



ESG Investor Conference Call
September 17, 2020

*Update on
sustainability
commitments and
latest achievements*





Cautionary Statements Regarding Forward-Looking Information

This presentation 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 <http://www.bayer.com/>.

The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.



Covid-19 well managed within Bayer's sphere of influence

The pandemic is boosting sustainability



1 *Employee Health*

- Securing health and safety of employees



2 *Business Continuity*

- Safeguarding supply, production, logistics and business operations

3 *Humanitarian Efforts*

- Health for all, hunger for none – using our expertise in health and nutrition in global crisis



Sustainability commitments and latest achievements

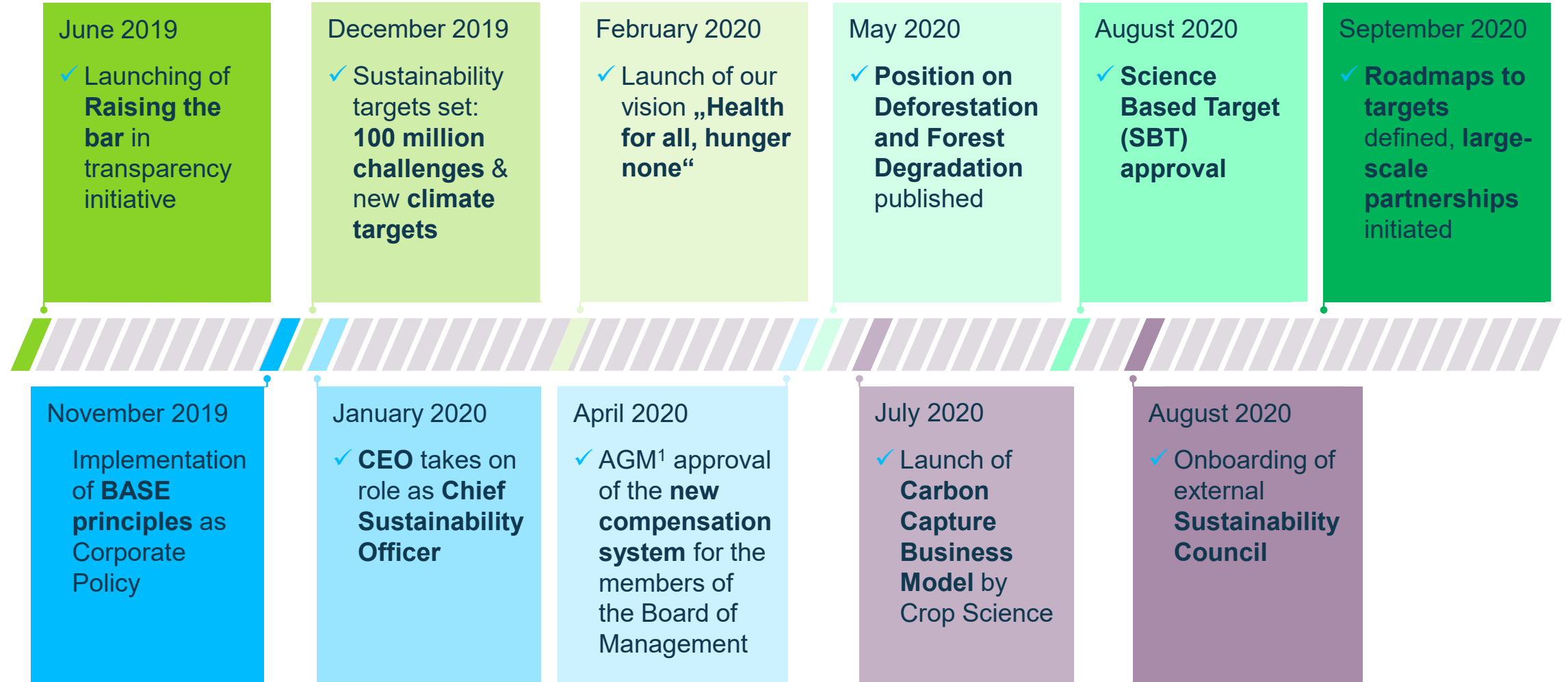
Agenda

- // Sustainability fully integrated in our strategy
- // Sustainability targets: Progress & status quo
 - // Climate
 - // Access Targets
- // Governance achievements
 - // Sustainability-based compensation
 - // Sustainability Council
 - // BASE principles
 - // Sustainability as integral part of Bayer processes
- // External perspective on Bayer
 - // ESG ratings
 - // Reputation
- // Overview commitments & achievements



Considerable progress has been made so far

Selected examples





Sustainability is firmly anchored in organizational set-up

Subheadline



Matthias Berninger
**Head of Public Affairs,
Science & Sustainability**



Vera Hahn
**Head of
Corporate
Sustainability**



Daniella Foster
**Head of Public
Affairs, Science &
Sustainability,
Consumer Health**



Dr. Sara Boettiger
**Head of Public
Affairs, Science &
Sustainability,
Crop Science**



Dr. Klaus Kunz
**Head of Sustainability
& Business
Stewardship,
Crop Science**



Dr. Claus Runge
**Head of Market
Access, Public Affairs
& Sustainability,
Pharmaceuticals**



