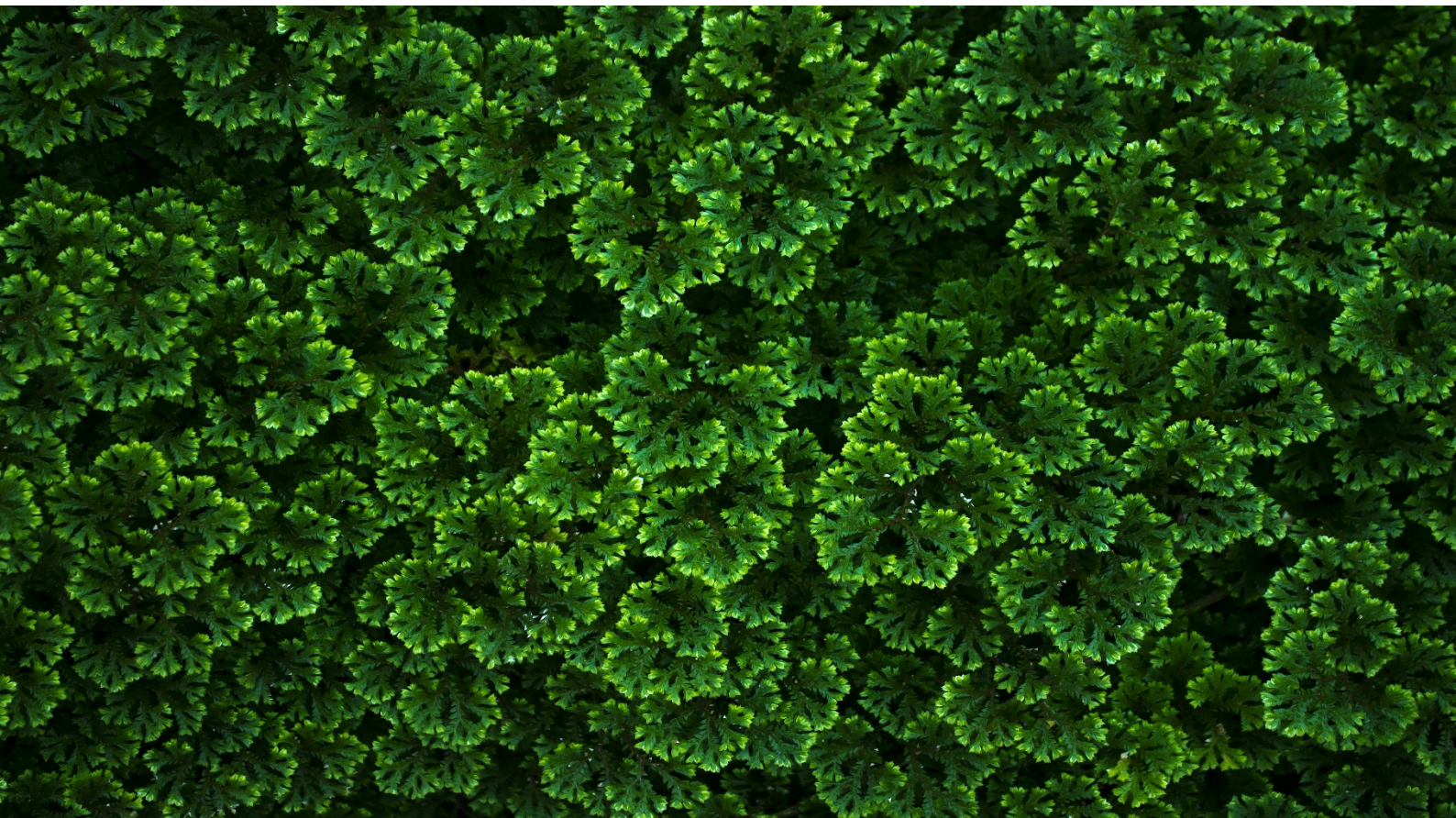


Bayer Sustainability Council 2021 Report

Published April 2022



Letter from the Council Chairs

Dear reader,

We are pleased to present the 2021 Bayer Sustainability Council Report. It reflects our current best understanding of actions the company has taken toward achieving its 2030 sustainability goals. We welcome the willingness of staff and management to receive constructive feedback from the Council and engage in open dialogue on key issues contained in this report.

