

*Industry
Association
Climate Review
2021*



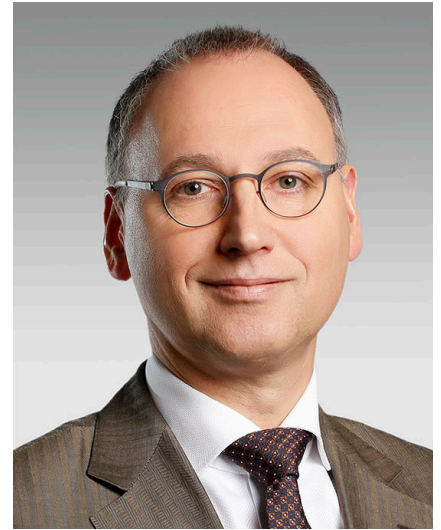
Industry Association Climate Review 2021

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Supporting climate-friendly policy through Bayer's industry association membership



Dear stakeholder,

As a science-based company, Bayer recognizes its responsibility to address climate change as one of the biggest challenges we face as humanity. Our company is fully committed to becoming climate-neutral in our own operations by 2030 and to achieving net zero greenhouse gas (GHG) emissions across our businesses and including our entire global value chain by 2050. Moreover, we are working with farmers to reduce the ecological footprint of agriculture, which currently accounts for about a quarter of GHG emissions worldwide.

To achieve this, we advocate for future-proof, innovation-friendly policy approaches to deliver on the Paris Agreement and the UN Sustainable Development Goals. Bayer supports regulatory frameworks and policy initiatives that promote the development and use of innovative low carbon and carbon neutral products, processes and business models that also strengthen industry competitiveness. This is aligned with our own ambitious climate targets and my personal conviction that sustainability and business need to go hand-in-hand.

Transparency and good governance are key for us. In that spirit, this first Bayer Industry Association Climate Review is a natural next step. Active engagement in industry associations and trade bodies is vitally important to our business and stakeholder engagement. As Bayer contributes to the global policy discussion on how best to address climate change, we expect our industry partners and trade associations to equally engage. The same also applies to maintaining standards of responsible lobbying. We are committed to working together to address any identified gaps between our expectations and the activities of the trade associations of which we are a member.

The Bayer Industry Association Climate Review will be updated every two years. Based on the findings, we will work together with associations where we see opportunities for increased alignment on our climate policy agendas. Through our actions, we hope to set a new standard for disclosure and reporting on climate policy advocacy. While we may not be the first, we are setting a new precedent beyond the realm of energy intensive sectors by including our agriculture and healthcare businesses.

As societal expectations evolve, we must evolve with them. This also means working transparently and listening to our stakeholders. With this in mind, I would like to thank the investors like those who started Climate Action 100+ for including Bayer in this process and for their insightful and valuable input. You are helping us evolve and we are listening.

We look forward to working together with our industry association partners so that we can jointly achieve meaningful change.

Sincerely,

A blue ink handwritten signature, appearing to read 'W. Baumann', written in a cursive style.

Werner Baumann
Chairman of the Board of Management of
Bayer AG & Chief Sustainability Officer

1. Summary findings

Bayer is committed to supporting and advocating for climate policy that is in harmony with our own ambitious climate targets and Sustainability Strategy. We are also focused on demonstrating transparency and making information accessible, especially in relation to our advocacy activity and political engagement. This is in line with the company’s Bayer Societal Engagement (BASE) Principles ([here](#)) and its Code of Conduct for Responsible Lobbying ([here](#)).

Aligned with Bayer’s commitment to positive advocacy in tackling climate change, we are publishing this Industry Association Climate Review. It sets out our position on climate policy and provides an assessment of alignment of the industry associations and trade groups of which we are members. As an extension of our commitment to advocate for science-based policies addressing climate change, we expect to see the ambition of Bayer’s climate positions reflected by our associations.

Our corporate lobbying activities are guided by transparency, fairness, and integrity as well as fact-based information. These principles apply to both Bayer and any organizations that advocate on our behalf, including the industry associations of which we are members, and they will be held to this standard. The 2021 review marks the first step in this process.

65 industry association organizations across four sectors – chemical, agriculture, healthcare and cross-sector – were included in the analysis. Covering 18 territories in addition to the European Union and globally focused organizations, the industry associations included reflect the international footprint of Bayer’s operations and advocacy activity.

Bayer is the first company to carry out a review covering the agricultural sector and also the first with a significant interest in the pharmaceutical sector. As the findings illustrate, many industry associations in these sectors are working across a broad range of issues, but lack depth or are narrow in their focus on climate-related topics. We hope to use the report and its findings to begin discussions with them on building out more comprehensive positions on climate change.

Findings in a nutshell

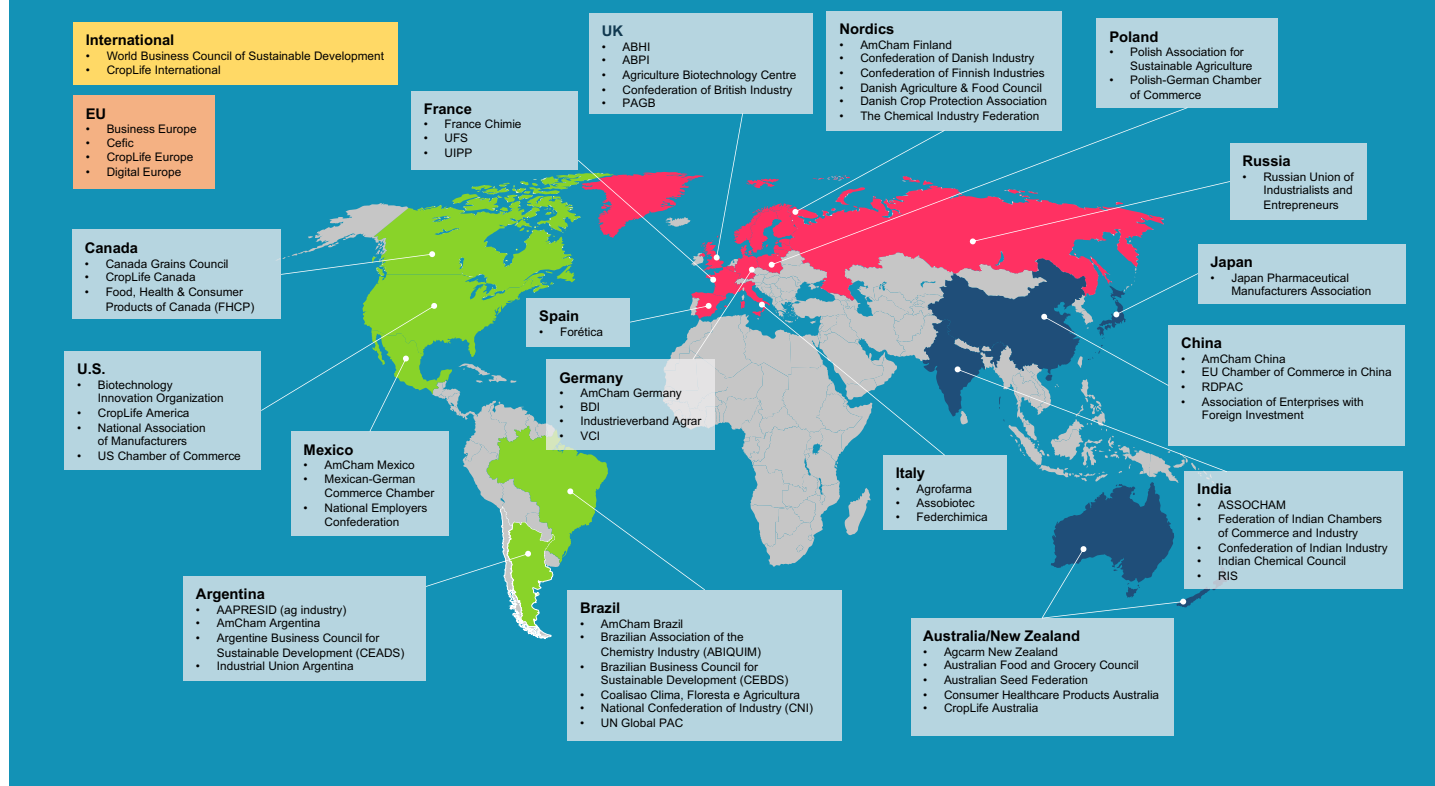
Key summary analysis outcomes:

- // 32% of industry association positions examined were fully aligned with Bayer’s positions on climate change.
- // 12% of association positions showed a partial misalignment with Bayer’s objectives.
- // Material misalignment was found in 2% of cases.
- // In 54% of cases examined, associations in which Bayer has membership were found to have no public positions on climate-related issues that are priorities for Bayer.

Categorizations of alignment with Bayer’s positions on relevant climate-related policy:

Aligned	Industry association is fully aligned with Bayer’s climate position on the appropriate issue.
Partial misaligned	Industry association does not fully match Bayer’s position or commitment on the appropriate issue; improvements pursued via engagement.
Misaligned	Industry association oppose Bayer’s position or commitment on the appropriate issue; process of escalation begins (starting with engagement and then potential remediation).
No position	Industry association has no position at all on the appropriate issue, which Bayer views as room for improvement and an opportunity for change via engagement.

Industry associations included in the review



Next steps

Our industry associations, though often aggregating a broad spectrum of views of their members, represent us in the public debate. This is why we need to be transparent about where our climate change goals are aligned with their actions and where we have different views.

Where we find misalignment between our climate ambitions and those of our industry associations we will take measures to bridge that gap. For this purpose, we have developed a two phases process - based on engagement and remediation - for working to address instances of misalignment. No two engagements with relevant industry associations will be same, but we are committed in working to achieve progress in resolving any disconnect in policy related positions.

Bayer will be pursuing changes in positions and expects industry associations to demonstrate meaningful progress. Where necessary, we are prepared to leave relevant industry associations should progress not be satisfactory or forthcoming through the engagement process. Engagement on the findings of this review is now underway and will continue over coming months. Tangible results are expected over the next year and we are prepared to escalate wherever relevant.

This publication also marks the start of a new reporting process. It is currently foreseen that a repeat comprehensive assessment would be carried out in 2023. In the interim, Bayer will actively monitor ongoing progress in addressing areas of misalignment and will provide updates on progress in engagement in addressing instances of misalignment.

2. Bayer's approach to climate policy

As a science-based company, Bayer has recognized the risks posed by global climate change. We aim to continuously reduce GHG emissions within our company and along our entire value chain in accordance with the UN SDGs and the Paris Agreement to limit global warming to 1.5 degrees Celsius.

We are dedicated to supporting and enabling a climate policy that is in harmony with our ambitious climate targets and therefore advocate for decarbonisation measures in line with meeting the goals of the Paris Agreement. This means we seek to actively support regulatory frameworks and policy initiatives that both promote innovative low carbon and carbon neutral products, processes, value chains and business models, and strengthen industry competitiveness.

The company has many country and initiative specific climate-related policy positions around the globe, however, all are guided by Bayer's climate commitments and the global climate policy position, which can be found on the company website ([here](#)) and in the appendix. Both, our commitments and global policy position were used as a primary aspect of the criteria developed to assess industry association alignment, in addition to other relevant topics (as set out in section 5).

//Bayer has the ambition to be an international leader in climate protection



Climate commitments in numbers

Bayer is committed to mitigate climate change and limit global warming to 1.5 degrees Celsius (1.5°C) in line with the Paris Agreement. Therefore, we have joined the Science Based Targets initiative, which reviews our GHG reduction targets.

We have set ourselves the target to achieve net zero GHG emissions including our entire value chain by 2050 or sooner.

Bayer is taking the following steps in achieving this goal:

- // We will reduce our scope 1 and 2 emissions by 42% until end of 2029 compared to our 2019 baseline.
- // Bayer is on a path to become climate neutral by 2030 in its own operations.
- // The remaining emissions after reduction will be offset by purchasing certificates from climate protection projects with recognized quality standards. The offset projects are related to our business. Based on our business purpose we focus on Natural Climate Solutions relating to forest and agriculture. Additionally, we invest in innovative projects and foster development of voluntary carbon markets.
- // We aim to reduce GHG emissions along the up- and downstream value chain (scope 3) through cooperation with suppliers and customers by at least 12.3% in 2029 compared to 2019.

In addition, Bayer is working with farmers to reduce the ecological footprint of agriculture, which currently accounts for about 25% of GHG gas emissions worldwide:

- // We want to help reduce GHG emissions in major agricultural markets – per kilogram of crop yield – by 30% by 2030. This applies to the most emitting cropping systems in regions Bayer operates. This includes Bayer helping farmers to use climate-friendly methods, such as reducing plowing and using digital solutions, to reduce CO₂ emissions.
- // Bayer is also engaging in further climate-related and environmental efforts – such as reducing the environmental impact of crop protection products by 30% by 2030 – supporting projects to preserve (rain) forests and using more environmentally friendly packaging materials.

Transparency in climate-related lobbying

Transparency is a key priority for Bayer. We are committed to building and strengthening trust by making information accessible from a whole range of areas. In our political engagement, we disclose in-depth information regarding our political activities in the transparency registers operated by the European institutions and the U.S. Congress. Bayer goes beyond the statutory requirements in doing so. For instance, we also publish data for countries where there is no legal publication requirement to do so. This includes climate-related advocacy activity.

Our Bayer Societal Engagement (BASE) Principles ([here](#)) provide the basis for all our external engagement and shape the way we interact with stakeholders such as legislators, regulators and civil society organizations. Our Code of Conduct for Responsible Lobbying ([here](#)) provides us with binding rules for our involvement in political matters and creates transparency in our collaboration with representatives of political institutions. Together, both guidelines represent our guiding compass for transparent and fair political engagement and lobbying.

Governance

The highest level of responsibility for climate-related issues lies with Bayer's CEO who also functions as Bayer's Chief Sustainability Officer (CSO). As CSO he is responsible for the groupwide sustainability program including climate-related targets and measures. This includes ultimate oversight for the industry association climate review and engagement process.