Dr. Monika Lessl
**Head of Corporate
Innovation, R&D
and Societal
Engagement**

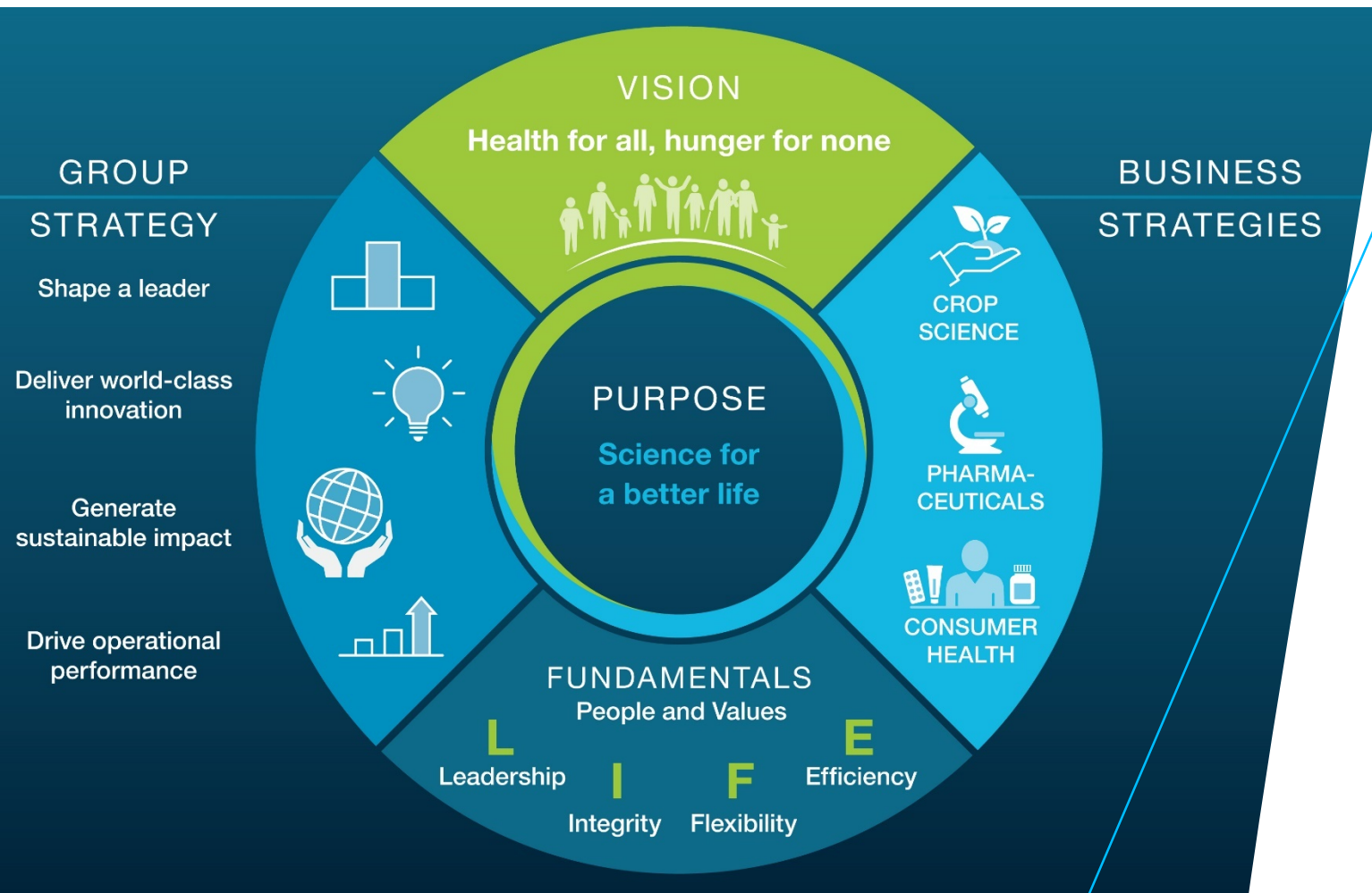


A. ***Sustainability fully integrated in our strategy***



Our new vision: Health for all hunger for none

Sustainability is part of our strategic and normative compass



At Bayer, **Sustainability** is

- A key enabler of our **company vision**
- A central component of and value lever within our **group strategy** and thereby **a business opportunity**
- An **ambition to generate impact at scale**
- Embedded **with concrete business targets in our business strategies and compensation schemes.**
- **Leading by example** - Heightened responsibility for **transparency and engagement**



Recap on our mandate: Sustainability is an integral part of our business strategy

Corporate sustainability archetypes & new mandate for Sustainability at Bayer

Shareholder maximizer

Focus on financial targets / short-term shareholder value



Sustainability as element of risk mitigation. Focus on what's legally required

Corporate contributor

Focus on financial targets and improved external perception



Sustainability primarily as PR element to strengthen relationships with external stakeholders and mitigate external risk

Impact generator

Focus on both financial and sustainability targets



Sustainability as new business opportunity to drive growth. Sustainability integrated within business strategy and operations

where we want to be

Social innovator

Sustainability targets provide the frame for any financial targets



Sustainability as an integral component of corporate purpose

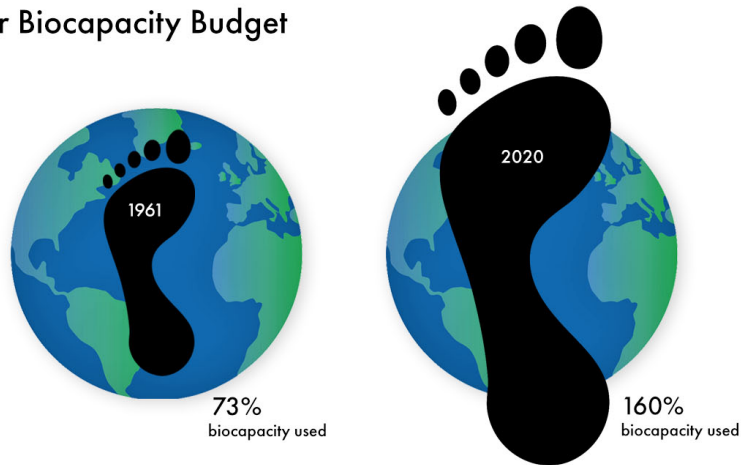


Earth Overshoot Day – There are many ways to make our world more sustainable

„The resource budget for 2020 is spent: By August 22 humanity had consumed the amount of resources the earth can renew throughout the whole year.“
(German Environmental Agency)



Busting our Biocapacity Budget



Source: Global Footprint Network, National Footprint & Biocapacity Accounts 2019 Edition
data.footprintnetwork.org



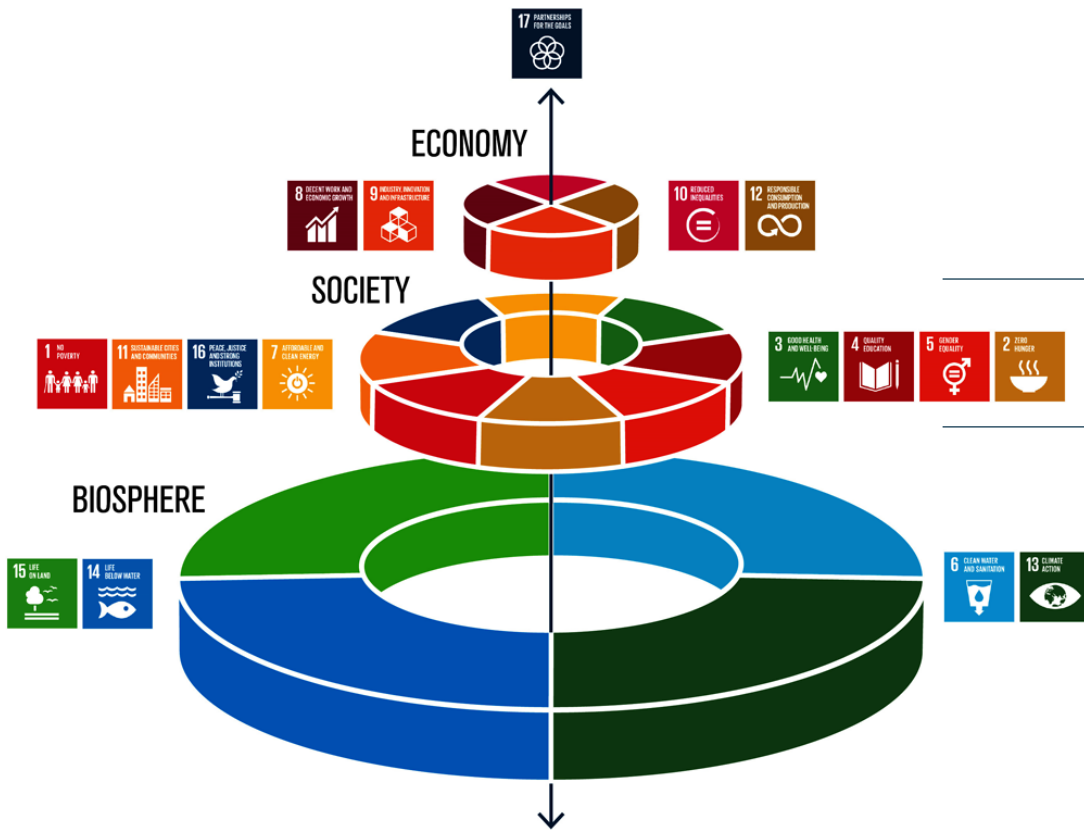
We can do a lot to push this date to later in the year:

