



# **EU CODE OF CONDUCT ON RESPONSIBLE FOOD BUSINESS AND MARKETING PRACTICES**

**BAYER AG**

**REPORT SUBMITTED ON 28/04/2023**

## **CONTACTS**

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## INTRODUCTION

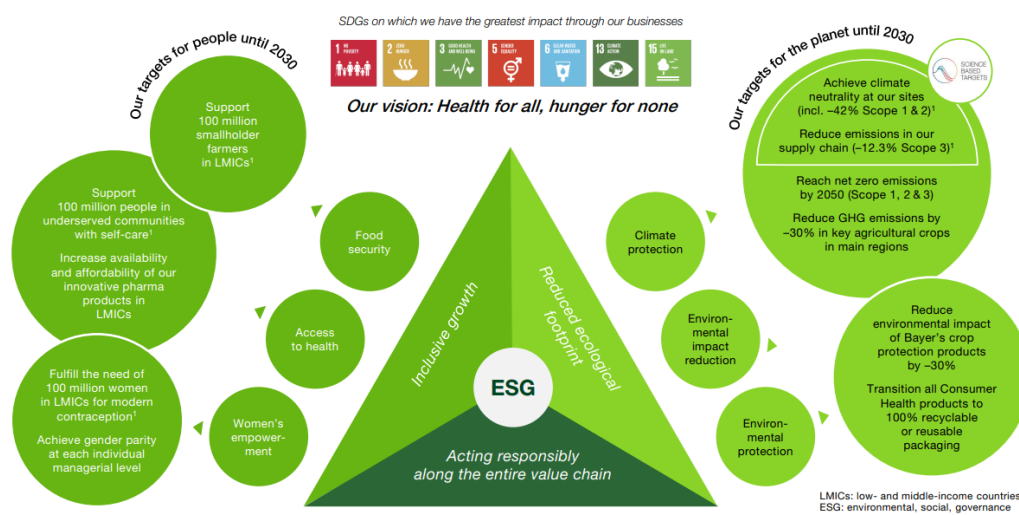
For Bayer, sustainability means more than just corporate responsibility – it is a driver for Bayer’s future growth. Sustainability is therefore an essential component of our corporate strategy, our business activities, our corporate values and the way in which we operate our businesses.

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. We can have a significant impact owing to our portfolio, our global reach and our innovation power. In this context, we support particularly those Sustainable Development Goals where there is a pressing need to act and where we can make the greatest contributions through our businesses and their sustainable transformation.

Bayer aims to promote sustainable development worldwide in accordance with the SDGs, while at the same time focusing on the future in how it aligns its businesses so as to grow in line with the sustainability targets. To achieve this, we link the concept of inclusive growth with a reduction in our ecological footprint based on responsible business practices along our entire value chain.



**Figure 1:** Our strategy and impact focusing on the SDGs

## UPDATE ON THE PLEDGE

In this section, we present the commitments and their progress, linked to the Code of Conduct objectives, in which the Bayer Group focuses. The table below represents an overview.

