Bayer Group Pension Plan
Annual Report
31 March 2021

Scheme Registration Number: 10002901

Contents

Trustee and its Advisers

Trustee

Silver Birch Trustees Limited

Trustee Directors - Redacted

Secretary to the Trustee

XPS Pensions Group 11 Strand London WC2N 5HR	(appointed 1 October 2020)
L Coomber Silver Birch Trustees Limited c/o Bayer plc 400 South Oak Way Green Park Reading RG2 6AD	(until 30 September 2020)

Principal Employer

Bayer plc
400 South Oak Way
Green Park
Reading
RG2 6AD

Trustee and its Advisers (continued)

Administrators

Broadstone Consultants & Actuaries Limited (formerly BBS Consultants & Actuaries Limited)
BBS House
23-25 St George's Road
Bristol
BS1 5UU

Plan Consultants

Lane Clark & Peacock LLP
95 Wigmore Street
London
W1U 1DQ

Plan Actuary

Lane Clark & Peacock LLP
95 Wigmore Street
London
W1U 1DQ

Independent Adviser

Lane Clark & Peacock LLP
95 Wigmore Street
London
W1U 1DQ

Investment Managers

Legal & General Investment Management Limited
One Coleman Street
London
EC2R 5AA

CB Richard Ellis ("CBRE")
Third Floor
One New Change
London
EC4M 9AF

Investment Custodian

The Bank of New York Mellon Asset Servicing
One Canada Square
London
E14 5AL

Trustee and its Advisers (continued)

Additional Voluntary Contribution Providers

Aviva UK Life (formerly Friends Life)
St Helen's
1 Undershaft
London
EC3P 3DQ

Utmost Life and Pensions (formerly The Equitable Life Assurance Society)
Walton Street
Aylesbury
HP21 7QW

Independent Auditor

RSM UK Audit LLP
25 Farringdon Street
London
EC4A 4AB

Life Assurance Company

Canada Life Limited
3 Rivergate
Temple Quay
Bristol
BS1 6ER

Legal Advisor

CMS Cameron McKenna Nabarro Olswang LLP
Cannon Place
78 Cannon Street
London
EC4N 6AF

Bank

National Westminster Bank Plc
Bristol Queen's Road
40 Queens Road
Bristol
BS8 1BF

Trustee and its Advisers (continued)

Contact for further information, queries about benefit entitlements and complaints about the Plan

The Trustee of Bayer Group Pension Plan

c/o Broadstone Consultants & Actuaries Limited
BBS House
23-25 St George's Road
Bristol
BS1 5UU

Email: bayerpensions@broadstone.co.uk

Trustee's Report

Introduction

The Trustee of the Bayer Group Pension Plan ("the Plan") is pleased to present its report together with the financial statements for the year ended 31 March 2021.

Plan constitution and management

The Plan is an occupational pension scheme established under trust on 21 November 1959 to provide retirement benefits to employees of Bayer plc and Bayer CropScience UK Limited and is currently governed by a Trust Deed, dated 20 April 2009.

The Plan has three defined benefit ("DB") sections. Members of the DB Sections are contracted-out of the State Second Pension Scheme (S2P).

A list of Trustee Directors is provided on page 1.

Company Designated Directors are appointed by the Principal Employer, serve on the Trustee Board for an indefinite period and can be removed from office at any time by the Principal Employer. The Board currently has 3 Company Designated Directors.

Member Nominated Directors (MNDs) are elected by the active and pensioner members, in accordance with the Plan's MND arrangements. The Board currently has 2 MNDs.

Subsequent to the Plan year end, following a ballot of active and pensioner members, Mr Robert Hartley was appointed as MND in place of Mr Patrick Mitton who retired as a MND. The Board wishes to place on record its appreciation and thanks to Mr Mitton for his valued contribution over many years of service as a MND.

There is one Independent Trustee Director on the Board, a role filled by ITS (a firm of professional trustees). The Independent Trustee Director is appointed by the Principal Employer and its term of office is for the duration of its contract with the Principal Employer (currently 3 years).