However, not all these issues are of equal importance. We recognize that the Crop Science Division represents most of the sustainability exposure of Bayer. At the same time, the sustainability challenges in the agriculture arena are far more demanding of attention and effort than those facing pharmaceuticals and consumer health. As a result, tackling legacy issues, including those related to glyphosate, durably and credibly is ever more critical for Bayer's reputation and intangible value.

This report is released at a time of the greatest global uncertainty in decades. We need to acknowledge that the war in the Ukraine and sanctions against Russia will test food and energy security, already under stress due to the ongoing Covid-19 health crisis. Companies are disentangling their Russia portfolios and many have suspended operations. We note that Bayer stopped all spending in Russia that is not related to supplying essential products in health and agriculture. For the 2022 growing season, Bayer has already provided essential agricultural inputs to farmers in Russia to alleviate additional pressure on the global food system. They will closely monitor the political situation and decide about future sales at a later stage. The war has also revealed how dependency on fossil fuels not only undermines the health of the planet but also the safety and security of its people. As part of our agenda for 2022, we look forward to discussing with Bayer the near-and medium-term implications of this war, including what Bayer can do to reduce its dependency on fossil fuel inputs for its production.



Sabine Miltner
Co-chair



Christian Klein
Co-chair

I. The Council's overall reflection on 2021

The Council's first report last year focused largely on very preliminary impressions about Bayer's sustainability ambitions and initial steps the organization took to realize these ambitions. With greater familiarity of the business and sustainability strategy, we have embarked on a deeper dive into strategic priorities for Bayer's sustainability agenda in 2021. Our reflections and recommendations are summarized in detail in the following sections. In sum, we see significant opportunity for Bayer to leverage its full potential in sustainability and achieve its ambition of becoming an impact generator for sustainability. Implementation and consistent follow-through will be especially important to effectively address skepticism among some stakeholders who can be quick to accuse companies of green washing if they fail to deliver on the most important targets.

The Council notes that Bayer has made progress in the following areas of its sustainability ambitions:

- **Targets:** The 2021 targets toward its three 100 million access targets and greenhouse gas reduction were achieved. In 2021 Bayer has reached: 49 million smallholder farmers in low- and middle-income countries (LMICs) through products, services and partnerships; 41 million women in LMICs who have their need for modern contraception satisfied due to interventions supported by Bayer, and 46 million people in underserved communities whose self-care is supported by interventions from Bayer. Furthermore, Bayer reduced its greenhouse gas emissions by 11.5 % compared to 2020. In addition, Bayer has made further significant investments to ensure achievement of its 2030 access targets by, for example, making a €170 million investment in Costa Rica to build a new pharmaceutical plant which will produce long-acting reversible contraceptives (LARC) to provide access to family planning for more women in low- and middle-income countries. As well, Bayer committed to transition all Consumer Health products to 100% recycle or reusable packaging by 2030.
- **Collaboration:** Bayer has broadened its collaboration in the area of sustainability by, for example, joining the [Lowering Emissions by Accelerating Forest finance \(LEAF\)](#) coalition with its goal of halting deforestation by financing large scale tropical forest protection. In addition, Bayer, the International Food Policy Research Institute (IFPRI) and the Swiss Federal Institute of Technology in Zürich (ETH) [announced a research collaboration](#) to address how agriculture can develop and implement new solutions to reduce its impact on biodiversity.
- **Governance:** Bayer established a dedicated ESG committee in its supervisory board.
- **Materiality:** Bayer has begun a sustainability trend analysis as a first step toward a new materiality analysis in order to strengthen strategic decision-making.

