

AUSTRALIAN PACKAGING COVENANT
Annual Report
For
Bayer Australia Ltd



1 January 2019 to 31 December 2019

1.0 Company Information

Bayer is a global enterprise with core competencies in the fields of health care, nutrition and agriculture. Bayer's mission statement, "Bayer: Science for a Better Life" is core to the production of Bayer products, which are designed to benefit people and improve their quality of life. As an inventor company, Bayer plans to continue setting trends in research-intensive areas. Innovation is the foundation for competitiveness and growth, and thus for the company's success in the future.

Bayer's knowledge and products are helping to diagnose, alleviate or cure diseases, improving the quality and adequacy of the global food supply, and contributing significantly to an active, modern lifestyle. Bayer's expertise and innovative capability also enable us to offer solutions for protecting the earth's climate and addressing the consequences of climate change.

In Australia and New Zealand, Bayer has invested significantly in local research and manufacturing for more than 80 years. From early 2016, Bayer has been divided into three business groups: Pharmaceuticals, Consumer Health and Crop Science; our categories for Sustainable Packaging Guidelines have been updated to reflect these changes.

As a result of a range of changes within Bayer and under the Covenant, Bayer Crop Science (BCS) became a signatory to the Covenant in late 2018. BCS has submitted its first Covenant Action Plan under its new Covenant obligations, which is separate from the Covenant activities of Bayer Australia Limited (BAL), which addresses the Pharmaceuticals, Animal Health and Consumer Health business groups, that are addressed in this Annual Report. BAL has been a Covenant signatory since 2001. BCS is a standalone legal entity.

The Animal Health business group will be divested from Bayer from 1 July 2020.

In May 2014, Merck sold its consumer care brands to Bayer worldwide. The deal allowed Bayer to acquire Merck's existing over-the-counter (OTC) business. Global acquisition became effective as of 1 October 2014. As a result, Bayer Australia Consumer Health acquired 33 new marketed products.

In Australia and New Zealand, Bayer has invested significantly in local research and manufacturing for more than 80 years.

The integration of Monsanto Company, which Bayer now owns in its entirety, into Bayer commenced 21 August 2018, following approvals from regulatory authorities and effective as of 7 June 2018.

Bayer employs around 1,000 people in Australia and New Zealand, and over 103,000 worldwide. In 2018/19, Bayer generated A\$797 million in revenue in Australia and New Zealand. Bayer Australia and New Zealand are fully owned subsidiaries of Bayer AG based in Leverkusen, Germany.

Head office for Bayer Australia Limited is located at Pymble, NSW. Other locations for the Bayer Group in Australia include Hawthorn in Victoria and Pinkenba and Eight Mile Plain in Queensland. The Kwinana site in Western Australia was sold in October 2019.

2.0 Company Brands

Bayer is a brand owner and retailer under the Covenant, accounting for approximately 130 brands. Major brands are provided below by business group.

2.1 Pharma

Pharma is our specialty pharmaceuticals business concentrating on:

- Women's Health (such as contraception)
- General Medicine (prescription products for general practitioners or specialists in areas such as high blood pressure and venous thromboembolism)
- Specialty Medicine (treatments to improve the quality of life for sufferers of diseases such as multiple sclerosis, haemophilia and certain types of cancer)
- Diagnostic Imaging (technology to help detect diseases)

Most Pharma products are sold to a consumer via pharmacies, while the remaining products are sold directly to hospitals for internal use.

2.2 Consumer Health

Consumer Health is a highly-regarded provider of OTC medications and nutritional supplements in Australia and New Zealand. Our prestigious track record began in 1897 with the discovery of acetylsalicylic acid (ASA), which Bayer launched as Aspirin in 1899. Our top brands today, distributed through pharmacies and supermarkets, include Berocca®, Canesten®, Bepanthen®, Novalac®, Aspro® and Elevit®.

2.3 Animal Health

Bayer Animal Health is co-located with the healthcare division in Pymble. Their products are broadly divided into two categories, Companion Animal Products and Farm Animal Products. Some top brands include Drontal, Advantage, Advocate, Seresto, Zapp and Avenge.

3.0 Period Covered

This Annual Report covers the period 1 January 2019 to 31 December 2019, inclusive. Bayer's financial reporting is also done on a calendar year basis, so aligning our Covenant reporting with the calendar year provides greater consistency.

4.0 Outcomes Achieved

Outcomes are reported against Bayer's Action Plan and grouped under the appropriate Covenant approaches. Following discussions with APCO, the List of 2020 APCO Annual Report Questions (last updated 6 January 2020) has been used to frame responses; a few questions have therefore been modified from the 2018 list of questions.

1. Leadership

1.1 Packaging sustainability strategy (core & conditional)

Committed Performance Level: 4

Given the full extent of Bayer's products and a long-standing interest in integrating sustainability throughout our operations, Bayer's packaging sustainability strategy is incorporated within our procurement and broader sustainability strategies.

The Bayer Global Procurement Regulation incorporates sustainability as a key area, which outlines how the Bayer Group procures and uses products and services and aims to integrate environmental and social considerations into our procurement policies and practices. We acknowledge that enhancing our environmental and social performance is a continuous process, with our suppliers playing a key role in our journey to becoming more sustainable.

Under the Global Procurement Regulation, the Bayer Group in Australia and New Zealand enact their Sustainable Procurement policy to consider how we procure products and services across all businesses. All Group Companies in Australia and New Zealand follow this policy when purchasing products or services from external sources.

Bayer sources its packaging materials from a wide variety of packaging suppliers both locally and internationally. In addition to verifying quality and environmental management practices, suppliers are asked to document corporate social responsibility (CSR) initiatives to create long term value for shareholders; employees and their families; and the communities in which they operate.