The Trustee Directors met five times during the year. At the start of each calendar year, the Trustee approves a Business Plan of activities it wishes to undertake to meet its objectives (in addition to its statutory and regulatory obligations).

The Trustee also delegates ownership of certain areas in the first instance to Subject Leads. As there are no delegated authorities in place, there are no terms of reference needed. Each subject lead works with the Trustee Governance Manager to ensure the Trustee's objectives, obligations and plan of work is undertaken effectively. Each Subject Lead is supported by a Shadow for their topic area. The Subject Leads are shown below.

Trustee's Report (continued)

Plan constitution and management (continued)

The Trustee regularly reviews the structure as part of its ongoing governance.

Sub-committee/Topic area	Lead	Shadow
Assets and Liabilities		
Administration and Finance		
Valuation		
Board effectiveness		

Plan structure

The Plan contains three Defined Benefit Sections (Bayer Group Pension Plan (Group DB), Bayer CropScience Pension Fund (BCSPF) and the SHCL Pension Plan (SHCL)), which are all closed to new members. A former Defined Contribution Section was transferred to a Master Trust arrangement on 5 July 2016.

Reference to "the Company" throughout this document refers to the relevant Employer. For the BCSPF Section this is Bayer CropScience Limited, for the SHCL and Group DB Sections this is Bayer plc.

Merger of the Plan's Sections

The Plan contains three Defined Benefit Sections. This structure has meant that although the funding positions of each Section are closely aligned, actuarial valuations have had to be carried out for each Section in isolation as well as for the Plan as a whole. Each Section has also had to have its own investment strategy although in practice, the strategies of the three Sections are each very similar.

On 20 July 2021, after the Trustee and the Company having taken actuarial and legal advice, in order to reduce future administration costs and to streamline the management of the Plan, the three Sections were merged into one overall Section for the Plan as a whole. Merging the three Sections does not have any impact on the benefits due to members from the Plan.

Taxation status

The Plan is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004. The Trustee knows of no reason why this status may be prejudiced or withdrawn.

Trustee’s Report (continued)

Parent Company Guarantee

Following the valuation of the Plan as at 31 March 2017, additional security continues to be provided by the terms of a legally binding guarantee with Bayer AG, under which the German parent company will be responsible in certain circumstances for making payments to the Plan should Bayer plc and Bayer CropScience Limited not be able to do so. The guarantee is dated 26 June 2012 and provides members with significant additional protection.

Pension increases

Pensions in payment, including Guaranteed Minimum Pensions (GMP), were reviewed in accordance with the Rules of the Plan. No discretionary increases were made.

SHCL Section

The following increases were granted with effect from April 2020:

Pre-88 GMP	Nil	(Nil)
Post-88 GMP	1.7%	(Statutory)
Pre-April 97	3.0%	Fixed 3.0% p.a.
April 97 to April 03	3.0%	(RPI, minimum 3%, maximum 5%)
Post-April 03	2.2%	(RPI up to 5%)

Statutory increases on post-1988 GMPs are determined in accordance with Section 109 of the Pension Schemes Act 1993 and are set out in a Statutory Instrument, which is usually issued in March. The increase is determined as the increases in "prices" over the year to September, up to a maximum of 3%.

RPI Increases for non-GMP pensions are based on December RPI, which was 2.2% for the year to December 2019.

BCSPF Section

The following increases were granted with effect from April 2020 and January 2021:

Agrevo Category		
Pre-88 GMP	Nil	(Nil)
Post-88 GMP	1.7%	(Statutory)
Pre-April 04	3.0%	(RPI, minimum 3%, maximum 5%)
April 04 to April 05	2.2%	(RPI up to 5%)
Post-April 05	2.2%	(RPI up to 2.5%)

Trustee's Report (continued)

Pension increases (continued)

BCSPF Section (continued)

CropScience Category		
Pre-88 GMP	Nil	(Nil)
Post-88 GMP	0.5%	(Statutory)
Pre-April 97	3.0%	(Fixed)
Pre-April 04	1.3%	(RPI up to 5%)
April 04 to April 05	1.3%	(RPI up to 5%)
Post-April 05	1.3%	(RPI up to 2.5%)

Statutory increases on post-1988 GMPs are determined in accordance with Section 109 of the Pension Schemes Act 1993 and are set out in a Statutory Instrument, which is usually issued in March. The increase is determined as the increase in "prices" over the year to September, up to a maximum of 3%.