While we commend the progress, we believe that Bayer can and should do even more in particular in the following areas:

- **Monsanto legacy:** Bayer needs to solve the ongoing issues with the Monsanto legacy Glyphosate litigation as it continuously and negatively impacts the reputation of the company.
- **Transformation:** Bayer needs to increase its level of ambition to truly transform its business. While the 2030 targets set are ambitious, we believe Bayer has even more potential to radically transform its business and become a driving force for sustainability. For example, taking into account the environmental impact of their products, Bayer should look to redesign its agricultural chemicals business. Developing new lines of business and services to farmers that would help them become more productive and effective, with chemical use as a last resort in crop protection would drastically alter the industry.
- **Collaboration for sustainable agriculture:** Environmental topics in Agriculture such as greenhouse gas emissions, adaptation to climate impacts, biodiversity loss, water pollution and scarcity and soil health are interconnected. A holistic picture for the path to a more resilient and sustainable agriculture needs to be developed together with a broad range of stakeholders including the industry, the value chain and governments.
- **Promoting policy reform:** We encourage Bayer to actively engage in the development of new science-based targets and standards for biodiversity and push governments to implement progressive environmental reforms, including stricter policies for pesticide use.
- **Review and re-align lobbying efforts:** We recommend Bayer to always align its public affairs and lobbying efforts with its sustainability goals. The Council is not convinced that Bayer has fully achieved this goal yet.

- Targets: While progress against the three 100 million access targets have been met in 2021, unless the pace of change dramatically increases, there is a significant risk of missing the access targets by 2030. The COVID crisis has showed the world the deep inequities in access to health, especially for marginalized women. While Bayer was able to increase access to modern contraceptives somewhat in 2021, the lessons that COVID has showed us on where these health inequities are greatest and what can be done needs to be leveraged in the coming years if Bayer is to reach the 100 million target by 2030, only 8 years from now.

Sustainability Council meetings in 2021

- One self-organization meeting in January: Election of chairpersons, preparation of Council Report 2020, Council Charter. Participants: Council members and the Council's secretariat
- Two regular meetings with the entire Council in April: Reflection of 2020 and current developments and discussion of the focus areas. Participants: Council members, CEO and Chief Sustainability Officer (CSO) and other members of Bayer's Board of Management plus top leaders in the areas of Strategy and Sustainability
- Two regular meetings in October: Discussion of the focus areas and outlook of ESG trends for the near future, strategic input for Bayer's upcoming materiality assessment. Participants: Council members, CEO and Chief Sustainability Officer (CSO) plus top leaders in the areas of Strategy and Sustainability
- Several focus meetings on Inclusion & Diversity, biodiversity, pollinator safety and Sustainable Finance. Participants: Selected Council members, Bayer's experts on each topic
- Individual exchanges between management (incl. CEO / CSO) and Council members
- Open discussion session between CEO / CSO, sustainability leadership, Council chairpersons and Bayer employees

The future of agriculture and health in the context of Bayer's vision "Health for all, hunger for none"

Under the umbrella of its vision "Health for all, hunger for none", Bayer set itself an inclusive strategy for its health care and agricultural businesses. However, we think that this holistic picture of how the future of health care and agriculture look and how the business needs to be transformed to support this vision is yet to be developed. The interconnection of greenhouse gas emissions, biodiversity loss, water use, soil health and social ethics needs to be taken into consideration strategically. Bayer needs to scale up its ambitions and take more action. In addition, Bayer should break-down and integrate its targets into the compensation system on the regional and country level to ensure all levels of the organization work towards achieving its vision.