We want to be judged on how effectively we attain our sustainability commitments. Therefore, sustainability targets are being integrated into the company's decision-making processes and also into our remuneration systems. 20% of long-term incentive of all managers including the Board of Management is linked to the group sustainability targets, which include climate protection targets. Short-term sustainability targets including climate targets are also a fixed component of annual variable remuneration.



3. Approach to industry association climate review

Selection of relevant membership bodies for inclusion was based on one or more of the following criteria:

- // The organization in question being active in Bayer's biggest markets, as determined by related company metrics (e.g. sales revenue, number of employees in market or scope 1 and 2 emissions footprint).
- // The association is active in a country with significant GHG emissions for Bayer, regardless of the scale of Bayer's own presence in that market.
- // It is a notable industry group working internationally. Some associations are not limited to a single geographical entity and it would be remiss of us not to include those in our assessment.

The industry associations in turn:

- // Engage in or contribute to the climate change discussion; or
- // Undertake direct advocacy/lobbying engagement on climate-related policy; or
- // Has a public policy position on climate change; or
- // Could reasonably be expected to have a position on climate-related policy given the nature of its work.

Assessing alignment

Based on our climate commitments and global climate policy positions, the following points for assessing alignment were then used as the basis for evaluation of the industry associations included in the analysis.

Two key criteria we're used to gauge scope for alignment, with related sub-criteria for consideration:

i) Explicitly publicly support alignment with the Paris Agreement (or not), covering:

- // The Paris Agreement and meeting its goals.
- // The transition to achieving net zero emissions, including an interim target.
- // Policies that enable the transition to net zero.

Organizations were assessed based on needing to demonstrate a positive and public advocacy position on each of the above.

ii) Does not contravene relevant policies that Bayer has on:

- // Lowering GHG emissions per kg of harvested produce in major agricultural markets by 30% by 2030.
- // Promoting technologies and innovation that improve climate performance, including energy efficiency.
- // Sourcing 100% of procured electricity from renewable sources of energy by 2030.
- // Support for a market-based approaches to carbon pricing and trading.
- // Acknowledgment of climate-related trade measures within the rules-based international trade system.
- // Use of carbon offsetting and natural climate solutions to deliver net zero.

Organizations were also assessed as needing to not advocate against each of the above as a minimum to be considered as aligned.

Methodology

A project team comprising Bayer public affairs and sustainability professionals led development of the approach to and delivery of the analysis. An initial phase of activity was the development of measures to define which associations should be included in the report and the policy criteria against which they would be judged (see section 5).

Having defined the criteria, the assessment framework underwent a process of validation and refinement:

- // An initial pilot assessment of five associations was undertaken to test the research process. The framework for assessment and alignment was refined based on the results of the pilot assessment.
- // Bayer discussed and aligned its approach with investors involved in the Climate Action 100+ initiative. Climate Action 100+ is an unprecedented investor engagement initiative focused on climate action by the world's largest corporate greenhouse gas emitters.
- // Following further improvement as a result of this consultation exercise, the assessment framework was approved internally by Bayer.

The analysis was initiated for the 65 industry association organizations assessed. Multi-source content was gathered and considered in this process, covering material from across: association websites, media articles, social media and public statements from the bodies' principal executives.

Research teams undertook desktop research, seeking a comprehensive picture of positions adopted by associations in their relevant territories. A central team then reviewed the findings to ensure consistency in approach. The findings were then shared with Bayer's Public Affairs country teams to ensure alignment and validation of the analysis. The country teams will also be involved in the engagement process initiated with materially and partially misaligned industry associations.

The project is supervised at the most senior levels of the organization and overseen by Bayer's Public Affairs leadership team with final actions approved by the wider Public Affairs, Science and Sustainability leadership. The project sponsor is Werner Baumann, Chairman of the Board of Management and Chief Sustainability Officer.



4. Results of alignment review

65 industry association organizations across four sectors – chemical, agriculture, healthcare and cross-sector – were included in the analysis. Covering 18 territories, in addition to the European Union and globally focused organizations, the groups included reflect the international footprint of Bayer’s operations and advocacy activity.



Key summary analysis outcomes:

- // 32% of industry association positions examined were fully aligned with Bayer’s positions on climate change.
- // 12% of association positions showed a partial misalignment with Bayer’s objectives.
- // Material misalignment was found in 2% of cases.
- // In 54% of cases examined, associations in which Bayer has membership, were found to have no public positions on climate-related issues that are priorities for Bayer.

Four different ways to (mis)align with Bayer’s climate positions:

Aligned	Industry association is fully aligned with Bayer’s climate position on the appropriate issue.
Partial misaligned	Industry association does not fully match Bayer’s position or commitment on the appropriate issue; improvements pursued via engagement.
Misaligned	Industry association oppose Bayer’s position or commitment on the appropriate issue; process of escalation begins (starting with engagement and then potential remediation).
No position	Industry association has no position at all in the appropriate issue, which Bayer views as room for improvement and an opportunity for change via engagement.

Summary of analysis findings

The vast majority of our associations do not have explicit positions on the Paris Agreement, yet many have spoken about the importance of climate change. We see this as an opportunity to engage more purposefully on this important agenda.

A small minority were classified as being partially misaligned – meaning that they had positions that challenged some aspects of the Paris Agreement’s terms or Bayer’s own positions. There were a few isolated cases of associations that were materially misaligned with Bayer in some areas – these will be addressed in our ongoing discussions with them.

	Endorse the Paris Agreement	Promote the transition to net zero	Promote policies to enable net zero	Lower GHG emissions in agriculture by 30%	Promote technologies & innovation to improve climate performance	Source 100% of electricity from renewables by 2030	Market-based approaches to carbon pricing & trading	Acknowledge climate-related trade measures within rules-based trade system	Carbon offsetting & natural climate solutions to deliver net zero	Total
Aligned	23	14	24	19	43	14	19	9	21	186
Partial misaligned	9	17	13	7	3	15	5	1	2	72
Misaligned	0	3	2	1	1	2	0	1	0	10
No position	33	31	26	38	18	34	41	54	42	317



[illegible]

● Aligned ● Partial misaligned ● Misaligned ● No position

5. Process for engagement

Bayer will act on findings raised in this analysis. Priority will be placed on engaging those industry associations highlighted as materially misaligned, but we will also be addressing instances of partial misalignment.

The steps outlined below show how this will be approached.

Engagement comes first, as Bayer raise the relevant issue with our trade association and seek amicable resolution. It is our expectation that this process proves sufficient in the majority – if not all – instances of misalignment within one year after publication.

Where necessary however, we will move to **remediation**. Marking an escalation of the process, this would see Bayer exert pressure in order to influence the association's lobbying position. We will be working hard to leverage our influence to secure a change in policy position; however, such a situation could ultimately result in Bayer leaving the organization in question. We are fully prepared to do what is required to secure the best outcome but believe that exerting influence from inside will ultimately have greater positive impact than ending a relationship with an association.

Phase 1: Engagement Process

Instances of misalignment between Bayer's climate policy positions and those of an industry associations identified in our assessment will make that organization a priority for Bayer to engage with.