Bayer expects all of its suppliers to share the principles expressed in the Bayer Supplier Code of Conduct. Furthermore, suppliers must recognise Bayer's commitment to the Australian Packaging Covenant and commit to observe the Covenant in utilising, where appropriate, more sustainable packaging along with increasing recycling rates and reducing packaging waste.

In 2014, Bayer incorporated a variety of improvements to procurement practices, including updates to the Bayer Supplier Contract. Bayer continues to work with Procurement to identify where we can improve their efforts to assess suppliers' sustainability credentials in addition to further integration of sustainability and procurement conditions in supplier contracts.

These principles demonstrate how Bayer assumes its responsibility concerning social, ecological and ethical standards and how Bayer Group companies put into practice the principles of sustainable development in their daily operations.

Bayer has a Sustainable Development Policy in place as well as the Global Procurement Regulation detailing its commitment to:

- Integrating environmental and social considerations into our procurement policies and practices;
- Encouraging suppliers to adopt practices that minimise environmental and social impacts;
- Minimising the negative impacts of goods and services across their life cycle;
- Ensuring all key supply chain staff are trained in sustainable supply practices to ensure effective implementation of our policy; and
- Ensuring we conduct our procurement processes in a manner that is ethical, fair and transparent, whilst respecting confidential information.

Part of our responsibility for utilising Bayer resources is to ensure that all of the products we produce, especially those we give away to our consumers and staff, fulfil and adhere to strict quality and risk guidelines.

Action 1.1.1: Bayer will continue to group all relevant products by business group and packaging used in a manner acceptable to APCO.

Action 1.1.2: Bayer will continue to evaluate all product reviews completed by the Covenant product review teams and ensure that all necessary documentation for Covenant compliance, product reviews and supporting documentation is maintained in Australia with ready access to enable audits.

Action 1.1.3: Bayer will maintain and, where opportunities are identified, increase opportunities for recycling within our operations.

Action 1.1.4: Bayer will post our Covenant Action Plan and PDF versions of our Annual Reports on the Australian version of our corporate website.

Annual Report Question Q1.1.1: Does your organisation have a packaging sustainability strategy that commits to using the Covenant Sustainable Packaging Guidelines (SPG) (or equivalent)?

Yes.

Bayer expects all of its suppliers to share the principles expressed in the Bayer Supplier Code of Conduct. Bayer has a Sustainable Development Policy in place as well as the Global Procurement Regulation. Bayer will continue to evaluate all new products against the completed group reviews to assess whether the SPG reviews for that are applicable. SPG reviews will be updated to reflect new products that conform to those reviews. New SPG assessments will be conducted for new products that do not conform to existing reviews.

Annual Report Question Q1.1.2: Is the packaging sustainability strategy integrated into business processes?

Yes.

In 2014, Bayer incorporated a variety of improvements to procurement practices, including updates to the Bayer Supplier Contract. Bayer continues to work with Procurement to identify where we can improve their efforts to assess suppliers' sustainability credentials in addition to further integration of sustainability and procurement conditions in supplier contracts.

These principles demonstrate how Bayer assumes its responsibility concerning social, ecological and ethical standards and how Bayer Group companies put into practice the principles of sustainable development in their daily operations.

Annual Report Question Q1.1.3: Is your packaging sustainability strategy integrated in a quality system for continuous improvement?

No.

Annual Report Question Q1.1.4: Does the packaging sustainability strategy include specific, measureable and time-based targets for packaging sustainability?

No.

Annual Report Question Q1.1.5: Do you publicly report on progress against your packaging sustainability targets?

Yes.

Bayer continues to post our Covenant Action Plan and subsequent Annual Reports on the Australian version of our corporate website.

Please provide any other supporting material for this criteria.

See start of this section.

1.2 Closed loop collaboration (core & conditional)

Committed Performance Level: 1

Regulatory considerations to protect human health and safety, coupled with a decentralised, outsourced distribution model, preclude closed loop reuse options for the vast majority of Bayer's primary and secondary packaging.

However, in conjunction with distribution provider DHL, Bayer helped develop a proprietary reusable esky program, The Cool Green Cell, for temperature-critical pharmaceutical products. Bayer was the first company to work with DHL on The Cool Green Cell. In addition to reducing waste, this program has resulted in significant environmental improvement across our supply chain by reducing the need for refrigerated vehicles, resulting in lower fuel costs and reduced carbon footprint.

Action 1.2.1: Bayer will organise and schedule regular meetings with DHL to confirm existing recycling, waste management and other environmental management practices.

Action 1.2.2: Bayer will organise and schedule regular meetings with DHL to identify continuous improvement projects, and provide assistance to implement.

Action 1.2.3: Bayer will establish systems to document material savings and other environmental attributes of the Cool Green Cell.

Annual Report Question Q1.2.1: Have you investigated options for joining or starting a collaborative closed loop initiative?

Yes.

Supply chain personnel from Bayer meet with DHL regularly to identify continuous improvement projects. In addition to identifying potential new practices, this process has resulted in continued use of the proprietary reusable esky program, The Cool Green Cell, for temperature critical pharmaceutical products.

Annual Report Question Q1.2.2: Have you joined at least one existing initiative or worked with others to set up at least one closed loop initiative or program?

Yes.

Supply chain personnel from Bayer meet with DHL regularly to identify continuous improvement projects. In addition to identifying potential new practices, this process has resulted in continued use

of the proprietary reusable esky program, The Cool Green Cell, for temperature critical pharmaceutical products.

Annual Report Question Q1.2.2a: How many initiatives or programs have you joined?

One.

Annual Report Question Q1.2.3: Is data being collected to monitor the outcomes of these collaborative closed loop initiatives or programs?

Yes.

Annual Report Question Q1.2.4: Have you joined or worked with others to set up any closed loop collaborative initiatives or programs that can demonstrate tangible (quantitative) outcomes?

