



*UK&I Climate-Related
Financial Disclosure (CFD)*

2023

*//////// Science for a **better life***

1. Governance

Managements Roles & Responsibilities

For Bayer AG, the Chairman of the Board of Management holds direct responsibility for climate protection in his role as Chief Sustainability Officer. In the UK & Ireland this responsibility is held by the Head of Communications, Public Affairs, Science & Sustainability, with Head of Sustainability for the UK&I leading all sustainability activities and handle the operational implementation of the climate protection and sustainability measures in the UK&I. We have formed UK&I-wide working groups for the strategic and operational implementation of climate-change-related and sustainability measures, aligned to critical customer and regulatory requirements.

Sustainability and climate-related topics were discussed a total of 3 times at Country Leadership Team/Board meetings in 2023, with an additional 6 sessions held with the UK & Ireland Chief Executive Officer and Chief Financial Officer, respectively.

The attainment of our Group target of reducing greenhouse gases by 2030 is factored into the long-term compensation of the Board of Management and Bayer's LTI-entitled managerial employees. The compensation-relevant target is based on Bayer's necessary contribution to an SBTi-validated 1.5°C scenario. Climate protection is also an integral element of annual variable compensation.

Boards Oversight

Sustainability will continue to be held as a critically important topic and discussed a minimum of 4 times a year at Country Leadership Team meetings. The UK&I carbon reduction plan will be used as guiding document to support targets, measurements and reduction initiatives, as well as prioritizing action to ensure business risk mitigation and opportunities are realized.

2. Strategy

2.1 Identifying impacts

Climate change affects us all and is one of the greatest challenges that humankind will face in the future. Bayer considers climate protection and the related reduction of greenhouse gas emissions to be a top priority. We support the Paris Agreement and the objective of limiting global warming to 1.5 °C relative to the preindustrial level.

The Science Based Targets initiative (SBTi) has validated our target and confirms our contribution to fulfilling the Paris Agreement. We anticipate that our business areas of healthcare and agriculture will on the one hand be impacted by climate change, but on the other will also be part of the solution.

In 2022, we looked at the risks and opportunities stemming from the effects of climate change from various perspectives to better evaluate them in relation to our company and integrate them into our strategy and measures. Climate-related risks are already accounted for in our Group-wide Enterprise Risk Management (ERM) system.

In the UK&I we have evaluated our climate-related risks within our Risk Management cadence and our non-financial reporting obligations. From a global perspective we analyzed the possible effects of climate change across two different scenarios. We use these scenarios to understand the impact of this factor on our business and to identify measures for mitigating risks and leveraging opportunities. With a cross-functional, cross-divisional team, we have identified relevant opportunities and risks for our business in both scenarios:

2.2 Climate scenarios

- 1) The **optimistic scenario** concerning climate change with warming of below 2 °C – the “**Green Road**” SSP1-2.6 (temperature increase of 1.8 °C by 2100 compared with the preindustrial age).
- 2) The aligned to **current global behavior** – the “**Rocky Road**” SSP3-7.0 (temperature increase of 3.6 °C).

Green Road (SSP1-2.6)

- The Green Road scenario assumes a rise in average global temperature compared with the preindustrial age of 1.7 °C by between 2041 and 2060. Between 2081 and 2100, the temperature is likely to have risen by 1.8 °C compared with the preindustrial age.
- This scenario is marked by the rapid implementation of ambitious and globally coordinated climate-related laws and rules that in the short term can also include transformational requirements and new regulations for companies. The rapid reduction in greenhouse gas emissions leads to less severe weather- and climate-related effects.

Rocky Road (SSP3-7.0)

- The Rocky Road scenario assumes the rise in average global temperature compared with the preindustrial age to be around 2.1 °C by between 2041 and 2060, and probably 3.6 °C by between 2081 and 2100.
- In this scenario, we expect less ambitious laws and provisions that will vary widely from one region to another, leading to a slower pace of emissions reduction and thus more intensive weather and climate-related changes in all regions of the world. The varying levels of ambition also lead to additional trade barriers that can be manifested in measures such as a Carbon Border Adjustment Mechanism (CBAM).

2.3 Climate impact drivers

Based on the overarching description, globally, we have identified nine climate impact drivers of materiality for Bayer so as to analyze the effects regulatory and physical changes will have on our business in more detail. The goal of the analysis is to identify the relevance and change potential in relation to Bayer and our fields of business and to derive suitable measures.