The process of engagement will sequentially go through the following steps:

- // **Examine:** Ensure that we make Bayer's position clear, have correctly interpreted the industry association's position and ask for evidence to support a different interpretation. We will also consider whether the industry association's mandate could or should include climate policies. The examination step will also provide clarity to the industry association on our engagement and remediation process.
- // **Understand:** Seek to understand the reasons for the policy positions and the process by which they are set.
- // **Engage:** Proactively engage with the industry association leadership and sub-committees responsible for policy-setting to encourage a review of the organization's position.

- // **Assess:** Determine the likelihood that more active engagement with the industry association policy-making process might result in closer alignment with Bayer's climate policy.
- // **Influence:** Seek to take a more active role in the industry association policy-setting community and to engage other members and stakeholders to influence a change in policy at the industry association (this might also involve engaging on issues of governmental policy for the country where the association is based).

Phase 2: Remediation Process

Where engagement does not result in a satisfactory change in policy, or where Bayer assesses that engagement is unlikely to create alignment, Bayer will pursue a policy of remediation. This process will be led by Bayer's global public affairs team, with oversight from Bayer's executive board.

The process of remediation will sequentially go through the following steps:

- // **Review:** Undertake a formal review of membership. This would be accompanied by a public statement setting out the basis of misalignment and Bayer's preferred position, together with a clear timeline for the review and a deadline for a decision on actions to be taken.
- // **Further measures:** Pursue further measures to exert the influence on a policy change. The key point of assessment will be if the additional steps are successful in achieving policy change. If yes, the process ends here. If not, Bayer will move to ultimatum.
- // **Ultimatum:** Before deciding to exit, Bayer will prepare an ultimatum and make it clear to the industry association that it intends to leave by a specified date unless the organization undertakes a policy review or changes its policy position.
- // **Exit:** The final action as part of remediation for Bayer, would be to leave the industry association's membership and to agree an annual review for re-joining based on a future policy change.

Information on the engagement and escalation processes, and resulting actions where underway and completed, will be provided in the next comprehensive assessment of alignment.

Ensuring progress

Prioritisation in follow-up will be important given the significant number of 82 combined instances of material or partial misalignment highlighted in this assessment. Consideration will be given to a range of factors in deciding the focus of initial engagements – essentially where we focus our efforts in the first instance in seeking to secure progress in a timely and impactful manner.

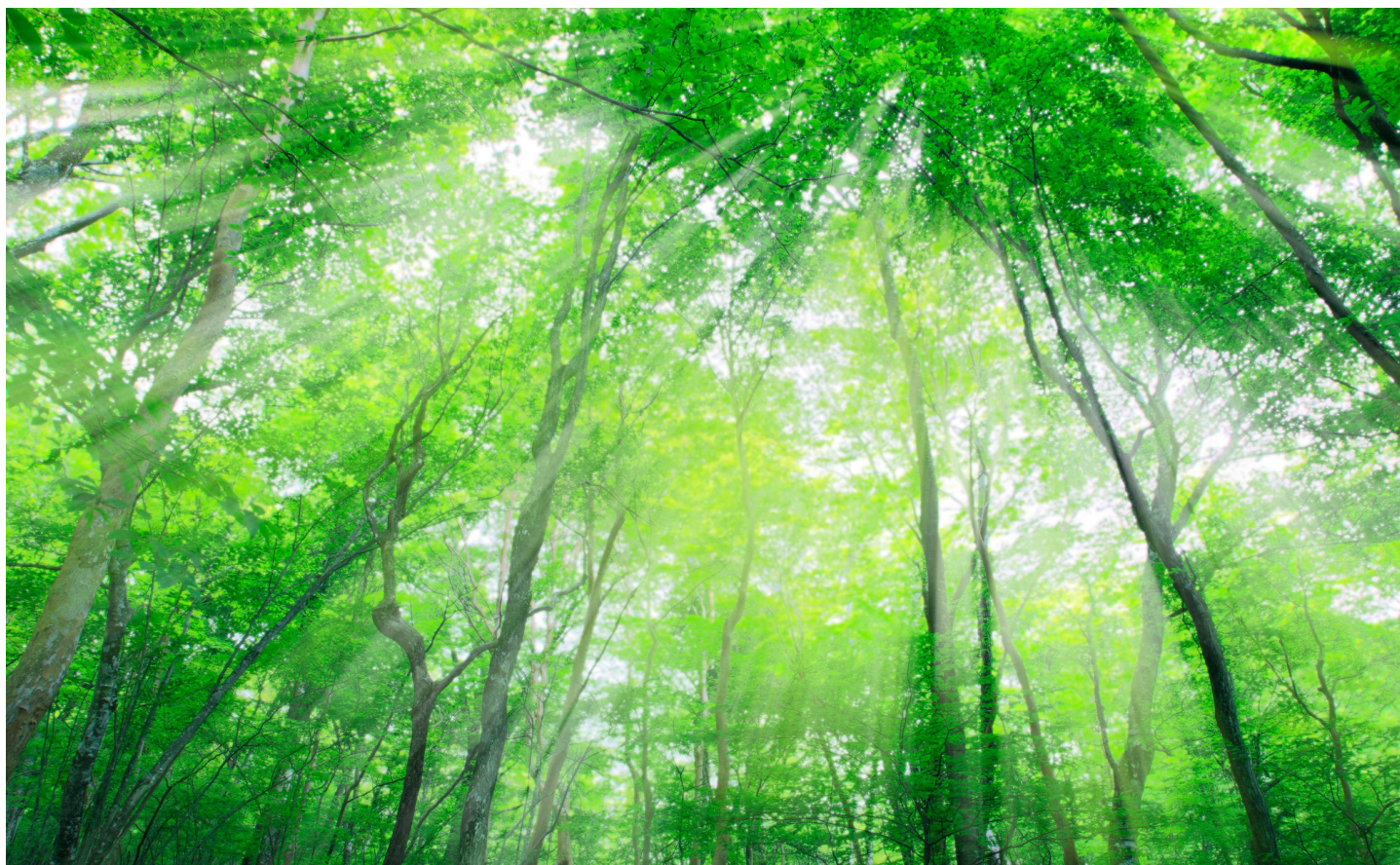
Considerations on influence include:

- // Bayer has board membership; or is active within relevant committees (sustainability, climate, energy policy, etc.);
- // The level of Bayer's overall annual financial contribution to the association;
- // The level of influence the association has on climate-related policy, especially if it is an opinion leader or focus for discussion on related issues (e.g. climate, industrial, energy policy or relevant topics such as sustainability).

Engagement on no position

The number of associations without comprehensive positions on climate-related policies in this assessment was notable. Bayer will also look to work collaboratively with the relevant organizations to build out and add depth to their work on climate change related policy.

The same process of prioritisation will be applied to engagement on instances of no position. The nature of this process will be more organic and less prescriptive than outlined above. In turn, it will come second to driving change on issues of misalignment and there may be instances where it simply is not appropriate or necessary (e.g. the association has a singular focus on unrelated policy questions or does not cover sector-specific issues, such as agricultural process). Nonetheless, we see real opportunity to drive greater levels of engagement on highly significant climate-related policy issues through this approach.