Yes.

As noted above for The Cool Green Cell. The program is proprietary and we will therefore not be reporting the quantitative outcomes publicly.

Annual Report Question Q1.2.5: Is there a formal process in place to continually identify new opportunities for collaboration on closed loop initiatives or programs, or to improve existing initiatives or programs?

Yes.

Integrated into practices, as noted above.

Please provide any other supporting material for this criteria.

None provided.

1.3 Consumer engagement (recommended & additive)

Committed Performance Level: 0

As a signatory to the Covenant since 2001, Bayer is committed to evaluating packaging solutions that assist in minimising the effects of packaging on the environment. Packaging plays an important role for Bayer and our customers, ensuring quality, safety and security of products, communicating information to the user and enhancing shelf life.

There are four areas of documentation that must be supplied by any of Bayer's promotional/premium goods suppliers, in alignment with: The Bayer Global COMPASS Program for Supplier Selection, Directive 2067: Procurement: Sustainability and Directive 1934: Sustainable Development. The minimum criteria for Australian and New Zealand products is below:

- **Sustainability and Carbon Offset documentation:** must show carbon neutral trading certification as a bare minimum, this must include a carbon profile for the promotional items manufacturing and freight.
- **Ethical Sourcing:** must be able to provide global or reputable accreditation of ethical sourcing through CIPS, SEDEX, SQFI or similar – Eco-Vadis is preferred and is the Bayer partner.
- **Product Audit and Reporting Profile:** This report must show a pass for all aspects of the manufacture process, also called a conformity report. This report will cover manufacture pass,

packaging pass, workmanship, materials, labelling. This report is very specific and is a final audit report carried out by an independent company prior to the products being released for shipping.

These are the minimum criteria for any and every promotional item that Bayer procures or purchases.

Do you wish to report against this recommended criteria for the current reporting period?

No.

Annual Report Question Q1.3.1: Do you provide consumers with any information on the sustainability of your packaging?

Not relevant. Not reporting against this criterion.

Annual Report Question Q1.3.2: Does any of your packaging include on-pack claims or labels on packaging sustainability (excluding disposal/recycling claims and labels)?

Not relevant. Not reporting against this criterion.

Annual Report Question Q1.3.3: How many <baseline metric> have packaging labelling that encourages active consumer engagement in packaging sustainability? How accurate is this number?

Not relevant. Not reporting against this criterion.

Annual Report Question Q1.3.4: Does your company actively engage consumers, through packaging design, to reduce the impacts of consumption?

Not relevant. Not reporting against this criterion.

Annual Report Question Q1.3.5: Does your organisation support on-pack sustainability education with marketing campaigns?

Not relevant. Not reporting against this criterion.

Please provide any other supporting material for this criteria.

None provided.

1.4 Industry leadership (recommended & additive)

Committed Performance Level: 2

Being a founding member of the United Nations Global Compact, Bayer places great worth on the sustainable development of an ethically and legally responsible business relationship.

Sustainable development forms an integral part of Bayer's global corporate policy, which is geared toward long-term success and high-quality solutions. In the long term, business success is ensured if social needs and environmental aspects are taken into account as well as economic considerations.

Sustainability management		
Organization	Major areas of activity 2018	Steering, measurement and documentation
<ul style="list-style-type: none"> > Member of the Board of Management responsible for Human Resources, Technology and Sustainability > Corporate Health, Safety & Sustainability function > Sustainable Development Committee 	<ul style="list-style-type: none"> > Product and process innovation > Access to medicine > Sustainable food supply > Employee relations & development > Business ethics > Product stewardship > Safety > Environmental protection / resource efficiency > Supplier management > Stakeholder engagement / partnering > Societal engagement 	<ul style="list-style-type: none"> > Corporate policies on, for example, <ul style="list-style-type: none"> – human rights – compliance – HSE key requirements – responsible marketing > Targets / indicators > HSEQ management systems and audits > Opportunity and risk management > Integrated Annual Report with independent auditing
<p>Legal requirements such as the CSR Implementation Directive and initiatives such as WBCSD, GRI, UNGC and Responsible Care</p>		

Figure 1: Structure of Bayer’s Sustainability Management

Bayer acts sustainably through our commitment to the U.N. Global Compact and the Responsible Care™ initiative, as well as through our involvement in the World Business Council for Sustainable Development (WBCSD). In our sustainability reporting we have followed the guidelines of the Global Reporting Initiative (GRI) for many years. Additionally, Bayer is an active supporter of the UN WASH initiative (water, sanitation and hygiene) and local assessments for each site have been undertaken. Bayer is a member of Keep NSW Beautiful.

Further detail is available at <https://www.bayer.com/en/sustainability-management.aspx#activity> and <https://www.bayer.com/en/environmental-protection.aspx>.

The CDP has once again awarded Bayer their highest ‘A’ rating, so Bayer continues to be one of the leading international companies in addressing climate change. Only about 2 percent of the over 8,000 companies that CDP examines are awarded the ‘A’ rating.

“We’re very pleased that we have continuously received very good ratings from the CDP since 2005 and that Bayer is once again included in the Climate A list,” says Werner Baumann, Chairman of the Board of Management. “As a leading innovation company, we aim to become carbon neutral in our own operations by 2030. We will therefore drive forward a reduction in greenhouse gases throughout our entire value chain.”

By 2030, Bayer aims to provide 100 million women in low- and medium-income countries access to modern contraception. We want to strengthen the role of women and intensify our efforts in modern family planning.

Do you wish to report against this recommended criteria for the current reporting period?

No.

Annual Report Question Q1.4.1: Have you led or initiated any packaging sustainability initiative(s)?

Not relevant. Not reporting against this criterion.

Annual Report Question Q1.4.2: Do you work collaboratively with other organisations or customers to improve sustainability outcomes?