Separately, we assess the opportunities and risks associated with the nine climate impact drivers shown in the graphic – in each case based on the various time horizons and on the Green Road and Rocky Road scenarios.

Climate Impact Drivers		Short term (2021–2025)		Medium term (2026–2035)		Long term (2036–2050)	
		Risk	Opportunity	Risk	Opportunity	Risk	Opportunity
Transitional impact drivers							
Laws, regulations, policies							
Carbon taxation/pricing, carbon border adjustment & offsetting							
Commodity prices							
End customer/customer/market							
Food security							
Acute physical impact drivers							
Extreme weather events							
Chronic physical impact drivers							
Permanent water cycle							
Diseases							
Temperature							

The Green Road (SSP1-2.6) = The Rocky Road (SSP3-7.0) = Relevance = low high

2.4 Targets and Road Map to Net Zero

The UK&I are aligned with our global targets and goals. We support the Paris Agreement and the objective of limiting global warming to 1.5°C relative to the preindustrial level. [The Science Based Targets initiative \(SBTi\)](#) has validated these targets and confirms our contribution to fulfilling the Paris Agreement.

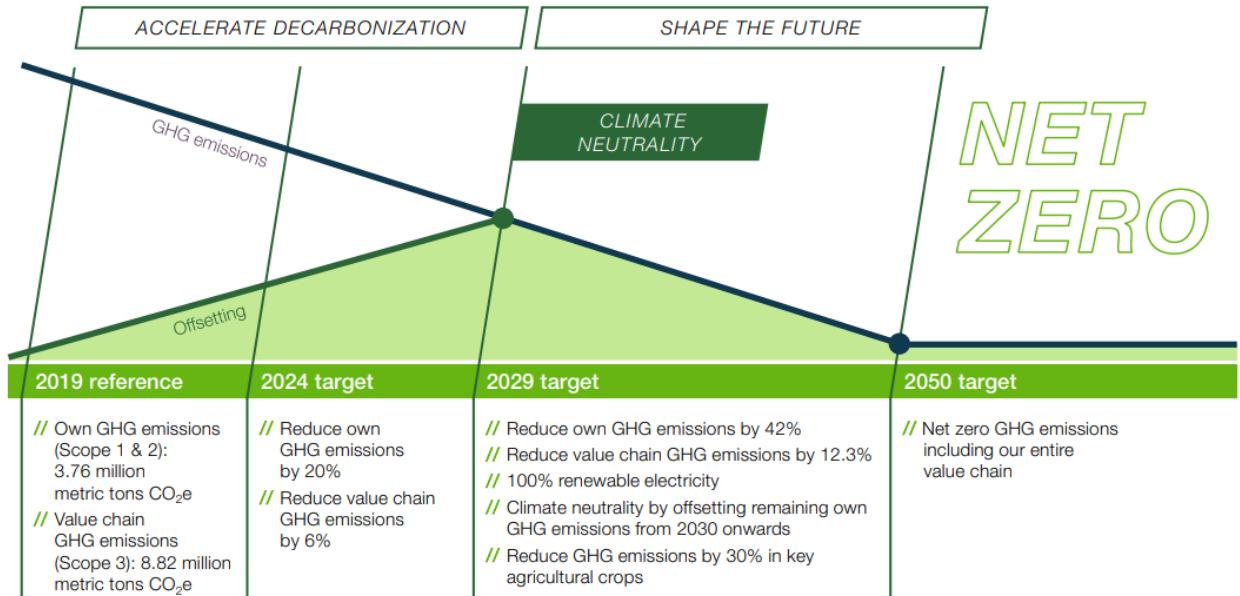
The attainment of our Group target of reducing greenhouse gases by 2030 is factored into the long-term compensation (LTI) of the Board of Management and Bayer’s LTI-entitled managerial employees. The compensation-relevant target is based on Bayer’s necessary contribution to an SBTi-validated 1.5°C scenario. Climate protection is also an integral element of annual variable compensation.

Through our strategy for achieving climate neutrality and reducing greenhouse gas emissions on the pathway to a 1.5°C scenario, we are reducing the risk of additional costs caused by the expected regulations.

Net zero target

Bayer has undertaken to achieve a net zero target for greenhouse gas emissions throughout the entire value chain by 2050 or earlier. As an external expression of commitment to net zero greenhouse gas emissions, the company also signed the [Business Ambition for 1.5°C](#), a campaign of the SBTi in partnership with the UN Global Compact and the [We Mean Business Coalition](#).