- ▶ **8 days** through reforestation of 350 million hectare
- ▶ **90 days** by a 50% CO2 emissions reduction
- ▶ **21 days** by the efficient use of existing technologies
- ▶ **13 days** through reducing food waste by 50%
- ▶ **17 days** by a 50% cut of global meat consumption
- ▶ **49 days** if every other family had one child less and motherhood was postponed for two years.



We combine our strengths across businesses to create bold impact for sustainable development

The SDGs have three dimensions



At Bayer, we have impact on most of the 17 SDGs, with major impact on the following:



1 NO POVERTY
Improve livelihoods and reduce poverty, esp. in rural communities



Improve people's health and well-being



2 ZERO HUNGER
Drive food security and improved nutrition; promote sustainable agriculture



Help women and girls to improve their health, autonomy and economic status



6 CLEAN WATER AND SANITATION
Ensure availability and sustainable management of water and sanitation for all



Combat climate change and mitigate its impacts

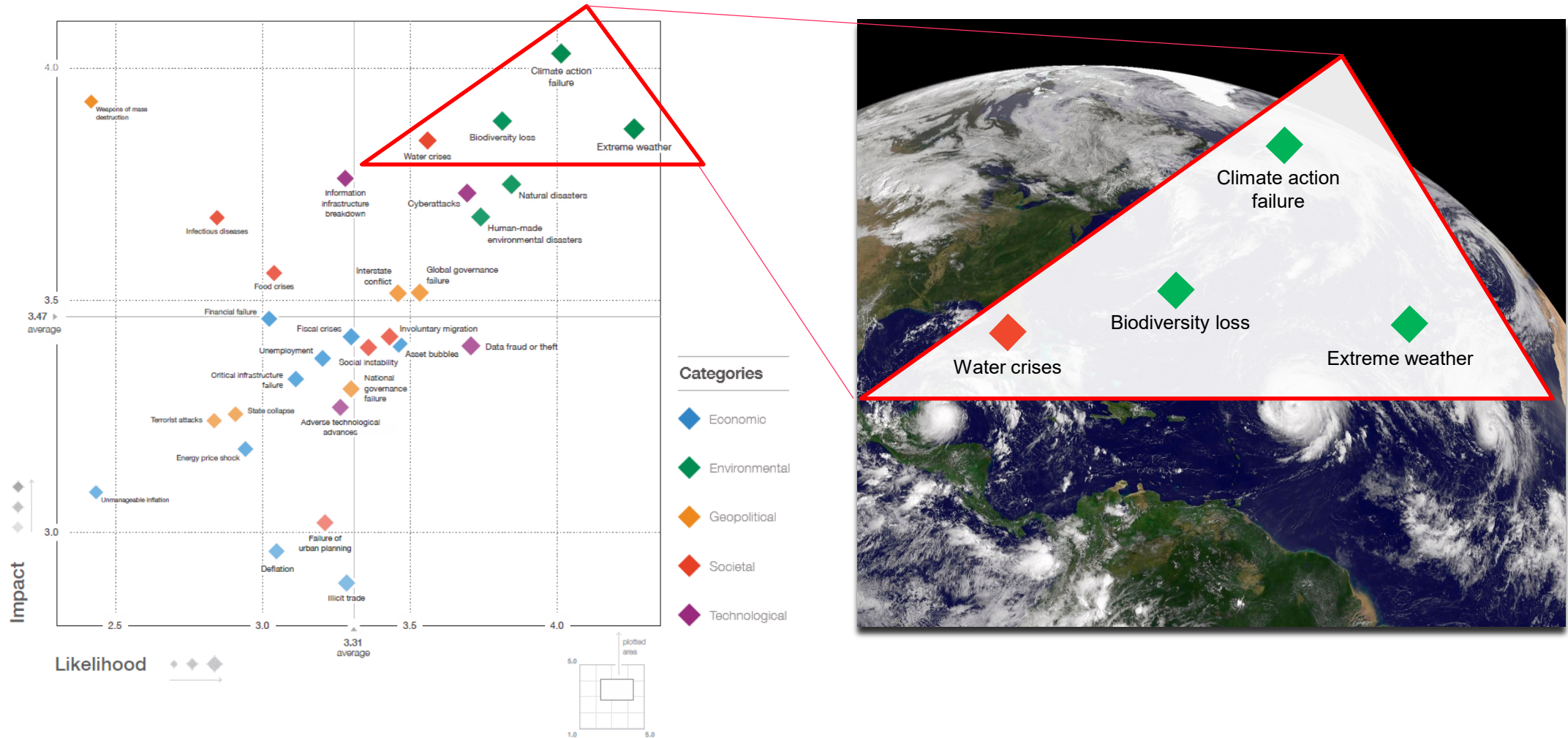


15 LIFE ON LAND
Use natural resources sustainably and preserve biodiversity



Environmental risks have become the most significant risks to the world economy

World Economic Forum – The Global Risks Landscape (10 year horizon)



Source: WEF Global Risks Report 2020



B.
Sustainability
targets:
Progress &
status quo



Measurable Group-level targets for Sustainable Development until 2030

	Help more PEOPLE thrive	Decrease ECOLOGICAL footprint
Group-wide Goals that are reflected in long-term incentive	<ul style="list-style-type: none"> Support 100m smallholder farmers in LMIC¹⁾ Expand access to self-care for 100m people in underserved²⁾ communities Provide 100m women in LMIC with access to modern contraception 	<ul style="list-style-type: none"> Climate neutrality at own sites + reduced emissions in our supply chain
	<p>PH: Increase the availability and affordability of our products in LMIC via equitable pricing and patient affordability programs, with the ambition to reach 100m people</p>	<ul style="list-style-type: none"> CS: -30% greenhouse gas emissions produced by key crops in the main regions we serve CS: -30% environmental impact of crop protection CH: Sustainable production and transition to circular options that reduce, recycle, reuse, and replace²