In health and agriculture, external partnerships play an essential role and can be an excellent enabler to drive forward topics in both areas. This includes partnerships within the private commercial sector and, if competition laws allow, even within the same industry. Partnerships with other players such as governmental institutions or NGOs are also critical. In these partnerships various topics of Bayer's expertise can be addressed holistically, with a focus on improving the general situation, knowing that in the longer-term Bayer will benefit. Acknowledging that Bayer is already engaged in various partnerships, we recommend making holistic partnerships a strategic cornerstone in the future.

Other examples, which affect health care and agriculture alike are the digital transformation and disruptive innovations. In the digital and innovation sphere and apart from the already existing initiatives of each Bayer division, we also recommend having a stronger focus on cooperation between the three Bayer divisions.

In the health care industry, the pace of (digital) innovation and level of collaboration will further increase. This will be especially relevant in topics like access to medical care, where traditional approaches have not been extraordinarily successful. The broader creation of multi-stakeholder collaborations within and across industries to create inclusive business models will be a challenge and a business opportunity at the same time. Additionally, the integrated application of innovative digital solutions will be an important enabler for broadening the access in underprivileged communities in receptive developing countries. The COVID crisis has advanced the expansion of digital healthcare solutions and is accelerating client centered digital care. We recommend Bayer tap into these opportunities.

Decarbonization in agriculture

The agricultural industry needs to shift towards being more sustainable and resilient. The key topics in this respect are carbon management in agriculture and biodiversity conservation and restoration. The most important levers for both topics are zero-deforestation and the resolute application of good agricultural practices (e.g. multiple land use). In order to achieve the 1.5°C target of the Paris agreement, deforestation needs to stop by 2025. Otherwise, even more (arguably unlikely) adjustments will need to take place in the energy sector or (unlikely) breakthroughs in the area of carbon air capture are needed. Zero deforestation and conversion-free commodity production are essential. We recommend Bayer support farmers to become more sustainable and resilient and transform towards this goal. Additional incentive programs for farmers following this path seem to be a viable way that Bayer could influence the industry, while not being directly involved in farmers' business decisions. Such programs need to be aligned in broad partnerships along the entire value chain to achieve impact.

Carbon management in agriculture is a key area of influence. Bayer is on a good track with CO₂ reduction and offsetting targets for its own operations and purchased goods and services in line with the Paris agreement and the Science based target initiative. Bayer's participation as a founding member in the LEAF coalition is also highly appreciated by the Council. Furthermore, Bayer is working on a process to measure how it contributes to in-field CO₂ reduction of its customers and carbon farming seems to be one of the most viable ways forward. It incentivizes good agricultural practices and makes it lucrative for farmers to adhere to them. So far, 2600 growers were enrolled in 10 different countries covering over 1.4 million acres and 500,000 tons of carbon were sequestered in the soil. Building on that, we recommend Bayer further develop carbon farming, together with other players from the agricultural industry to develop an industry standard. Additionally, we recommend Bayer connect carbon farming or other incentive schemes around priority topics such as ecosystem restoration and water management.

Biodiversity

The other key topic in agriculture for sustainability is biodiversity conservation and restoration. Ending deforestation by 2025 and maintaining as much intact ecosystem as possible is a key lever to protect biodiversity. The Council encourages Bayer to actively engage in the development of new industry standards on biodiversity conservation and restoration based on science and to push governments to increase environmental commitments and create stricter policies for pesticide use. The Council appreciates the current engagement and especially the innovation efforts of Bayer in evolving its biodiversity strategy. Nevertheless, we recommend Bayer have an even more ambitious strategy to reduce the environmental impact of its products, decreasing its focus on chemical crop protection even further and promoting the use of chemicals only as the last resort in crop protection. Alternative methods of crop protection should be investigated more ambitiously and recommended to farmers more broadly. Stricter governmental policies for pesticide use combined with an ambitious strategy for biological products and further promoting conservation and restoration of biodiversity through incentive programs for farmers is a great opportunity for Bayer to become an industry leader in innovative nature-based solutions.

