



Corporate Policy  
*Sustainability*

MARGO



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# 01 Management Summary



Bayer aspires to be an impact generator for sustainability that helps people and planet thrive through its businesses. By acting sustainably and addressing critical sustainability challenges in the areas of health and nutrition, Bayer ensures the sustainable long-term growth of the company.

This Policy demonstrates Bayer's strong commitment to sustainability. It outlines the critical role of sustainability for Bayer as well as clear standards, roles & responsibilities in sustainability management.

The Bayer Board of Management and the Chief Sustainability Officer form the first and highest responsibility layer of sustainability management. They are supported by the Public Affairs, Science, Sustainability & HSE function and the worldwide company organization. Sustainability is largely embedded into existing management and governance structures as well as the core processes of the organization.

All employees should contribute to Bayer's sustainability targets, integrate sustainable aspects into their ways of working and role-model sustainable behavior.

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# 02 Introduction



## 2.1 Objective

This Policy outlines the role of sustainability at Bayer as well as clear standards, roles & responsibilities in sustainability management throughout the entire organization.

## 2.2 Scope and Target Group

This Policy is applicable for every Bayer employee. All core processes are in scope.

## 2.3 Risks Covered

- // Overarching risks & value creation: By acting sustainably and addressing critical sustainability challenges in the areas of health and nutrition, Bayer ensures the sustainable growth of the company and creates new business opportunities. It lives up to its ambition of becoming an impact generator for sustainability and moves closer to fulfilling its company vision “Health for all, hunger for none”. Non-sustainable businesses and business practices can have negative consequences for people and the planet, and – in sum – on our foundation of doing business.
- // License to operate: Sustainability/ESG (Environment, Social, Governance) is increasingly in the focus of governmental and regulatory agendas, and both social and ecological aspects are becoming increasingly regulated. Adherence to ESG-related regulations is important for ensuring corporate compliance and safeguards its license to operate.
- // Customers: Customers have high awareness for sustainability and a strong ask for action and innovative sustainable solutions. Bayer needs to comply with customer sustainability targets to stay in business. At the same time, innovative sustainable products and solutions can help us meet customer needs and differentiate from competitors.
- // Investors/capital markets: Sustainability or ESG is becoming a prerequisite for many investments (equity and debt side). Transparency on ESG and sustainability matters allows investors to assess potential risks and opportunities. Controversies can lead to being classified as “uninvestable”.
- // Talents/employees: Employees place increasing importance on social and environmental aspects and are expecting more from their employers on Sustainability/ESG. Being a sustainable company helps Bayer to improve employee engagement, and to attract and retain talent.
- // Reputation: Companies are expected to act sustainably and support and drive sustainable solutions. Companies that do not meet these expectations face reputational losses.

# 03 Main Section



## 3.1 Definition of Sustainable Development

Sustainable development is defined as “meeting the needs of the present without compromising the ability of future generations to meet their own needs.”<sup>1</sup> In the corporate context, sustainability means corporations need to not only focus on financial performance but also need to take into account the risks and opportunities associated with the social and environmental impacts corporations may have – in their own operations and along the full value chain.

## 3.2 Sustainability at Bayer

Bayer aspires to be an impact generator for sustainability that helps people and planet thrive through its businesses. By addressing critical sustainability challenges in the areas of health and nutrition, Bayer creates new business opportunities and ensures the sustainable growth of the company. This approach is very different from traditional Corporate Social Responsibility (CSR) approaches that typically do not affect the core business but focus on public relations or charity.

Sustainability is integral to our vision, values, strategy and operations. It is embedded in our business strategies and our way of doing business. Therefore, it covers Bayer’s entire value chain including sourcing, own operations, and products and services sold. We apply responsible business practices along our entire value chain. Sustainability is anchored in our [Bayer Societal Engagement \(BASE\) Principles](#) and our [LIFE values](#) (under integrity – “Act sustainably and be a role model”).