RPI Increases for non-GMP pensions are based on December RPI (for the Agrevo Category), which was 2.2% for the year to December 2019.

RPI Increases for non-GMP pensions are based on October RPI (for the CropScience Category), which was 1.3% for the year to October 2020.

Group DB Section

The following increases were granted with effect from April 2020:

Pre-88 GMP	Nil	(Nil)
Post-88 GMP	1.7%	(Statutory)

Trustee's Report (continued)

Pension increases (continued)

Group DB Section (continued)

Section	To April 1997	April 97 – April 04	April 04 – April 05	After April 05
Old Bayer Plan	RPI, minimum 2.5%, maximum 5%	RPI, minimum 2.5%, maximum 5%	RPI, maximum 5%	RPI, maximum 2.5%
Technicon	RPI, minimum 4%, maximum 5%	RPI, minimum 4%, maximum 5%	RPI, maximum 5%	RPI, maximum 2.5%
Miles (including Senior Executives)	RPI up to 5%	RPI up to 5%	RPI up to 5%	RPI up to 2.5%
All other DB Section members	RPI, minimum 3%, maximum 5%	RPI, minimum 3%, maximum 5%	RPI, maximum 5%	RPI, maximum 2.5%

Section	To April 1997	April 97 – April 04	April 04 – April 05	After April 05
Old Bayer Plan	2.5%	2.5%	2.4%	2.4%
Technicon	4.0%	4.0%	2.4%	2.4%
Miles (including Senior Executives)	2.4%	2.4%	2.4%	2.4%
All other DB Section members	3.0%	3.0%	2.4%	2.4%

Statutory increases on post-1988 GMPs are determined in accordance with Section 109 of the Pension Schemes Act 1993 and are set out in a Statutory Instrument, which is usually issued in March. The increase is determined as the increases in "prices" over the year to September, up to a maximum of 3%.

RPI Increases for non-GMP pensions are based on September RPI, which was 2.4% for the year to September 2019.

Transfer values

Transfer values paid during the year were calculated and verified in the manner required by the regulations made under section 97 of the Pension Schemes Act 1993. None of the transfer values paid was less than the amount provided by the Regulations. No discretionary benefits were included in the calculations of transfer values.

Trustee's Report (continued)

Financial development

The financial statements on pages 39 to 62 have been prepared and audited in accordance with the regulations made under Sections 41 (1) and (6) of the Pensions Act 1995. They show that the value of the Plan increased from £1,584,358,000 at 31 March 2020 to £1,810,766,000 at 31 March 2021.

Report on actuarial liabilities

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to based on pensionable service to the valuation date, assessed using the assumptions agreed between the Trustee and the Employer and set out in the Statement of Funding Principles, which is available to Plan members on request.

The most recent actuarial valuation was carried out as at 31 March 2020. The results of the valuation revealed that on that date:

The value of the Technical Provisions was: £1,806m

The value of the assets was: £1,582m

The method and significant actuarial assumptions used to determine the technical provisions are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles):

Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

Significant actuarial assumptions

Discount interest rate: term dependent rates set by reference to the fixed interest gilt curve (as derived from Bank of England data) at the valuation date plus an addition of 1.36% per annum from 31 March 2020 linearly decreasing to 0.70% per annum by 31 March 2043.

Future Retail price inflation: term dependent rates derived from the Bank of England fixed interest and index-linked gilt curves at the valuation date.

Future Consumer Price inflation: term dependent rates derived from the assumption for future retail price inflation less an adjustment equal to 1% per annum.

