchange on sustainable concepts about palm oil and soy. METHOD OF ENGAGEMENT: NGOs play a role in forming public opinions. For this reason, we have internally systemized collaboration with this stakeholder group. To this end, we look to understand the interests of NGOs, take their perspectives on board and enter into dialogue with the relevant experts. Exchange with different NGOs is communicated to the Board of Management and its content is thereby incorporated into our considerations. Bayer is also actively engaged in the econsensus, U.N. Global Compact and a number of other initiatives like the Brazilian Forest Coalition. NGOs are INCLUDED in our risk assessment for specific topics such deforestation or human rights. Here, an exchange among companies and NGOs is taking place in forums, industry initiatives (and other exchange platforms). As part of our engagement with RTRS and RSPO we regularly review our risks related to soy and palm oil derivatives. Another example is the WWF questionnaire, which has been answered in 2021. Additionally, we initiated different project with Smallholding Farmer (SMF). We also engage with country specific NGO like the NABU in Germany for ecological risks including biodiversity, climate and forest. Additionally, we engage with various initiatives in forest-related risk countries like Brazil and Indonesia.

Other forest risk commodity users/producers at a local level

Relevance & inclusion
Relevant, always included

Please explain
We consider other forest users, suppliers, competitors and other companies at local as well as on global level as relevant in our risk assessment and to benchmark our activities BECAUSE we want to improve our activities regarding sustainability including forest-related topics. METHOD OF ENGAGEMENT: We include other forest users at a local level in our risk assessment, to identify risks and opportunities at a global and LOCAL level. To further strengthen users and producers at a local level, Bayer commits to purchase RSPO smallholders certificates for our book & claim process. Another innovative engagement activity led by our Crop Science business is the new Bayer Carbon Initiative. Crop Science cooperates with the RTRS to provide mutual support in the certification of Brazilian soybean producers according to the high ecological, social and economic criteria of the RTRS. Additionally, Bayer has recently launched a new business model to reward growers to generate carbon credits by adopting climate-smart practices and creating a new revenue stream on-farm. The initiative makes Bayer the first company to develop a transparent, science-based and collaborative approach to a carbon market in agriculture. Farmers will receive assistance in implementing climate-smart agricultural practices and Bayer will acquire the carbon credits created by those practices at transparent prices. The company is also collaborating with partners such as Embrapa in Brazil to build a viable carbon market for farmers. These incentives will further promote NET ZERO DEFORESTATION and sustainable practices.

Regulators

Relevance & inclusion
Relevant, always included

Please explain
We consider regulators as relevant BECAUSE regulatory changes can have a significant impact on our business strategy and product portfolio. RISKS include the EU-Regulation about DEFORESTATION which might have significant impact on our supply chain. METHOD OF ENGAGEMENT: The regulatory framework and changes in regulation are INCLUDED in our risk management system, as well as in the analysis made by our HSE and sustainability managers and part of our public affairs engagement. For example, Bayer is actively contributing to the discussion of the new EU-Regulation about DEFORESTATION.

Suppliers

Relevance & inclusion
Relevant, always included

Please explain
We consider suppliers as relevant in our risk assessment BECAUSE they can strongly impact our operations. Bayer aims at ensuring a sustainable supply chain management. Therefore, our suppliers have to comply with the Supplier Code of Conduct that addresses a responsible sustainable management including FOREST. As part of the Supplier Code of Conduct, we expect a) “Voluntary, usually THIRD PARTY-ASSESSED, norms and standards relating to environmental, social, ethical and safety issues, adopted by companies to demonstrate the performance of their organizations or products in specific areas, e.g. Forest Stewardship Council, Roundtable on Sustainable Palm Oil, Rainforest Alliance” and b) “to ensure the conservation of renewable natural resources, suppliers shall promote the application of broadly recognized SUSTAINABILITY STANDARDS and CERTIFICATION that have been developed by multiple stakeholders. Negative impacts on the environment and climate caused by the suppliers or in their supply chain shall be minimized or eliminated at their source”. For example, key RISKS considered in our supplier assessments include their adherence to laws and regulations. METHOD OF ENGAGEMENT: Because we cannot evaluate all 97,362 suppliers, they are selected based on a combination of country and category sustainability risks as well as strategic importance (e.g., in terms of procurement spend and long-term collaboration prospects). Audits as well as online assessments (EcoVadis) are carried out. Wherever the evaluation results, e.g. related to sustainability topics including FOREST, are unsatisfactory, corrective measures are defined together with our suppliers, thus ensuring they observe environmental standards in the future. RATIONALE: In 2020, Bayer has evaluated suppliers through external evaluations with EcoVadis as well as TIS and PSCI audits. In addition, Bayer auditors evaluate selected new and existing suppliers particularly with regard to health, safety and environmental protection. The audit criteria include both the specifications of our Code of Conduct and industry-specific requirements that we have jointly laid out in the industry initiative Together for Sustainability (TfS) and Pharma Supply Chain Initiative (PSCI).

Other stakeholders, please specify

Relevance & inclusion
Please select

Please explain

F3. Risks and opportunities

F3.1
### F3.1a
(F3.1a) How does your organization define substantive financial or strategic impact on your business?

**GENERAL:** The Bayer Group has implemented a holistic and integrated risk management system designed to ensure the continued existence and future target attainment of the Group through the early identification, assessment and treatment of risks. The Bayer Group’s risk management system is aligned to internationally recognized standards and principles such as the ISO 31000 risk management standard. Risk owners decide on a targeted risk level and define a risk management strategy and risk management measures.

All relevant risks worldwide, incl. forest-related risks, are recorded and monitored at an early stage in our risk management system. We regard risks as negative deviations from projected or target values for potential future developments.

**DEFINITION FOR DIRECT OPERATIONS AND VALUE CHAIN**

Bayer defines a risk as having a SUBSTANTIVE FINANCIAL IMPACT, if the identified risk is relevant for the respective risk owner and/or function.

With regard to our Product Supply Function, a potential impact of EUR 7 MILLION CASH FLOW is regarded to be substantive and monitored in the database.

**INDICATORS/THRESHOLDS:**

Risks are classified as high, medium or low to assess their materiality regarding the overall risk portfolio. Impact is rated according to quantity and/or quality. The quantitative assessment reflects the possible loss of cash flows. Risks are evaluated with regard to their potential impact and likelihood of occurrence, taking into account established mitigation measures, in a 5x5 matrix.

1) The likelihood of occurrence is assessed on a scale ranging from very unlikely (<10%), unlikely (10%-30%), possible (30-50%), likely (50-70%), very likely (>70%) over a period of 10 years.

2) The potential impact is determined on a scale from moderate (>€150-250 mio), medium (>€250-750 mio), significant (>€750-1,500 mio), major (>€1,500-2,500 mio) to severe (>€2,500 mio). With regard to our Product Supply Function, a potential impact of €7 MILLION CASH FLOW is regarded to be substantive and monitored in the database.

The qualitative assessment is based on criteria such as the impact on our strategy or reputation, the potential loss of stakeholder confidence, and the potential violation of sustainability principles. The higher rating, qualitatively or quantitatively, determines the overall assessment.

Risks with a potential impact of >€5,000 million are separately examined by the Bayer Assurance Committee to determine their potential to endanger the company's continued existence. A report on the risk portfolio is submitted to the Board of Management and the Audit Committee of the Supervisory Board at least once a year.

The DEFINITION APPLIES to our direct operations and to our value chain. Risks are REVIEWED in our risk management system, incl. forest-related risks.

For EXAMPLE, we started a project to assess climate-related scenarios and risks for our TCFD reporting to further strengthen sustainability principles and stakeholder confidence. Additionally, during our long-term planning of business strategies and research areas we look out for risks and opportunities, this might include different R&D stages or business practices. One example of this is the Carbon Initiative recently launched by Bayer. We want to encourage and reward growers to generate carbon credits by adopting climate-smart practices and creating a new revenue stream on-farm. The initiative makes Bayer the first company to develop a transparent, science-based and collaborative approach to a carbon market in agriculture (https://media.bayer.com/baynews/baynews.nsf/id/Bayer-takes-steps-to-make-carbon-sequestration-a-farmers-newest-crop-opportunity).

ii. Suppliers have the potential to have a SUBSTANTIVE IMPACT on the business if they are classified as strategically important or potential high-risk suppliers.

**INDICATORS/THRESHOLDS:**

1) Strategically important suppliers are defined as suppliers that have a major influence on business, incl. procurement spend and long-term collaboration prospects (3-5 years).

2) The risk definition for potential high-risk suppliers is based on country and business category sustainability risks. This process was revised in 2020 with the support of an external consultancy, enabling a more detailed view of the risks in the categories environment (e.g. climate and energy), social standards (e.g. child labor) and corporate governance (e.g. data protection). This more targeted analysis by individual risk criteria increases transparency in our supply chain. The risk categorization is based on an internationally recognized classification of country risks such as that applied by the World Bank and of category risks such as that employed by the United Nations.

The DEFINITION APPLIES to our entire supply chain. Data are REVIEWED and updated continuously. Strategically important and potentially high-risk suppliers’ sustainability performance, incl. climate-related and forest-related aspects, is evaluated via assessments and on-site audits.

<table>
<thead>
<tr>
<th>Timber products</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Palm oil</td>
<td>Yes</td>
</tr>
<tr>
<td>Cattle products</td>
<td>Yes</td>
</tr>
<tr>
<td>Soy</td>
<td>Yes</td>
</tr>
<tr>
<td>Other - Rubber</td>
<td>Yes</td>
</tr>
<tr>
<td>Other - Cocoa</td>
<td>Yes</td>
</tr>
<tr>
<td>Other - Coffee</td>
<td>Yes</td>
</tr>
</tbody>
</table>

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### F3.1c
(F3.1c) Have you identified any inherent forests-related risks with the potential to have a substantive financial or strategic impact on your business?

<table>
<thead>
<tr>
<th>Risk identified?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Timber products</td>
</tr>
<tr>
<td>Palm oil</td>
</tr>
<tr>
<td>Cattle products</td>
</tr>
<tr>
<td>Soy</td>
</tr>
<tr>
<td>Other - Rubber</td>
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<tr>
<td>Other - Cocoa</td>
</tr>
<tr>
<td>Other - Coffee</td>
</tr>
</tbody>
</table>
Why does your organization not consider itself to be exposed to forests-related risks with the potential to have a substantive financial or strategic impact?

<table>
<thead>
<tr>
<th>Primary reason</th>
<th>Please explain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Timber products</td>
<td>&lt;Not Applicable&gt;</td>
</tr>
<tr>
<td>Palm oil</td>
<td>Risks exist, but no substantive impact anticipated</td>
</tr>
<tr>
<td>Primary reason</td>
<td>Please explain</td>
</tr>
<tr>
<td>Timber products</td>
<td>&lt;Not Applicable&gt;</td>
</tr>
<tr>
<td>Palm oil</td>
<td>Risks exist, but no substantive impact anticipated</td>
</tr>
<tr>
<td>RATIONALE. The Bayer Group has implemented a holistic and integrated risk management system designed to ensure the continued existence and future target attainment of the Group through the early identification, assessment and treatment of risks. The Bayer Group’s risk management system is aligned to internationally recognized standards and principles such as the ISO 31000 risk management standard. Risk owners decide on a targeted risk level and define a risk management strategy and risk management measures. All relevant risks worldwide, incl. forest-related risks, are recorded and monitored at an early stage in our risk management system. We regard substantive financial or strategic risks as negative deviations of approximately €750-1,500 mio from projected or target values for potential future developments. As Bayer only uses a limited number of palm oil derivatives in a small number of products, no significant impact is estimated.</td>
<td></td>
</tr>
<tr>
<td>Mitigation Examples. As part of Bayer’s wide commitments different measures and remediation activities exist: a) Bayer aims for net-zero deforestation in our supply chain b) Bayer is committed to become climate neutral in its own operations by 2030. c) Bayer shares the value of international cooperation to promote viable measures in sustainable development and environmental protection.</td>
<td></td>
</tr>
<tr>
<td>Cattle products</td>
<td>&lt;Not Applicable&gt;</td>
</tr>
<tr>
<td>Soy</td>
<td>Risks exist, but no substantive impact anticipated</td>
</tr>
<tr>
<td>RATIONALE. The Bayer Group has implemented a holistic and integrated risk management system designed to ensure the continued existence and future target attainment of the Group through the early identification, assessment and treatment of risks. The Bayer Group’s risk management system is aligned to internationally recognized standards and principles such as the ISO 31000 risk management standard. Risk owners decide on a targeted risk level and define a risk management strategy and risk management measures. All relevant risks worldwide, incl. forest-related risks, are recorded and monitored at an early stage in our risk management system. We regard substantive financial or strategic risks as negative deviations of approximately €750-1,500 mio from projected or target values for potential future developments. As Bayer only uses a limited number of soy derivatives in a small number of products, no significant impact is estimated.</td>
<td></td>
</tr>
<tr>
<td>Mitigation Examples. As part of Bayer’s wide commitments different measures and remediation activities exist: a) Bayer aims for net-zero deforestation in our supply chain b) Bayer is committed to become climate neutral in its own operations by 2030. c) Bayer shares the value of international cooperation to promote viable measures in sustainable development and environmental protection.</td>
<td></td>
</tr>
<tr>
<td>Other - Rubber</td>
<td>&lt;Not Applicable&gt;</td>
</tr>
<tr>
<td>Other - Cocoa</td>
<td>&lt;Not Applicable&gt;</td>
</tr>
<tr>
<td>Other - Coffee</td>
<td>&lt;Not Applicable&gt;</td>
</tr>
</tbody>
</table>

Have you identified any forests-related opportunities with the potential to have a substantive financial or strategic impact on your business?