6. Next steps

Bayer is committed to actively advocating for policies that support delivery of the Paris Agreement and demonstrating transparency in the process. This initial Industry Association Climate Review is an important aspect of this work. Its results help set out the steps that needs to follow.

Engagement will happen wherever there is misalignment and we will work hard to secure change. It is also important we continue to monitor, review and act accordingly where needed in maintaining a broader focus on alignment. Undertaking the association review process on a biennial basis will ensure this happens.

It is encouraging to see broadly high levels of alignment across many of our industry associations. This reflects improvements in understanding of the imperative of tackling climate change over recent years and greater sophistication in the policy conversation across a range of sectors. Nonetheless, more can be done.

This is the first-time industry associations across the agricultural sector have been the focus of such an analysis. The range of associations without comprehensive positions on climate-related policies was notable. This highlights the opportunity – which Bayer will pursue – to work collaboratively in building-out and add depth to the approach they take to climate policy questions.

Greater sophistication in climate policy across agriculture is crucially important as a sector on the front-line of a changing climate, with such a key to role to play in both abatement and mitigation. The sector must live-up to the role it has to play and we are committed to helping ensure this happens.

We will also look to build on and strengthen our own internal processes on the topic of climate-related policy. This may include adding a greater number of health care industry associations to the next biennial review or seeking to engage a broader range of our stakeholders on climate-related policy matters. Additional activity will be clearly signposted in future reviews and we welcome the input of stakeholders and partners in helping strengthen the process underway.

Membership of industry associations is vitally important to our business and how we work with others. We are striving to demonstrate greater transparency and work proactively in supporting delivery of the Paris Agreement. This report and the engagement underway are steps in the right direction and a process on which we will continue to build in creating a policy environment that works for, not against the climate.



7. Appendix

Appendix 1: Context on instances of material misalignment and partial misalignment

Set out below is a summary of all assessment results for the instances of misalignment and partial misalignment. These are taken from the overall industry association analysis.

	Endorse the Paris Agreement	Promote the transition to net zero	Promote policies to enable net zero	Lower GHG emissions in agriculture by 30%	Promote technologies & innovation to improve climate performance	Source 100% of electricity from renewables by 2030	Market-based approaches to carbon pricing & trading	Acknowledge climate-related trade measures within rules-based trade system	Carbon offsetting & natural climate solutions to deliver net zero	Total
Aligned	23	14	24	19	43	14	19	9	21	186
Partial misaligned	9	17	13	7	3	15	5	1	2	72
Misaligned	0	3	2	1	1	2	0	1	0	10
No position	33	31	26	38	18	34	41	54	42	317

Instances of material misalignment

Below is detail on each instance of material misalignment, ordered by policy criteria, identified during the assessment process. Each organization is now the focus of the engagement process. Where relevant this will lead to Bayer pursuing remediation options as outlined in section 7.

// Publicly support the transition to net zero

National Association of Manufacturers (NAM)

Country: United States of America


Policy criteria	Association position	Bayer position
Transition to net zero, including an interim target.	The National Association of Manufacturers takes a position against government regulation that restricts or limits use of fossil fuels, claiming that doing so undermines the innovation that will enable a transition to a low carbon environment.	In line with its own positions, Bayer expects trade associations to lobby for the transition to net zero emissions. A science-based approach to combating climate change recommends the transition to net zero emissions by 2050. To achieve the Paris Agreement net zero is required, not low carbon as proposed by NAM. Bayer believes that governments have a role in setting regulations that move towards this goal, including the mandating of renewable energy and discouraging use of fossil fuels.




Source:

http://documents.nam.org/ERP/NAM_Policy_White_Paper_Environment_in_Focus.pdf


U.S. Chamber of Commerce**Country: United States of America**

Policy criteria	Association position	Bayer position
Publicly support the transition to net zero.	The U.S. Chamber of Commerce has lobbied against the introduction of a federal clean-energy standard until widespread, cost-effective technologies are available to ensure the transition. They justify this on the basis that current technology 'cannot achieve net zero' to drive reductions in GHG emissions. They also advocate for any measures to be 'fuel-neutral', while avoiding economic harm to businesses, consumers and disadvantaged communities.	Bayer supports a just approach to the transition to net zero; however, delaying actions that will enforce reductions of GHG emissions risks missing the crucial deadlines outlined in the Paris Agreement. Bayer's position is that enforcement measures, as well as voluntary reductions and technological innovations can all play a role in the transition to a net zero world.
 Source: https://www.uschamber.com/letters-congress/us-chamber-letter-climate-and-the-clean-electricity-standard		


Russian Union of Industrialists & Entrepreneurs (RSPP)**Country: Russia**

Policy criteria	Association position	Bayer position
Transition to net zero, including an interim target.	While the Russian Union of Industrialists & Entrepreneurs eventually changed its position on the Paris Agreement to support Russia's ratification of the deal (in 2019), the association continues to publicly support a restrained approach to climate action, to not hinder economic development. Their official statements do not advocate for a transition to net zero and are also predicated on the reduction of Russia's emissions against a 1990 baseline and the country's natural carbon sinks (forests, peat bogs...etc.), as already compensating for industrial emissions.	Bayer is dedicated to a climate policy based on ambitious climate targets and net zero emissions. We therefore advocate for an unambiguous commitment to these objectives and ambitious targets for business and governments in order to pursue the Paris Agreement target of limiting climate change to 1.5°C.
 Source: https://rspp.ru/events/news/v-ramkakh-nrb-proshla-vtoraya-sessiya-ekologicheskogo-foruma-5f75833d83e58/ http://xn--o1aabe.xn--p1ai/events/news/posol-es-v-rossii-markus-ederer-i-prezident-rspp-aleksandr-shokhin-evropeyskiy-soyuz-i-rossiya-eaes--5fc647359e6ae/ https://www.rspp.ru/events/press/minekonomrazvitiya-otkazalos-vvodit-predlozhenyy-chubaysom-nalog/		


*// Publicly support policies that enable the transition to net zero***National Association of Manufacturers (NAM)****Country: United States of America**

Policy criteria	Association position	Bayer position
Publicly support policies that enable the transition to net zero.	While advocating for action on climate change as an imperative, NAM warns that American leaders should not act independently of other nations. The highest imperative is placed on the protection of economic growth and the competitiveness of American industry.	In line with its own positions, Bayer expects trade associations to lobby for the transition to net zero. A science-based approach to combating climate change recommends the transition to net zero emissions by 2050. To achieve the Paris agreement net zero is required, not low carbon as proposed by NAM. Bayer believes that governments have a role in setting regulations that move towards this goal, including the mandating of renewable energy and discouraging use of fossil fuels.
 Source: http://documents.nam.org/ERP/NAM_Policy_White_Paper_Environment_in_Focus.pdf		