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

2) underserved : Economically or medically

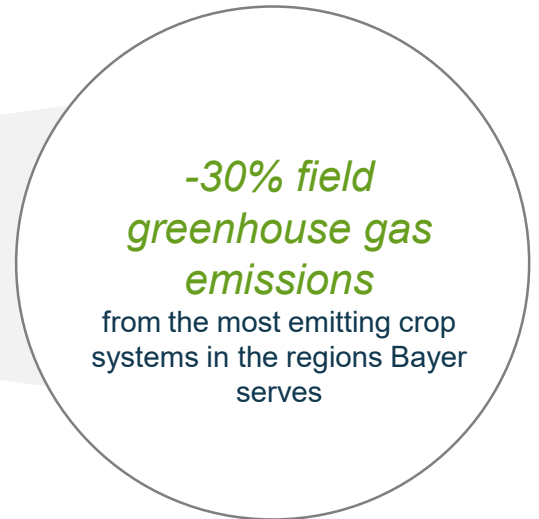
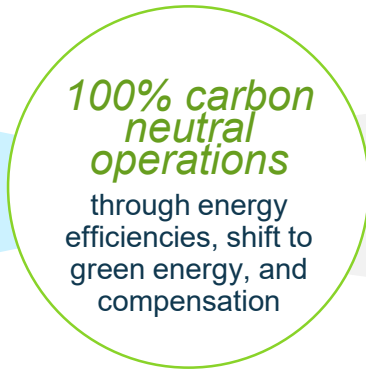
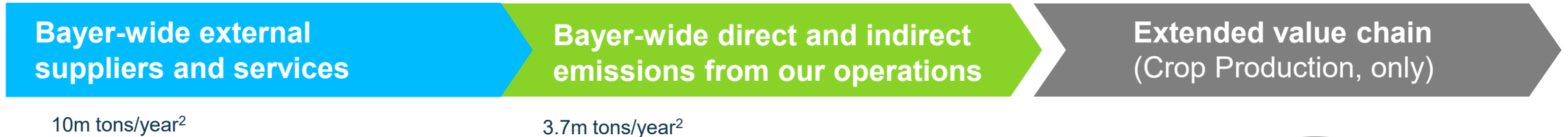


We are taking bold climate action across our value chain

Our climate commitments by 2030

Scope 3¹

Scope 1&2



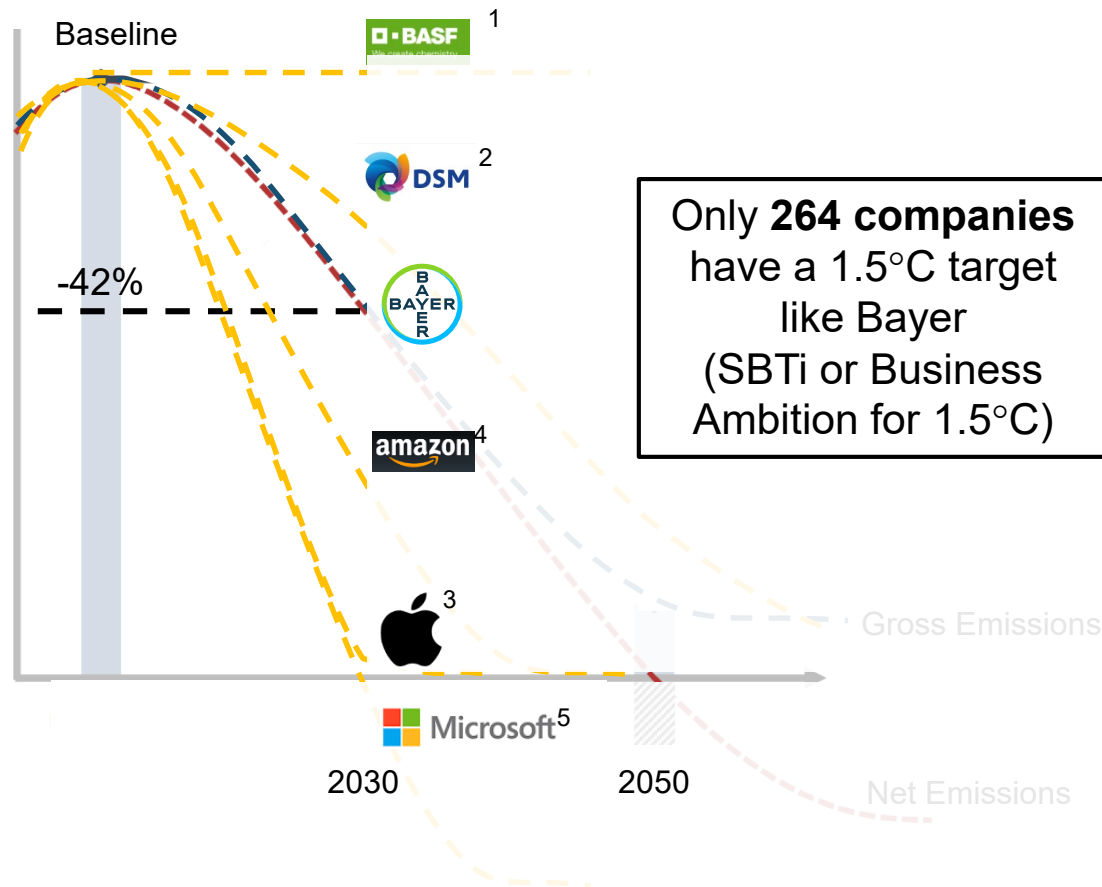
Group Target:
Absolute reductions in line with the requirements of the Science-Based Targets Initiative

Additional Crop Science divisional target

¹ Scope 3 downstream emissions (GHG protocol) <10%
² Tons = metric tons of CO₂ equivalents; Baseline 2019



Bayer's 2030 ambition with a Science Based Target (SBT) of 1.5°C positions us in a group of leading companies



SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION



1 BASF: Carbon neutral growth until 2030

2 DSM: SBT 2°C target with -30% until 2030

3 Apple: Net-Zero Target for 2030 for Scope 1-3; already today carbon neutral for Scope 1&2, Until 2030 -75% emissions and for remaining emissions removals

4 Amazon Pledge: Next to Amazon also Infosys, Reckitt Benckiser and Verizon have signed the Pledge to be Net Zero already in 2040. 10 years ahead of the UNGC target

5 Microsoft has the target to be Carbon Negative in 2030 and to remove all its past emissions since foundation until 2050