Not relevant. Not reporting against this criterion.

Annual Report Question Q1.4.2a: How many initiatives do you lead or actively contribute to?

Not relevant. Not reporting against this criterion.

Annual Report Question Q1.4.3: Has your organisation received external recognition for its contribution to packaging sustainability within your chosen reporting period?

Not relevant. Not reporting against this criterion.

Annual Report Question Q1.4.3a: How many times did your organisation receive external recognition for its contribution to packaging sustainability in the past 3-year period?

Not relevant. Not reporting against this criterion.

Annual Report Question Q1.4.4: Are you actively engaging with peers to promote packaging sustainability and share sustainability knowledge for non-commercial purposes?

Not relevant. Not reporting against this criterion.

Please provide any other supporting material for this criteria.

None provided.

2. Outcomes

2.1 Packaging design and procurement (core)

Committed Performance Level: 5

Due to the nature of Bayer's products and their packaging, reassessment and packaging redesign are rarely pursued, which limits greater incorporation of the Covenant's Sustainable Packaging Guidelines (SPG).

There are several specific limitations faced by Bayer that include:

- most packaging has already been optimised to protect the product and its characteristics;
- most product categories are imported from our global headquarters in Germany, while a variety of consumer care products are sourced from Indonesia;
- various Bayer products are required to be registered with the Therapeutic Goods Administration (TGA) before they can be supplied in Australia; and
- virtually all of Bayer's animal health products must be registered with the Australian Pesticides and Veterinary Medicines Authority (APVMA), which places strict limits upon packaging material type, design and labelling.

As a result, few packaging changes are likely and where possible Bayer tends to utilise existing packaging types for new products.

Most Bayer pharmaceutical and consumer health products are required to be registered with the TGA and included on the Australian Register of Therapeutic Goods (ARTG) before they can be supplied in Australia.

Due to their active ingredients, all of Bayer’s animal health products must be registered with the APVMA, which places strict limits upon packaging material type, design and labelling. The registration process helps ensure that the product is safe and will work when used according to the label. These products are addressed in the separate Action Plan for Bayer Crop Science.

The registration process for veterinary and human medicines is provided in Figure 2.

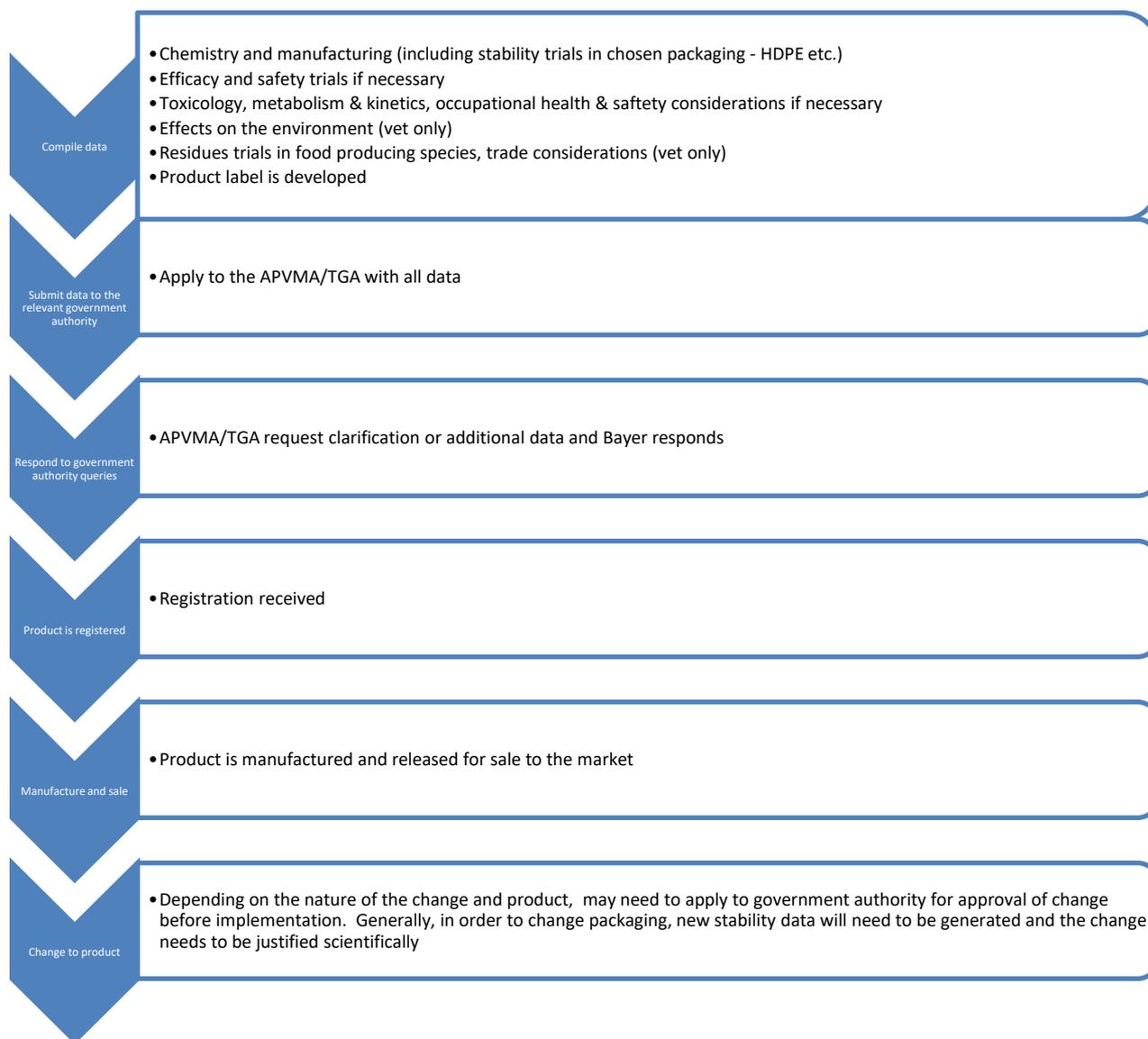


Figure 2: Registration Process for Veterinary and Human Medicines

The SPG assessment criteria will continue to be applied as new products are developed where Bayer can exert some influence over the packaging.