As mentioned earlier, partnerships are key to success when it comes to biodiversity conservation and restoration. We appreciate Bayer's partnership with ETH / IFPRI and see it as a positive direction for further development. We recommend Bayer develop more such ambitious partnership for biodiversity conservation and restoration.

Bayer's inclusive growth strategy / boosting impact of access commitments

Bayer's engagement to increase access to its products and solutions to people in need, especially in low- and middle-income countries (LMICs) addresses urgent and large-scale needs in the area of health and nutrition. The Council noted that Bayer continues to make progress in its three 100 million access commitments (supporting 100 million smallholder farmers in LMICs; supporting 100 million people in underserved communities with self-care; satisfy the need of 100 million women in LMICs with modern contraception). However, while Bayer's access targets for 2021 have been reached and progress has been made, the Council believes that progress must be accelerated substantially going forward in order to achieve the three 100 million access targets by 2030 in particular for the access target for modern contraceptives as there is still a long way to go in the 8 years left.

The number of women who have been reached with access to modern contraception due to interventions supported by Bayer increased from 38 million women in 2019 to 41 million women in 2021. The new production facility in Costa Rica, which will start production in 2024, will continue to expand access of these critical health products for women, especially in underserved communities in Latin America. Bayer has made this investment despite being in a challenging economic situation, and this action does show how serious Bayer is about the topic. The ability to self-determine reproductive health for women is a key tenant of the UN Sustainable Development Goals and Bayer is a critical actor in achieving this SDG and this target will take continued focus. The number of smallholder farmers reached in LMICs through products, services and partnerships from Bayer increased from 42 million farmers in 2019 to 49 million farmers in 2021. The Better Life Farming Initiative, a long-term partnership of Bayer, International Finance Corporation (IFC), and Netafim is a very promising tool to further increase reach and access and help smallholder farmers improve their livelihoods. The Council recommends Bayer increase the scale of this initiative and define what success at scale looks like. The number of people in underserved communities whose self-care is supported by interventions from Bayer increased from 41 million in 2019 to 46 million in 2021. Bayer's global collaborations like the one with Vitamin Angels has been key to increase access to vitamins and minerals for underserved communities and helped combat malnutrition. As broad, multistakeholder partnerships are essential for increasing access, the Council encourages Bayer to expand the scope and level of collaboration even further. Potential new partnerships can be with governmental or private organizations, NGOs or corporations and from the same or a complementary industry.

Sustainable finance and ESG

Sustainable Finance is a quickly growing and constantly developing topic. But although a growing number of investors is focusing its investment strategies on generating a sustainable impact, currently there is no clear definition or established standard of criteria for impact investment. Nevertheless, attempts for more standardization exist and are quickly advancing, e.g. by the EU via its taxonomy, the European Green Bond Standard or the International Sustainability Standards Board (ISSB). Investors are specifically looking for ambitious CO₂ reduction targets of companies and a clear pathway to achieve net-zero. We note that Bayer is constantly exploring options to link its financial strategy to sustainability targets. For example, it already has linked its revolving credit facility to its climate objectives and is investigating further options to link financing activities to ESG indicators. Bayer's high transparency on ESG relevant data and its ambitious targets, including its climate and access targets being fully audited and being part of the compensation plans of managerial employees, could be an attractive opportunity for impact investors.

We recommend Bayer keep cooperating and supporting the standard-setting process for sustainable finance reporting regulations and help ESG investors get all the information they need for informed decision making. Furthermore, we recommend continuing the ambition to link Bayer financing activities to ESG criteria and more pro-actively engage with investors on their expectations including key metrics of success.

Inclusion & Diversity

Bayer wants to advance a culture of Inclusion and Diversity to drive innovative solutions. Bayer embraces and encourages its employees' unique identities and believes that its human capital is one of its most valuable assets. Bayer has set the goal of gradually establishing gender parity at all management levels by 2030. In addition, Bayer wants to significantly strengthen further dimensions of inclusion and diversity including age, nationality, experience, LGBTQ+ and people with diverse abilities, inside the company in the coming years.