<table>
<thead>
<tr>
<th>Have you identified opportunities?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Timber products</td>
</tr>
<tr>
<td>Palm oil</td>
</tr>
<tr>
<td>Cattle products</td>
</tr>
<tr>
<td>Soy</td>
</tr>
<tr>
<td>Other - Rubber</td>
</tr>
<tr>
<td>Other - Cocoa</td>
</tr>
<tr>
<td>Other - Coffee</td>
</tr>
</tbody>
</table>

F3.2b
**F3.2b) Why does your organization not consider itself to have forests-related opportunities?**

**Palm oil**

**Primary reason**
Opportunities exist, but none with potential to have a substantive financial or strategic impact on business

**Please explain**

i) **DEFINITION:** Bayer purchases only a very small quantity of palm oil derivatives for a very small number of products. In the financial year 2020, our revenue from these products, represented approximately 3% of our company's total revenue. We would categorize **SUBSTANTIVE OPPORTUNITIES** somehow at a sales impact in the range between €750-1,500 mio. As minor player in the industry there are no significant forest related opportunities directly related to our products containing palm oil derivatives. Nevertheless, forests are key to reach our sustainability goals which we have announced in 2019. **EXAMPLE:** The climate strategy includes our activities regarding carbon offsetting globally. Bayer’s offsetting should support reforestation and other biodiversity-enhancing programs, ideally developed with and supported by our customers.

Replacing or exchanging different ingredients (e.g., replacing palm oil derivatives, or switching towards palm oil ingredients) in our products would mean, that in most countries a new registration of the product would be required. This new registration would require new testing and could take a long time. Especially for medical products, all ingredients have a purpose to treat people and improve their health. Due to these regulatory and product quality requirements we do not consider replacing ingredients of existing product formulations.  

ii) **METHOD AND ASSESSMENT CYCLE:** Our Strategy departments CONTINUOUSLY monitor market developments and arising opportunities. **EXAMPLE:** One new business opportunity is the newly launched Bayer Carbon Initiative. Bayer wants to reward growers to generate carbon credits by adopting climate-smart practices and creating a new revenue stream on-farm. With this initiative we want to strengthen sustainable agriculture and emphasize that agriculture can positively impact climate change. Bayer’s industry-leading Carbon Initiative is the result of years of work validating a science-based approach and methodology to make this happen. It recognizes the pivotal role growers and their land can play in helping to create lasting, positive environmental impacts and is the latest in the company’s sustainability commitments.

**Soy**

**Primary reason**
Opportunities exist, but none with potential to have a substantive financial or strategic impact on business

**Please explain**

i) **DEFINITION:** Bayer purchases only a very small quantity of soy derivatives for a very small number of products. In the financial year 2020, our revenue from these products, represented approximately 4% of our company's total revenue. We would categorize **SUBSTANTIVE OPPORTUNITIES** somehow at a sales impact in the range between €750-1,500 mio. As minor player in the industry there are no significant forest related opportunities directly related to our products containing soy derivatives.

Nevertheless, forests are key to reach our sustainability goals which we have announced in 2019. **EXAMPLE:** The climate strategy includes our activities regarding carbon offsetting globally. Bayer’s offsetting should support reforestation and other biodiversity-enhancing programs, ideally developed with and supported by our customers.

Replacing or exchanging different ingredients (e.g., replacing soy derivatives, or switching towards soy ingredients) in our products would mean, that in most countries a new registration of the product would be required. This new registration would require new testing and could take a long time. Especially for medical products, all ingredients have a purpose to treat people and improve their health. Due to these regulatory and product quality requirements we do not consider replacing ingredients of existing product formulations.  

ii) **METHOD AND ASSESSMENT CYCLE:** Our Strategy departments CONTINUOUSLY monitor market developments and arising opportunities. **EXAMPLE:** One new business opportunity is the newly launched Bayer Carbon Initiative. Bayer wants to reward growers to generate carbon credits by adopting climate-smart practices and creating a new revenue stream on-farm. With this initiative we want to strengthen sustainable agriculture and emphasize that agriculture can positively impact climate change. Bayer’s industry-leading Carbon Initiative is the result of years of work validating a science-based approach and methodology to make this happen. It recognizes the pivotal role growers and their land can play in helping to create lasting, positive environmental impacts and is the latest in the company’s sustainability commitments.

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**F4. Governance**

**F4.1**

**(F4.1) Is there board-level oversight of forests-related issues within your organization?**

Yes

**F4.1a**

**(F4.1a) Identify the position(s) of the individual(s) (do not include any names) on the board with responsibility for forests-related issues.**

<table>
<thead>
<tr>
<th>Position of individual</th>
<th>Please explain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Executive Officer (CEO)</td>
<td>RELATION TO FOREST: The highest level of responsibility for FOREST-related issues lies with Bayer's CEO who also functions as Bayer's Chief Sustainability Officer (CSO). As CSO he is RESPONSIBLE FOR THE GROUP-WIDE SUSTAINABILITY PROGRAM INCLUDING CLIMATE-RELATED TARGETS AND MEASURES with a linkage to FOREST. The position was selected to ensure that FOREST-RELATED RISKS AND OPPORTUNITIES are identified AT GROUP-LEVEL and FOREST-RELATED TARGETS AND MEASURES ARE DRIVEN GROUP-WIDE and integrated into Bayer's business strategy. In his role as CSO, the CEO is supported by the Public Affairs, Science &amp; Sustainability (PASS) enabling function. FOREST-RELATED DECISIONS: In 2020, Bayer's Board of Management including the CSO advanced sustainability strategy. This strategy includes forest related activities including global carbon offsetting. Bayer’s offsetting supports reforestation and other carbon compensation programs.</td>
</tr>
</tbody>
</table>

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**F4.1b**
(F4.1b) Provide further details on the board’s oversight of forests-related issues.

<table>
<thead>
<tr>
<th>Frequency that forests-related issues are a scheduled agenda item</th>
<th>Governance mechanisms into which forests-related issues are integrated</th>
<th>Please explain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scheduled - some meetings</td>
<td>Monitoring implementation and performance</td>
<td>i) WHO BRIEFS THE BOARD ON WHAT: In REGULAR JOUR FIXES, the Chief Sustainability Officer (CSO) and the Head of Public Affairs, Science &amp; Sustainability (PASS) discuss operational topics in the field of sustainability, incl. forest-related issues. Forest-related strategic decisions are brought up in board discussions by the Head of PASS or the CSO as needed. In REGULAR MEETINGS of the Board and the Supervisory Board the group-wide sustainability strategy incl. forest-related issues is discussed. The CSO and the CFO are informed several times e.g., by the Annual Report taskforce during the reporting cycle. The Head of PASS monthly reports HSE KPIs to the CSO. As our Crop Science Business has major dependencies and potentials for forest the Division head of Crop Science brings up environmental related topics. ii) CONTRIBUTION TO BOARD OVERSIGHT: The governance mechanisms selected contribute to an informed view of the Board and ensure a coherent and Group-wide response, if needed. EXAMPLE: In 2020 the CSO decided to commit the Bayer AG to an ambitious offsetting strategy focusing on avoidance and reforestation. This offsetting strategy is part of our climate related target. Through the reporting of defined KPIs described above, the Board can ensure a Group-wide response in case of any deviations. As the climate related targets are part of the board compensation there is an additional pull to stay informed on progress and measures.</td>
</tr>
</tbody>
</table>

**F4.2**

(F4.2) Provide the highest management-level position(s) or committee(s) with responsibility for forests-related issues (do not include the names of individuals).

<table>
<thead>
<tr>
<th>Name of the position(s) and/or committee(s)</th>
<th>Responsibility</th>
<th>Frequency of reporting to the board on forests-related issues</th>
<th>Please explain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Executive Officer (CEO)</td>
<td>Both assessing and managing forest-related risks and opportunities</td>
<td>More frequently than quarterly</td>
<td>i) POSITION: The CSO is the Chairman of the Board of Management. In this position, he reports to the Supervisory Board. He is the direct superior of the Head of PASS (PA, Science &amp; Sustainability) who leads the Group-wide Sustainability function. ii) REPORTING NATURE: In REGULAR JOUR FIXES, the CSO and PASS Head discuss operational topics in the field of sustainability, incl. water-related issues. For REGULAR MEETINGS of the Board of Management, the Supervisory Board and the Sustainability Council the Group-wide sustainability strategy incl. water-related issues is discussed. Target achievement is reported ANNUALLY to the board in a REGULAR BOARD MEETING. iii) RESPONSIBILITIES: The CSO carries DIRECT RESPONSIBILITY FOR the Group-wide sustainability program incl. FOREST TOPICS, CLIMATE-RELATED TARGETS AND MEASURES. For example, in 2020 the CSO decided to commit the Bayer AG to the ambitious offsetting strategy of Bayer. The CSO is also responsible for SIGNING OFF BAYER’S RESPONSE TO THE CDP FOREST REQUEST.</td>
</tr>
</tbody>
</table>

**F4.3**
(F4.3) Do you provide incentives to C-suite employees or board members for the management of forests-related issues?

<table>
<thead>
<tr>
<th>Provide incentives for management of forests-related issues</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>Bayer remunerates employees in accordance with a transparent and fair system that includes fixed and variable salary components. The variable component is determined by the company performance, the divisions, corporate functions and business services performance and by the individual employee's achievements. For employees responsible for our climate-related strategy or management, climate-related issues form part of the variable salary component. Additionally, in 2019 the Board of Management decided to use sustainability criteria including climate action measures (incl. FOREST) as additional criteria for individual one-time payments (Top Performance Award). Non-financial targets, including our climate-related targets (incl. FOREST), already constitute components of the short-term variable compensation of the Board of Management. Furthermore, from 2021, quantitative targets derived from the sustainability strategy are set to become important components of the long-term variable compensation of the Board of Management.</td>
</tr>
</tbody>
</table>

F4.3a

(F4.3a) What incentives are provided to C-Suite employees or board members for the management of forests-related issues (do not include the names of individuals)?

