Bayer (BAY)- Climate Transition Analysis

Questions for investors and lenders to ask management

Recommended Questions

Q.1

76% of Bayer's CO_2 emissions are Scope 3, which have been largely unchanged in recent years. How will you deliver a 12% reduction?

Background: In 2022, 76% of emissions came from Scope 3, 15% from Scope 1 and 9% from Scope 2. Just over half – 52% in 2021 – of all GhG emissions come from purchased goods and services. Planet Tracker believes the Scope 2 target will be met.

Target: Reveal the GhG emissions pathway to 2030 and net zero by 2050.

Q.2

Why does Bayer not disclose any financial information on the risks and possible failure of reducing GhG emissions?

Background: Bayer's 2022 Sustainability report includes an assessment of climate-related risks, split into short-term (2021-2025), medium-term (2026-2035) and long-term (2036-2050). The risks are colour-coded from low to high, but no potential financial impact is disclosed.

Target: Provide a credible financial assessment of risks related to emission reduction targets.

Q.3

What is/are the technology/ies on which Bayer is relying to achieve net zero by 2050?

Background: Bayer is very dependent on key technology improvements, such as scalable carbon capture and storage (CCS), electrification and renewable energy supplies. Presently, Germany doesn't permit CCS; it requires a federal law change. So why the confidence in new technologies?

Target: Understand the technological solution(s) and capex related to achieving net zero.

Report Key Takeaways

- Planet Tracker's analysis shows Bayer on track for a +3°C scenario by 2030.
- Bayer targets net zero by 2050 and an ability to impact 25% of the global agriculture value chain.
- We applaud ambition but there is little detail to support these claims. Investors are in the dark.
- Management is relying on new technologies, unproven on a large-scale. Only 2% of capex is spent on energy efficiency.
- No financial information is disclosed about the risks from any failure to reduce GhG emissions, instead opting for a qualitative colour-coded chart.
- There is no executive compensation incentive to deliver on net zero, despite the CEO being the CSO.

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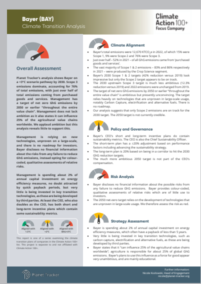

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