

Bayer AG

Company Information

Country
Germany

ISIN
DE000BAY0017

Industry
Chemicals

Key Results

Rating
C+

Transparency Level
Very High

Status
Not Prime

Decile Rank
1

Performance score
48.19

Prime Threshold
B-

Absolute Rating

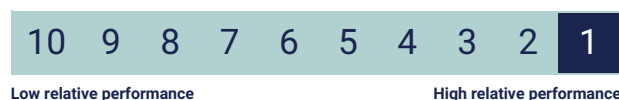


The assessment of a company's sustainability performance is based on approximately 100 criteria, selected specifically for each industry. A company's failure to disclose, or lack of transparency, regarding these matters will impact a company's rating negatively

Transparency Level



Decile Rank

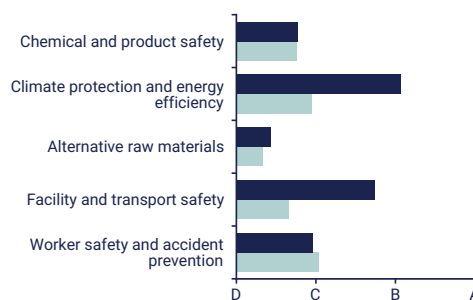


Industry Leaders

Company name (in alphabetical order)	Country	Grade
Clariant AG	CH	B-
Evonik Industries AG	DE	B-
Koninklijke DSM NV	NL	B-

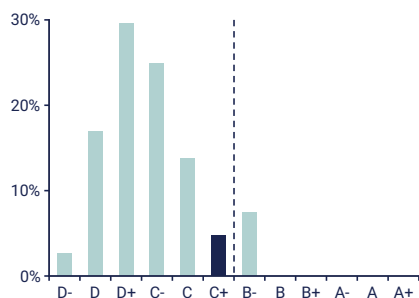
Legend: ■ Industry ■ Company --- Prime

Key Issue Performance



Distribution of Ratings

189 companies in the industry



Rating History



Bayer AG

Analyst Opinion

Sustainability Opportunities

Bayer has three main business segments: the Crop Science business (46% of net sales in FY20) and the Pharmaceuticals (42%) as well as Consumer Health (12%) business. The Crop Science business includes Monsanto, which was acquired by Bayer in June 2018. Main products marketed by Bayer Crop Science, and formerly Monsanto, are conventional and genetically modified (GM) seeds and pesticides. As one of the world's largest agrochemicals and seeds companies, Bayer operates in an area of conflict between contributing to food security and promoting unsustainable farming practices with negative environmental and health impacts (e.g., biodiversity losses, pest resistance, and workers' exposure to hazardous substances).

Meanwhile, the Pharmaceuticals and Consumer Health businesses are engaged in, e.g., prescription and over-the-counter medicines and diagnostic products. Bayer's pharmaceuticals product portfolio focuses, among others, on cardiology, oncology, and hematology. Thus, the company is targeting widespread chronic diseases and contributing to public health. Bayer's efforts to improve access to medicine in underserved regions is aligned with sustainable development goals and the company offers assistance programs. However, the company's R&D activities which target neglected tropical diseases appear to be comparatively small.

Sustainability Risks

Several environmental and social risks are associated with the company's agricultural business. Bayer is a major producer of genetically modified seeds, e.g., herbicide tolerant seeds. The use of genetically modified seeds is linked with pesticide-overuse leading to weed resistance and biodiversity loss. Bayer also produces hazardous crop protection products and several pesticides in its current portfolio are considered to pose high risks. These include neonicotinoids which are associated with massive bee death and the product Roundup (a herbicide based on the active ingredient glyphosate), which has been heavily criticized for its adverse health effects. The company has implemented initial steps towards a sustainable chemicals strategy, e.g., a clear target for conducting comprehensive risk assessments of its portfolio as well as a commitment to applying the precautionary principle and reducing substances of concern.

Within the health care related segments relevant environmental and social risks are addressed to some extent. Regarding clinical trials, the company is committed to adhere to internationally accepted ethical guidelines, but does not provide many details on how these standards are implemented (e.g., specific measures to protect vulnerable participants). In addition, the company seems to lack significant activities to mitigate the impact of pharmaceuticals in the environment and, as is the case with Bayer's agricultural products, also the health care business faces criticisms regarding alleged adverse impacts of its products.

While product-related risks, in particular in the agricultural unit, are not adequately managed, Bayer addresses production related social and environmental risks comparatively well. The company has implemented certified health, safety and environmental management systems at most sites and has set itself a greenhouse gas reduction target that is aligned with keeping global temperature increases to well below 2°C compared to pre-industrial levels. Moreover, the company has taken measures to ensure facility safety and prevent spills of hazardous substances. Following the acquisition of Monsanto in 2018, the company initiated large scale job cuts (reduction of 12,000 positions between 2018 and 2021). While forced redundancies are fundamentally excluded in Germany, where 4,500 jobs are to be cut, these are not excluded in other locations, and the company does not report on comprehensive measures to assist affected employees globally.

Governance Opinion

Regarding Bayer's governance structures, the company has appointed a majority independent board of directors. The chair of the supervisory board (Norbert Winkeljohann, as at February 5, 2021) is independent. The board has set up committees in charge of audit, remuneration, and nomination. While the nomination committee is predominantly composed of independent directors, only half of the members of the audit committee and a minority of the remuneration committee members are classified as meeting independence criteria (all information as at February 5, 2021). The company discloses its remuneration system for executives, including long-term components, which could incentivize sustainable value creation.

Regarding the governance of sustainability, Bayer's board of directors lacks a dedicated sustainability committee. In terms of remuneration, ESG targets, which are an important sustainability incentive, are included in the variable remuneration of members of the executive management team. The company has further established a group-wide code of ethics covering issues such as corruption, antitrust, and insider dealings. The code is complemented by a reasonable compliance system including various measures such as employee training and internal compliance audits.