Outsourcing our distribution means that Bayer has limited control over activities at distribution centres. That said, a variety of recycling practices are already in place at the distribution centres for cardboard, plastic, office paper and polystyrene eskies.

Given the nature and usage of Bayer's products, they are not likely to become littered. This point is reinforced by the fact that Bayer's products are not evident in Keep Australia Beautiful's National Litter Index results. The only Bayer product we have identified as a potential litter item is Berocca Twist n Go. Our SPG assessments specifically addressed the potential for Berocca Twist n Go containers to become littered.

The packaging types used by Bayer are provided in Table 1 along with their typical uses.

Table 1: Bayer Packaging Material Types Used

Packaging Type	Description	Typical Use
Rigid Plastic Containers	Polyethylene Terephthalate (PET), high density polyethylene (HDPE)	Bottles for oral solutions, detergents, veterinary medicines
PVC	Unplasticised Polyvinyl Chloride	Mouth wash
Closures	Polypropylene (PP), Low density polyethylene (LDPE), HDPE closures	Bottle caps, container lids
Paperboard	Folding cartons	Tablets, capsules, lozenges, creams
Glass	Glass bottles, ampules	Bottles for mouth wash, ampules
Metal	Steel containers, aluminium tubes	Infant formula containers, effervescent tablet containers
Laminated foil sachets	Laminated foil sachets	Effervescent tablets
Applicator	Plastic applicator	Over the counter medication treatments
Composite tube	Aluminium-plastic composite tube	Creams
Blister pack	Composite	Pharmaceuticals tablets, capsules and lozenges
Flexible laminates	Composite flexible materials printed and laminated to form bags and wrappers	Baby wipes, Racumin
LLDPE	Linear Low Density Polyethylene	Inner bundle wrapping
Desiccants	Bentonite Clay and Silica Gel	Effervescent tablets e.g. Berocca, Supradyn, Redoxon
Paper	Paper leaflets and booklets	Product information / instructions
Aluminium foil pouches	Aluminium foil pouches	Advantage products
Aluminium backs	Aluminium backs	Advantage products
Steel/tinplate cans	Tinplate cans	Veterinary medicines

List valid at the time this Annual Report was prepared

Our response in section 1.1 details how sustainability, including our packaging sustainability strategy, is addressed primarily through Bayer's stringent procurement practices. The Bayer Global Procurement Regulation incorporates Sustainability as a key area, and this specifically includes packaging sustainability considerations.

All Bayer Group Companies in Australia and New Zealand follow the Sustainable Procurement policy when purchasing products or services from external sources.

Bayer expects all of its suppliers to share the principles expressed in the Bayer Supplier Code of Conduct, found at <http://www.bayer.com.au/static/documents/SupplierCodeOfConduct.pdf>. As noted previously, suppliers must recognise Bayer's commitment to the Australian Packaging Covenant

and must commit to observe the Covenant in utilising, where appropriate, more sustainable packaging along with increasing recycling rates and reducing packaging waste.

Bayer continues to work with Procurement to identify where we can improve their efforts to assess suppliers' sustainability credentials and to further integrate sustainability and procurement conditions in supplier contracts.

Bayer's Sustainable Development Policy and Global Procurement Regulation detail many of Bayer's commitments. Details are available at <https://www.annualreport2018.bayer.com/management-report-annexes/about-the-group/procurement-and-supplier-management.html>. Part of our responsibility for utilising Bayer resources is to ensure that all of the products we produce, especially those we give away to our consumers and staff, fulfil and adhere to strict quality and risk guidelines.

Procurement have, in most areas of our business, implemented either a process or panel of suppliers who fulfil this process so that the onus, time and responsibility is lifted from our staff. On the rare occasion or in remote areas access to such suppliers may not be possible and the responsibility for assessing and providing a risk profile falls upon our staff.

This is to ensure that all suppliers adhere to the Bayer Supplier Code of Conduct which can be found at <http://www.bayer.com.au/static/documents/SupplierCodeOfConduct.pdf>.

Action 2.1.1: Bayer will continue to evaluate all new products against the completed group reviews to assess whether the SPG reviews for that are applicable. SPG reviews will be updated to reflect new products that conform to those reviews. New SPG assessments will be conducted for new products that do not conform to existing reviews.

Annual Report Question Q2.1.1: Do you have a documented procedure on using the Sustainable Packaging Guidelines (SPG) or equivalent to evaluate and improve packaging?

Yes.

The Bayer Global Procurement Regulation incorporates Sustainability as a key area and this outlines how the Bayer Group procures and uses products and services and aims to integrate environmental and social considerations into our procurement policies and practices. We acknowledge that enhancing our environmental and social performance is a continuous process with our suppliers playing a key role in our journey to becoming more sustainable. Under the Global Procurement Regulation, the Bayer Group in Australia and New Zealand will enact their Sustainable Procurement policy to consider how we procure products and services across all businesses.

Annual Report Question Q2.1.2: How many <baseline metric> put on the market over the reporting period have had their packaging reviewed using the SPG or equivalent to consider sustainability criteria? How accurate is this number?

131.

Accuracy of this number is rated as high.

Bayer will continue to evaluate all new products against the completed group reviews to assess whether the SPG reviews for that are applicable. SPG reviews will be updated to reflect new products that conform to those reviews. New SPG assessments will be conducted for new products that do not conform to existing reviews. The simplified process continues to be used by Bayer and enjoyed strong staff support in 2019. There were no significant changes to the SPG process in 2019.