**Table 1. EU CoC targets and the Bayer Group commitments and progress for 2022**

<b>Type of business/ sector</b> (E.g. retail, dairy)	Input provider and innovation company
<b>Sustainability dimension</b> (E.g. Environmental, social)	Environmental
<b>Code aspirational objective (1-7)</b>	<b>AO3</b>
<b>Individual commitments with baseline</b>	<b>Progress on KPIs and goals (qualitative and/or quantitative)</b>
<p><b>Climate neutrality of our sites and achievement of a Science Based Target</b></p> <p>Reference year 2019:</p> <ul style="list-style-type: none"> <li><b>Scope 1 and 2:</b> 3.76 million metric tons CO<sub>2</sub>e</li> <li><b>Scope 3:</b> 8.82 million metric tons CO<sub>2</sub>e</li> </ul>	<p>Net zero roadmap (2050) installed and medium-term (2030) targets validated by SBTi:</p> <ul style="list-style-type: none"> <li>Reduction of Scope 1 and 2 greenhouse gas emissions by 42%</li> <li>Reduction of Scope 3 emissions along up-and downstream value chain by 12.3%</li> <li>Offsetting of remaining Scope 1 and 2 greenhouse gas emissions</li> </ul> <p><b>Achievements</b></p> <p><b>Scope 1 and 2:</b> Overall, we have already reduced our own emissions to 3.03 million metric tons CO<sub>2</sub>e compared with the reference year 2019. Regarding Scope 1 and 2 we have already achieved a decline of 19.5% since 2019.</p> <p><b>Scope 3:</b> Our scope 3 emission in 2022 slightly rose to 8.90 million metric tons CO<sub>2</sub>e due to business growth, the replenishment of inventories and an increase in air freight and business travel. To achieve significant reductions in the supply chain in the coming years, we are intensifying our collaboration with suppliers, in particular in terms of a shift to renewable energies. We have also specified this in our updated Supplier Code of Conduct.</p> <p><b>Total (scope 1, 2 and 3):</b> We reduced our total greenhouse gas emissions compared to the reference year 2019 by around 1.1 million tons, while our business has grown significantly over the same period.</p>
<b>To reduce greenhouse gas emissions from our highest-emitting crops by 30% in our sales regions by 2030.</b>	<p>Base line calculation; our overall customers' greenhouse gas intensity across all crop-country combinations in the scope of our commitment was 443 kilograms CO<sub>2</sub>e per metric ton of crop harvested.</p> <p>Global Carbon Farming Initiative <a href="#">Climate Change and Agriculture   Bayer Global</a></p>
<b>Sustainability dimension</b> (E.g. Environmental, social)	Environmental
<b>Code aspirational objective (1-7)</b>	<b>AO4</b>
<b>Individual commitments with baseline</b>	<b>Progress on KPIs and goals (qualitative and/or quantitative)</b>
<b>Report yearly R&amp;D investments</b>	Our R&D investment in 2022 was 2.876 billion euro.



<b>Health, Safety Environmental audits</b>	80% of our business activity is to be covered by external certification to the ISO 14001 and ISO 45001 standards by the end of 2025
<b>Responsible water usage &amp; awareness</b>	<ul style="list-style-type: none"> <li>In 2022 Bayer received an A- rating from CDP.</li> <li>The RUN BLUE campaign (The Weight of Water   Bayer Global and Mina Guli   Run Blue) was initiated together with the WWF and the water activist Mina Guli to raise awareness about global water problems caused by climate change.</li> <li>Water management systems established at all relevant sites in water-scarce areas or in areas identified as being threatened by water scarcity by the end of 2020. These areas were identified using the Aqueduct Water Risk Atlas of the World Resources Institute (WRI).</li> <li>We plan to establish suitable water management systems by the end of 2023 at all relevant sites that will be threatened by water scarcity by 2030 (identified by WRI).</li> <li>We recycle water several times at many of our sites, our total water requirement of 53 million cubic meters (2021: 55 million cubic meters) is much lower than the actual water use volume of 399 million cubic meters (2021: 376 million cubic meters). This yields a mathematical recycling rate of more than 750% (2021: more than 680%).</li> <li>Waste water is strictly monitored before being discharged (strict voluntary discharged limits are in place)</li> </ul>

<b>Sustainability dimension</b> (E.g. Environmental, social)	Environmental and social
<b>Code aspirational objective</b> (1-7)	<b>AO5</b>
<b>Individual commitments with baseline</b>	<b>Progress on KPIs and goals (qualitative and/or quantitative)</b>
<b>Report yearly our core social indicators</b>	<p>Bayer is a founding member of the U.N. Global Compact and supports the United Nations' Universal Declaration of Human Rights and a number of globally recognized declarations for multinational corporations such as the OECD Guidelines for Multinational Enterprises and the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy of the International Labor Organization (ILO), as well as the latter's core labor standards.</p> <p>In addition to these guidelines, we support the United Nations Guiding Principles on Business and Human Rights - also known as the "Ruggie Framework".</p>
<b>Inclusion and diversity:</b> <ul style="list-style-type: none"> <li><b>33% of women in top management by 2025 and 50% by 2030.</b></li> <li><b>The average proportion of women at all management levels is to be increased to 50% by 2025.</b></li> </ul>	<p>The proportion of women in management rose to 42.9% in 2022 (2021: 41.9%).</p> <p>The proportion of women in top management rose slightly in 2022, amounting to 27.8% at year-end (2021: 26.8%).</p> <p>Currently, 37 nationalities are represented in Bayer's top management, with around 67% of these employees working in their home countries.</p>
<b>ESG investment</b>	<p>Removal of red flags: MSCI-ESG 2022 Bayer received score A ISS-ESG 2022 Bayer received score C+</p> <p><a href="#">Ratings, Rankings and Awards   Bayer Global</a></p>