Trustee's Report (continued)

Report on actuarial liabilities (continued)

Significant actuarial assumptions (continued)

Pension increases: derived from the term dependent rates for consumer price inflation allowing for the caps and floors on pension increases according to the provisions in the Plan's rules.

Pay increases: general pay increases of 0.75% per annum above term dependent rates for the future consumer price inflation (not a significant assumption as very few active members).

Mortality: for the period in retirement, standard tables S3NA with a scaling factor of 90% for all members. Future improvements in mortality are assumed to be in line with the CMI 2017 core projections with a long-term annual rate of improvement of 1.75% per annum (males) / 1.25% per annum (females) and default smoothing parameter of 7.5.

Summary of contributions

During the year the contributions payable to the Plan by the Employers participating under the Schedule of Contributions were as follows:

	SHCL Section £000	BCSPF Section £000	Group DB Section £000	**Total £000**
Contributions payable under the Schedule of Contributions				
Employer contributions - normal	35	37	231	**303**
Employer contributions - deficit funding	7,500	1,000	18,000	**26,500**
Employee contributions - normal	-	2	3	**5**
Employer augmentations	92	4	1,025	**1,121**
Employer other	30	27	129	**186**
	7,657	1,070	19,388	**28,115**
Contributions payable not included in the Schedule of Contributions				
Employee additional voluntary	4	-	-	**4**
Contributions receivable as per the financial statements	7,661	1,070	19,388	**28,119**

Trustee's Report (continued)

Membership

Details of the membership of the Plan are given below:

	SHCL Section	BCSPF Section	Group DB Section	**Total**
Active members				
Active members at the start of the year	33	23	70	**126**
Members retiring	(1)	(3)	(14)	**(18)**
Members leaving with deferred benefits	-	(1)	(15)	**(16)**
Member postponing retirement	-	-	(1)	**(1)**
Death	-	(1)	-	**(1)**
Active members at the end of the year	32	18	40	**90**
Pensioners				
Pensioners at the start of the year	248	2,068	1,528	**3,844**
Adjustments	-	2	7	**9**
Members retiring	4	59	66	**129**
New dependants	11	43	18	**72**
Dependants whose pension ceased	-	(3)	-	**(3)**
Deaths	(12)	(95)	(49)	**(156)**
Pensioners at the end of the year	251	2,074	1,570	**3,895**
Members with deferred benefits				
Deferred members at the start of the year	350	1,078	1,463	**2,891**
Adjustments	-	-	(3)	**(3)**
Members leaving with deferred benefits	-	1	15	**16**
Member postponing retirement	-	-	1	**1**
Deferred members becoming pensioners	(3)	(56)	(52)	**(111)**
Transfers out	(5)	(18)	(18)	**(41)**
Members taking full commutation	-	-	(2)	**(2)**
Deaths	(1)	(3)	(2)	**(6)**
Deferred members at the end of the year	341	1,002	1,402	**2,745**
Total membership at the end of the year	624	3,094	3,012	**6,730**

Trustee’s Report (continued)

Investments

Overview

The Trustee, with the assistance of its appointed investment adviser, determines the overall investment strategy for the Plan and sets out the broad policy to be adopted by each of the appointed fund managers.

Investment managers

The names of those who have managed the Plan's investments during the year are listed on pages 2 and 3. The Trustee has delegated the day-to-day management of investment to its appointed fund managers. A written agreement between the Trustee and each manager sets out the terms on which the manager will act.

The managers' duties include the consideration of social, environmental or ethical issues in the selection, retention and realisation of investments as well as voting and corporate governance in relation to the Plan's assets. The Trustee has reviewed each of the investment managers' policies on these issues. The Trustee believes that the policies adopted by the managers are consistent with their own views.

Investment principles

In accordance with Section 35 of the Pensions Act 1995, the Trustee has prepared a Statement of Investment Principles which includes the Trustee's policy relating to ethical investment and the exercise of the rights attaching to investments. More information on these rights is available in the Trustee’s Implementation Statement which can be found on pages 70 to 84. Any member may request a copy via the contact details on page 4. This Statement may change from time to time according to advice received from the investment manager or consultants.