There is substantial research to show that diversity brings many advantages to an organization: increased profitability and creativity, stronger governance and better problem-solving abilities. Diversity is good for business. At the same time, leading in sustainability is rapidly becoming a key factor in corporate competitiveness and competition to attract and retain diverse top talent.

The Council has urged Bayer to continue the progress made on Inclusion and Diversity in all areas of its operation with a focus on employees and suppliers. While progress is being made the proportion of women in lower management was 44% (2020: 43%), the proportion of women in upper management in 2021 was 37% (2020: 36%), and the proportion of women in top management, the highest management level in the Bayer Group below the Board of Management, increased compared to previous years to 27% in 2021 (2020: 23%). The impact of the COVID pandemic has been particularly difficult for working women. There will need to be significant focus on keeping women in the workforce and developing women for higher levels of management going forward. The Council believes that Bayer should accelerate progress in this area to safeguard and underline its commitment to women's empowerment, which also includes expanding access to modern contraceptives in LMICs.

More needs to be done also in other areas of employee diversity, including an increase in racial and ethnic diversity among all levels of staff. There will also need to be continued progress on diversity among key suppliers in the value chain for Bayer, which will increase in importance in the coming years.

II. Outlook

Going forward, the Council will continue its work on the selected focus topics based on Bayer's strategic priorities and also continue to advise Bayer on further matters related to sustainability to help Bayer leverage its full potential. We invite the Divisions to share even more pro-actively and earlier in the shaping of strategic initiatives so we can contribute with better and more helpful guidance. In the end, we wish to see more measurable and tangible impact of our work. To achieve that, we will define clearly measurable targets and track the advancement and impact we as a Council have generated.

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

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

We offer advice to Bayer's Board of Management, the Sustainability organization inside the company and other relevant functions in all sustainability matters, helping Bayer leverage its potential in driving sustainable business. We are an advisory council and do not have decision making power.

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



Sabine Miltner – Council co-chair

Bio: [click here](#)

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



Christian Klein – Council co-chair

Bio: [click here](#)

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



Braulio Ferreira de Souza Dias

Bio: [click here](#)

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



Ashok Gulati

Bio: [click here](#)

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



Suzanne Hunt

Bio: [click here](#)

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



Liz Jarman

Bio: [click here](#)

"An organization as large and diverse as Bayer has a real opportunity to step-change what they do in the sustainability arena that will make a lasting difference, and to also strongly influence the industries in which they operate. How Bayer responded during COVID, reflects their commitment to sustainability, health, and women particularly. It is great to see progress so far and how some of the initiatives are progressing, and I am keen to see how some of these areas can further accelerate to make a lasting difference."



Carolyn Miles

Bio: [click here](#)

"As more companies put effort towards running sustainable businesses, the degree to which they are able to manage their many stakeholders - including investors, employees, suppliers, and the public - will have a big impact on their success. And it will have a big impact on the world as well, especially on marginalized populations that are being left behind. The lessons of COVID, which starkly illuminated the issues of health and gender inequity in the world, are just some of the considerations that Bayer is now incorporating into their sustainability agenda. Bayer is taking the right steps forward but must continue to push the boundaries of what is possible if they are going to be successful in reaching ambitious targets like access for 100 million women to modern contraception products. The hardest work is now ahead of us and I am excited to continue the work of the Council this next year."



Anushka Ratnayake

Bio: [click here](#)

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



Jeff Seabright

Bio: [click here](#)

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

IV. Appendix:

Sustainability at Bayer: Part of Our Corporate Strategy

A brief introduction by Bayer

A growing and aging world population and the increasing burden on ecosystems are among the biggest challenges humanity is facing. As the world's leading healthcare and nutrition company, Bayer can contribute more than any other enterprise to solving these global challenges through its businesses: with our activities and our products, we help to sustainably improve farming and access to nutrition and healthcare – and thus people's lives. At the same time, we are reducing our own ecological footprint and that of the agricultural industry.