<b>Sustainability dimension</b> (E.g. Environmental, social)	Environmental and social
<b>Code aspirational objective (1-7)</b>	<b>AO6</b> <b>Support sustainable agriculture</b>
<b>Individual commitments with baseline</b>	<b>Progress on KPIs and goals (qualitative and/or quantitative)</b>
<b>100 million smallholder farmers in LMICs given support by 2030</b>  Reference year 2019: 42 million	In 2022, we supported 52 million smallholder farmers in LMICs by our products, services and partnerships.
<b>30% environmental impact reduction of our crop protection products</b>  Average baseline: 2014 –2018	Based on the data for the period 2017 to 2021, Bayer has reduced its global crop protection environmental impact by 14% against the baseline. The reduction was mainly the result of changes in our crop protection product portfolio in recent years. <a href="#">Commitment to Reducing Environmental Impact   Bayer Global</a>
<b>Report yearly on the status of the Food Chain Partnership.</b>	We have 382 Food Chain Partnerships running in 35 countries across regions, covering 65 crops and 41 Food Chain Partners.

<b>Sustainability dimension</b> (E.g. Environmental, social)	Environmental and social
<b>Code aspirational objective (1-7)</b>	<b>AO7</b> <ul style="list-style-type: none"> <li>• Improving social performance in global food supply chains</li> <li>• Contribute to solutions for supporting habitats and biodiversity and preventing negative impacts of operations on air, land, soil, water, forests</li> </ul>
<b>Individual commitments with baseline</b>	<b>Progress on KPIs and goals (qualitative and/or quantitative)</b>
<b>Human rights are respected.</b>	We are committed to upholding and supporting human rights and to transparently report about them. <ul style="list-style-type: none"> <li>• Policies, processes, and monitoring systems are in place to implement human rights in our own operations.</li> <li>• Expect our business partners – suppliers and customers – to share our commitment to respect human rights, and to conduct their business in an ethical manner and act with integrity.</li> <li>• Support human rights in local communities. <ul style="list-style-type: none"> <li>○ Position on child labour: zero tolerance: 2022 no reports for the seed supply chain in risk countries India, Bangladesh and the Philippines</li> </ul> </li> </ul>
<b>Improve water use per kilogram of crop by 25% by 2030, by transforming rice-cropping systems for our smallholder customers in the relevant regions where Bayer operates.</b>	Drive positive change in water productivity in water scarce regional cropping systems, starting with rice, which is responsible for up to 43 % of the world's irrigation water withdrawals as well as 10 -12% of global methane emissions.
<b>Bayer evaluates the sustainability performance of all key suppliers and of selected high-sustainability-risk suppliers including water as an evaluation criteria.</b>	Bayer has launched its new Supplier Code of Conduct (SCoC), with dedicated items to address water and wastewater. At the same time the company will continue to drive improvements in water-use efficiency with growers across seed production