<table>
<thead>
<tr>
<th>Role(s) entitled to incentive?</th>
<th>Performance indicator</th>
<th>Please explain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monetary reward</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board chair</td>
<td>Achievement of commitments and targets</td>
<td>i) DETAILS ON THE INDICATOR/S: Bayer remunerates employees in accordance with a transparent and fair system that includes fixed and variable salary components. Board members are incentivized on the attainment of sustainability KPIs. 30% OF THE DIVISIONAL COMPONENT WITHIN VARIABLE COMPENSATION is based on the attainment of qualitative targets including sustainability. As outlined in the Compensation Report of Bayer's Annual Report 2020, sustainability targets for board members included to “Integrate sustainability into divisional strategic plans and elevate sustainability objectives”. In addition, the board member responsible for HSE is also incentivized on the target „quality assurance and safety in production“. This includes adherence to regulations related to NATURAL ENVIRONMENT INCL. FOREST. To ensure local compliance, the responsibility is delegated through the direct reporting line down to the individual plant managers. ii) RATIONALE: These indicators were chosen because compliance is essential for our long-term economic success and sustainability is a key strategic lever for Bayer. In 2019, we announced a comprehensive package of measures and new sustainability targets, pursuing our sustainability targets with the same vigor as our financial targets. THIS IS WHY the above indicators were chosen. From 2021 onward sustainability will also be part of the long-term incentives for all board members. The Supervisory Board defines these targets over a 4-year span, with a minimum, target and maximum value. Bayer has introduced compensation methods and link these also to sustainability goals to strengthen our sustainability culture.</td>
</tr>
<tr>
<td>Board/Executive board Director on board Chief Executive Officer (CEO) Chief Financial Officer (CFO) Chief Operating Officer (COO) Chief Sustainability Officer (CSO)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-monetary reward</td>
<td>Other, please specify (Non-monetary award)</td>
<td>i) DETAILS ON THE INDICATOR/S: All Bayer employees globally can contribute to the worldwide innovation platform WeSolve to develop solutions, including those referring to forest. Innovation coaches accompany the process starting from the submission of the idea until the finding of the solution. This process refers to all challenges, including forest-related topics outlined in the performance indicator column. Another possibility for all Bayer employees is the Catalyst Box Program, where employees can get sponsorship and coaching to develop their business ideas. Innovation coaches accompany the process. During the 12-week-program the team with 2-4 members gets a physical box with tools and learning materials; a budget of up to EUR 1,500, access to online courses, 4.5 hours of 1:1 coaching with experienced Lean Startup Coaches and a pitch training. This program refers to all business ideas and challenges, including the forest-related topics outlined in the performance indicator column. ii) RATIONALE: Bayer has introduced the worldwide innovation platform WeSolve and the Catalyst Box Program to strengthen the innovation culture in all business areas and to enhance worldwide collaboration.</td>
</tr>
</tbody>
</table>

F4.4

(F4.4) Did your organization include information about its response to forests-related risks in its most recent mainstream financial report?

Yes (you may attach the report – this is optional)

F4.5

(F4.5) Does your organization have a policy that includes forests-related issues?

Yes, we have a documented forests policy that is publicly available

F4.5a
**F4.5a** Select the options to describe the scope and content of your policy.

<table>
<thead>
<tr>
<th>Scope</th>
<th>Content</th>
<th>Please explain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company-wide</td>
<td>Commitment to eliminate conversion of natural ecosystems</td>
<td><strong>EXPLANATION WHY THIS CONTENT IS INCLUDED:</strong> As part of our commitment to the SDG #15 Life on Land, we aim to protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss. The Bayer Deforestation and Forest Degradation as well as the Biodiversity Position is COMPANY-WIDE BECAUSE deforestation is a GLOBAL topic and one of our MAIN ENVIRONMENTAL ASPECTS. Bayer provides innovative solutions to global challenges. Protecting existing forests and helping to restore forest land is such a challenge. Including working with our farmers, customers and within our supply chain, we seek to address the drivers of deforestation and forest degradation. We have a public commitment on our supplier management in the areas of palm and soy. We support the certified sustainable production of these raw materials as a purchaser of plant oil derivatives. We are CONSTANTLY UPDATING our policies and activities, e.g. in 2020 the 100 million smallholder target. We are currently updating our activities and have initiated a supplier engagement project. Our positions are yearly reviewed by Sustainability.</td>
</tr>
<tr>
<td></td>
<td>Commitment to protect rights and livelihoods of local communities</td>
<td><strong>EXPLANATION HOW THE POLICY INFORMS INTERNAL DECISION MAKING:</strong> Our Deforestation and Forest Degradation Position includes a description of our BUSINESS DEPENDENCY ON FOREST outlining that agricultural innovations can help reduce the need to expand crop production areas into natural habitats such as woodlands and FOREST recognizing their LINKAGE. The position includes our commitment to reduce our BUSINESS IMPACT ON FOREST by improving FOREST-RELATED PERFORMANCE IN DIRECT OPERATIONS AND BEYOND e.g. Bayer aims for NET-ZERO DEFORESTATION in our supply chain. In addition, we are committed to develop INNOVATIVE PRODUCTS AND TECHNOLOGIES for the market. We also include farmer EDUCATION e.g. skills building for farmers. Bayer is committed to CONSERVING and RESTORING biodiversity within and beyond agricultural fields through our technologies and services. In addition, we need to find new partnerships to better address the nexus between climate change and nature degradation and the need to improve food security. In our Carbon Initiative in Brazil, only farmer who commit to the forest code can join. Further information: PRO Carbono</td>
</tr>
<tr>
<td></td>
<td>Commitments beyond regulatory compliance</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Commitment to stakeholder awareness and engagement</td>
<td></td>
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<tr>
<td></td>
<td>Commitment to align with the SDGs</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Recognition of the overall importance of forests and other natural ecosystems</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Description of business dependency on forests</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Recognition of potential business impact on forests and other natural habitats</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Description of forest risk commodities, parts of the business, and stages of value chain covered by the policy</td>
<td></td>
</tr>
<tr>
<td></td>
<td>List of timebound milestones and targets</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Description of forest-related standards for procurement</td>
<td></td>
</tr>
</tbody>
</table>

**F4.5b**

(F4.5b) Do you have commodity specific sustainability policy(ies)? If yes, select the options that best describe their scope and content.

<table>
<thead>
<tr>
<th>Do you have a commodity specific sustainability policy?</th>
<th>Scope</th>
<th>Content</th>
<th>Please explain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Timber products</td>
<td>Timber products</td>
<td>Timber products</td>
<td></td>
</tr>
<tr>
<td>Commodity</td>
<td>Scope</td>
<td>Content</td>
<td></td>
</tr>
<tr>
<td>-----------</td>
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<td>---------</td>
<td></td>
</tr>
<tr>
<td>Palm oil</td>
<td>Yes</td>
<td>Company-wide Commitment to eliminate conversion of natural ecosystems. Commitment to protect rights and livelihoods of local communities. Commitment beyond regulatory compliance. Commitment to stakeholder awareness and engagement. Commitment to align with the SDGs. Recognition of the overall importance of forests and other natural ecosystems. Description of business dependency on forests. Recognition of potential business impact on forests and other natural ecosystems. List of timebound commitments and targets. Description of forests-related standards for procurement.</td>
<td></td>
</tr>
</tbody>
</table>

**i) EXPLANATION WHY THIS CONTENT IS INCLUDED:** Regarding palm oil we have a policy outlined as public commitment on our supplier management website and in our Supplier Code of Conduct (CoC). This process and policy define our activities. We support the certified sustainable production of these raw materials as a purchaser of plant oil derivatives. We are member of the renowned organization "Roundtable on Sustainable Palm Oil" (RSPO) and purchase so-called "credits" according to the quantities we use. Bayer is officially committed to the SDG #15 Life on Land, we aim to protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss. The Bayer Position on Forest Degradation includes a description of our BUSINESS DEPENDENCY ON FOREST outlining that Agriculture innovations can help reduce the need to expand crop production areas into natural habitats such as FOREST (recognizing their LINKAGE). We are constantly updating our policies and activities. As we are currently engaging with our palm oil suppliers we will update our internal procedure and policies in 2022. Our positions are yearly reviewed by our Sustainability Team. 

**ii) EXPLANATION HOW THE POLICY INFORMS INTERNAL DECISION MAKING:** The position includes our commitment to reduce our BUSINESS IMPACT ON FOREST by improving FOREST-RELATED PERFORMANCE IN DIRECT OPERATIONS AND BEYOND e.g. Bayer aims for NET-ZERO DEFORESTATION in our supply chain – and we encourage our licensees to do the same. In the Bayer Biodiversity position, we commit to CONSERVING and RESTORING biodiversity within and beyond agricultural fields through our technologies and services and THUS considered palm oil as a topic of HIGH IMPORTANCE and public awareness. The stakeholder dialogue helps us to recognize important trends and developments at an early stage and take this information into account when shaping our business and relevant policies. Combined with our Net Zero deforestation position, CoC and our Position on Biodiversity, we see an obligation for a clear commitment despite the low volume of palm oil derivatives we buy. The policies and position above have an influence into our procurement procedures and emphasize on the requirements for sustainable palm oil derivatives as well as the book and claim process.

| Cattle products | <Not Applicable> | <Not Applicable> | <Not Applicable> |
Soy    Yes Company-wide

Commitment to eliminate conversion of natural ecosystems
Commitment to protect rights and livelihoods of local communities
Commitment beyond regulatory compliance
Commitment to stakeholder awareness and engagement
Commitment to align with the SDGs
Recognition of the overall importance of forests and other natural ecosystems
Description of business dependency on forests
Recognition of potential business impact on forests and other natural ecosystems
List of time-bound commitments and targets
Description of forest-related standards for procurement

I) EXPLANATION WHY THIS CONTENT IS INCLUDED: Regarding soy we have a policy outlined as public commitment on our supplier management website and in our Supplier Code of Conduct (CoC). This process and policy define our activities. We support the certified sustainable production of these raw materials as a purchaser of plant oil derivatives. We are member of the renowned RTRS and purchase so-called "credits" according to the quantities we use. Crop Science also cooperates with the RTRS to provide mutual support in the certification of Brazilian soya bean producers according to the high ecological, social and economic criteria of the RTRS. Bayer officially committed to the SDG #15 Life on Land, we aim to protect, restore and promote sustainable use of terrestrial ecosystems, sustainability manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss. The Bayer Position on Forest Degradation includes a description of our BUSINESS DEPENDENCY ON FOREST outlining that Agriculture innovations can help reduce the need to expand crop production areas into natural habitats such as FOREST. We are constantly updating our policies and activities. Our positions are yearly reviewed by our Sustainability Team. ii) EXPLANATION HOW THE POLICY INFORMS INTERNAL DECISION MAKING: The position includes our commitment to reduce our BUSINESS IMPACT ON FOREST by improving FOREST-RELATED PERFORMANCE IN DIRECT OPERATIONS AND BEYOND e.g. Bayer aims for NET-ZERO DEFORESTATION in our supply chain – and we encourage our licensees to do the same. In the Bayer Biodiversity position, we commit to CONSERVING and RESTORING biodiversity within and beyond agricultural fields through our technologies and services and considered soy as a topic of HIGH IMPORTANCE and public awareness.