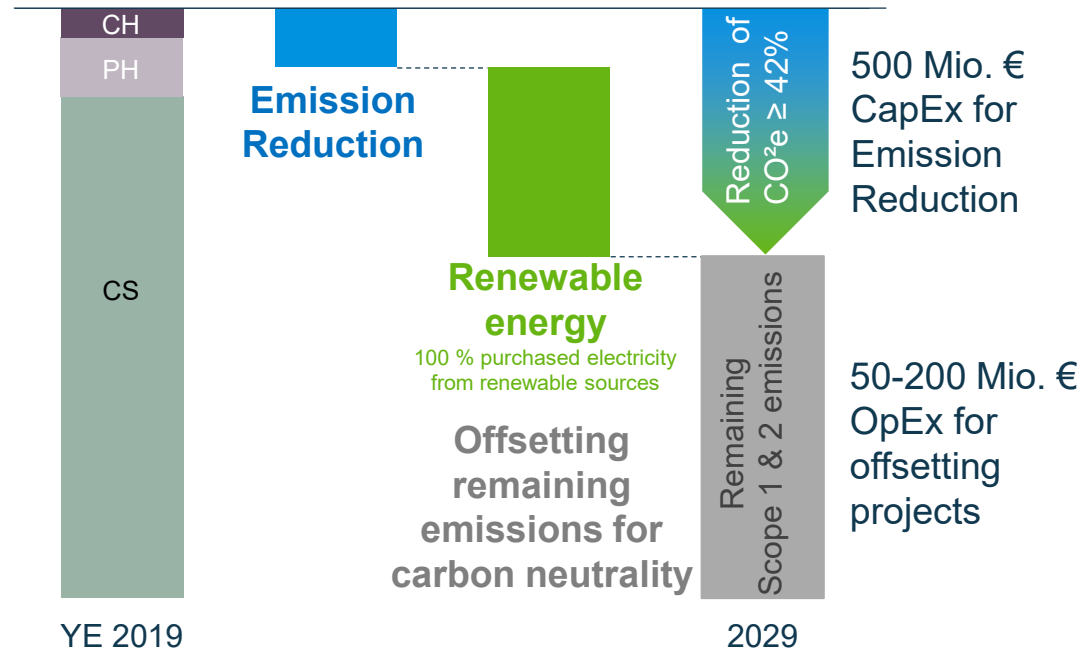


Path towards 100% carbon neutral operations in 2030

42% reduction target for Scope 1 & 2 is in line with limiting global warming to 1.5 C°

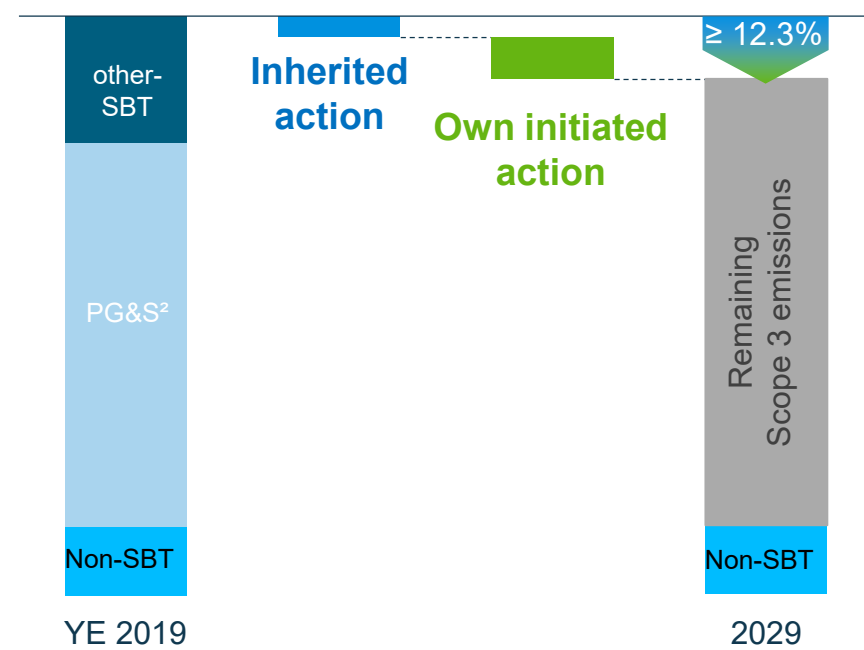
Scope 1 (direct) & 2 (indirect)

3.7 m tCO₂e¹



Scope 3 (up- and downstream value chain)

10 m tCO₂e*



1: Baseline 2019

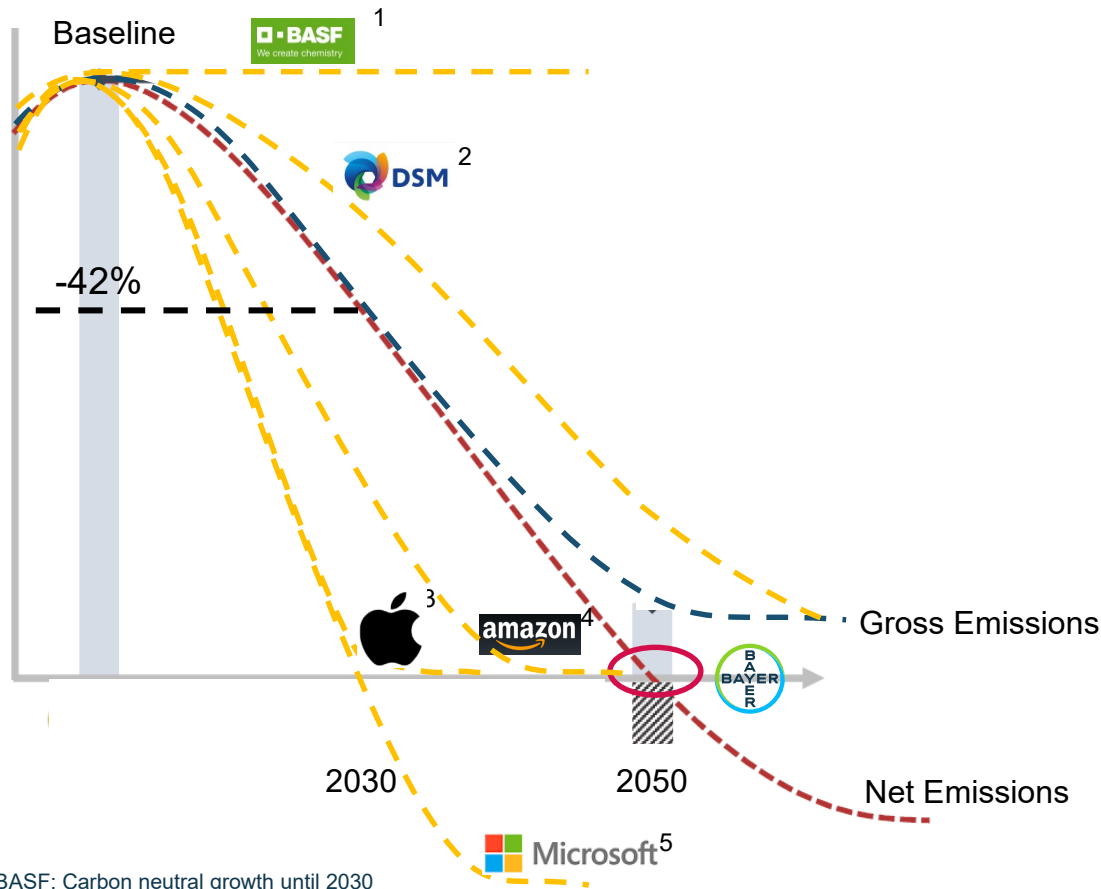
2: PG&S = Scope 3 category #1 "Purchased Goods & Services (including Seeds)", included in our science-based target (SBT)