Roadmap to Net Zero



GHG = greenhouse gas

Medium-term climate targets by 2030

Bayer aims to achieve climate neutrality at all its own operations within the UK&I by 2030. To attain that target, we intend to reduce our own emissions – Scope 1 and Scope 2 emissions – by 42% relative to the reference year 2019 by the end of 2029. This target on the pathway to a 1.5°C scenario was reviewed and acknowledged by the SBTi globally. We have set a reduction target for Scope 3 emissions of 12.3% by 2029 (relative to 2019) for our value chain. This target was also reviewed and acknowledged by the SBTi globally.

Interim targets by 2024

By 2024, we aim to reduce our own (Scope 1 and Scope 2) emissions by 20% and our emissions in the value chain (Scope 3) by 6% (relative to 2019) in line with the reduction pathway of our Science Based Target (SBT).

2.5 Climate policy engagement and management

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. We have therefore published a detailed list of our [climate policy lobbying](#) activities.

In line with our goals, we critically scrutinize our memberships in relevant industry associations and their positions as regards climate policy measures. The analysis forms the basis for Bayer's further efforts to advocate for scientifically founded policies to combat climate change through its member associations. In developing this approach, we have worked together with [Climate Action 100+](#), an investor initiative that cooperates with the world's biggest industrial companies on the issue of climate change.

To ensure maximum transparency in this process, Bayer has published the results in the [Industry Association Climate Review](#) since 2021.

This report compares the climate policy positions of our industry associations with our own climate goals. As our industry associations represent us in the public debate, we disclose where we agree with these positions and where they diverge from ours. It is of paramount importance to us that we maintain a dialogue with our associations to achieve an amicable solution. Where differences exist, dialogue enables us to take measures to close these gaps. We disclose both our achievements and the challenges that still lie ahead of us in our current [Industry Association Climate Review – Engagement Update 2022](#).

For more information:

- Bayer 2022 Sustainability Report – [Chapter 7. Climate Protection](#)
- Bayer 2022 Sustainability Report – [Chapter 7.2 Climate Protection – Climate Strategy](#)
- Bayer 2022 Sustainability Report – [Chapter 7.3 Climate Protection – Risk and Opportunity Analysis](#)
- Bayer 2022 Sustainability Report – [Chapter Focus on: Agriculture – Enabling a Climate-Smart Agriculture](#)
- Bayer 2022 Sustainability Report – [Chapter 3.6 Crop Science – Use of digital technologies](#)
- Bayer 2022 CDP Climate Report – www.bayer.com/cdp-climate
- [Bayer Industry Association Climate Review 2021](#)
- [Bayer Industry Association Climate Review Update 2022](#)

3. Risk Management

As an international life science enterprise, we are exposed to a wide range of internal and external developments and events that could significantly impact the achievement of our financial and nonfinancial targets. Opportunity and risk management is therefore an integral part of corporate management at Bayer. We regard opportunities as positive deviations, and risks as negative deviations, from projected or target values for potential future developments. In addition, our risk definition is supplemented by potential negative impacts that our business operations could have, for example, on environmental or social matters.

We have implemented a holistic and integrated risk management system designed to ensure the continued existence and future target attainment of the Group through the early identification, assessment and treatment of risks. Our risk management system is aligned to internationally recognized standards and principles such as the ISO 31000 standard of the International Organization for Standardization, and is defined and implemented with the help of binding Group regulations.

Responsibility for the identification, assessment, treatment and reporting of risks lies with the operational business units in the divisions and enabling functions. The UK&I Risk Manager is responsible for identifying risks.

In 2023, we looked at the risks and opportunities stemming from the effects of climate change from various perspectives to better evaluate them in relation to our company and integrate them into our strategy and measures. Climate-related risks are already accounted for in our Group-wide Enterprise Risk Management (ERM) system.

For more information:

- Bayer 2022 Annual Report – [Chapter 3.2 Opportunity and Risk Report](#)
- Bayer 2022 Sustainability Report – [Chapter 2.8 Risk Management](#)
- Bayer 2022 Sustainability Report – [Chapter 7.3 Climate Protection – Risk and Opportunity Analysis](#)

4. Metrics & Targets

4.1 Climate reporting

We are committed to transparently communicating our climate targets and progress, as well as the impact that climate change has on Bayer.

Through our longstanding and continuous participation in [CDP](#), we disclose our climate-related activities and progress with a high degree of detail.