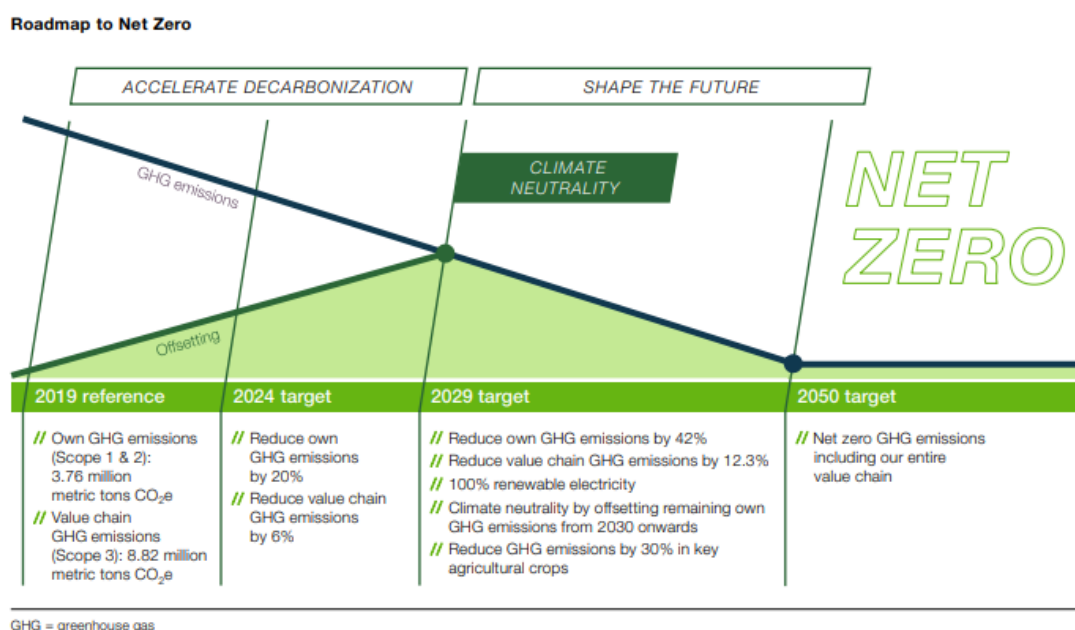
## ADDITIONAL INFORMATION ON PROGRESS AGAINST OBJECTIVES

(E.g. partnerships, geographical coverage, sharing best practices, links with other COM initiatives, with other reporting initiatives)

### OBJECTIVE AO3

We have developed a net zero roadmap to achieve our ambitious climate targets. The Science Based Targets initiative (SBTi) has validated our target and confirms our contribution to fulfilling the Paris Agreement.

We have also signed the Business Ambition for 1.5°C, a campaign of the SBTi in partnership with the U.N. Global Compact and the We Mean Business Coalition as an external expression of commitment to net zero greenhouse gas emissions.



**Figure 2:** Bayer Group net zero road map

### Scope 1 and 2

Our roadmap comprises various measures in the areas of energy & efficiency, governance and offsetting.

- **Energies & efficiencies**

In 2022, we further improved the conversion of our Group-wide electricity procurement, and renewable energies. They now account for 32.6% of our total purchased electricity volume. We have defined specific criteria for the procurement of green electricity and published this information on our website. The criteria are based on the next-generation green power guidelines of the WWF (World Wide Fund for Nature). Also in 2022 we concluded various long-term supply agreements for our sites in Spain. Similar agreements are already in place in Germany and Mexico. In Brazil long term supply agreements were concluded to ensure the supply of electricity from renewable energies based on energy attribute certificates (EACs) accredited according to the International Renewable Energy Certificate standard (I-REC). Part of the electricity requirement in the United States is covered by certificates (EACs/RECs), supplemented by supply agreements with local providers.

Investment in efficiency measures and renewable energies: to achieve an absolute reduction in our remaining emissions, we intend to invest €500 million through 2030 in renewable energies and in increasing the energy efficiency of our facilities and buildings.

By 2030, we aim for our fleet to consist entirely of electric vehicles wherever this is technically and economically feasible. Bayer joined the EV100 initiative of the Climate Group and has validated its activities according to the criteria of that initiative. In 2022, implementation began in 26 countries (including Germany) that account for around 67% of our vehicle fleet. Including vehicles that have already been ordered, the proportion of hybrid and electric vehicles in our fleet is approximately 18%.

- **Offsetting**

We will offset our own emissions (Scope 1 and 2) that still remain following reduction through technological measures and cannot be avoided (such as greenhouse gas emissions generated by chemical processes) by purchasing certificates from climate protection projects that meet recognized quality standards. In this respect, too, we have established specific criteria for procuring certificates from climate protection projects. In this process, we focus on nature-based climate solutions, preferably concerning forestry and agriculture projects. We will also invest in innovative projects to promote the development of voluntary emissions trading. [This Is How We Protect the Climate | Bayer Global](#)

We offset more than 450,000 metric tons of our greenhouse gas emissions in 2022 by financing reforestation and forest conservation projects, for example in Brazil, Guatemala, Indonesia, Nicaragua, Peru, Zambia and Zimbabwe.