Sustainability is a key lever for our vision “Health for all, Hunger for none”. Our sustainability ambitions include the following core elements: We promote inclusive growth and a sustainable use of resources to help people and planet thrive. Sustainability and financial performance go hand in hand.

Further information can be found on our [external website](#)

## 3.3 Overview of Main ESG Topics

ESG (Environmental, Social, Governance) is often used as synonym to Sustainability and is the most common terminology for investors. The following table gives a brief (non-exhaustive) overview of the main ESG topics for Bayer.

<sup>1</sup> Source: Report of the UN's World Commission on Environment and Development: Our Common Future (1987)

Environmental Topics	Social Topics	Governance Topics
// Climate change impacts (including Greenhouse gas emissions, climate risk and options for mitigation and adaptation)	// Human rights, employees (including inclusion & diversity, health & safety)	// Strong ESG governance overseen by Supervisory Board/Board of Management: composition and operation, compensation linked to ESG
// Biodiversity including environmental impact of products	// Product Safety and Quality (Health impacts of products)	// Governance of material topics including ESG risk management
// Environmental management (energy, greenhouse gas, water, waste, packaging, recycling)	// Access to medicine / Access to food (seeds)	// ESG reporting/ Compliance
// Health, Safety & Environmental (HSE) standards in own operations and the supply chain	// Social impact of products (impact on health, welfare, and economic mobility)	// Responsible business practices (including strong business ethics) along the entire value chain
	// Social standards in own operations and the supply chain	

Table 1: Overview of main ESG topics for Bayer (non-exhaustive)

### 3.4 Bayer's Sustainability Targets, Measurement and Link to Compensation

Bayer has set itself ambitious measurable sustainability targets that are in line with the United Nations' (UN) Sustainable Development Goals for 2030 (SDGs) and the Climate Goals of the Paris Agreement.

The targets are measured via Key Performance Indicators (KPIs), details are described in an internal regulation and under "Description of the Methodology" on our [external website](#). The targets and their progress measurements are assured by an external auditor and published on our [external website](#). The most important KPIs are included into the compensation system for all managerial employees. Moreover, the Supervisory Board has also included sustainability KPIs into the compensation system for the Board of Management.

### 3.4 Sustainability Reporting

To fulfill the legal requirements according to German Commercial Code (§ 289b to e, §315b and c), Bayer publishes relevant sustainability and ESG-related topics in the Nonfinancial Statement within the Annual Report.

In addition, a separate, comprehensive Sustainability Report is published annually to transparently inform about sustainability and ESG-related topics and meet the requirements and expectations of our stakeholders, like social interest groups, authorities, business partners, as well as financial market participants like investors, rating agencies, ESG rankings and ESG data providers. The Sustainability Report is described in a technical and auditable way and includes both, detailed qualitative statements, and quantitative data.



The Sustainability Report applies the requirements from ESG reporting frameworks and standards including, for example, United Nations Global Compact (UN GC), Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB) and Taskforce on Climate-related Financial Disclosure (TCFD). Information needed for SASB and TCFD disclosure is additionally published in separate documents.

Information for the Sustainability Report is provided by several Enabling Functions, countries / country groups, subsidiaries as well as the Divisions of Bayer and are externally audited. The process of collecting and processing the data for the report is described in an internal regulation. Objective is to create transparency on roles and responsibilities and to provide guidance to the various stakeholders who are involved in the creation phase.

### 3.6 Sustainability Management at Bayer: Roles and Responsibilities

Clear roles and responsibilities ensure effective management of Sustainability throughout the entire organization from the Bayer Board of Management (BoM) to all Enabling Functions, Divisions, countries / country groups and employees.

The BoM and the Chief Sustainability Officer (CSO) form the first and highest responsibility layer. They are supported by the Public Affairs, Science, Sustainability & HSE (PASS & HSE) function and the worldwide company organization in executing these responsibilities. Sustainability is largely embedded into existing management and governance structures as well as the core processes of the organization.