Russian Union of Industrialists & Entrepreneurs (RSPP)**Country: Russia**

Policy criteria	Association position	Bayer position
Publicly support policies that enable the transition to net zero.	RSPP has supported the creation of a regulatory framework to measure the carbon emissions of Russian firms. However, the association and its senior executives opposed the inclusion of fees attached to emissions within draft legislation, claiming that Russia's natural carbon sinks already compensate for any emissions by the country's industry. Moreover, the association promotes only voluntary measures on emissions reduction - in order to maintain the investment activity of Russian businesses and keep economic growth above the global average.	Bayer is committed to reducing its own carbon emissions and offsetting the remaining emissions by purchasing certificates from climate protection projects with recognized quality standards. We also have set ourselves an internal carbon price of €100 per metric ton when calculating our capital expenditure projects and additionally conduct ecological assessments of relevant investments. Emissions measurement in isolation from other measures does not promote the ambitious contribution to tackling global climate change that Bayer is looking for in its associations - to achieve the Paris targets ambitious Nationally Determined Contributions (NDC) and net zero commitments are required through to 2050 at the latest.
 Source: https://www.rspp.ru/events/press/minekonomrazvitiya-otkazalos-vvodit-predlozhenyy-chubaysom-nalog/ https://media.rspp.ru/document/1/a/6/a61db51ebcd4b92ea4a44b13e38bce5c.pdf		

*// 30% reduction in GHG emissions per kg of harvested produce***Industrieverband Agrar (IVA)****Country: Germany**


Policy criteria	Association position	Bayer position
Do not contravene relevant policies that Bayer has on lowering GHG emissions per kg of harvested produce in major agricultural markets by 30%.	IVA advocates that intensive agriculture produces less emissions per grain in comparison to organic farming. This does not acknowledge that regardless of process, there is an urgent need to reduce GHG emissions from all forms of farming.	<p>We want to help reduce GHG emissions in major agricultural markets – per kilogram of crop yield – by 30% by 2030.</p> <p>This includes Bayer helping farmers to use climate-friendly methods, such as reducing ploughing and using digital solutions to reduce CO₂ emissions.</p>
 Source: https://www.iva.de/umwelt/klimaschutz		

*// Promoting technologies and innovation that improve climate performance***Unión Industrial Argentina (UIA)****Country: Argentina**


Policy criteria	Association position	Bayer position
Do not contravene relevant policies that Bayer has on promoting technologies and innovation that improve climate performance, including energy efficiency.	The UIA highlights government focus on industrial energy efficiency as a key lever of its climate change mitigation measures in service of commitments to the Paris Agreement. While supportive of public and private dialogue, it caveats the needs of the manufacturing sector will need to be taken into account to ensure implementation.	To achieve net zero, we need to move towards renewable energies, energy efficiency and innovation in carbon-neutral processes, products and technologies. It is crucial to maintain the openness of innovative ideas and to support new technologies for the transition to a sustainable and competitive industry and agriculture.
 Source: https://www.uia.org.ar/energia/3377/seminario-de-la-ua-sobre-eficiencia-energetica/		

// 100% of procured electricity from renewable energies

Unión Industrial Argentina (UIA)**Country: Argentina**


Policy criteria	Association position	Bayer position
Do not contravene relevant policies that Bayer has on sourcing 100% of procured electricity from renewable energies by 2030.	The UIA supports the use of all energy sources available in Argentina's territory, including hydrocarbons alongside renewables. It suggests the economic and environmental feasibility of its production and use should be taken into account.	We are committed to reducing our Scope 1 & 2 emissions by 42% by the end of 2029 compared to our 2019 baseline. Part of our approach requires a switch to 100% renewable energies and supporting climate-neutral technologies. We do not support ongoing investment in hydrocarbons.
 Source: https://www.uia.org.ar/energia/2641/la-uia-participo-en-la-reunion-ministerial-de-la-alianza-de-energia-y-clima-de-las-americas-ecpa-integracion-energetica-en-las-americas/		

Associated Chambers of Commerce and Industry of India (ASSOCHAM)**Country: India**

Policy criteria	Association position	Bayer position
Do not contravene relevant policies that Bayer has on sourcing 100% of procured electricity from renewable energies by 2030.	ASSOCHAM comments on the Indian government's focus on self-reliance in energy production and distribution, and how it is taking its commitments under the Paris Agreement to reduce carbon emissions while still increasing investments in overseas oil fields into account. ASSOCHAM does not outline its own positions regarding renewable energy.	We are committed to 100% renewable energies as part of our pathway to align with 1.5°C. We do not support ongoing investment in hydrocarbons.
 Source: https://www.assochem.org/newsdetail.php?id=6861 https://green-assochem.com/property/ckfinder_img/files/ASSOCHAM%20GEM%20Sustainability%20Certification%20Program%20Guide.pdf		

// Climate-related trade measures

Russian Union of Industrialists & Entrepreneurs (RSPP)**Country: Russia**

Policy criteria	Association position	Bayer position
Do not contravene relevant policies that Bayer has on acknowledgment of climate-related trade measures within the rules-based international trade system.	RSPP challenges the EU's approach to the proposed Border Adjustment Mechanism for carbon emissions, critiquing that it largely reproduces the requirements of the cap-and-trade system. It claims that the approach is not proven to address issues around climate change and risks creating a precedent for governments imposing internal regulations on other countries. The association's position is that any such measure should be subject to negotiation with all parties concerned.	Bayer supports the consideration of climate protection and Paris Agreement goals in trade agreements. We favor rule-based free trade, thus, we advocate for a full compliance of any climate regulatory measure with WTO rules to ensure international cooperation and to avoid counter measures from third countries. In addition, we also expect suppliers to fulfil sustainability standards that are above national legal requirements (e.g. ILO standards) and all goods imported to comply with REACH standards.
 Source: https://www.vedomosti.ru/economics/news/2021/07/14/878223-rspp-zayavil-o-protivorechiyah-mezhdu-uglerodnim-sborom-es-i-soglasheniem-po-klimatu		



// Dedicated to a climate policy that is in harmony with our ambitious climate targets

Instances of partial misalignment

Below is an overview of each instance of partial misalignment, ordered by policy, that were identified during the assessment process. Each organization is now the focus of the engagement process (see section 7). Given the number of organizations in question it is impracticable and somewhat duplicative to disclose additional context on the specific instance of partial misalignment.

This is available on request depending on the stakeholder in question. Should engagement prove unsuccessful, further detail will also be disclosed as Bayer pursues the remediation process.

Policy: Publicly support the Paris Agreement and its goals.	
Bayer position We are dedicated to a climate policy that is in harmony with our ambitious climate targets and therefore advocate for decarbonization measures in line with the Paris Agreement.	
Partially misaligned industry associations	Country
Agrofarma	Italy
AmCham Mexico	Mexico
Association of British HealthTech Industries (ABHI)	Britain
CropLife Europe	EU
CropLife	International
Digital Europe	EU
Federation of Indian Chambers of Commerce and Industry (FICCI)	India
France Chimie	France
Polish-German Chamber of Commerce (AHK Poland)	Poland

Policy:

Publicly support the transition to net zero.

Bayer position

A science-based approach to combating climate change recommends the transition to net zero emissions by 2050. We have set ourselves the target to achieve net zero GHG emissions including our entire value chain by 2050 or sooner and signed the Business Ambition for 1.5°C. In line with its own positions, Bayer expects industry associations to engage for the transition to net zero.