In 2022, we joined the Brazilian Initiative for the Voluntary Carbon Market. This initiative brings together companies and institutions from several industries in Brazil with the goal of structuring key measures to develop voluntary CO<sub>2</sub> emissions trading in that country and to contribute to global CO<sub>2</sub> emissions trading with accredited certificates.

In the framework of Bayer's activities to protect the forests, Bayer is a participant in the LEAF (Lowering Emissions by Accelerating Forest finance) Coalition.

### Scope 3

The ability of one company to reduce the GHG emissions along the value chain is only limited. Hereto Bayer has joined various initiatives and is working on measures. For example: through the Supply Chain Initiative of CDP (formerly the Carbon Disclosure Project), we ask our strategically important suppliers and those who account for a significantly high proportion of our emissions in the value chain to provide us with more exact greenhouse gas emissions data. Since 2021, we – like our biggest transport and logistics partners and various industrial companies – began to implement the IT solution “EcoTransIT World” for automatic calculation of transport-related greenhouse gas emissions. In addition, also externally, we advocate for a climate position in line with our ambitious targets and demand that our partners also undertake decarbonization measures in accordance with the Paris Agreement. To ensure maximum transparency:

- We have therefore published a detailed list of our climate policy lobbying activities. [2021 Overview Lobbying-Activities Climate-Change.pdf \(bayer.com\)](#)
- We disclose both our achievements and the challenges that still lie ahead of us in our current Industry Association Climate Review – Engagement Update 2022. [Microsoft Word - Bayer Industry Association Climate Engagement rg v05.docx](#)

We aim to reduce greenhouse gas emissions from our highest-emitting crops by 30% in our sales regions by 2030. Therefore, Bayer's' focus lies on soy and corn in the United States, Brazil and Argentina, paddy rice in India, and wheat, cotton, and oilseed rape/canola in various geographies. The scope of our efforts is focused on emissions of major greenhouse gases: carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O) from field operations.



The sources of greenhouse gas emissions include cultivation, decomposition of applied fertilizers and organic matter, and irrigation. In this context, we calculated a global baseline based on our customers' greenhouse gas intensity in our major markets and for our most important crop-country combinations with data for 2020 and supplemented it with data for 2021 from additional regions. We described our methodology in detail in a report which is currently undergoing the review process by an external panel of experts to ensure that the baselining and performance tracking methodology is adequate. Using this methodology, our overall customers' greenhouse gas intensity across all crop-country combinations in the scope of our commitment was 443 kilograms CO<sub>2</sub>e per metric ton of crop harvested (baseline of our commitment). Finally, our Carbon Farming Initiative launched in 2020 already offers farmers in Brazil, the United States, Europe, and Asia financial incentives to apply climate-friendly methods and capture greenhouse gases in the soil.

- **Partnerships / coalitions:**

- // Global Soil Health Program (University of Glasgow)
- // World Economic Forum Lighthouse project – Decarbonization of the EU Food System – European Carbon+ Farming Coalition
- // Inter-American Institute for Cooperation on Agriculture (IICA), Living Soils in the America's Initiative
- // Coalition of Action 4 Soil Health (CA4SH)

#### OBJECTIVE AO4

- **Our innovations**

In the areas of plant breeding and crop protection, products are designed to further improve both the quality and the quantity of harvests, while providing highest safety standards, and to enhance plants' resilience against insect pests, diseases, and a changing climate. In addition, we invest in research and development to attain an improved balance between productivity and conserving biodiversity and ecosystem services as, for example pollination. We also invest in new technologies and conduct research into questions such as how plants could use nitrogen from the air for their growth with the help of soil microorganisms. This would enable the use of nitrogen fertilizer to be greatly reduced in the future.

One example of the possibilities offered by plant breeding is our short-stature corn hybrids, planned to be commercialized in the coming years. The seed hybrids enable the growth of shorter corn plants that have the potential to not bend or break as easily as corn plants of regular height in the presence of strong winds or heavy rain. Losses in the United States due to bent plants amount to between 5% and 25% a year depending on the severity of weather events. Short stature corn hybrids also have the potential to enable an optimized uptake of water and nutrients such as nitrogen.

- **Our measures**

Protecting the environment and ensuring the safety of our employees and the people who live near our sites are among our highest priorities. We work continuously to reduce the environmental impact of our business activities and develop product solutions that benefit the environment.