Other - Rubber  <Not Applicable> <Not Applicable> <Not Applicable>
Other - Cocoa  <Not Applicable> <Not Applicable> <Not Applicable>
Other - Coffee  <Not Applicable> <Not Applicable> <Not Applicable>

F4.6 (F4.6) Has your organization made a public commitment to reduce or remove deforestation and/or forest degradation from its direct operations and/or supply chain?
   Yes

F4.6a (F4.6a) Has your organization endorsed any of the following initiatives as part of its public commitment to reduce or remove deforestation and/or forest degradation?
   Other, please specify (RSPO; Matopiba Coalition; RTRS; the World Economic Forum (WEF); the WBCSD; the Brazilian Business Council for Sustainable Development (CEBDS); Brazilian Coalition for Climate, Forest and Agriculture; SBTi; Climate smart Agriculture, Xingu 2030)

F4.6b (F4.6b) Provide details on your public commitment(s), including the description of specific criteria, coverage, and actions.
   Forest risk commodity
Palm oil

Criteria
- No conversion of natural ecosystems
- Zero net deforestation
- Avoidance of negative impacts on threatened and protected species and habitats
- Promotion of gender equality and women’s empowerment
- Adoption of the UN International Labour Organization principles
- Facilitate the inclusion of smallholders into the supply chain
- No sourcing of illegally produced and/or traded forest risk commodities
- No sourcing of forest risk commodities from unknown/controversial sources

Operational coverage
- Direct operations and supply chain

% of total production/consumption covered by commitment
- 100%

Cutoff date
- No cutoff date

Commitment target date
- 2026-2030

Please explain
DETAILS: Regarding palm oil we have a policy outlined as public commitment on our supplier management website and referenced in our Supplier Code of Conduct. We are committed to 100% adherence to the RSPO book & claim process and therefore support the production of sustainable palm oil. There is no cut-off date for our commitments. As part of the Bayer Supplier Code of Conduct, we expect a) “Voluntary, usually THIRD PARTY-ASSESSED, norms and standards relating to environmental, social, ethical and safety issues, adopted by companies to demonstrate the performance of their organizations or products in specific areas, e.g. FSC, Roundtable on Sustainable Palm Oil, Responsible Minerals Initiative,” as well as b) to “ensure the conservation of renewable natural resources, suppliers shall promote the application of broadly recognized SUSTAINABILITY STANDARDS and CERTIFICATION that have been developed by multiple stakeholders. Negative impacts on the environment and climate caused by the suppliers or in their supply chain shall be minimized or eliminated at their source”. Additionally, we have a Forest Degradation Position and a biodiversity position. Both positions are valid for all Bayer group companies. The Bayer Deforestation and Forest Degradation Position is a GLOBAL position and therefore valid for the complete Group. Bayer provides innovative solutions to global challenges. Protecting existing forests and helping to restore forest land is a challenge. Working with our farmers, customers and within our supply chain, we seek to address the drivers of deforestation. Agriculture innovations can help reduce the need to expand crop production areas into natural habitats such as woodlands and FOREST. We are continuously promoting sustainable agriculture. EXAMPLES: 1) Bayer aims for net-zero deforestation in our supply chain – and will encourage our licensees to do the same. As the most prominent example, we will ensure 100% compliance with the Brazilian Forest Code in our production fields. 2) We are committed to using Bayer’s expertise and technologies to support Brazil’s goal of restoring 12 million hectares of native forest by 2030. 3) With our ForwardFarming programs for example in the Brazilian Cerrados, Bayer trains and educated farmers with sustainable practices (https://www.cropscience.bayer.com/people-planet/forwardfarming/nossa-senhora-aparecida).

Forest risk commodity
- Soy

Criteria
- No conversion of natural ecosystems
- Zero net deforestation
- Avoidance of negative impacts on threatened and protected species and habitats
- Promotion of gender equality and women’s empowerment
- Adoption of the UN International Labour Organization principles
- Facilitate the inclusion of smallholders into the supply chain
- No sourcing of illegally produced and/or traded forest risk commodities
- No sourcing of forest risk commodities from unknown/controversial sources

Operational coverage
- Direct operations and supply chain

% of total production/consumption covered by commitment
- 100%

Cutoff date
- No cutoff date

Commitment target date
- 2026-2030

Please explain
DETAILS: Regarding soy we have a policy outlined as public commitment on our supplier management website and referenced in our Supplier Code of Conduct. We are committed to 100% adherence to the RTRS book & claim process and therefore support the production of sustainable soy. As part of the Bayer Supplier Code of Conduct, we expect a) “Voluntary, usually THIRD PARTY-ASSESSED, norms and standards relating to environmental, social, ethical and safety issues, adopted by companies to demonstrate the performance of their organizations or products in specific areas, e.g. FSC” as well as b) to “ensure the conservation of renewable natural resources, suppliers shall promote the application of broadly recognized SUSTAINABILITY STANDARDS and CERTIFICATION that have been developed by multiple stakeholders. Negative impacts on the environment caused by the suppliers or in their supply chain shall be minimized or eliminated “. We have a Forest Degradation Position and a biodiversity position. Both positions are valid for all Bayer Group companies. Bayer provides innovative solutions to global challenges. Protecting existing forests and helping to restore forest land is a challenge. Working with our farmers, customers and within our supply chain, we seek to address the drivers of deforestation. Agriculture innovations can help reduce the need to expand crop production areas into natural habitats such as woodlands and FOREST. We are continuously promoting sustainable agriculture. EXAMPLES: 1) Bayer aims for net-zero deforestation in our supply chain – and will encourage our licensees to do the same. As the most prominent example, we will ensure 100% compliance with the Brazilian Forest Code in our production fields. 2) We are committed to using Bayer's expertise and technologies to support Brazil's goal of restoring 12 million hectares of native forest by 2030. 3) On an operational level, Crop Science also cooperates with the RTRS to provide mutual support in the certification of Brazilian soybean producers according to the high ecological, social and economic criteria of the RTRS. 4) With our ForwardFarming programs for example in the Brazilian Cerrados, Bayer trains and educated farmers with sustainable practices (https://www.cropscience.bayer.com/people-planet/forwardfarming/nossa-senhora-aparecida).
F5. Business strategy

F5.1

(F5.1) Are forests-related issues integrated into any aspects of your long-term strategic business plan, and if so how?

<table>
<thead>
<tr>
<th>Are forests-related issues integrated?</th>
<th>Long-term time horizon (years)</th>
<th>Please explain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes, forests-related issues are integrated</td>
<td>5-10</td>
<td>i) ISSUES INTEGRATED: Bayer has reviewed and extended the development of our sustainable strategy in 2019: in a structured process, we looked at the total of 17 SDG goals and 169 targets and identified those where Bayer has the biggest effect on people, the environment and society, and can make the biggest impact through its business. In focusing our strategy on sustainability, we have set our own targets for 2030 that will make a relevant contribution to achieving the UN Development Goals – based on our core competencies, this means in particular combating hunger (SDG 2) and promoting health (SDG 3). However, we will also work resolutely toward promoting gender equality (SDG 5), reducing greenhouse gases, tackling climate change (SDG 13) and supporting life on land (SDG 15). Through the establishment of sustainability goals, we included forest-related topics into our long-term non-financial business objectives (e.g. in supplier management or resource efficiency). For instance, we set the target for NET-ZERO DEFORESTATION in our supply chain – and will encourage our licensees to do the same. As the most prominent example, we will ensure 100% compliance with the Brazilian Forest Code in our production fields. We are committed to using Bayer's expertise and technologies to support Brazil's goal of restoring twelve million hectares of native forest by 2030. Another objective is the commitment to become climate neutral in our own operations by 2030. To accomplish this, we will offset part of our emissions through investments in reforestation projects. ii) EXAMPLES HOW ISSUES ARE INTEGRATED: Sustainability is integrated into our long-term business objectives, leading to projects with sustainability and business relevance. The development of non-financial goals CHANGED the awareness of the importance of sustainability within the company for securing Bayer's license to operate.</td>
</tr>
</tbody>
</table>

Strategy for long-term objectives

| Yes, forests-related issues are integrated | 5-10                          | i) ISSUES INTEGRATED: In focusing our strategy on sustainability, we have set our own targets for 2030 that will make a relevant contribution to achieving the UN Development Goals – based on our core competencies, this means in particular combating hunger (SDG 2) and promoting health (SDG 3). However, we will also work resolutely toward promoting gender equality (SDG 5), reducing greenhouse gases, tackling climate change (SDG 13) and supporting life on land (SDG 15). FOREST considerations as part of climate-change considerations are factored into new product development and therewith have an IMPACT on our strategy for achieving long-term business objectives. ii) EXAMPLES HOW ISSUES ARE INTEGRATED: Forest-related issues to achieve our Bayer Position on Deforestation and Forest Degradation include e.g. the target to control deforestation in our supply chain. |

Financial planning

| Yes, forests-related issues are integrated | 5-10                          | i) ISSUES INTEGRATED: Through the establishment of sustainability goals we included forest-related topics into our financial planning. In focusing our strategy on sustainability, we have set our own targets for 2030 that will make a relevant contribution to achieving the UN Development Goals – based on our core competencies, this means in particular combating hunger (SDG 2) and promoting health (SDG 3). However, we will also work resolutely toward promoting gender equality (SDG 5), reducing greenhouse gases, tackling climate change (SDG 13) and supporting life on land (SDG 15). ii) EXAMPLES HOW ISSUES ARE INTEGRATED: Sustainability including FOREST is integrated into our financial planning, e.g. certificates, reforestation projects (carbon removal projects). |

F6. Implementation

F6.1

(F6.1) Did you have any timebound and quantifiable targets for increasing sustainable production and/or consumption of your disclosed commodity(ies) that were active during the reporting year?

Yes

F6.1a

(F6.1a) Provide details of your timebound and quantifiable target(s) for increasing sustainable production and/or consumption of the disclosed commodity(ies), and progress made.

<table>
<thead>
<tr>
<th>Target reference number</th>
<th>Forest risk commodity</th>
<th>Type of target</th>
<th>Description of target</th>
<th>Linked commitment</th>
<th>Traceability point</th>
<th>Third-party certification scheme</th>
<th>Start year</th>
<th>Target year</th>
<th>Quantitative metric</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target 1</td>
<td>Palm oil</td>
<td>Third-party certification</td>
<td>Achieve 100% coverage of purchased palm derivate adherence to book and claim process.</td>
<td>Zero net/gross deforestation</td>
<td>&lt;Not Applicable&gt;</td>
<td>RSPO Book and Claim</td>
<td>2017</td>
<td>2030</td>
<td>&lt;Not Applicable&gt;</td>
</tr>
</tbody>
</table>
With regard to palm oil derivatives, we support the certified sustainable production of these raw materials as a purchaser of plant oil derivatives, which is especially important in Southeast Asia. We are member of the renowned organization “Roundtable on Sustainable Palm Oil” (RSPO) and purchase so-called “credits” according to the quantities we use. The financial value of these credits rewards farmers who undertake to grow palm oil in a legal and ecologically, socially and economically sustainable way and who demonstrate this as part of an audited certification process. As a purchaser of derivatives we therefore focus on our engagements within the value chain especially on the fields. Through our country organization, we establish contact with farmers and mills to purchase the credits from, therefore we ensure that the financial value of the credits directly arrive and supports sustainable behavior. In our engagement we focus on activities with the highest value.

**F6.2**
## F6.2 Do you have traceability system(s) in place to track and monitor the origin of your disclosed commodity(ies)?

<table>
<thead>
<tr>
<th>Do you have system(s) in place?</th>
<th>Description of traceability system</th>
<th>Exclusions</th>
<th>Description of exclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Timber products</td>
<td>&lt;Not Applicable&gt;</td>
<td></td>
<td>&lt;Not Applicable&gt;</td>
</tr>
<tr>
<td>Palm oil</td>
<td>Yes</td>
<td></td>
<td>&lt;Not Applicable&gt;</td>
</tr>
<tr>
<td></td>
<td>In 2020 Bayer has started to reach out to the main supplier of palm oil derivatives to understand the capabilities, certification, policies and point of origin. At the current point of the disclosure we have advanced with many suppliers and understood the country of origin. The % stated are the result of our engagement project. In the future years, we will try to intensify our efforts. Additionally, to the supplier engagement project we have sound policies, supplier audits, Supplier Code of Conduct, development interactions in place.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cattle products</td>
<td>&lt;Not Applicable&gt;</td>
<td></td>
<td>&lt;Not Applicable&gt;</td>
</tr>
<tr>
<td>Soy</td>
<td>No</td>
<td></td>
<td>&lt;Not Applicable&gt;</td>
</tr>
<tr>
<td>Other - Rubber</td>
<td>&lt;Not Applicable&gt;</td>
<td></td>
<td>&lt;Not Applicable&gt;</td>
</tr>
<tr>
<td>Other - Cocoa</td>
<td>&lt;Not Applicable&gt;</td>
<td></td>
<td>&lt;Not Applicable&gt;</td>
</tr>
<tr>
<td>Other - Coffee</td>
<td>&lt;Not Applicable&gt;</td>
<td></td>
<td>&lt;Not Applicable&gt;</td>
</tr>
</tbody>
</table>

## F6.2a

(F6.2a) Provide details on the level of traceability your organization has for its disclosed commodity(ies).

<table>
<thead>
<tr>
<th>Forest risk commodity</th>
<th>Point to which commodity is traceable</th>
<th>% of total production/consumption volume traceable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Palm oil</td>
<td>Country</td>
<td>37</td>
</tr>
</tbody>
</table>

## F6.2b

(F6.2b) Why do you not have system(s) in place to track and monitor the origin of your disclosed commodity(ies) and what are your plans to develop these in the future?