Annual Report Question Q2.1.3: How many <baseline metric> used Life Cycle Assessment (LCA) or a similar life cycle tool to consider sustainability? How accurate is this number?

0.

Accuracy of this number is rated as high.

Please provide any other supporting material for this criteria.

None provided.

2.2 Packaging materials efficiency (core & conditional)

Committed Performance Level: 4

All Bayer packaging has been optimised given specific product needs, consumer needs and regulatory considerations. These have been the overriding considerations.

Bayer has little direct control over packaging for most product categories due to their being imported from various Bayer sites globally, predominantly Germany, China and Indonesia, or due to registration restrictions given the nature of the product. Detailed information on origins of packaging and products used for Consumer Health, Animal Health and Pharmaceuticals are provided in Attachments 1, 2 and 3, respectively.

Annual Report Question Q2.2.1: Has your organisation developed a plan, or are you investigating opportunities, to optimise the quantity of material used for packaging?

Yes.

All Bayer packaging has been optimised given specific product needs, consumer needs and regulatory considerations. Significant changes are therefore not likely.

Annual Report Question Q2.2.2: How many <baseline metric> have achieved a reduction in material weight or have been optimised for material efficiency? How accurate is this number?

131.

All Bayer packaging has been optimised given specific product needs, consumer needs and regulatory considerations. These have been the overriding considerations.

Accuracy of this number is rated as medium.

Annual Report Question Q2.2.3: How many <baseline metric> have been optimised for the material efficiency of their packaging, with supporting evidence of the methodology used to evaluate optimisation? How accurate is this number?

131.

All Bayer packaging has been optimised given specific product needs, consumer needs and regulatory considerations. These have been the overriding considerations.

Accuracy of this number is rated as medium.

Please provide any other supporting material for this criteria.

None provided.

2.3 Recycled and renewable materials (core & conditional)

Committed Performance Level: 4

Bayer's global policies and practices, as detailed previously, ensure that this measure is applied across all Bayer products and supplier arrangements.

Action 2.3.1: Bayer will maintain and, where opportunities are identified, increase the volume of recycled content purchased.

Annual Report Question Q2.3.1: Has your organisation developed a plan, or are you investigating opportunities, to optimise the quantity of materials in your packaging that are renewable and/or contain recycled content?

Yes.

Bayer expects all of its suppliers to share the principles expressed in the Bayer Supplier Code of Conduct. These principles include recycling and material reutilisation. Due to the large extent of sourcing from overseas suppliers and the uncertainties and costs associated with verifying their activities to an appropriate level for public reporting, Bayer does not track particular packaging measures, including the volume of recycled content purchased. However, Bayer will conduct investigations with larger suppliers under the new Global Procurement Policy to ascertain their commitment to recycling when considering contracts with them.

Annual Report Question Q2.3.2: How many <baseline metric> have packaging that incorporate some recycled or renewable material content? How accurate are these numbers?

131.

Accuracy of this number is rated as high.

Annual Report Question Q2.3.2a: How many of these <baseline metric> are made from recycled materials?

131.

Accuracy of this number is rated as high.

All SKUs either have paperboard boxes (which contain some level of recycled content) or are otherwise packaged in items such as glass bottles or steel cans that by their nature contain some level of recycled content.

Annual Report Question Q2.3.2b: How many of these <baseline metric> are made from renewable materials?

131.

Accuracy of this number is rated as medium.

Annual Report Question Q2.3.3: How many <baseline metric> have packaging that has been optimised for recycled or renewable content? How accurate are these numbers?

Due to the large extent of sourcing from overseas suppliers and the uncertainties and costs associated with verifying their activities to an appropriate level for public reporting, Bayer does not track particular packaging measures such as these.

Please provide any other supporting material for this criteria.

None provided.

2.4 Post-consumer recovery (core & conditional)

Committed Performance Level: 3

Whilst a variety of blisterpacks and foil pouches may be used that are not currently recyclable (most of Bayer pharmaceutical products utilise blisterpacks), their use is necessary in order to protect the products and provide the products to consumers in a useable form.

Under APCO's December 2019 Single-Use, Problematic and Unnecessary Plastic Packaging guidelines, blisterpack could be considered a problematic single-use plastic, as it is commonly disposed of in rubbish and therefore not easy to recover.

However, the plastic packaging in blisterpack cannot "be reduced, avoided or substituted without compromising the ability to meet standards for human health, OHS or food safety, or any other government regulations", as Bayer items packaged in blisterpack are subject to TGA or APVMA approval, as described previously. Many of the regulatory approvals focus on product stability and efficacy, and are subject to extensive testing on issues such as permeability and light stability as part of the registrations; blisterpacks have been optimised to specifically address these consumer and regulatory concerns. In addition, the plastic packaging in blisterpack cannot be "reduced, avoided or substituted without causing any undesirable outcomes such as reduced access for vulnerable consumers", as the blisterpack is designed to enable access for vulnerable consumers such as the elderly and those with limited dexterity. Therefore, blisterpack would not be considered an unnecessary single-use plastic under the APCO guidelines.

Many products have fibre-based secondary or tertiary packaging that can readily be recycled in kerbside recycling programs, along with information inserts. In addition, tin cans from a range of products are readily recyclable through kerbside programs.

Annual Report Question Q2.4.1: Has your organisation developed a plan, or are you investigating opportunities, to increase or optimise the recoverability of packaging?

No.

Bayer expects all of its suppliers to share the principles expressed in the Bayer Supplier Code of Conduct. These principles include recycling and material reutilisation.

Due to the large extent of sourcing from overseas suppliers and the uncertainties and costs associated with verifying their activities to an appropriate level for public reporting, Bayer does not track particular packaging measures. However, Bayer will conduct investigations with larger suppliers under the new Global Procurement Policy to ascertain their commitment to recycling when considering contracts with them.