Partially misaligned industry associations	Country
Agricultural Biotechnology Council	United Kingdom
AmCham Finland	Finland
Bundesverband der Deutschen Industrie (BDI)	Germany
Cefic	EU
Coparmex	Mexico
Croplife International	International
EU Chamber of Commerce in China	EU
Federchimica	Italy
France Chimie	France
Japan Pharmaceutical Manufacturers Association (JPMA)	Japan
Mexican-German Commerce Chamber (CAMEXA)	Mexico
National Confederation of Industry (CNI)	Brazil
The Associated Chambers of Commerce and Industry of India (ASSOCHAM)	India
Union Française des Semenciers (UFS)	France
UN Global PAC – Brazil	Brazil
Union des Industries de la Protection des Plantes (UIPP)	France
Verband der Chemischen Industrie (VCI)	Germany

Policy:

Publicly support policies that enable the transition to net zero.

Bayer position

We are dedicated to a climate policy that is in harmony with our ambitious climate targets and therefore advocate for decarbonization measures in line with the Paris Agreement. The net zero transformation catalyzes the development of new technologies, business models and operational practices in industry and agriculture. Innovation for climate mitigation and adaption should be inclusive towards all promising technologies. Bayer supports regulatory frameworks and policy initiatives that promote innovative low carbon and carbon neutral products, processes and business models and strengthen industry competitiveness at the same time.

Partially misaligned industry associations	Country
AmCham Finland	Finland
AmCham Mexico	Mexico
Association of British HealthTech Industries (ABHI)	United Kingdom
Association of Sustainable Agriculture in Poland (ASAP)	Poland
Brazilian Business Council for Sustainable Development (CEBDS)	Brazil
Bundesverband der Deutschen Industrie (BDI)	Germany
Canada Grains Council	Canada
Cefic	EU
CropLife International	International
Federchimica	Italy
France Chimie	France
PAGB	United Kingdom
Union Française des Semenciers (UFS)	France

Policy:

Do not contravene relevant policies that Bayer has on lowering GHG emissions per kg of harvested produce in major agricultural markets by 30%.

Bayer position

Bayer is working with farmers to reduce the ecological footprint of agriculture, which currently accounts for about 25% of GHG emissions worldwide. We want to help reduce GHG emissions in major agricultural markets – per kilogram of crop yield – by 30% by 2030. This applies to the most emitting cropping systems in regions Bayer operates. This includes Bayer helping farmers to use climate-friendly methods, such as reducing ploughing and using digital solutions, to reduce CO₂ emissions.

Partially misaligned industry associations	Country
AmCham Brazil	Brazil
AmCham Mexico	Mexico
Australian Food and Grocery Council	Australia
Brazilian Business Council for Sustainable Development (CEBDS)	Brazil
Canada Grains Council	Canada
CropLife America	United States
Union des Industries de la Protection des Plantes (UIPP)	France

Policy:

Do not contravene relevant policies that Bayer has on promoting technologies and innovation that improve climate performance, including energy efficiency.

Bayer position

The net zero transformation catalyzes the development of new technologies, business models and operational practices in industry and agriculture. Innovation for climate mitigation and adaption should be inclusive towards all promising technologies. Bayer supports regulatory frameworks and policy initiatives that promote innovative low carbon and carbon neutral products, processes and business models and strengthen industry competitiveness at the same time.

Partially misaligned industry associations	Country
Australian Food and Grocery Council	Australia
Australian Seed Federation	Australia
Consejo Empresario Argentino para el desarrollo sostenible (CEADS)	Argentina
Unión Industrial Argentina (UIA)	Argentina

Policy:

Do not contravene relevant policies that Bayer has on sourcing 100% of procured electricity from renewable energies by 2030.

Bayer position

We will reduce our Scope 1 & 2 emissions by 42% until end of 2029 compared to our 2019 baseline. This target has been approved by the Science Based Target initiative as aligned with a 1.5°C pathway. To accomplish this, we will combine measures, such as more efficient inward and outward ventilation systems, a move to climate-neutral technologies, such as geothermal energy for heating and cooling and a switch to 100% purchased electricity from renewable sources.

Renewable energies are the basis for climate-neutral production. Climate neutrality will be achieved to a large extent by switching from fossil fuels to renewable energies. To foster the energy transition, governments need to ensure cost competitive alternatives to fossil fuels, to guarantee security of supply of renewable energies and to ensure the availability of adequate systems for purchasing renewable energies.

Partially misaligned industry associations	Country
AmCham Germany	Germany
AmCham Mexico	Mexico
Brazilian Business Council for Sustainable Development (CEBDS)	Brazil
Cefic	EU
Coalizão Brasil Clima, Florestas e Agricultura	Brazil
Confederation of Finnish Industries (EK)	Finland
EU Chamber of Commerce in China	China
Federation of Indian Chambers of Commerce and Industry (FICCI)	India
Federchimica	Italy
Forética	Spain
Mexican-German Commerce Chamber (CAMEXA)	Mexico
National Association of Manufacturers	United States
The Chemical Industry Federation – Finland	Finland
U.S. Chamber of Commerce	United States

Policy:

Do not contravene relevant policies that Bayer has on support for a market-based approaches to carbon pricing and trading.

Bayer position

A carbon price mechanism is a key regulatory instrument. Market-based approaches like cap and trading systems are highly efficient to foster the development of carbon-low or carbon-neutral technologies and products without predefining technologies. Sector-specific features need to be recognized (no one size fits all-approach). Given the need for carbon neutrality steps across the globe, Bayer supports a global carbon market – at least at a G20 level. If this is not applicable, regional carbon pricing mechanisms with installed carbon leakage protection are preferable to national ones in any case. Internally, we align our capex spending with our ambition to achieve net zero GHG emissions by 2050, in line with the global goal to limit global warming to 1.5°C. To drive internal change, we have set ourselves an internal carbon price of €100 per metric ton when calculating our capital expenditure projects and additionally conduct ecological assessments of relevant investments.

Partially misaligned industry associations	Country
Association of Sustainable Agriculture in Poland (ASAP)	Poland
Confederation of Danish Industry (DI)	Denmark
Japan Pharmaceutical Manufacturers Association (JPMA)	Japan
Verband der Chemischen Industrie (VCI)	Germany

Policy:

Do not contravene relevant policies that Bayer has on acknowledgment of climate-related trade measures within the rules-based international trade system.

Bayer position

Climate neutrality should be embedded into both industry and agriculture policy strategies to transform to a climate-neutral and sustainable economy while preserving competitiveness at the same time. Action plans to establish additional incentive mechanisms for good practices supporting GHG emission reduction targets in industry and agriculture are widely and globally necessary. Bayer favors rule-based free trade, thus, country-based measures always need to be in line with WTO framework and further international agreements.

Partially misaligned industry associations	Country
Industrieverband Agrar (IVA)	Germany

Policy:

Do not contravene relevant policies that Bayer has on carbon offsetting & natural climate solutions to deliver net zero.