**Forest risk commodity**

**Soy**

**Primary reason**

We are planning to track and monitor the origin of forest risk commodities within the next two years

**Please explain**

Bayer uses the book & claim process for 100% of our soy derivative consumption. As manufacturer, we are using derivatives from a high number of suppliers, it is very difficult to increase the traceability within the value chain. Especially as we work with many sites around the world. Currently, we are piloting the supplier engagement approach with palm oil and will evaluate to expand the activities in the future. It has to be mentioned that the soy marked is less mature compared to the palm oil market with the well-known certification bodies. We would like to track the country of origin/jurisdiction, compliance with our Supplier Code of Conduct as well as certification standards, measures implemented to fight deforestation.

## F6.3

(F6.3) Have you adopted any third-party certification scheme(s) for your disclosed commodity(ies)?

<table>
<thead>
<tr>
<th>Third-party certification scheme adopted?</th>
<th>% of total production and/or consumption volume certified</th>
</tr>
</thead>
<tbody>
<tr>
<td>Timber products</td>
<td>&lt;Not Applicable&gt;</td>
</tr>
<tr>
<td>Palm oil</td>
<td>Yes</td>
</tr>
<tr>
<td>Cattle products</td>
<td>&lt;Not Applicable&gt;</td>
</tr>
<tr>
<td>Soy</td>
<td>Yes</td>
</tr>
<tr>
<td>Other - Rubber</td>
<td>&lt;Not Applicable&gt;</td>
</tr>
<tr>
<td>Other - Cocoa</td>
<td>&lt;Not Applicable&gt;</td>
</tr>
<tr>
<td>Other - Coffee</td>
<td>&lt;Not Applicable&gt;</td>
</tr>
</tbody>
</table>

## F6.3a
(F6.3a) Provide a detailed breakdown of the volume and percentage of your production and/or consumption by certification scheme.

**Forest risk commodity**
- Palm oil

**Third-party certification scheme**
- RSPO Credits/Book & Claim

**Chain-of-custody model used**
- <Not Applicable>

**% of total production/consumption volume certified**
- 100

**Form of commodity**
- Palm kernel oil derivatives

**Volume of production/consumption certified**
- 13384 Metric tons

**Is this certified by more than one scheme?**
- No

**Please explain**

In the areas of palm oil, we support the certified sustainable production of these raw materials as a purchaser of plant oil derivatives, which is especially important in Southeast Asia. We are member of the renowned organization “Roundtable on Sustainable Palm Oil” (RSPO) and purchase so-called “credits” according to the quantities we use. The financial value of these credits rewards farmers who undertake to grow palm oil in a legal and ecologically, socially and economically sustainable way and who demonstrate this as part of an audited certification process. We yearly review our activities regarding the RSPO membership and book & claim process certification. Our book & claim process is yearly certified by a RSPO certified auditor. As well as our product portfolio and volumes.

**Forest risk commodity**
- Soy

**Third-party certification scheme**
- RTRS Credits

**Chain-of-custody model used**
- <Not Applicable>

**% of total production/consumption volume certified**
- 100

**Form of commodity**
- Soy derivatives

**Volume of production/consumption certified**
- 10490 Metric tons

**Is this certified by more than one scheme?**
- No

**Please explain**

In the areas of soy, we support the certified sustainable production of these raw materials as a purchaser of plant oil derivatives, which is especially important in South America. We are member of the renowned organization “Round Table on Responsible Soy” (RTRS) and purchase so-called “credits” according to the quantities we use. The financial value of these credits rewards farmers who undertake to grow soy in a legal and ecologically, socially and economically sustainable way and who demonstrate this as part of an audited certification process. We yearly review our activities regarding the RTRS membership and book & claim process certification. As well as our product portfolio and volumes.
(F6.4) For your disclosed commodity(ies), do you have a system to control, monitor, or verify compliance with no conversion and/or no deforestation commitments?

<table>
<thead>
<tr>
<th>Commodity</th>
<th>System to control, monitor or verify compliance</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Timber products</td>
<td>&lt;Not Applicable&gt;</td>
<td>&lt;Not Applicable&gt;</td>
</tr>
<tr>
<td>Palm oil</td>
<td>No</td>
<td>As Bayer purchases only a very limited amount from various palm oil derivative suppliers within mostly various upstream suppliers, Bayer cannot verify and trace no conversion or net zero deforestation of palm oil derivates. Through the Bayer policies (e.g. Code of Conduct), Bayer's initiatives (e.g. Brazilian forest coalition) and our voluntary activities (e.g. EcoVadis assessment) we want to minimize the risk of conversion and deforestation. Through a special assessment of our suppliers of palm oil derivatives, we know that more than 90% of these suppliers are already using RSPO MASS BALANCING or RSPO SEGREGATED certifications.</td>
</tr>
<tr>
<td>Cattle products</td>
<td>&lt;Not Applicable&gt;</td>
<td>&lt;Not Applicable&gt;</td>
</tr>
<tr>
<td>Soy</td>
<td>No</td>
<td>As Bayer purchases only a very limited amount from various soy derivative suppliers within mostly various upstream suppliers, Bayer cannot verify and trace no conversion or net zero deforestation for soy derivatives. Through the Bayer policies (e.g. Code of Conduct), Bayer's initiatives (e.g. Brazilian forest coalition) and our voluntary activities (e.g. EcoVadis assessment) we want to minimize the risk of conversation and deforestation. Within our downstream operations we work together with various partners to promote and implement sustainability standards.</td>
</tr>
<tr>
<td>Other - Rubber</td>
<td>&lt;Not Applicable&gt;</td>
<td>&lt;Not Applicable&gt;</td>
</tr>
<tr>
<td>Other - Cocoa</td>
<td>&lt;Not Applicable&gt;</td>
<td>&lt;Not Applicable&gt;</td>
</tr>
<tr>
<td>Other - Coffee</td>
<td>&lt;Not Applicable&gt;</td>
<td>&lt;Not Applicable&gt;</td>
</tr>
</tbody>
</table>

F6.6

(F6.6) For your disclosed commodity(ies), indicate if you assess your own compliance and/or the compliance of your suppliers with forest regulations and/or mandatory standards.

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Assess legal compliance with forest regulations</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Timber products</td>
<td>&lt;Not Applicable&gt;</td>
<td>&lt;Not Applicable&gt;</td>
</tr>
<tr>
<td>Palm oil</td>
<td>Yes, from suppliers</td>
<td>&lt;Not Applicable&gt;</td>
</tr>
<tr>
<td>Cattle products</td>
<td>&lt;Not Applicable&gt;</td>
<td>&lt;Not Applicable&gt;</td>
</tr>
<tr>
<td>Soy</td>
<td>&lt;Not Applicable&gt;</td>
<td>&lt;Not Applicable&gt;</td>
</tr>
<tr>
<td>Other - Rubber</td>
<td>&lt;Not Applicable&gt;</td>
<td>&lt;Not Applicable&gt;</td>
</tr>
<tr>
<td>Other - Cocoa</td>
<td>&lt;Not Applicable&gt;</td>
<td>&lt;Not Applicable&gt;</td>
</tr>
<tr>
<td>Other - Coffee</td>
<td>&lt;Not Applicable&gt;</td>
<td>&lt;Not Applicable&gt;</td>
</tr>
</tbody>
</table>

F6.6a

(F6.6a) For your disclosed commodity(ies), indicate how you ensure legal compliance with forest regulations and/or mandatory standards.

Palm oil

**Procedure to ensure legal compliance**

**COMPANY SPECIFIC DESCRIPTION:** At Bayer we firmly believe that compliance is our license to operate worldwide. We expect all our suppliers to adhere to all applicable laws, compliance regulations, ethical expectations and regulations. Procurement includes our Corporate Compliance Policy in addition to local legal requirements, contractual obligations and corporate regulations. On top of this we go beyond legal compliance and require all our suppliers to ensure adherence to the Bayer Supplier Code of Conduct. Focusing on compliant behavior at an early stage of the business, enables us to operate successfully and sustainably. We all share the aim of providing people with innovative solutions that improve the quality of life. Further information can be found at our compliance website: https://www.bayer.com/en/corporate-compliance/corporate-compliance-policy. METHODS AND TOOLS: We have sound policies and procedures in place to set up contracts with our supplier. The central piece of our contracts is to ensure legal compliance and adherence to mandatory standards. On top of this we go beyond legal compliance and require all our suppliers to ensure adherence to the Bayer Supplier Code of Conduct. In 2020 we started a project to assess the quality of our suppliers and to make sure that they have policies to protect forests implemented. Additionally with our risk based procurement process we regularly check all suppliers and conduct development activities. EXPLANATION WHY THE PROCEDURES IN PLACE ARE SUFFICIENT TO ENSURE LEGAL COMPLIANCE: Despite our contracts securing legal compliance of our suppliers, part of our Supplier Code of Conduct is, that also suppliers shall implement effective management systems and a governance structure to facilitate compliance with all applicable laws and promote continuous improvement with respect to the expectations set forth in this Supplier Code of Conduct.

**Country/Area of origin**

Indonesia
Malaysia

**Law and/or mandatory standard(s)**

ISPO
MSPO

**Comment**

We do not have own managed land with regard to palm oil. We source our palm oil derivatives from the big suppliers who are all very active with regards to sustainability. All other supplier relationships and contracts are based on legal compliance, mandatory standards and our Supplier Code of Conduct. As we only have traceability for the countries Indonesia and Malaysia, we answer this question with that specific focus.
(F6.7) Are you working with smallholders to support good agricultural practices and reduce deforestation and/or conversion of natural ecosystems?