#### 3.6.1 Board of Management

As outlined in an internal regulation, the BoM is responsible for defining and implementing Bayer's sustainability ambitions, plans and activities as part of the overall strategy.

#### 3.6.2 Chief Sustainability Officer

Bayer's CSO is the highest responsible person for sustainability at Bayer. The CSO drives sustainability in the company on behalf of the Board of Management, monitors its achievement and is responsible for sustainability governance.

#### 3.6.3 External Sustainability Council

Bayer's external [Sustainability Council](#) consists of independent external experts with broad expertise in a diverse range of ESG topics. The Council advises Bayer's BoM, the CSO, PASS & HSE and other relevant functions in all sustainability matters – helping Bayer leverage its full potential in sustainability. To perform their work, the members of the Sustainability Council have access to relevant information and experts within the company. The Council is supported by a secretariat within PASS & HSE and reports annually on the progress of its work.



### 3.6.4 Public Affairs, Science, Sustainability & HSE

The CSO and the BoM are supported by the PASS & HSE function. PASS & HSE is responsible for the below mentioned points with its resources on corporate level, in Divisions and country organizations. To continuously embed sustainability within Bayer, PASS & HSE ensures appropriate alignment of all aspects enumerated in this section with all other Enabling Functions, the Divisions and country organizations concerned. In particular, business relevant aspects are discussed with the respective business functions and their participation in the decision-making process is safeguarded.

- // Advance the integration of sustainability in the Group-wide business strategy and drive its implementation.
- // Define global environmental and social objectives, targets and KPIs, and measure, track and report performance against those objectives and targets.
- // Define standards for material ESG topics of interest for our stakeholders. Bayer standards integrating sustainability requirements will in many cases define higher standards than locally required by law. Legal requirements and Bayer standards must both be adhered to.
- // Provide Group-wide governance on material environmental and social topics.
- // Ensure reporting on ESG performance (annual sustainability report as well as input to the annual management report), address further legal reporting requirements and serve ESG ratings.
- // Engage with external stakeholders of interest in the field of ESG such as investors, policy makers, non-governmental and civil society organizations, and the external Sustainability Council (see 3.6.3).
- // Steer all public affairs activities including the provision of policy advice, defining public policy positions and issue management.
- // Engage and train Bayer employees on sustainability topics.
- // Steer global communities for material environmental and social topics.
- // Lead the Bayer foundation, social innovation and global corporate giving activities.
- // Advance cross-divisional R&D (Research & Development)-related sustainability matters and steer initiatives such as transparency, scientific integrity and bioethical evaluations in collaboration with the R&D Executive Committee.
- // Develop and maintain the global management system for Sustainability, Safety, Health, Environment. This includes for example the [Bayer Human Rights Policy](#), [Bayer Societal Engagement \(BASE\) Principles](#) and HSE Management and [HSE Key Requirements](#).





### 3.6.5 Sustainability Decision Committee

The Sustainability Decision Committee is the central body to align on Bayer's sustainability-related positions and ambition level and oversee their implementation across Divisions and key functions. The committee ensures inclusive decision-making across all Divisions and functions involved.

Where necessary, the CSO, BoM and Supervisory Board are included in the decision-making process.

### 3.6.6 Divisions

Sustainability is an integral part of our business strategies and operations. The leaders from a wide range of divisional departments work collaboratively with PASS & HSE, ensuring sustainability continues to be embedded in the way Bayer does business and to drive company-wide progress.

### 3.6.7 Enabling Functions

All Enabling Functions are responsible for integrating sustainability aspects into their processes and decision making. Important examples are Mergers & Acquisitions (M&A) as well as Capital Expenditures (see below). Also, all Enabling Functions are important enablers in the implementation of the company's sustainability targets.

Mergers & Acquisitions (M&A) are an important driver of Bayer's long-term value creation with a focus on innovation-driven technology. Therefore, sustainability is an integral part in the decision-making process for mergers & acquisitions. Details are defined in internal regulations.