#### OBJECTIVE AO6

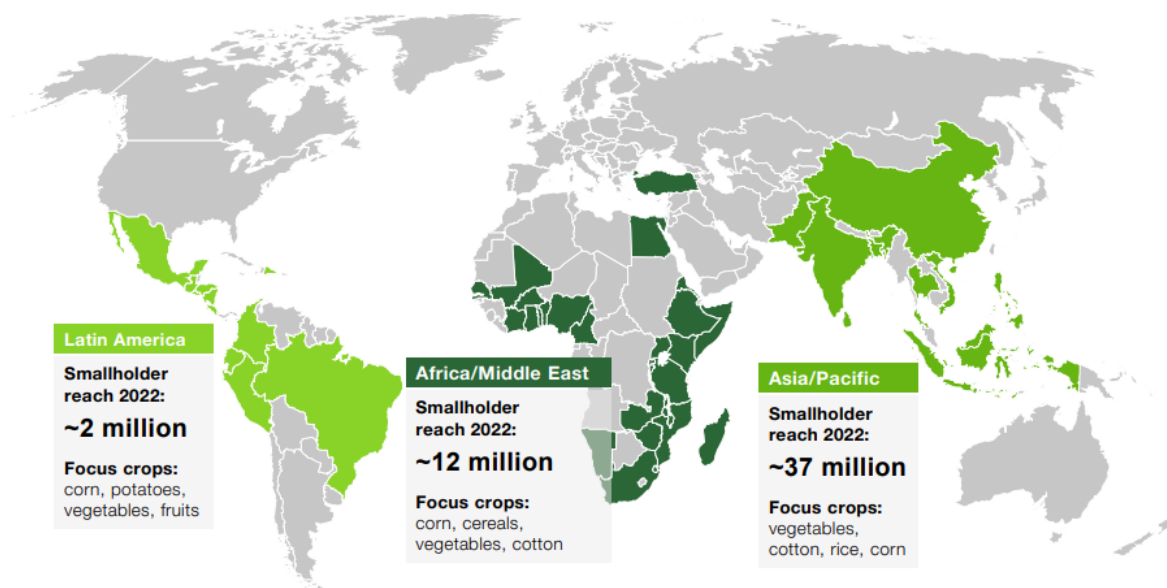
- **Smallholders**

No one can overcome every challenge alone, we establish crop value chain partnerships to provide smallholder farmers with high-quality inputs, agronomic knowledge, cost-effective



financing, and risk mitigation solutions, as well as market access to sell their products. We have already forged a number of key partnerships:

**Better Life Farming:** Better Life Farming is a long-term partnership between Bayer, the International Finance Corporation (IFC, part of the World Bank), Netafim and more than 30 local public and private partners as well as NGOs. This partnership helps smallholder farmers make their farms commercially profitable and sustainable. In 2022, we increased the number of Better Life Farming centers in India, Indonesia and Bangladesh to more than 2,500 and opened the first centers in Mexico and Honduras. We are planning further growth in the Asia/Pacific and Latin America regions and also aim to expand to Africa.



**Figure 3:** Smallholder Reach 2022

**Noncommercial partnerships:** The Bayer Foundation funds the Digital Farmer II program of our partner Mercy Corps AgriFin together with the Bill & Melinda Gates Foundation. This leverages the spread of digital technologies to develop more efficient digital information and financial products and services for smallholder farmers. In 2022, we reached some 950,000 smallholder farmers via noncommercial partnerships.

- **Environmental Impact Reduction**

Bayer consistently seeks to develop and offer crop protection products that have the same or better benefits for farmers, while having less impact on the environment. To this end, Bayer adopted a methodology for crop protection environmental impact reduction (CP EIR). The methodology we adopted relies on two leading externally developed scientific consensus models (PestLCI and USEtox<sup>®</sup>) to enable a quantifiable environmental impact assessment of crop protection. All Bayer crop protection product applications in the field globally, as reported in the AgroWin system, are in the scope of our commitment to reduce the environmental impact of crop protection. An external panel of experts is independently performing an assessment of how Bayer and the Technical University of Denmark (DTU) apply the models to assess its crop protection environmental impact, and how Bayer measures performance against its commitment and other methodological considerations. Applying CP EIR allows Bayer to identify hotspots of environmental impact and develop improvement levers. They can be categorized in 1) optimization of crop protection volumes required per hectare through tools (precision application, seed treatment, seeds and traits and biologicals), 2) reduction of the environmental impact of the crop protection product itself and 3) reduction of the emissions into the environment.