<table>
<thead>
<tr>
<th>Type of commodity</th>
<th>Are you working with smallholders?</th>
<th>Type of smallholder engagement approach</th>
<th>Smallholder engagement approach</th>
<th>Number of smallholders engaged</th>
<th>Please explain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Soy</td>
<td>Yes, working with smallholders</td>
<td>Offering on-site technical assistance and extension services</td>
<td>Providing agricultural inputs</td>
<td>100000000</td>
<td>(i) MAIN STRATEGY OF ENGAGEMENT: More than 500 million smallholder farmers provide eighty percent of the food for communities in Asia, Africa, and South America. Our products, technologies and services already support around 45 million smallholder farmers in LMICs. At Bayer, we want to empower more than a 100 million smallholder farmers in developing countries around the world by providing more access to agricultural solutions that are sustainable. We aim to empower them through collaborative partnerships and innovative solutions that expand agricultural know-how to address their issues. We believe that the increase in productivity will decrease the need to convert forest into agricultural land or to find additional income in forest exploitation.  ii) EXAMPLE/CASE STUDY: a) Training programs, like BayG.A.P., teach smallholder farmers the best management and agriculture practices, including safe use of pesticides, compliance with international trade rules, and how to access local partnerships and outreach efforts. Bayer offers targeted training measures worldwide with a focus on countries where no, or only limited legal requirements, such as certification schemes for operators, are in place. b) For palm smallholder farmers we strongly support farmers in all parts of the world. As part of our book and claim process, Bayer commits to purchase a number of small holder certificates directly especially via our country organizations where small holder farmers are working. In the year 2020, 6 % of our consumptions of palm oil was covered by RSPO Credits from Independent Smallholder. c) With our ForwardFarming programs for example in the Brazilian Cerrados, Bayer trains and educated farmers with sustainable practices, protecting people, preserving the environment and improving the crop. d) To prevent the health crisis arising out of the pandemic also causing a hunger crisis for many farmers, we supported more than 1.5 million smallholder farmers in 15 countries with seed and crop protection products. e) We have roughly 70 Food Chain managers. These experts want to broaden our network and bring its benefits to more people — particularly in helping cultivate new opportunities for smallholder farmers. Certifications are key for farmers today but many farmers lack knowledge and skills to successfully market their produce.</td>
</tr>
<tr>
<td>Palm oil</td>
<td>Yes, working with smallholders</td>
<td>Offering on-site technical assistance and extension services</td>
<td>Providing agricultural inputs</td>
<td></td>
<td>(i) MAIN STRATEGY OF ENGAGEMENT: More than 500 million smallholder farmers provide eighty percent of the food for communities in Asia, Africa, and South America. Our products, technologies and services already support around 45 million smallholder farmers in LMICs. At Bayer, we want to empower more than a 100 million smallholder farmers in developing countries around the world by providing more access to agricultural solutions that are sustainable. We aim to empower them through collaborative partnerships and innovative solutions that expand agricultural know-how to address their issues. We believe that the increase in productivity will decrease the need to convert forest into agricultural land or to find additional income in forest exploitation.  ii) EXAMPLE/CASE STUDY: a) Training programs, like BayG.A.P., teach smallholder farmers the best management and agriculture practices, including safe use of pesticides, compliance with international trade rules, and how to access local partnerships and outreach efforts. Bayer offers targeted training measures worldwide with a focus on countries where no, or only limited legal requirements, such as certification schemes for operators, are in place. b) For palm smallholder farmers we strongly support farmers in all parts of the world. As part of our book and claim process, Bayer commits to purchase a number of small holder certificates directly especially via our country organizations where small holder farmers are working. In the year 2020, 6 % of our consumptions of palm oil was covered by RSPO Credits from Independent Smallholder. c) With our ForwardFarming programs for example in the Brazilian Cerrados, Bayer trains and educated farmers with sustainable practices, protecting people, preserving the environment and improving the crop. d) To prevent the health crisis arising out of the pandemic also causing a hunger crisis for many farmers, we supported more than 1.5 million smallholder farmers in 15 countries with seed and crop protection products. e) We have roughly 70 Food Chain managers. These experts want to broaden our network and bring its benefits to more people — particularly in helping cultivate new opportunities for smallholder farmers. Certifications are key for farmers today but many farmers lack knowledge and skills to successfully market their produce.</td>
</tr>
<tr>
<td>Cattle products</td>
<td>&lt;Not Applicable&gt;</td>
<td>&lt;Not Applicable&gt;</td>
<td>&lt;Not Applicable&gt;</td>
<td>&lt;Not Applicable&gt;</td>
<td>&lt;Not Applicable&gt;</td>
</tr>
<tr>
<td>Other - Rubber</td>
<td>&lt;Not Applicable&gt;</td>
<td>&lt;Not Applicable&gt;</td>
<td>&lt;Not Applicable&gt;</td>
<td>&lt;Not Applicable&gt;</td>
<td>&lt;Not Applicable&gt;</td>
</tr>
<tr>
<td>Other - Cocoa</td>
<td>&lt;Not Applicable&gt;</td>
<td>&lt;Not Applicable&gt;</td>
<td>&lt;Not Applicable&gt;</td>
<td>&lt;Not Applicable&gt;</td>
<td>&lt;Not Applicable&gt;</td>
</tr>
<tr>
<td>Other - Coffee</td>
<td>&lt;Not Applicable&gt;</td>
<td>&lt;Not Applicable&gt;</td>
<td>&lt;Not Applicable&gt;</td>
<td>&lt;Not Applicable&gt;</td>
<td>&lt;Not Applicable&gt;</td>
</tr>
</tbody>
</table>
## F6.8 Are you working with your direct suppliers to support and improve their capacity to comply with your forests-related policies, commitments, and other requirements?

<table>
<thead>
<tr>
<th>Timber products</th>
<th>Are you working with direct suppliers?</th>
<th>Type of direct supplier engagement approach</th>
<th>Direct supplier engagement approach</th>
<th>% of suppliers engaged</th>
<th>Please explain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Palm oil</td>
<td>Yes, working with direct suppliers</td>
<td>Supply chain mapping tool Supplier audits</td>
<td>Supplier questionnaires on environmental and social indicators Developing or distributing supply chain mapping tool Supplier audits</td>
<td>10-20%</td>
<td>i) MAIN STRATEGY OF ENGAGEMENT: In the area of palm oil Bayer supports the certified sustainable production of these raw materials as a purchaser of plant oil derivatives. Bayer is a member of the renowned organization RSPO and purchase so-called “credits” according to the quantities we use. As we only purchase plant oil derivatives, the value chains are complex. The Supplier Code of Conduct takes into account the well-established principles of sustainability incl. FOREST that also have been incorporated in some important internal regulations at the Bayer Group: a) Sustainability is a key element of Bayer’s values and forms an integral part of our business strategy. b) With its Sustainable Development Policy, Bayer has clearly defined its commitment to the principles of sustainable development. c) Bayer’s Group-wide Human Rights Position underscores its efforts to uphold internationally recognized principles in the areas of human rights and working conditions. d) The Corporate Compliance Policy outlines key legal and ethical areas.  ii) EXAMPLE/CASE STUDY: The Code of Conduct promotes the application of broadly recognized sustainability standards and certifications. Sustainability issues are evaluated through an annual risk evaluation in procurement for all our suppliers. Identified suppliers (based on country and business category sustainability risks) are validated through an evidence-based assessment (EcoVadis) or physical on-site audit (TfS or PSCI). Specifically for palm oil, we addressed all our major suppliers to further understand their current activities and promote sustainable behavior. With its comprehensive Supplier Inclusion &amp; Diversity Program, Bayer promotes diversity within the supply chain in the United States and Brazil. In doing so, we account in particular for underrepresented supplier groups such as companies owned or operated by women or members of ethnic minorities. iii) OUTLOOK: As we understand that various suppliers operate with different standards, we have started a project to assess the current activities regarding palm oil derivatives of each supplier. During the last months of 2020 and the first months in 2021 we have reached out to all our 40 palm oil derivatives suppliers to understand their level of certification and other activities.</td>
</tr>
</tbody>
</table>

| Cattle products | <Not Applicable> | <Not Applicable> | <Not Applicable> | <Not Applicable> | <Not Applicable> |
| Soy             | Yes, working with direct suppliers   | Supplier audits Offering credit lines linked to best agricultural practices | Supplier audits Engagement | 10-20%               | i) MAIN STRATEGY OF ENGAGEMENT: In the area of soy Bayer supports the certified sustainable production of these raw materials as a purchaser of plant oil derivatives, which is especially important in Southeast Asia and South America. Bayer is a member of the renowned organization RTRS and purchase so-called “credits” according to the quantities we use. As we only purchase plant oil derivatives, the value chains are complex. The Supplier Code of Conduct takes into account the well-established principles of sustainability incl. FOREST that also have been incorporated in some important internal regulations at the Bayer Group: a) Sustainability is a key element of Bayer’s values and forms an integral part of our business strategy. b) With its Sustainable Development Policy, Bayer has clearly defined its commitment to the principles of sustainable development. c) Bayer’s Group-wide Human Rights Position underscores its efforts to uphold internationally recognized principles in the areas of human rights and working conditions. d) The Corporate Compliance Policy outlines key legal and ethical areas.  ii) EXAMPLE/CASE STUDY: The Code of Conduct promotes the application of broadly recognized sustainability standards and certifications Sustainability issues are evaluated through an annual risk evaluation in procurement for all our suppliers. Identified suppliers (based on country and business category sustainability risks) are validated through an evidence-based assessment (EcoVadis) or physical on-site audit (TfS or PSCI). Specifically for palm oil, we addressed all our major suppliers to further understand their current activities and promote sustainable behavior. With its comprehensive Supplier Inclusion & Diversity Program, Bayer promotes diversity within the supply chain in the United States and Brazil. In doing so, we account in particular for underrepresented supplier groups such as companies owned or operated by women or members of ethnic minorities. iii) OUTLOOK: Bayer strives to be is formalized to help relevant suppliers achieve positive successes in their sustainability performance over the long term. In addition, we want to shift the focus more toward issues such as CO2 emissions (Scope 3) in the supply chain, our supplier diversity and sustainability assessments at tier 2 level. |

| Other - Rubber | <Not Applicable> | <Not Applicable> | <Not Applicable> | <Not Applicable> | <Not Applicable> |
| Other - Cocoa  | <Not Applicable> | <Not Applicable> | <Not Applicable> | <Not Applicable> | <Not Applicable> |
| Other - Coffee | <Not Applicable> | <Not Applicable> | <Not Applicable> | <Not Applicable> | <Not Applicable> |
### Are you working beyond your first-tier supplier(s) to manage and mitigate deforestation risks?

<table>
<thead>
<tr>
<th>Material</th>
<th>Are you working beyond first tier?</th>
<th>Type of indirect engagement</th>
<th>Indirect supplier engagement approach</th>
<th>Please explain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Timber products</td>
<td>&lt;Not Applicable&gt;</td>
<td>&lt;Not Applicable&gt;</td>
<td>&lt;Not Applicable&gt;</td>
<td></td>
</tr>
<tr>
<td>Palm oil</td>
<td>Yes, working beyond first tier</td>
<td>Capacity building</td>
<td>Offering on-site training and technical assistance Participating in workshops Other, please specify (Sustainable Agricultural Competence Center, Supplier Code of Conduct)</td>
<td>MAIN STRATEGY OF ENGAGEMENT: In the area of palm oil Bayer supports the certified sustainable production of these raw materials as a purchaser of plant oil derivatives. As Bayer uses palm oil derivatives only in a small number of products and derivatives are produced in a very complex value chain. As a leading player in the agricultural industry Bayer takes its responsibility across all different levels serious and concentrate on the actual engagement with farmers who have the highest impact. EXAMPLE: a) We are conducting on site trainings for farmers regularly across all regions. There are different models how and with which methods we train farmers, e.g., ForwardFarming, Sustainable Agricultural Competence Centers, BayG.A.P. During the year 2020 we have trained more than 1 million farmers primarily in LATAM and APAC. b) As part of any supplier relation Bayer enforces its Supplier Code of Conduct, we expect all suppliers and subcontractors to share the principles which are expressed in this Supplier Code of Conduct and that comprise an important component of supplier selection and evaluation. Within this expectation there are three key elements: i) The supplier implements a sustainable policy and objectives. ii) He communicates these principles within its supply chain. iii) The supplier expects its suppliers to comply with its defined sustainability principles. c) Bayer's objective is to achieve positive successes in their sustainability performance over the long term. In addition, we want to shift the focus more toward issues such as CO2 emissions (Scope 3) in the supply chain, our supplier diversity and sustainability assessments at tier 2 level. d) At Bayer, we're proud to have roughly 70 Food Chain managers who are working on broadening our network and bring its benefits to more people — particularly in helping cultivate new opportunities for smallholder farmers. Certifications are key for farmers today but many farmers lack knowledge and skills to successfully market their produce. OUTLOOK: Our ambitious objective to reach 100 million smallholder farmer in low- and middle-income countries we will strengthen our engagement to promote sustainable practices.</td>
</tr>
<tr>
<td>Cattle products</td>
<td>&lt;Not Applicable&gt;</td>
<td>&lt;Not Applicable&gt;</td>
<td>&lt;Not Applicable&gt;</td>
<td></td>
</tr>
<tr>
<td>Soy</td>
<td>Yes, working beyond first tier</td>
<td>Capacity building</td>
<td>Offering on-site training and technical assistance Participating in workshops Other, please specify (Sustainable Agricultural Competence Center, Supplier Code of Conduct)</td>
<td>MAIN STRATEGY OF ENGAGEMENT: In the area of soy Bayer supports the certified sustainable production of these raw materials as a purchaser of plant oil derivatives, which is especially important in Southeast Asia and South America. Crop Science also cooperates with the RTRS to provide mutual support in the certification of Brazilian soybean producers according to the high ecological, social and economic criteria of the RTRS. Nevertheless, as a leading player in the agricultural industry Bayer takes its responsibility across all different levels serious and concentrate on the actual engagement with farmers who have the highest impact. EXAMPLE: a) We are conducting on site trainings for farmers regularly across all Bayer regions. There are different models how and with which methods we train farmers, e.g., Bayer Forward Farms, Sustainable Agricultural Competence Centers, BayG.A.P. During the year 2020 we have trained more than 1 million farmers primarily in LATAM and APAC. b) As part of any supplier relation Bayer enforces its Supplier Code of Conduct, we expect all suppliers and subcontractors to share the principles which are expressed in this Supplier Code of Conduct and that comprise an important component of supplier selection and evaluation. Within this expectation there are three key elements: i) The supplier implements a sustainable procurement policy, commitments and objectives. ii) He communicates these principles within its supply chain. iii) He expects its suppliers to comply with its defined sustainability principles. c) Bayer's objective is to achieve positive successes in their sustainability performance over the long term. In addition, we want to shift the focus more toward issues such as CO2 emissions (Scope 3) in the supply chain, our supplier diversity and sustainability assessments at tier 2 level. d) At Bayer, we're proud to have roughly 70 Food Chain managers who are working on broadening our network and bring its benefits to more people — particularly in helping cultivate new opportunities for smallholder farmers. Certifications are key for farmers today but many farmers lack knowledge and skills to successfully market their produce. OUTLOOK: Our ambitious objective to reach 100 million smallholder farmer in low- and middle-income countries we will strengthen our engagement to promote sustainable practices.</td>
</tr>
<tr>
<td>Other - Rubber</td>
<td>&lt;Not Applicable&gt;</td>
<td>&lt;Not Applicable&gt;</td>
<td>&lt;Not Applicable&gt;</td>
<td></td>
</tr>
<tr>
<td>Other - Cocoa</td>
<td>&lt;Not Applicable&gt;</td>
<td>&lt;Not Applicable&gt;</td>
<td>&lt;Not Applicable&gt;</td>
<td></td>
</tr>
<tr>
<td>Other - Coffee</td>
<td>&lt;Not Applicable&gt;</td>
<td>&lt;Not Applicable&gt;</td>
<td>&lt;Not Applicable&gt;</td>
<td></td>
</tr>
</tbody>
</table>

---

**F6.10**
(F6.10) Do you participate in external activities and/or initiatives to promote the implementation of your forests-related policies and commitments?