Bayer position

In agriculture, a certification to a recognized standard is key so that farmers will be able to quantify, verify, certify and sell their GHG emission savings as carbon credits to industries willing to offset their carbon footprint. Pricing for these high-quality offsets should be appropriate to outweigh the implementation, verification and certification costs ensuring the return for investment for farmers. We strongly encourage public and private sector investments in innovations that support sustainable intensification of food production and advocate for policies and foster market mechanism that enable such innovations to provide opportunities for ecosystem diversity improvements and carbon removals due to the reduced land footprint of agriculture.

Partially misaligned industry associations	Country
CropLife Australia	Australia
Industrieverband Agrar (IVA)	Germany

Appendix 2: Bayer's Global Climate Policy Position (as of February 2021)

Bayer's views on climate change mitigation in industry and agriculture

At a Glance

- // Bayer is committed to mitigate climate change and limit global warming to 1.5 degrees Celsius in line with the Paris Agreement. We have set ourselves a Science Based Target to decarbonize and a net zero target including our supply chain for 2050.
- // Additionally, Bayer wants to be climate-neutral in its own operations by 2030 and to help reduce GHG emissions in our major agricultural markets by 30%.
- // The transformation catalyzes the development of new technologies, business models and operational practices in industry and agriculture. Innovation for climate mitigation and adaption should be inclusive towards all promising technologies.
- // Bayer supports regulatory frameworks and policy initiatives that promote innovative low carbon and carbon neutral products, processes and business models and strengthen industry competitiveness at the same time.
- // From 2021, 20% of the Group-wide quantitative targets, which include climate protection targets, will be used to determine the long-term variable remuneration of the Board of Management and senior executives. Sustainability is already a fixed component of annual variable remuneration for all employees.

Climate change is one of the world's most pressing challenges. Without suitable countermeasures, global temperatures will rise by well over 2 degrees Celsius. This will threaten our planet's ecosystems, jeopardize the health of people, animals and plants, and place the food supply for a growing world population at risk. At Bayer's operations, GHG emissions are primarily caused by the combustion of primary energy sources such as gas and oil. These are used to generate electricity, steam and auxiliary energy (such as for heating and cooling) to produce our products. In 2019, Bayer own operation account for 3,7 million metric tons GHG emissions (CO₂ equivalents). In our value chain, most emissions are related to purchased goods & services with a total of 10 million metric tons.

Bayer's Contribution: Our Climate Objectives and Initiatives

As a life science company, Bayer has recognized the risks posed by global climate change. We aim to continuously reduce GHG emissions within our company and along our entire value chain in accordance with the UN SDGs and the Paris Agreement to limit global warming to 1.5 degrees Celsius. We have also joined the world's leading Science Based Targets initiative.

- // **Bayer wants to decarbonize along a 1.5 degrees pathway with a Science Based Target.** To accomplish this, we will combine efficiency measures, such as more efficient inward and outward ventilation systems, a move to climate-neutral technologies, such as geothermal energy for heating and cooling and a switch to 100% purchased electricity from renewable sources.
- // **Bayer wants to be climate-neutral by 2030 in its own operations.** The remaining emissions after decarbonization will be offset by purchasing certificates from climate protection projects with recognized quality standards. The offset projects will be related to our business and come from forest and agriculture projects.
- // **We aim to reduce GHG emissions along the up- and downstream value chain through cooperation with suppliers and customers by at least 12.3% in 2029 compared to 2019.** As such a target cannot be achieved by acting alone, Bayer has joined with other ambitious companies to drive progress as part of the chemical industry's "Together for Sustainability" initiative. The company is also a member of the CDP Supply Chain Initiative and is in direct contact with key suppliers.

// **We have committed to a 30% reduction of the GHG footprint of the most emitting crop systems in the regions Bayer serves by 2030.** We foster the adoption of climate-smart practices and technologies by our farming customers. Combining different levers to customize profitable tailored solutions such as high-yielding crop genetics, crop protection agents, water use efficiency, soil management tactics and digital tools is key. Bayer works on enabling methodologies that contribute to the acceptance of farmers' contributions and facilitate and reward changes towards a climate-smart agriculture. We want to advance a carbon-zero future for agriculture.

// **Bayer aims for net zero deforestation in our supply chain and will encourage our licensees to do the same.** As the most prominent example, we will ensure 100% compliance with the Brazilian Forest Code in our production fields. We are committed to using Bayer's expertise and technologies to support Brazil's goal of restoring 12 million hectares of native forest by 2030. We recognize that land-use change is one of the biggest contributors for GHG emissions in agriculture and must be limited to preserve biodiversity and avoid carbon emissions.

Bayer's Position: Enhancing Carbon Mitigation Industry and Agriculture

Bayer supports regulatory frameworks and policy initiatives that both promote innovative low carbon and carbon neutral products, processes, value chains and business models and strengthen industry competitiveness:

// **It is crucial to maintain the openness of innovative ideas and to support new technologies.** The transformation to carbon neutrality catalyzes the development of a range of new technologies, business models and operational practices in industry and agriculture. It is our conviction that innovation for climate mitigation and adaption should be inclusive towards all promising technologies. Openness – supported by a diversity of tools and methods and careful consideration of individual trade-offs and synergies that relate to specific local environments – strengthens resilient networks.

// **A successful transformation requires an integrated consideration of social, environmental and economic needs.** Decisions on the use of a technology for mitigation should be based on an integrated analysis of social, environmental and economic risks and benefits. Social acceptance is essential and prerequisite to secure both social inclusion and competitiveness future prosperity.

// **Climate neutrality should be embedded into both industry and agriculture policy strategies** to transform to a climate-neutral and sustainable economy while preserving competitiveness at the same time. Action plans to establish additional incentive mechanisms for good practices supporting GHG emission reduction targets in industry and agriculture are widely and globally necessary. Country-based measures always need to be in line with WTO framework and further international agreements.

// **Renewable energies are the basis for climate-neutral production.** Climate neutrality will be achieved to a large extent by switching from fossil fuels to renewable energies. To foster the energy transition, governments need to ensure cost competitive alternatives to fossil fuels, to guarantee security of supply of renewable energies and to ensure the availability of adequate systems for purchasing renewable energies.

// **In agriculture, a certification to a recognized standard is key so that farmers will be able to quantify, verify, certify and sell their GHG emission savings** as carbon credits to industries willing to offset their carbon footprint. Pricing for these high-quality offsets should be appropriate to outweigh the implementation, verification and certification costs ensuring the return for investment for farmers.

// **We recognize that land-use change is one of the biggest contributors for GHG emissions in agriculture** and must be limited to preserve biodiversity and avoid carbon emissions. We strongly encourage public and private sector investments in innovations that support sustainable intensification of food production and advocate for policies and foster market mechanism that enable such innovations to provide opportunities for ecosystem diversity improvements and carbon removals due to the reduced land footprint of agriculture.

// **Digital enables a more sustainable manner of farming.** New digital applications should be accepted as tools that mitigate climate change in farming. Given its potential, digital farming should be a priority of government's strategic plans and reflected in agricultural policymaking. Preconditions for the success of digital technologies in farming include robust data access and privacy policies, rural connectivity, agriculture and environment regulations incorporating the capabilities of digital technologies.

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