* Pending external audit



Net Zero ambition 2050 solidifies our vanguard position

Business ambition for 1.5°C support further strengthens our carbon-capture business model



- Ambition for Net Zero in 2050
- Linked to long term goal of Paris Agreement
- Achieving ambition will depend on external factors, e.g. mandatory renewable electricity, hydrogen infrastructure, technology advancements, regulations how to balance residual emissions by carbon removals⁶ incl. Scope supply

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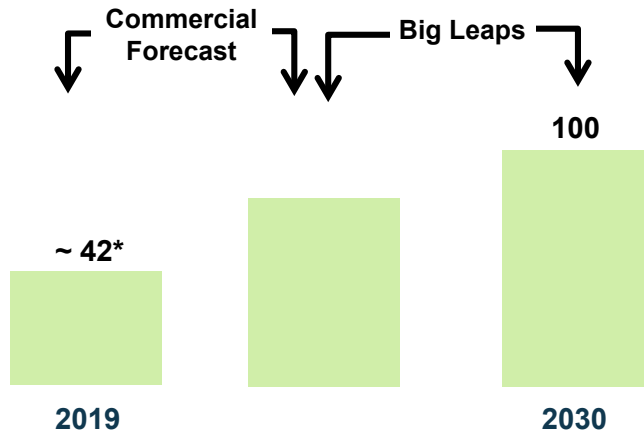
6 Current compensation measures are typically carbon avoidance, e.g. CS Carbon Modell is based to a large degree on carbon avoidance and a small part carbon removal



Crop Science: Success factors & building blocks



Target: Support
100m smallholder farmers in LMIC¹



Numbers reflect people (millions)
¹ LMIC: low and middle income countries
* Preliminary figures; pending external audit

Success factors:

- // **Commercial operations**
- // **Portfolio Differentiation:** products tailored to local farmer needs at affordable prices
- // **License-to-operate & Biotech Approvals:** regulatory approvals in Africa & APAC
- // **Value-Chain-Partnerships:** shared invest alliances to increase reach
- // **Digital Solutions:** incubator model for advisory, market linkage & spray-as-a-service
- // **Dedicated Impact KPI measurement**



With the help of our partners, the Better Life Farming centers provide solutions to smallholders along the entire value-chain

Smallholder Commitment – Big Leap Example: Better Life Farming



Concept

- // Ecosystem of global and local partners providing holistic solutions for smallholders in dedicated village centers
- // Each center covers a group of 500 farmers from five to six nearby villages
- // Management of centers via Bayer-trained “agri-entrepreneurs” with a special focus on supporting women to assist other female smallholders
- // Proven concept with double yield and triple profitability for involved farmers (green chili case study in Uttar Pradesh India)

Achievements & Outlook

- // By end of 2020:
 - // India: ~500 Better Life Farming centers with ~ 300 k smallholders supported
 - // Indonesia: Launch and build-up of 56 centers in collaboration with 8 partners
 - // Bangladesh: Opening of 3 centers with help of local partners and Ministry of Agric.
- // Until 2030:
 - // Expansion of concept to Africa and Latin America (Kenya & Mexico possible next pilots)
 - // Up to 8 m smallholders supported by offering village-based holistic agronomic solutions & advice





Towards Sustainable Agriculture: More with Less

Reducing environmental impact of crop protection and field greenhouse gas emissions by 30% until 2030

30% *Reduction in field greenhouse gases emitted per kg of crops produced*

BAYER LAUNCHES CARBON INITIATIVE

REWARDS FOR FARMERS GENERATING CARBON CREDITS.

By Megan Schilling
7/21/2020

Agriculture may now have another solution to positively impact climate change thanks to a new initiative launched by Bayer.

Bayer will start rewarding farmers in Brazil and the U.S. for generating carbon credits by adopting climate-smart practices – such as no-till farming and the use of cover crops – designed to help agriculture reduce its carbon footprint and greenhouse gas (GHG) emissions.



- // **Impact generator: Focusing on Crops / Countries with highest potential:** Soy/Corn in US, Brazil and Argentina; Rice in India
- // **Technology levers to reach target** include e.g. use of cover crops, low/no-till farming, replacement of synthetic fertilizers through inoculants, precision farming, new irrigation systems, switch to dry-seeded rice
- // **Business models for carbon capture incentivizing climate-smart farming practices launched** in US and Brazil

30% *Reduction in impact of crop protection on the environment*

- // **Technology levers to reach target** include e.g. new chemical and biological control, precision farming with reducing emissions into the environment and biotechnology with tolerant traits
- // **First applicable methodology to measure environmental impact of crop protection** co-developed with academic consortium (led by University of Denmark)
- // **First in the industry to commit to measurable improvement** in the entire customer base

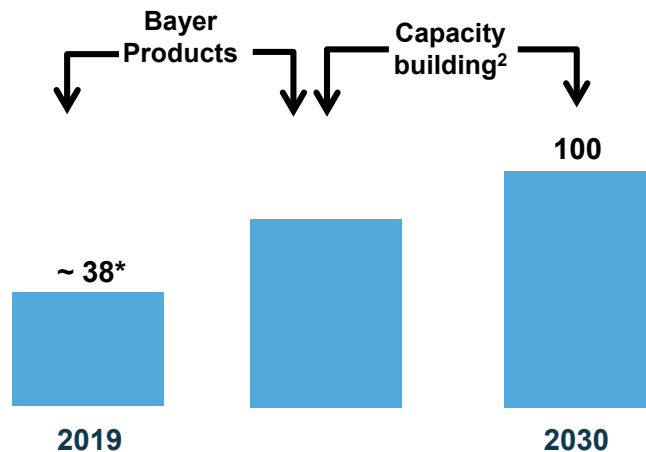


Pharmaceuticals: Success factors & building blocks

Voluntary Family Planning contributes to a wide range of UN SDG 2030 goals incl. SDG 3 and SDG 5



Target: Provide **100m women** in LMIC¹ with **access to modern contraception**



Success factors:

- // Reliable supply, most importantly for long-acting contraceptives like implants and hormonal intra-uterine devices
- // Capacity Building, e.g. cooperation with urban health project „The Challenge Initiative“
- // Route to women in rural areas and humanitarian settings in cooperation with partners (e.g. UNFPA)
- // Long-term: Innovation: e.g. non-hormonal contraceptive technologies

Numbers reflect women using modern contraception (millions)

¹ LMIC: low and middle income countries

² Capacity building refers to the development of knowledge, skills, commitment, structures, systems and leadership to enable and strengthen self-reliance and resilience of the local health systems and of the key players towards family planning and sexual reproductive health. We aim to do leverage partnerships to create impact at scale.