Annual Report Question Q2.4.2: How many <baseline metric> have packaging that can be recovered through existing post-consumer recovery systems? How accurate is this number?

131.

All SKUs either have paperboard boxes or are otherwise packaged in items such as glass bottles or steel cans that by their nature contain some level of recycled content.

Accuracy of this number is rated as high.

Annual Report Question Q2.4.2a: How many of these <baseline metric> have packaging that is reusable?

0.

Annual Report Question Q2.4.2b: How many of these <baseline metric> have packaging that is recyclable?

131.

Annual Report Question Q2.4.2c: How many of these <baseline metric> have packaging that is certified home compostable?

0.

Annual Report Question Q2.4.2d: How many of these <baseline metric> have packaging that is certified industrial compostable?

0.

Annual Report Question Q2.4.2e: How many of these <baseline metric> have packaging that is compostable (not certified)?

0.

Annual Report Question Q2.4.3: How many <baseline metric> have packaging that can be recovered through existing post-consumer recovery systems that achieve highest potential environmental value? How accurate are these numbers?

Highest potential environmental value of existing post-consumer recovery systems, particularly kerbside recycling, has not been a primary consideration, given the widespread access of consumers to kerbside systems and the variability of existing kerbside systems.

Please provide any other supporting material for this criteria.

None provided.

2.5 Consumer labelling (recommended & conditional)

Committed Performance Level: 1

As noted, Bayer has a significant commitment to appropriate consumer labelling and that this has been optimised across Bayer products, while recognising significant regulatory restrictions. Wherever

there is a requirement to review labels from a regulatory perspective, Bayer will take the opportunity to incorporate recycling information if applicable.

Is your organisation reporting against this recommended criteria this year?

Yes.

Annual Report Question Q2.5.1: Has your organisation developed a plan, or are you investigating opportunities, to improve on-pack consumer labelling for disposal or recycling?

No.

Annual Report Question Q2.5.2: How many <baseline metric> have packaging labelled for disposal or recovery? How accurate is this number?

Not relevant.

Annual Report Question Q2.5.3: How many <baseline metric> have product packaging labelled for disposal or recovery in compliance with AS/NZS ISO 14021 (a standard for self-declared environmental claims)? How accurate is this number?

Not relevant.

Please provide any other supporting material for this criteria.

Regulatory considerations and approval processes significantly restrict Bayer's abilities with regards to labelling.

2.6 Product packaging innovation (recommended & conditional)

Committed Performance Level: N/A

Bayer elected not to report against this measure in the 2017 Annual Report or 2018 Action Plan, and do not wish to report against this in this Annual Report, given usage and regulatory limitations on product packaging innovation.

Do you wish to report against this recommended criteria for the current reporting period?

No.

Annual Report Question Q2.6.1: Has your organisation developed a plan, or are you investigating opportunities, to review whole product-packaging systems to improve packaging sustainability?

Not relevant. Not reporting against this criterion.

Annual Report Question Q2.6.2: Does your organisation have a documented procedure in place to evaluate the sustainability of whole product-packaging systems?

Not relevant. Not reporting against this criterion.

Annual Report Question Q2.6.3: Do you report on product-packaging systems that have been evaluated using Life Cycle Assessment (LCA)?

Not relevant. Not reporting against this criterion.

Annual Report Question Q2.6.4: How many <baseline metric> have been evaluated using Life Cycle Assessment (LCA) and have had packaging optimised? How accurate is this number?

Not relevant. Not reporting against this criterion.

Please provide any other supporting material for this criteria.

None provided.

3. Operations

3.1 Business to business packaging (core & conditional)

Committed Performance Level: 2

The inclusion of business to business (B2B) packaging in the Covenant represents a departure from the scope of packaging previously addressed in Bayer's Covenant Action Plans and Annual Reports. In addition, Bayer's acquisition of Monsanto will have an impact on the scope of Bayer's packaging to be addressed, and is addressed separately in the Bayer Crop Science Action Plan.

Most of Bayer's Pharma products are sold to a consumer via pharmacies, while the remaining products are sold directly to hospitals for internal use. Products sold to hospitals for in-house use had previously been excluded from Bayer's Covenant Action Plans and Annual Reports until our reporting for the 2018 calendar year, as the end consumer is an institution.

Annual Report Question Q3.1.1: Has your organisation developed a plan, or are you investigating opportunities, to reduce single use business-to-business packaging going from your sites and facilities to customers (e.g. manufacturers or retailers)?

No.

Annual Report Question Q3.1.2: Are you collecting data on the amount of business-to-business packaging you provide to customers that is single-use?

No.

Annual Report Question Q3.1.2a: How many tonnes of single-use business-to-business packaging did you send to customers during your chosen reporting period? How accurate is this number?

Not relevant.

Annual Report Question Q3.1.2b: How many tonnes of single-use business-to-business packaging did you send to customers during the previous reporting period? How accurate is this number?

Not relevant.

Annual Report Question Q3.1.3: Do you have a continuous process in place to monitor and collect data on the amount of business-to-business packaging that has been optimised for material efficiency and reuse (i.e. no further improvements in efficiency or reuse are possible at the present time)?

No.

Annual Report Question Q3.1.3a: What percentage of business-to-business packaging has been optimised (e.g. no further improvements are possible)? How accurate is this number?

Not relevant.

Please provide any other supporting material for this criteria.

None provided.

3.2 On-site waste diversion (recommended & conditional)

Committed Performance Level: 3

All of Bayer's distribution within Australia is outsourced. On-site, both DHL Supply Chain (DHL) and Toll recycle cardboard and plastic, while DHL also recycles office paper. Bayer staff, including Bayer's Covenant contact officer, meet regularly with DHL staff and these meetings include confirmation of existing recycling, waste management and other environmental management practices as appropriate.