**Forest risk commodity**
- Palm oil

**Do you participate in activities/initiatives?**
- Yes

**Activities**
- Involved in multi-partnership or stakeholder initiatives

**Initiatives**
- UN Global Compact
- Global Reporting Initiative (GRI) Community Member
- Roundtable on Sustainable Palm Oil (RSPO)
- Other, please specify (WWF questionnaire, Science Based Target Initiative, CDP Forest)

**Jurisdictional approaches**
- <Not Applicable>

Please explain

BAYER’S ROLE IN THIS ACTIVITY: As a leading player in the agricultural industry, Bayer participates in various external activities, initiatives as well as engages with policy makers around the world, e.g., we participate in the UN Global Compact, a strategic initiative for companies that undertake to align their business activities and strategies with ten universally recognized principles in the areas of human rights, labor standards, environmental protection and the fight against corruption. Bayer was one of the first signatories in 2000. Bayer believes in the interaction and collaboration of recognized sustainability standards and initiatives to further drive sustainable development. Therefore, we engage in a number of initiatives, e.g., Global Reporting Initiative, Science Based Targets Initiative as well as in the Roundtable on Sustainable Palm Oil. Additionally, within various industry platforms and associations we engage in different governmental and non-governmental initiatives, one recent example was our statement the new EU-deforestation regulation. On the local level, we engage with various local as well as global foundations e.g. GATES foundation to support local communities. All our engagements support sustainable actions to safeguard stable, long-term growth for our company and make a positive value contribution to society, this includes forest-related topics. FIT WITH ENVIRONMENTAL STRATEGY OF THE COMPANY: During a regular dialogue with associations we build up and update our strategy as a company. Sustainability is a core part of our business strategies. We believe in this partnership approach to further develop in different areas. Our climate strategy is a result of the interaction with the Science Based Targets Initiative. One building block of this climate strategy are removal and offsetting projects where we support biodiversity and forests. On the other side as part of our social commitments we have set out a target to support 100 million smallholders. A result of these engagement should be the decrease of pressure on the ecosystem.

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(F6.11) Is your organization supporting or implementing project(s) focused on ecosystem restoration and protection?

Yes

---

(F6.11a) Provide details on your project(s), including the extent, duration, and monitoring frequency. Please specify any measured outcome(s).

---

(F6.11a) Is your organization supporting or implementing project(s) focused on ecosystem restoration and protection?

Yes

(F6.11a) Provide details on your project(s), including the extent, duration, and monitoring frequency. Please specify any measured outcome(s).
### Project 1

**Project type**  
Forest ecosystem restoration

**Primary motivation**  
Voluntary

**Description of project**  
On this project Bayer collaborates with First Climate (https://www.firstclimate.com/) in the State of Para, Brazil. In 2020, Bayer joined a project started in 2008 and the aim is to enhance the natural ecosystem capacity with high project standards (Verified Carbon Standard VCS, Climate, Community & Biodiversity CCB Standard, REDD+). We benefit the ecosystem, break the cycle of deforestation, stop soil erosion and fix carbon in the soil. This project focuses on the protection of accessible and inaccessible forest areas. This will allow for the forest to re-grow. Surveillance teams keep the area under rigorous monitoring to prevent illegal logging and squatters from claiming lands. To achieve permanent surveillance, the project employs local village members who live within the project region. To qualify them, they receive special training in forest management and monitoring. Regular reports will locate existing agricultural areas so as to identify areas that may have been newly deforested. Another aspect of this project is the distribution of improved cook stoves that replace inefficient traditional open fires to reduce firewood consumption. Our objective is to offset carbon emissions, enhance biodiversity and restore the natural capacity.

**Start year**  
2020

**Target year**  
Indefinitely

**Project area to date (Hectares)**  
180000

**Project area in the target year (Hectares)**  
180000

**Country/Area**  
Brazil

**Latitude**  
5

**Longitude**  
52

**Monitoring frequency**  
Six-monthly or more frequently

**Measured outcomes to date**  
Biodiversity  
Carbon sequestration  
Soil  
Climate regulation

**Please explain**

The Brazilian Constitution allows squatters to invade and claim public and private lands if these appear to be under no-productive use. Forest covered land is assumed to be non-productive thus under no use. Deforested land is worth 5 - 10 times more than the equivalent forested area. Due to unclear land tenure and weak law enforcement, squatters move freely in the project area. After 5 years of usage, squatters even gain land rights to the occupied areas. Without this project, it is likely that deforestation of the area would continue at a rate of 1.7% annually from squatters alone. We measure the success in restored natural capacity, enhanced biodiversity and sequestered carbon. We expect to have seen environmental improvements and social improvements of the local community at the same time. Details about the project can be found here: https://www.firstclimate.com/en/our-carbon-offset-projects/brazil-locals-protect-their-forest-from-illegal-logging/

### Project 2

**Project type**  
Reforestation

**Primary motivation**  
Voluntary

**Description of project**  
RevitaBayer is an initiative from our Bayer South America Logistics team that started in 2013 (formerly RevitaMon) that has the objectives of reducing the environmental impact caused by our distribution operations, to engage as well as educate communities and to create sociocultural value to suppliers. Initially focused on the compensation of CO2 emitted from our transportation activities, the program expanded in 2020 to a broader perspective and now embraces actions to also minimize emissions by adopting good practices around energy efficiency in both transportation and warehousing, such as load and network optimization, warehouse eco-building, etc. Trees are planted and financed by suppliers, proportionally to their operation size. Suppliers receive bonus at their performance evaluation, are mentioned in communication materials and sustainable action is a criteria for supplier selection. Crop Science Brasil logistics team, the program has shown significant growth over the years and has already reached the mark of 111 thousand seedlings planted since then. The initiative went beyond Brazilian borders, reaching Argentina in 2017, the year in which it was also recognized with the HSE (Global Safety and Health Awards) award.

**Start year**  
2013

**Target year**  
Indefinitely

**Project area to date (Hectares)**  
870

**Project area in the target year (Hectares)**  
870

**Country/Area**
Brazil

Latitude
12

Longitude
39

Monitoring frequency
Six-monthly or more frequently

Measured outcomes to date
Biodiversity
Carbon sequestration
Climate regulation

Please explain
RevitaBayer seeks to reinvigorate and revitalize degraded environmental areas, planting several native trees in the regions. The planting target is calculated based on the number of kilometres driven and the types of vehicles used by each carrier in the previous year. REVITA project Expansion of LATAM tree planting carbon offset program – 45,558 trees were planted in 2019. As this program takes place all over the countries Brazil and Argentina only one location was used for the longitude and latitude.

F7. Verification

F7.1

(F7.1) Do you verify any forests information reported in your CDP disclosure?
Yes

F7.1a

(F7.1a) Which data points within your CDP disclosure have been verified, and which standards were used?

Disclosure module
F1. Current State

Data points verified
Bayer has met the requirements of the RSPO Book and Claim Module, this includes our processes, consumption and 100% coverage of palm oil.(see F1.5a).

Verification standard
Book and Claim RSPO Credits Certificates

Please explain
To ensure the credibility of palm oil sustainability claims, all RSPO members that take legal ownership and produce, or handle RSPO-certified sustainable oil palm products need to be RSPO certified. Bayer as a member of RSPO has been yearly certified and audited since 2017 by an external certification provider. Since 2017, Bayer has met the requirements of the RSPO Book and Claim Module, for the purchase of RSPO Credit Certificate. We fully comply to the standards and requirements of the RSPO book and claim process. Additionally, we transparently answer the RTRS and WWF questionnaires, other external inquiries as well as transparently commit and announce to our responsibilities via the official Bayer.com website.

Disclosure module
F6. Implementation

Data points verified
Bayer has met the requirements of the RSPO Book and Claim Module, this includes our processes, consumption and 100% coverage of palm oil.(see F6.3).

Verification standard
Book and Claim RSPO Credits Certificates

Please explain
To ensure the credibility of palm oil sustainability claims, all RSPO members that take legal ownership and produce, or handle RSPO-certified sustainable oil palm products need to be RSPO certified. Bayer as a member of RSPO has been yearly certified and audited since 2017 by an external certification provider. Since 2017, Bayer has met the requirements of the RSPO Book and Claim Module, for the purchase of RSPO Credit Certificate. We fully comply to the standards and requirements of the RSPO book and claim process. Additionally, we transparently answer the RTRS and WWF questionnaires, other external inquiries as well as transparently commit and announce to our responsibilities via the official Bayer.com website.

F8. Barriers and challenges

F8.1
Describe the key barriers or challenges to eliminating deforestation and/or conversion of other natural ecosystems from your direct operations or from other parts of your value chain.

**Forest risk commodity**
- Palm oil

**Coverage**
- Supply chain

**Primary barrier/challenge type**
- Supply chain complexity

**Comment**
There are many interconnected barriers and challenges to sourcing sustainable palm oil derivates. Supply chain complexity and transparency, as well as public awareness and local regulations hinder the move towards 100% deforestation and conversion free palm. As purchaser of derivatives, with various stakeholders and companies involved in the process, the transparency and requirements are high to adhere too. This complexity and the different activities to certify all our processes and supply locations are key reasons to continue with the book and claim process on short term. Due to different global challenges like climate change including food security there is a need to follow the path of sustainable agriculture and business activities. Bayer aims to use its ability as an impact generator to drive this change. Additionally, it is observable that the current non-binding regulations are not sufficient for non-deforestation and non-conversion. One clear indication is the continued high amount of deforestation and that approximately only 20% of all global palm oil is certified. In 2020, Bayer has started a supplier engagement project with the overarching objective to remove these barriers and challenges and to increase sustainability within our value chain. This project is especially focused on palm oil derivatives, once successful this will be expanded.

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**Forest risk commodity**
- Soy

**Coverage**
- Supply chain

**Primary barrier/challenge type**
- Supply chain complexity

**Comment**
There are many interconnected barriers and challenges to sourcing sustainable soy derivates. Supply chain complexity and transparency, as well as public awareness and local regulations hinder the move towards 100% deforestation and conversion free soy. As purchaser of derivatives, with various stakeholders and companies involved in the process, the transparency and requirements are high to adhere too. This complexity and the different activities to certify all our processes and supply locations are key reasons to continue with the book and claim process on short term. Due to different global challenges like climate change including food security there is a need to follow the path of sustainable agriculture and business activities. Bayer aims to use its ability as an impact generator to drive this change. Additionally, it is observable that the current non-binding regulations are not enough for non-deforestation and non-conversion. During the RTRS Executive Board meetings in November 2019, The RTRS forecasted to have 3.6 million tons of soy certified for the complete year 2019. Compared to the 57.4 million tons for the period between 2018-2019, the amount of RTRS certified soy seems very limited. At the same time deforestation at the planet remains on a high level. In 2020, Bayer has started a supplier engagement project with the overarching objective to remove these barriers and challenges and to increase sustainability within our value chain. This project is especially focused on palm oil derivatives, once successful this will be expanded.
Describe the main measures that would improve your organization’s ability to manage its exposure to deforestation and/or conversion of other natural ecosystems.