* Preliminary figures; pending external audit



The Challenge Initiative¹ will drive access to contraception in urban areas

Bayer partners through John-Hopkins-University, with initial commitment of 10 mUSD¹



- The Challenge Initiative provides cities in Africa and Asia with a bold approach to rapidly and sustainably scale high-impact family planning and reproductive health solutions.
- Enabling woman to make informed decisions about whether and when to have children **reduces unintended pregnancies as well as maternal and newborn deaths.**
- It also **increases educational and economic opportunities for women and leads to healthier families and communities**

More about The Challenge Initiative,
https://www.youtube.com/watch?v=oeIhENUNp_o

¹ <https://media.bayer.com/baynews/baynews.nsf/id/Bayer-supports-The-Challenge-Initiative-Johns-Hopkins-Bloomberg-School-Public-Health-million-USD>



Additional target:

We aim to broaden access to our pharmaceutical products to 100m people in low and middle-income countries

The Challenges

- // **Traditional pricing models focus on developed, affluent countries** with usually good levels of patient access to innovation
- // However, **more than 80% of the world's population live in LMIC with limited state reimbursement budgets**
- // **Patients in LMIC therefore must fully or partially pay out of pocket** and are often unable to afford the medicines they need



Our Approach

- // **Adopt an equitable pricing approach** that incorporates country-level affordability. Respective pricing policies have been recently implemented for core products (Xarelto, Nexavar, Eylea, Adempas, Mirena, Kyleena).
- // **Implement Patient Affordability Programs around the world** by subsidizing out of pocket payments for medicines
- // **Focus on LMIC as areas of priority** in terms of pricing flexibility and Patient Affordability Program implementation. First programs kicked off, e.g. in Indian, Kenya, Senegal

Impact:

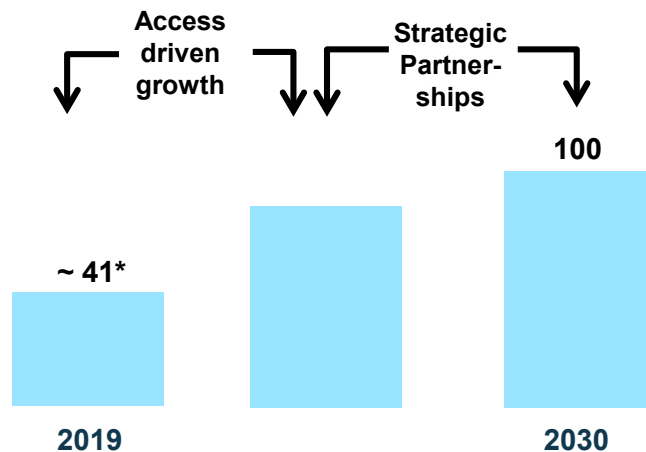
- // Improve health of patients in need



Consumer Health: Success factors & building blocks



Target: Expand **access to self-care for 100m people** in underserved communities



Numbers reflect people (millions)
* Preliminary figures; pending external audit

Success factors:

- // Access driven growth in Centro, Africa and ASEAN markets
- // Accessible and affordable Products
- // Strategic Partnerships
- // Self-Care Advocacy
- // Go-To-Market: Partner across divisions on in-market activations and Go-To-Market strategies that reach underserved
 - // in key need/therapeutic areas e.g., heart health, women's health, nutritionals
 - // Critical regions: e.g. Sub-Saharan Africa, India



360 Partnership Approach: The Micronutrients Consortium will expand access to micronutrients for millions of women and children

EXAMPLES OF POTENTIAL PARTNERSHIPS

Policy & Advocacy

- Micronutrient FORUM
- BILL & MELINDA GATES foundation
- GOVERNMENTS

Science & Health education

- The New York Academy of Sciences
- JOHNS HOPKINS UNIVERSITY

Supply & Distribution

- DSM
- World Vision
- cpc CONTRACT PHARMACAL CORP

Accessible Micronutrients

- Walgreens Boots Alliance
- KIRK HUMANITARIAN
- vitamin angels®

Central Logos: KIRK HUMANITARIAN, BAYER, vitamin angels®



Sustainability offers significant value creation potential for Bayer

Novel Carbon Capture Business Model a **multi-million EUR business opportunity**



Within 3 months only, tiered pricing delivered access for additional 400+ Nexavar patients in Kosovo, Syria, Iraq and Libya



The first seven Patient Access Programs with **upside of low double digit million EUR in sales** over the next three years



Approval of Chagas treatment (Lampit) for children awarded with FDA priority review voucher



Supporting 100m smallholders by 2030 translates into a **significant business opportunity**





C. *Governance achievements*



Group-wide Sustainability goals are reflected in BoM and managerial short- and long-term incentives

Compensation of BoM and other managerial employees linked to sustainability targets

1. As of 2020: Qualitative targets included in BoM STI as part of the non-financial Group Goals
2. As of 2021: Additional quantitative Group-wide sustainability targets included compensation schemes of BoM and managerial employees

Quantitative LTI-relevant Sustainability KPIs as of Jan 1, 2021 (baseline 2019 // targets refer to 2030 targets)

Access targets (50%)



100 Mio. **smallholder farmers** in LMIC supported by **products, services and partnerships**



100 Mio. **women in LMICs** who have their need for modern contraception satisfied due to interventions **supported by Bayer**



100 Mio. **people in underserved* communities** whose self-care is **supported by** interventions from **Bayer**

Carbon footprint targets (50%)



Climate-neutrality at own sites and achievement of Science Based Targets

1. **42% reduction of Scope 1¹ & 2² greenhouse gas emissions**



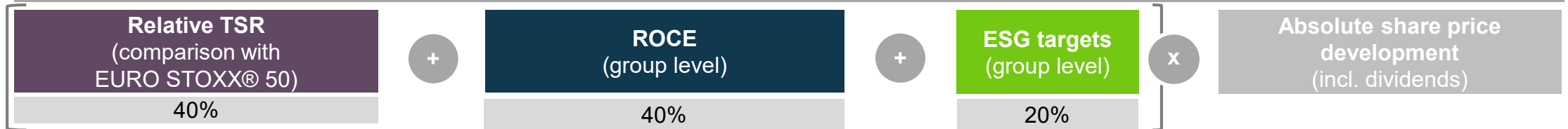
2. **100% off- or in- setting of remaining Scope 1 & 2**

3. **12.3% reduction of Scope 3³ from relevant categories**



Long-term incentive (Cap: 250 %)

4 year performance period



1) Scope 1: Direct greenhouse gas emissions from our own power plants, vehicles, waste incineration plants and production facilities

2) Scope 2: Indirect greenhouse gas emissions from the procurement of electricity, steam and cooling energy.