- **Food Chain Partnership**

In addition, we are working together toward a Sustainable Food Systems. Hereto, Food Chain Partnership-an innovative platform to promote partnerships and to address challenges throughout our food system- brings together farmers, food processors, retailers, traders and others along the value chain. By sharing collective insights, goals, and resources, everyone contributes to tangible Food Chain Partnership initiatives to improve sustainability, food safety, quality, yields, and transparency.

Best practices:

<https://www.bayer.com/en/agriculture/food-chain-partnership>

<https://www.baygap.bayer.com/en-us/initiatives.html>

## OBJECTIVE A07

The Bayer mission statement “Science For A Better Life”, our LIFE values and our Corporate Compliance Policy – combined with the United Nations Global Compact – clearly define human rights standards. These standards require all employees around the world to act with fair and lawful conduct toward other employees, colleagues, business partners and local communities.

The Bayer commitment to promoting human rights applies to all Bayer locations and business operations worldwide. As a global company, we regard this as representing a social and ethical commitment as well as a key requirement for sustainably developing our business. Human rights standards guide our decision-making and constructive engagement both internally and in our sphere of influence, while the responsibility of national governments for the protection of human rights is respected at the same time.

As an example, our position on child labor is quite clear – it is not tolerated at Bayer. Through our Child Care Program, Bayer has for years taken systematic action to prevent child labor in the seed supply chain. The program is established in India, Bangladesh and the Philippines – the countries in which we identified the potential for child labor infractions through our risk assessment. In 2021/22, we did not identify any cases of child labor in the above countries. The Learning for Life initiative is an integral part of our Child Care Program in India. With advanced training measures in farming, we help disadvantaged young people gain the skills and knowledge needed for modern agricultural vocations and prepare themselves for advanced agricultural employment in villages or companies. The young people who have completed the training program serve as role models for other children to continue pursuing their school education. In combination with the Early Child Education Program implemented between 2005 and 2012/2013, we had reached 7,346 children and young people with our Learning for Life activities by the end of 2022. This number includes more than 1,449 school students who successfully completed the career-oriented program between 2010 (the year of launch) and 2022. After more than 15 years, we ended the Learning for Life initiative in 2022 and are now focusing on rural development programs and initiatives to provide preventive healthcare to smallholder farmers and women.

Finally, we use a Group-wide, integrated risk management system to identify potentially detrimental effects of our business activity on human rights. The Bayer Risk Universe anchored in this system reflects the potential risk categories at Bayer. The Bayer Risk Universe is regularly reviewed and, if necessary, updated. The Group-wide identification and assessment of our human rights risks was completed in 2022. The risk analysis was conducted together with external business and human rights experts. Alongside the involvement of internal experts, civil society organizations were also consulted by way of interviews.



We have identified six priority issues: Right to health - Responsible use of natural resources - Protection against child labor - Right to freedom from slavery, servitude and forced labor - Right to fair and favorable working conditions - Right to freedom of association.

## INFORMATION SOURCES

1. Bayer Sustainability Report 2022 - [Bayer Sustainability Report 2022](#)
2. Bayer Crop Protection Environmental Impact- <https://www.bayer.com/en/agriculture/reducing-agricultures-impact-environment>
3. Bayer Water Strategy and Commitment - [Water Security Builds Our Resilience to Climate Change | Bayer Global](#)
4. Bayer Modern Slavery Statement- <https://www.bayer.com/en/sustainability/bayer-modern-slavery-statement>
5. Bayer Food Chain Partnership - <https://www.bayer.com/en/agriculture/food-chain-partnership> and <https://www.baygap.bayer.com/en-us/initiatives.html>
6. Bayer Human Rights Policy – [Bayer Human Rights Policy](#) and [Human Rights - Bayer | Bayer Global](#)
7. Bayer Annual Report 2022- <https://www.bayer.com/sites/default/files/2023-02/Bayer-Annual-Report-2022.pdf>