



Our views on

Climate Mitigation in Industry and Agriculture

At a Glance

- Bayer is committed to mitigate climate change and limit global warming to 1.5 degrees Celsius in line with the Paris Agreement. We have set ourselves a Science Based Target to decarbonize and a net zero target including our supply chain for 2050.
- Additionally, Bayer wants to be climate-neutral in its own operations by 2030 and to help reduce greenhouse gas emissions in our major agricultural markets by 30%.
- The transformation catalyzes the development of new technologies, business models and operational practices in industry and agriculture. Innovation for climate mitigation and adaptation should be inclusive towards all promising technologies.
- Bayer supports regulatory frameworks and policy initiatives that promote innovative low carbon and carbon neutral products, processes and business models and strengthen industry competitiveness at the same time.
- From 2021, 20% of the Group-wide quantitative targets, which include climate protection targets, will be used to determine the long-term variable remuneration of the Board of Management and senior executives. Sustainability is already a fixed component of annual variable remuneration for all employees.

Climate change is one of the world's most pressing challenges. Without suitable countermeasures, global temperatures will rise by well over 2 degrees Celsius. This will threaten our planet's ecosystems, jeopardize the health of people, animals, and plants, and place the food supply for a growing world population at risk. At Bayer's operations, greenhouse gas (GHG) emissions are primarily caused by the combustion of primary energy sources such as gas and oil. These are used to generate electricity, steam, and auxiliary energy (such as for heating and cooling) to produce our products. In our value chain, most emissions are related to purchased goods & services.

Bayer's Contribution: Our Climate Objectives and Initiatives

As a life science company, Bayer has recognized the risks posed by global climate change. We aim to continuously reduce GHG emissions within our company and along our entire value chain in accordance with the UN SDGs, the Paris Agreement, and the goal to limit global warming to 1.5 degrees Celsius above pre-industrial levels. We have also joined the world's leading Science Based Targets initiative.

Bayer wants to decarbonize along a 1.5 degrees pathway with a Science Based Target. To accomplish this, we will combine efficiency measures, such as more efficient inward and outward ventilation systems, a move to climate-neutral technologies, such as geothermal energy for heating and cooling, and a switch to 100% purchased electricity from renewable sources.

Bayer wants to be climate-neutral by 2030 in its own operations. The remaining emissions after decarbonization will be offset by purchasing certificates from climate protection projects with recognized quality standards. The offset projects will be related to our business and come from forest and agriculture projects.

We aim to reduce GHG emissions along the up- and downstream value chain through cooperation with suppliers and customers by at least 12.3% in 2029 compared to 2019. As such a target cannot be achieved by acting alone, Bayer has joined with other ambitious companies to drive progress as part of the chemical industry's "Together for Sustainability" initiative. The company is also a member of the CDP Supply Chain Initiative and is in direct contact with key suppliers.

We have committed to a 30% reduction of the GHG footprint of the most emitting crop systems in the regions Bayer serves by 2030. We foster the adoption of climate-smart practices and technologies by our farming customers. Combining different levers to customize profitable tailored solutions such as high-yielding crop genetics, crop protection agents, water use efficiency, soil management tactics, and digital tools is key. Bayer works on enabling methodologies that contribute to the acceptance of farmers' contributions and facilitate and reward changes towards climate-smart agriculture. We want to advance a carbon-zero future for agriculture.

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. 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. We recognize that land-use change is one of the biggest contributors to GHG emissions in agriculture and must be limited to preserve biodiversity and avoid carbon emissions.

Bayer's Position: Enhancing Carbon Mitigation Industry and Agriculture

Bayer supports regulatory frameworks and policy initiatives that both promote innovative low carbon and carbon neutral products, processes, value chains, and business models and strengthen industry competitiveness:

- // **It is crucial to maintain the openness of innovative ideas and to support new technologies.** The transformation to carbon neutrality catalyzes the development of a range of new technologies, business models, and operational practices in industry and agriculture. It is our conviction that innovation for climate mitigation and adaptation should be inclusive of all promising technologies. Openness – supported by a diversity of tools and methods and careful consideration of individual trade-offs and synergies that relate to specific local environments – strengthens resilient networks.
- // **A successful transformation requires an integrated consideration of social, environmental, and economic needs.** Decisions on the use of a technology for mitigation should be based on an integrated analysis of social, environmental, and economic risks and benefits. Social acceptance is essential and prerequisite to secure both social inclusion and competitiveness future prosperity.
- // **Climate neutrality should be embedded into both industry and agriculture policy strategies** to transform into a climate-neutral and sustainable economy while preserving competitiveness at the same time. Action plans to establish additional incentive mechanisms for good practices supporting GHG emission reduction targets in industry and agriculture are widely and globally necessary. Country-based measures always need to be in line with WTO framework and further international agreements.
- // **Renewable energies are the basis for climate-neutral production.** Climate neutrality will be achieved to a large extent by switching from fossil fuels to renewable energies. To foster the energy transition, governments need to ensure cost competitive alternatives to fossil fuels, to guarantee supply security of renewable energies, and to ensure the availability of adequate systems for purchasing renewable energies.
- // **In agriculture, a certification to a recognized standard is key so that farmers will be able to quantify, verify, certify, and sell their GHG emission savings** as carbon credits to industries willing

to offset their carbon footprint. Pricing for these high-quality offsets should be appropriate to outweigh the implementation, verification, and certification costs ensuring the return on investment for farmers.

- // **We recognize that land-use change is one of the biggest contributors to GHG emissions in agriculture** and must be limited to preserve biodiversity and avoid carbon emissions. We strongly encourage public and private sector investments in innovations that support sustainable intensification of food production and advocate for policies and foster market mechanisms that enable such innovations to provide opportunities for ecosystem diversity improvements and carbon removals due to the reduced land footprint of agriculture.
- // **Digital enables a more sustainable manner of farming.** New digital applications should be accepted as tools that mitigate climate change in farming. Given its potential, digital farming should be a priority of government's strategic plans and reflected in agricultural policymaking. Preconditions for the success of digital technologies in farming include robust data access and privacy policies, rural connectivity, agriculture, and environmental regulations incorporating the capabilities of digital technologies.