Capital Expenditures decisions can involve large sums of money, have long time horizons and a strategic role in long term value creation for the company. Therefore, Sustainability is an important part of capex planning and is considered in the decision-making process. Details are defined in internal regulations.

The following Enabling Functions are examples with a highlighted specific role that goes beyond the pure integration of sustainability into processes:

**Procurement:** The supply chain part of sustainability is overseen and managed by Procurement for all three dimensions of ESG (environmental, social, governance) coordinated by a dedicated sustainability team. Procurement is responsible and accountable for setting and achieving supply chain related targets, in collaboration with PASS & HSE (setting targets) and the Divisions (achieving targets). Procurement is the owner of the [Bayer Supplier Code of Conduct](#) that describes Bayer's minimum requirements towards suppliers, including sustainability.



**Human Resources** is responsible for embedding sustainability in Bayer's culture by evolving our Employee Value Proposition, developing sustainable leadership behaviors in line with our LIFE values, and establishing a dialogue-oriented culture based on inclusion & diversity, fairness & respect at work, equality of opportunity, equitable pay practices, and quality working conditions.

### 3.6.8 Countries / Country Groups

Country / country group leadership, supported by the PASS & HSE function, is responsible for advancing the integration of sustainability in their respective business strategies and operations. They are responsible for the definition and implementation of local sustainability measures aligned with the global sustainability ambitions and targets. Also, they shall set local examples and activate and engage local employees and local external stakeholders. In addition, countries/country groups are responsible for realizing potential sustainability synergies across Divisions in their country / country group. Country/country group leadership or their delegates are included in alignment and decision making of sustainability related matters of their concern.

### 3.6.9 All Employees

All employees should live up to our ambition to become an impact generator for sustainability. They should contribute to Bayer's sustainability targets and act sustainably along the value chain – as further specified and defined in our LIFE values and by Policies and Procedures such as the Bayer Societal Engagement Principles and Human Rights.

### 3.6.10 ESG Committee of the Bayer Supervisory Board

The [ESG Committee of the Bayer Supervisory Board](#) oversees and advises on Bayer's approach to incorporate sustainability in the business strategy and governance as well as on risks and opportunities related to sustainability – including their effect on reputation.

## 04 Implementation Measures & Training



The following measures are key to ensure a proper global implementation of this Policy:

- // Communication of this Policy to all employees
- // Local availability of the Policy
- // Translation of this Policy into local language if required

Sustainability has been embedded centrally into the existing Bayer training landscape. In addition, specific sustainability learning resources are being offered in MyLearning as well as in GoLearn on a voluntary basis.

## 05

# Definitions and Abbreviations



## Definitions:

**Environmental, Social, and Corporate Governance (ESG)** criteria are a set of standards for a company's operations that socially and ecologically conscious investors use to screen potential investments.

**The Paris Agreement** is an international treaty on climate change. It was adopted by 196 Parties in Paris, at the 2015 United Nations Climate Change Conference and entered into force on November 4, 2016. Its goal is to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels.

**Sustainable Development Goals (SDGs)** are a collection of 17 interlinked goals designed to be a blueprint for peace and prosperity for people and the planet, now and into the future. The SDGs were set in 2015 by the United Nations General Assembly and are intended to be achieved by the year 2030.

## Abbreviations:

<b>BoM</b>	Board of Management
<b>CSO</b>	Chief Sustainability Officer
<b>HSE</b>	Health, Safety, Environment
<b>KPIs</b>	Key Performance Indicators
<b>LIFE</b>	Leadership, Integrity, Flexibility and Efficiency
<b>PASS &amp; HSE</b>	Public Affairs, Science, Sustainability & HSE
<b>R&amp;D</b>	Research & Development
<b>SASB</b>	Sustainability Accounting Standards Board
<b>TCFD</b>	Taskforce on Climate-related Financial Disclosure

