

**Bayer AG**  
Mr. Werner Baumann, CEO  
51368 Leverkusen  
Germany

Paris, March 17<sup>th</sup>, 2022

**Re: Communication about Bayer's ESG scoring and controversies**

Réf : 220311/FEBE/BayerESG

Dear Chief Executive Officer,

Finaltis is a French asset management company regulated by the AMF (*Autorité des Marchés Financiers*), the French counterpart of the German *Bundesanstalt für Finanzdienstleistungsaufsicht*.  
The Finaltis EfficientBeta™ Euro fund, managed by Finaltis, is investing in equities of large companies listed on exchanges in the Eurozone.

As part of its investment process, Finaltis reviews extra-financial criteria, as we believe a company following a responsible code of conduct will contribute to a sustainable growth from which its shareholders will benefit on the long term.

Our ESG (Environmental, Social and Governance) analysis team contributes to our investment choices, by formulating recommendations and alerts depending on companies' ESG performance. Our analysis is based on a company's ESG score and controversies flagged by our data providers.

Finaltis looks up to Bayer as one of the few true current European leaders in the pharmaceutical sector and acknowledges the value it creates. We strongly regret our current inability to hold shares of your company; its involvement in the white phosphorus ammunition manufacturing, as well as numerous controversies and poor ratings on ESG platforms led our ESG Committee to exclude Bayer shares from our investable lists.

White phosphorus ammunition has been prohibited as an offensive weapon by the UN since December 1983, its use being considered a war crime. Monsanto, Bayer AG's subsidiary since June 2018, has been identified by US government sources as the sole producer of the white phosphorus supplied through third-party distributors to the United States Army for inclusion in white phosphorus ammunition. As far as we are aware, neither Bayer, nor Monsanto, are communicating on a planned divestment and disinvolvement from the production of white phosphorus and/or its enforcement of a corporate policy preventing the use of any white phosphorus it produces for military purposes.

According to our data providers, the great majority of controversies attributed to Bayer come from your subsidiary Monsanto. Amongst some controversial practices, we would like to flag the presence of glyphosate in Monsanto's *RoundUp* herbicide. France, where Finaltis is established, bans glyphosate wherever it is not irreplaceable, and is moving towards a strict ban on this substance. Given the number of controversies and legal actions surrounding glyphosate and its possible links to cancer, the French government's concerns are deemed reasonable. We are convinced Bayer holds human health and environmental preservation as its absolute priorities and while the carcinogenicity of glyphosate is not an absolute scientific certitude yet, we are confident Bayer is working on a safer alternative to it.

To illustrate our point about the importance of compliance with and good communication in terms of ESG practices for a listed company, we would like to share some figures with you: in 2021, European collective investment fund inflows reached €406 billion for all funds, including €258 billion for responsible investment funds, which represents 64% of total flows (source: Quantalys database). Thus, a large majority of investment flows are now guided in whole or in part by extra-financial criteria.

We are aware of and grateful for the concrete efforts Bayer is making to adopt the best ethical, responsible, and sustainable practices; we are convinced that our suggestions will be positively received.

Sincerely yours,

  
**Rémy Croisille**  
Head of Research, Senior Fund Manager

  
**Denis Beaudoin**  
CEO & Chief Investment Officer