**Forest risk commodity**
- Palm oil

**Coverage**
- Supply chain

**Main measure**
- Improved data collection and quality

**Comment**
Bayer commits to continue using the BOOK and CLAIM PROCESS to further promote the production of SUSTAINABLE PALM. Within our activities we will engage and emphasize on the support to NET-ZERO DEFORESTATION and the engagement with local communities and global suppliers. Agriculture innovations (seed varieties, crop protection products, digital farming solutions and stewardship methods) can help reduce the need to expand crop production areas into natural habitats such as woodlands and forests. Bayer’s commitments to reduce by 30% the environmental impact of crop protection and greenhouse gas emissions on our customers’ fields, by 2030. Bayer has committed to help 100 million smallholder farmers increase their livelihood in farming. We believe that the increase in productivity will decrease the need to convert forest into agricultural land or to find additional income in forest exploitation. Bayer is currently implementing programs for vegetation management and afforestation. Implementing native species afforestation programs and including the use of herbicides to control invasive grass species has been found to provide a 3 times greater above ground biomass and improved species richness compared to less intensive, spontaneous regeneration methods (Brancalion et al, 2019) thanks to well selected native seedlings and modern agronomic technology. Bayer aims for net-zero deforestation in our supply chain – and will encourage our supplier to do the same as our greater supplier awareness and engagement. As the most prominent example, we will ensure 100% compliance with the Brazilian Forest Code in our production fields. Bayer enforces the value of international cooperation such as regulation to promote viable measures in sustainable development and environmental protection. This is why we continue to support forest protection instruments in trade agreements as long as they are science-based, equitable and safeguard an open and non-discriminatory trading system. One example is Bayer’s active participation in the ongoing legislative process for the proposed EU regulation on deforestation. In 2020, Bayer has started a supplier engagement project with the overarching objective to remove these barriers and challenges and to increase sustainability within our value chain.

**Forest risk commodity**
- Palm oil

**Coverage**
- Supply chain

**Main measure**
- Greater transparency

**Comment**
Bayer commits to continue using the BOOK and CLAIM PROCESS to further promote the production of SUSTAINABLE PALM. Within our activities we will engage and emphasize on the support to NET-ZERO DEFORESTATION and the engagement with local communities and global suppliers. Agriculture innovations (seed varieties, crop protection products, digital farming solutions and stewardship methods) can help reduce the need to expand crop production areas into natural habitats such as woodlands and forests. Bayer’s commitments to reduce by 30% the environmental impact of crop protection and greenhouse gas emissions on our customers’ fields, by 2030. Bayer has committed to help 100 million smallholder farmers increase their livelihood in farming. We believe that the increase in productivity will decrease the need to convert forest into agricultural land or to find additional income in forest exploitation. Bayer is currently implementing programs for vegetation management and afforestation. Implementing native species afforestation programs and including the use of herbicides to control invasive grass species has been found to provide a 3 times greater above ground biomass and improved species richness compared to less intensive, spontaneous regeneration methods (Brancalion et al, 2019) thanks to well selected native seedlings and modern agronomic technology. Bayer aims for net-zero deforestation in our supply chain – and will encourage our supplier to do the same as our greater supplier awareness and engagement. As the most prominent example, we will ensure 100% compliance with the Brazilian Forest Code in our production fields. Bayer enforces the value of international cooperation such as regulation to promote viable measures in sustainable development and environmental protection. This is why we continue to support forest protection instruments in trade agreements as long as they are science-based, equitable and safeguard an open and non-discriminatory trading system. One example is Bayer’s active participation in the ongoing legislative process for the proposed EU regulation on deforestation. In 2020, Bayer has started a supplier engagement project with the overarching objective to remove these barriers and challenges and to increase sustainability within our value chain.

**Forest risk commodity**
- Soy

**Coverage**
- Supply chain

**Main measure**
- Improved data collection and quality

**Comment**
Bayer commits to continue using the CREDIT PROCESS to further promote the production of SUSTAINABLE SOY. Within our activities we will further engage and emphasize on the support to NET-ZERO DEFORESTATION and the engagement with local communities and global suppliers. Agriculture innovations (seed varieties, crop protection products, digital farming solutions and stewardship methods) can help reduce the need to expand crop production areas into natural habitats such as woodlands and forests. Bayer’s commitments to reduce by 30% the environmental impact of crop protection and greenhouse gas emissions on our customers’ fields, by 2030. Bayer has committed to help 100 million smallholder farmers increase their livelihood in farming. We believe that the increase in productivity will decrease the need to convert forest into agricultural land or to find additional income in forest exploitation. Bayer is currently implementing programs for vegetation management and afforestation. Implementing native species afforestation programs and including the use of herbicides to control invasive grass species has been found to provide a 3 times greater above ground biomass and improved species richness compared to less intensive, spontaneous regeneration methods (Brancalion et al, 2019) thanks to well selected native seedlings and modern agronomic technology. Bayer aims for net-zero deforestation in our supply chain – and will encourage our supplier to do the same as our greater supplier awareness and engagement. As the most prominent example, we will ensure 100% compliance with the Brazilian Forest Code in our production fields. Bayer shares the value of international cooperation to promote viable measures in sustainable development and environmental protection. This is why we continue to support forest protection instruments in trade agreements as long as they are science-based, equitable and safeguard an open and non-discriminatory trading system. One example is Bayer’s active participation in the ongoing legislative process for the proposed EU regulation on deforestation. In 2020, Bayer has started a supplier engagement project with the overarching objective to remove these barriers and challenges and to increase sustainability within our value chain. Learnings of the palm oil project will be included in a starting soy project.
F-FI

(F-FI) Use this field to provide any additional information or context that you feel is relevant to your organization’s response. Please note that this field is optional and is not scored.

F17.1

(F17.1) Provide the following information for the person that has signed off (approved) your CDP forests response.

<table>
<thead>
<tr>
<th>Job Title</th>
<th>Corresponding job category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bayer AG Chairman of the Board of Management (CEO) and Chief Sustainability Officer (CSO)</td>
<td>Chief Executive Officer (CEO)</td>
</tr>
</tbody>
</table>

SF. Supply chain module

SF0.1

(SF0.1) What is your organization’s annual revenue for the reporting period?

<table>
<thead>
<tr>
<th>Annual revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>41400000000</td>
</tr>
</tbody>
</table>

SF0.2

(SF0.2) Do you have an ISIN for your organization that you are willing to share with CDP?  
Yes

SF0.2a

(SF0.2a) Please share your ISIN in the table below.

<table>
<thead>
<tr>
<th>ISIN country code</th>
<th>ISIN numeric identifier (including single check digit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DE</td>
<td>000BAY0017</td>
</tr>
</tbody>
</table>

SF1.1

(SF1.1) In F6.3 you were asked “Have you adopted any third-party certification scheme(s) for your disclosed commodity(ies)? Indicate the volume and percentage of your certified production and/or consumption”. Can you also indicate, for each of your disclosed commodity(ies), the percentage of certified volume sold to each requesting CDP supply chain member?  
Yes
**SF1.1a** For each of your requesting CDP supply chain members, indicate the percentage of certified volume sold per disclosed commodity(ies).

<table>
<thead>
<tr>
<th>Requesting member</th>
<th>Forest risk commodity</th>
<th>Form of commodity</th>
<th>Third-party certification scheme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Walmart, Inc.</td>
<td>Palm oil</td>
<td>Palm kernel oil derivatives</td>
<td>RSPO Book and Claim</td>
</tr>
</tbody>
</table>

**Total volume of commodity sold to member**

<table>
<thead>
<tr>
<th>Metric</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metric tons</td>
</tr>
</tbody>
</table>

**What % of the volume reported in column 5 is certified?**

100%

**Comment**

In the areas of palm (kernel)oil and soy we support the certified sustainable production of these raw materials as a purchaser of plant oil derivatives, which is especially important in Southeast Asia and South America. We are member of the “Roundtable on Sustainable Palm Oil” (RSPO) and “Round Table on Responsible Soy” (RTRS), and buy RSPO- and RTRS-credits according to the quantities we use. The purchase of these credits rewards farmer who grow palm oil and soy in a legal and ecologically, socially and economically sustainable way and who demonstrate this as part of an audited certification process. For all our volumes we purchase credits, therefore the coverage is 100% for the selected supplier.

<table>
<thead>
<tr>
<th>Requesting member</th>
<th>Forest risk commodity</th>
<th>Form of commodity</th>
<th>Third-party certification scheme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Walmart, Inc.</td>
<td>Soy</td>
<td>Soy derivatives</td>
<td>RTRS Credits</td>
</tr>
</tbody>
</table>

**Total volume of commodity sold to member**

<table>
<thead>
<tr>
<th>Metric</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metric tons</td>
</tr>
</tbody>
</table>

**What % of the volume reported in column 5 is certified?**

100%

**Comment**

In the areas of palm (kernel)oil and soy we support the certified sustainable production of these raw materials as a purchaser of plant oil derivatives, which is especially important in Southeast Asia and South America. We are member of the “Roundtable on Sustainable Palm Oil” (RSPO) and “Round Table on Responsible Soy” (RTRS), and buy RSPO- and RTRS-credits according to the quantities we use. The purchase of these credits rewards farmer who grow palm oil and soy in a legal and ecologically, socially and economically sustainable way and who demonstrate this as part of an audited certification process. For all our volumes we purchase credits, therefore the coverage is 100% for the selected supplier.

**SF2.1**

(SF2.1) Please propose any mutually beneficial forests-related projects you could collaborate on with specific CDP supply chain members.

<table>
<thead>
<tr>
<th>Requesting member</th>
<th>Commodity related to the project</th>
<th>Category of project</th>
<th>Type of project</th>
<th>Estimated timeframe for realization of benefits to customer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Walmart, Inc.</td>
<td>Soy</td>
<td>Certification</td>
<td>Increase in coverage of commodity certified</td>
<td>&gt; 6 years</td>
</tr>
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</table>

**Details of project**

i) As part of our engagement in the RTRS Executive Board we support the certification of sustainable soy. We would very welcome Walmart to join our activities and projects in various areas and countries. ii) We have roughly 70 Food Chain managers. These experts want to broaden our network and bring its benefits to more people — particularly in helping cultivate new opportunities for smallholder farmers. Certifications are key for farmers today, but many farmers lack knowledge and skills to successfully market their produce. We are constantly looking for partners for our food change certification activities.

**Projected outcome**

Promote sustainable production of forest-related commodities, Support SDGs.
(SF2.2) Have requests or initiatives by CDP supply chain members prompted your organization to take organizational-level action to reduce or remove deforestation/forest degradation from your operations or your supply chain?
No

(SF3.1) For your disclosed commodity(ies), do you estimate the GHG emission reductions and/or removals from land use and land use change that have occurred in your direct operations and/or supply chain?

Palm oil
Estimate GHG emissions and removals from land use and land use change
Yes, but not willing to share details
Please explain
We expect and assume GHG emission reductions from sustainable production, but at this point of time we are not able to share and quantify these reliably.

Soy
Estimate GHG emissions and removals from land use and land use change
Yes, but not willing to share details
Please explain
We expect and assume GHG emission reductions from sustainable production, but at this point of time we are not able to share and quantify these reliably.

Submit your response

In which language are you submitting your response?
English

Please confirm how your response should be handled by CDP

<table>
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<tr>
<th>I am submitting my response</th>
<th>I am submitting to</th>
<th>Public or Non-Public Submission</th>
<th>Are you ready to submit the additional Supply Chain questions?</th>
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<td>I am submitting response</td>
<td>Investors</td>
<td>Public</td>
<td>Yes, I will submit the Supply Chain questions now</td>
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<td>Customers</td>
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Please confirm below
I have read and accept the applicable Terms