3) Scope 3: Indirect greenhouse gas emissions from the value chain from purchased goods and services, capital goods, fuel and energy related activities, upstream transportation and distribution and business travel.



Our external Sustainability Council will support us with an outside-in perspective and, hence, external credibility

Bayer's Sustainability Council: Purpose and Role



Purpose

Advise Bayer's Board of Management, the Sustainability organization and other relevant functions in all Sustainability matters, helping us leverage our potential in Sustainability



Role

- Challenge Bayer's sustainable business strategy and provide input on strategic shifts
- Advise on Bayer's R&D contributions to sustainability
- Review Bayer's progress towards the implementation of its strategies and goals
- Advise on foundation activities & social innovation

The Council has just been onboarded end of August and is now starting its work

All members will meet twice per year with the BoM, in spring and fall, in alignment with our annual planning cycle



<https://www.bayer.com/en/sustainability-council.aspx>



Bayer Societal Engagement principles (BASE)

A strong code of conduct: BASE guides our interactions with all stakeholders



<https://www.bayer.com/en/commitments/our-values>



Sustainability as integral part of Bayer processes

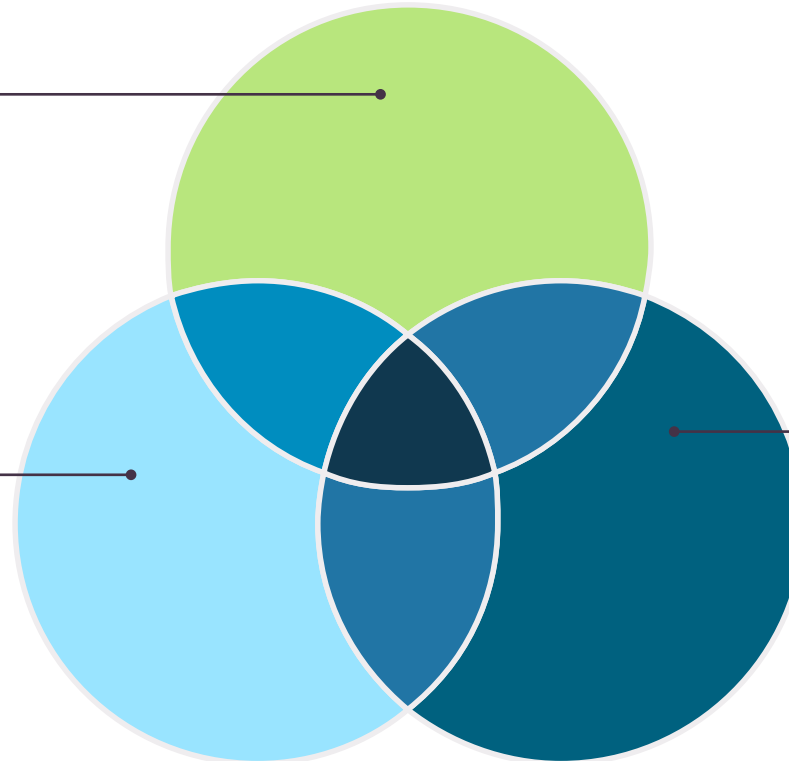
- // Sustainability gradually to be integrated into the processes of all enabling functions
- // Example: strategic planning, risk management & M&A processes:

Strategic Planning

- // Growing importance of sustainability clarified through inclusion in strategic planning cycle
- // Sustainability as business opportunity

Risk Management

- // ESG risks included in Enterprise Risk Management system
- // Stronger focus on climate risks also matching external standards (e.g. TCFD)



M&A Processes

- // Sustainability firmly integrated in relevant M&A processes
- // From non-binding offer to due diligence processes to binding offer



D. External perspective on Bayer



Current Bayer rating from key ESG rating agencies does not fully reflect what we do

	2020	2019	2018	
Rating agencies		BB <p>Additional "red flag" on the topic of biodiversity</p>	BB	BBB
		34.4 (High Risk)¹	66/100 (Outperformer)	69/100 (Outperformer)
		C+	C+	C+
		47	46	52
Rankings		<i>Results open</i>	#16 out of 20	# 12 out of 20 (2016)
		A	A	A-
		A	A	A

¹ Sustainalytics: Change of methodology in 2020



Sustainability is a central factor influencing our external reputation. Related business opportunities pay a double dividend on reputation

Insight from Bayer's Global Brand Tracking 2020



Social & Environmental Responsibility and economic success are the most important factors for Bayer's reputation



	BRA 	CHN 	FRA 	DEU 	USA 
Familiarity	0,04	0,01	0,04	0,06	0,07
Customer Orientation	0,00	0,03	0,02	0,05	0,01
Good Employer	0,03	0,07	0,00	0,08	0,01
Product & Service Range Quality	0,16	0,09	0,16	0,14	0,18
Life Science Company	0,07	0,06	0,15	0,23	0,15
Social & Environmental Responsibility	0,29	0,17	0,38	0,23	0,22
Economic Success	0,38	0,54	0,29	0,23	0,38

1.000 respondents per country

,xx highest impact on reputation ,xx second highest impact on reputation



Achievements to bolster our Sustainability performance



- // Our vision “**Health for all, hunger for none**” & our **strategic setup ensure impact generation** in terms of Sustainable Development Goals
- // 100% carbon neutral operations in 2030 in line with limiting global warming to 1.5 C° – **Science Based Targets approved; additional net zero ambition for 2050**
- // 100 million challenges: **Success factors** carved out; first **partnerships** accomplished
- // Sustainability targets firmly anchored in **Board compensation** for fiscal 2021
- // **Sustainability Council** manned with **diverse international specialists; onboarding completed**



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Q&A session



Vera Hahn
Head of
**Corporate
Sustainability**



Dr. Klaus Kunz
Head of Sustainability &
Business Stewardship,
Crop Science



Matthias Berninger
**Head of Public
Affairs, Science &
Sustainability**



Dr. Claus Runge
Head of Market Access,
Public Affairs & Sustainability,
Pharmaceuticals



Daniella Foster
Head of Public Affairs,
Science & Sustainability,
Consumer Health