In reporting progress against our Action Plan for 2019, no new recycling opportunities have been identified.

Under Bayer HealthCare Regulation No. 96 (Waste Management), sites without any production, research and development or warehousing activity are required to develop and implement a waste management concept and associated procedures. A waste management concept was adopted in August 2012 to bring the Bayer HealthCare non-production sites in line with the ongoing requirements of the directive. The waste management concept specifies explicit disposal procedures for the following items:

- Hazardous substances
- Sharps disposal
- Spills
- Office waste
- Grease trap waste

The following hierarchy applies as a priority order in waste management:

- Waste prevention is practiced as far as reasonably practicable.
- Waste that is generated despite waste prevention measures is recovered or recycled to substitute primary material or energy resources as far as reasonably practicable.
- Residual waste that remains after taking into consideration all options for preventing or recovering waste is disposed of in an environmentally compatible manner and according to legal requirements and operating permits.

Bayer worked with our recycling supplier, Visy, to establish reporting systems to document our commingled recycling from the Pymble office on a monthly basis from February 2015. Through this approach, Bayer's workplace recycling totaled 4,090 m³ for 2019.

Bayer's team worked with Nespresso to install a Nespresso Bulk Recycling Collection Station in the Pymble office. Each collection box holds up to 1,500 used capsules and is returned to Nespresso for

recycling when full. This practice continues to work well for the Pymble office, as over 36,000 Nespresso capsules were returned for recycling in 2019.

Consumer Health and Country Platform employees in the Pymble office compost food waste through dedicated bins and deposit this into a compost bin at the rear of the Pymble property.

In 2018, Bayer recycled 1,325 computers, laptops, tablets, UPS and other electrical and electronic devices and accessories through Interlink Asset Management Services. In 2019, no such IT disposal was necessary nor conducted for Bayer.

Bayer's used mobile phones and accessories may also be managed through MobileMuster, which in July 2014 became Australia's first accredited voluntary product stewardship program. No mobile phones or accessories were returned through MobileMuster in 2019.

Action 3.2.1: Bayer will continue to verify recycling and waste management practices within DHL's operations.

Action 3.2.2: Bayer will coordinate with DHL to investigate development of a reliable methodology by December 2018 to apportion waste generate and recycling activity specifically resulting from Bayer at relevant DHL distribution facilities.

Do you wish to report against this recommended criteria for the current reporting period?

No.

Annual Report Question Q3.2.1: Do you collect data on the quantity of solid waste generated at your sites and facilities and the quantity or percentage of solid waste recovered?

No.

Annual Report Question Q3.2.2(a): If your answer is "yes" to 3.2.1, then you will be prompted to answer 3.2.2(a), 3.2.3 and 3.2.4. If your answer is "no", please go to 3.2.2(b).

Annual Report Question Q3.2.3: How much on-site solid waste did you reuse, recycle, compost or send to an energy-from-waste facility during your chosen reporting period? (tonnes).

Annual Report Question Q3.2.4: If your waste is calculated as being 100% recovered, you will be prompted to answer the following question: You have reported that 100% of your solid waste is being recovered. Have you investigated these recovery system (sic) to ensure that they achieve highest potential environmental value of all the options available at the present time?

Annual Report Question Q3.2.2(b): If your answer is "no" to 3.2.1, then you will be prompted to answer 3.2.2(b)

Can you estimate what percentage of on-site solid waste you reused, recycled, composted or send to an energy-from-waste facility during your chosen reporting period?

How accurate is this number?

Not relevant. Not reporting against this criterion.

Please provide any other supporting material for this criteria.

None provided.

3.3 Supply chain influence (recommended & additive)

Committed Performance Level: 4

Through the Global Procurement Regulation, the Bayer Group implements our Sustainable Procurement policy throughout the supply chain, as all group companies follow this policy when purchasing products or services. In addition, the top 100 vendors will be subject to a vendor verification assessment which includes safety and sustainability considerations.

Action 3.3.1: Bayer will maintain and, where opportunities are identified, increase opportunities for recycling within our suppliers' operations.

Do you wish to report against this recommended criteria for the current reporting period?

No.

Annual Report Question Q3.3.1: Does your organisation communicate your packaging sustainability goals and packaging guidelines to the majority of tier 1 suppliers and downstream customers (for business-to-business organisations)?

Not relevant. Not reporting against this criterion.

Annual Report Question Q3.3.2: Does your organisation provide support to tier 1 suppliers and customers to improve their understanding of packaging sustainability goals and strategies?

Not relevant. Not reporting against this criterion.

Annual Report Question Q3.3.3: Does your organisation collaborate with tier 1 suppliers and customers to share knowledge and improve packaging sustainability?

Not relevant. Not reporting against this criterion.

Annual Report Question Q3.3.4: Does your organisation have processes in place to evaluate supply chain risks and opportunities for influence throughout the entire supply chain (tier 1 and below)?

Not relevant. Not reporting against this criterion.

Annual Report Question Q3.3.5: Does your organisation have processes in place to monitor and track compliance with key packaging sustainability requirements throughout the entire supply chain (full traceability)?

Not relevant. Not reporting against this criterion.

Please provide any other supporting material for this criteria.

Not relevant. Not reporting against this criterion.

4. Packaging Metrics

Due to the large extent of sourcing from overseas suppliers and the uncertainties and costs associated with verifying their activities to an appropriate level for public reporting, Bayer does not track some packaging measures in detail.

However, baseline metrics are being reported using the APCO online reporting tool.

5.0 Covenant Contact Officer

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6.0 Senior Management Endorsement

Dr Dominika Goedde, as Chief Financial Officer, endorses this Annual Report and progress towards the commitments contained in our Action Plan.