For us, sustainability means more than just corporate responsibility – it safeguards Bayer's future growth. Sustainability is therefore an essential component of our corporate strategy, our business activities, our corporate values and the way in which we operate our businesses. Sustainability is at the center of our corporate vision "Health for all, hunger for none" and comprises the following three core elements for all divisions:

- Inclusive growth and value added for society
- Reduction of our ecological footprint
- Responsible business practices along our value chain

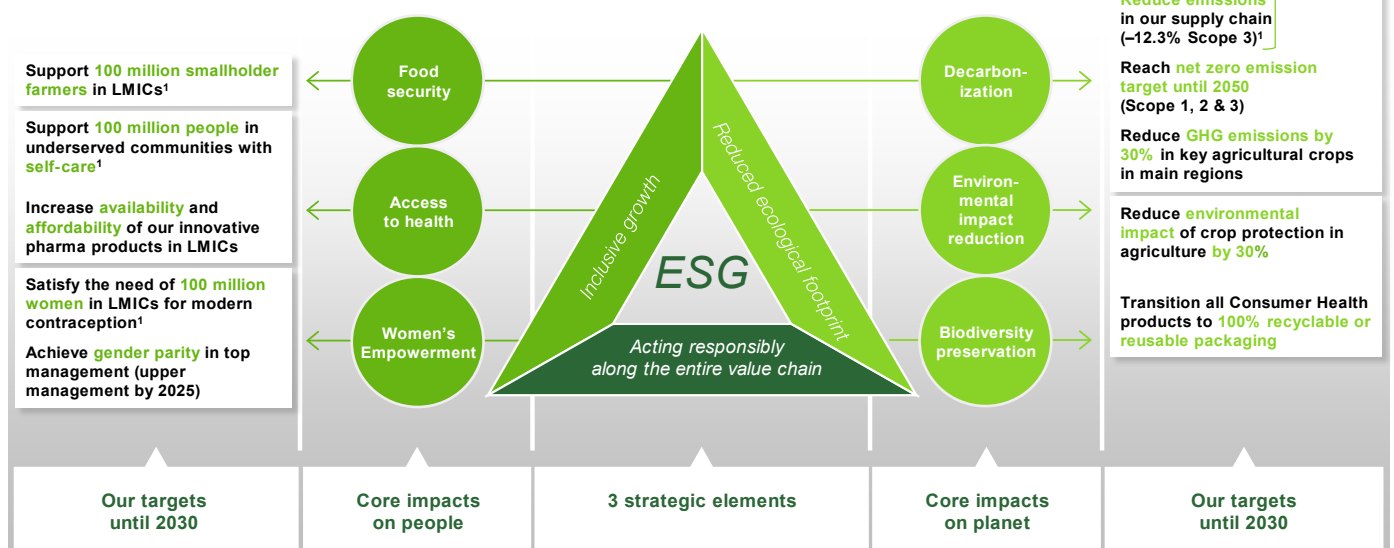
Our strategy is aligned to the global Sustainable Development Goals (SDGs) of the United Nations, the attainment of which is targeted for 2030.

Sustainability: Strategic Elements, Impacts and 2030 Targets

SDGs on which we have the greatest impact through our businesses



Our vision: Health for all, hunger for none



LMICs: low- and middle-income countries; ¹ These targets are accounted for in the long-term variable compensation of the Board of Management and the managerial employees.

We have set ourselves ambitious targets and regularly evaluate our progress. Group-wide goals for inclusive growth and decarbonization are accounted for in the long-term variable compensation of our Board of Management and our managerial employees.

More information on sustainability at Bayer:

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

**Contact**

Klaus Kunz

Secretary General of the Bayer Sustainability Council

Bayer AG Public Affairs, Science & Sustainability and HSE

E-mail: Klaus.Kunz@bayer.com