4.2 Measures to achieve targets

We have developed a UK&I Net Zero Roadmap to achieve our ambitious climate targets. This roadmap comprises various measures in the areas of energy and efficiency and governance. To implement our long-term climate strategy, we focus on reducing the greenhouse gas emissions (GHG) associated with our operations, as well as the scope 3 emissions that we have the data and control over, and on strengthening the resilience of our business areas.

Energies & efficiencies

- Electricity from renewable energies: by 2029, we intend 100% of the electricity we purchase to be derived from renewable sources. We have defined specific criteria for the procurement of renewable electricity and this information is published on our [website](#). The criteria are based on the [next-generation green power guidelines](#) of the WWF (World Wide Fund for Nature). In 2023, we continued ahead with the conversion of our Group-wide electricity procurement, and renewable energies, which now account for approximately +90% of our total purchased electricity volume in the UK&I.

Governance

- Internal CO2 price: we are aligning our capital expenditures to our goal of achieving net zero greenhouse gas emissions by 2050. This is in line with the international goal of limiting global warming to 1.5°C. To drive this transition, we have launched a pilot project and established an internal CO2 price of €100 per metric ton of CO2. The business usage of our internal carbon price will be developed and an established way to incorporate into business decision-making will be established by 2029.

Value Chain (Scope 3)

By 2029, we aim to reduce greenhouse gas emissions along the upstream and downstream value chain (Scope 3) by at least 12.3% (reference year 2019) through cooperation with suppliers and customers. This target was validated and acknowledged by the Science Based Targets initiative (SBTi).

Bayer UK&I is involved within working groups (The British Standards Institution (BSI) and the Association of British HealthTech Industries (ABHI)) to standardize the calculation of a product-related carbon footprint (PCF) for the chemical industry. With the standardization of a PCF we will ensure accurate and appraised calculation methods are provided to fulfill our non-financial reporting obligations to customers such as the National Health Service (NHS).

Also, In 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. EcoTransIT World is geared toward continuously evolving and harmonizing the methods for determining emissions in the transport sector worldwide and thus creating a globally recognized methodology. Bayer is also a member of the EcoTransIT World Initiative.

4.3 Metrics

In reporting greenhouse gas emissions, we take account of the recommendations of the Greenhouse Gas Protocol (GHG Protocol). Direct emissions from our own offices and vehicles (Scope 1) and indirect emissions from the procurement of electricity (Scope 2) are determined at all environmentally relevant facilities. We report indirect emissions (Scope 2) according to the market-based method.

Scope 1, Scope 2 and Scope 3 Emissions UK & Ireland 2019-2023

Greenhouse Gas Emissions UK & Ireland				
Metric tons of CO2 equivalents	2019	2021	2022	2023
Scope 1: Direct emissions				
Natural Gas	598.3	567.0	451.3	272.8
Refrigerants - F Gas	361.5	361.5	255.7	91.7
Company Vehicles (own)	1,092.8	216.5	448.7	541.7
Scope 2: Direct emissions				
Purchased Electricity (market-based)	333.8	278.2	0.0	0.0
Total greenhouse gas emissions (Scope 1 and 2) according to the market-based method	2,386.5	1,423.2	1,155.7	906.2
Scope 3: Indirect emissions from our downstream value chain				
3.6 Air Travel	2,597.3	82.5	1,188.0	1,425.5
3.6 Rail Travel	2.4	1.3	5.1	5.6
3.6 Private Vehicles (Grey Fleet)	22.2	6.3	39.6	25.6
3.4 Customer Deliveries	740.0	630.4	687.4	697.8
3.7 Employee Commuting	716.9	240.0	240.0	237.2
Total greenhouse gas emissions Scope 3	4,078.7	960.5	2,160.0	2,391.6
Total greenhouse gas emissions (Scope 1, 2 and 3)	6,465.2	2,383.7	3,315.7	3,297.8
Total progress in reduction vs 2019 base reference year		-63.1%	-48.7%	-49.0%

4.4 UK&I Carbon Reduction Plan (CRP)

In alignment to Procurement Policy Note (PPN) 06/21, Bayer UK&I have produced and are committed to the implementation of our [Carbon Reduction Plan](#). The CRP headlines Bayer UK&I's scope 1, 2 and 3 measurements and headline actions to reduce our carbon footprint in line with our Global SBTi committed targets. In 2023 Bayer had already achieved a 49.0% reduction across the combined scope 1, 2 & 3 categories vs the base year of 2019.

The CRP will continue to develop and act as our principal communication method to provide an update on our targets, reductions and initiatives for decarbonization until the end of 2029.

Masthead

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