Trustee’s Report (continued)

Investments (continued)

Market commentary

Economic and market background

In response to the COVID-19 crisis, which was declared a pandemic in March 2020, major central banks, including the US Federal Reserve, the Bank of England and the ECB, maintained or further relaxed an extremely accommodative monetary stance (having previously established near-zero or negative interest rate regimes) and restarting, or expanding, Quantitative Easing programmes in an attempt to cushion the effects of the lockdowns imposed to curb the spread of the virus. Governments also unleashed unprecedented spending packages; the US government alone signalled its intention to spend more than $6tn in fiscal stimulus since the early days of the pandemic.

These events also pushed EU-UK trade discussions off centre stage until the latter half of 2020. Negotiations reached apparent breaking point on several occasions; nonetheless, Britain and the EU still managed to secure a post-Brexit agreement on 24 December 2020 – just one week before the Brexit transition.

News in the final months of 2020 of the development of several effective vaccines against the virus lifted hopes that the worst of stage of the pandemic might be over soon. The first quarter of 2021 saw vaccinations progress; with developed world inoculations anticipated to reach 60-70% of the population by mid-2022 (with the US and Europe reaching this threshold by end 2021). However, expectations of a consequent economic reopening ignited fears that inflation may overshoot central bank targets in several major economies, which could knock the still nascent recovery off track.

Equity market performance

The Plan’s L&G All World Equity Index Fund returned 49.1% (before fees) over the twelve months to 31 March 2021.

Developed market equities rebounded strongly over the 12 months following the outbreak of the pandemic on the back of the unprecedented government and central bank policy support and latterly, positive vaccine news, albeit with a fair share of volatility along the way.

Over the year to 31 March 2021, Sterling’s performance against major currencies was volatile. However, overall, it did strengthen against the US dollar and most other major currencies. Thus, the decision to hedge currency exposure for the Plan’s overseas equity holdings was largely positive over the year.

Trustee’s Report (continued)

Investments (continued)

Market commentary (continued)

Bond market performance

The Plan’s gilt and index-linked gilt funds delivered -10.4% and 3.6% respectively, over the year to 31 March 2021. In spite of the Q1 2021 surge in yields, corporate bonds performed strongly over the year to 31 March 2021 as credit spreads tightened to below pre-pandemic levels on the increasingly positive economic outlook, thus counteracting the uptick in yields. The Plan’s corporate bond fund delivered 5.3% over the year to 31 March 2021.

Property market performance

At the aggregate level, UK property produced a positive annual return over the year to 31 March 2021. Both rental income and capital values experienced a recovery in the second half of 2020 which carried over into early 2021. Performance dispersion among sectors remains high: the retail and leisure sectors have continued to struggle with falling valuations, while industrial property has strengthened further, with demand for warehousing remaining high.

Performance

Given the long-term nature of a pension fund's liabilities, the investment objective has been to maximise the overall return from capital appreciation and income without a high-risk profile. The Trustee's strategy is contained in its Statement of Investment Principles and is continually monitored.

	One year %	Three years % p.a.	Five years % p.a.
SHCL Pension Plan	23.6	9.4	10.5
Bayer CropScience Pension Fund	19.4	7.2	9.0
Group DB Section	19.3	7.1	9.3

Trustee's Report (continued)

The Trustee's assessment of the impact of COVID-19

As part of the 31 March 2020 actuarial valuation, and in light of the COVID-19 pandemic, an additional detailed review of the Bayer AG covenant was commissioned, with LCP reporting on a range of areas including cash resources, profitability and credit strength of the Bayer AG, the sponsoring employer and participating employers ultimate parent company. Bayer AG is the appropriate entity to review, as a Guarantee is in place between Bayer AG and the Trustee Company. Overall, the Bayer AG covenant has been robust and rated as strong. The Bayer AG covenant continued to be monitored through the actuarial valuation process and beyond this as the impact of COVID-19 developed. The actuarial valuation is discussed in further detail on pages 10 and 11 of this report.

COVID-19 has caused significant disruption to economic activity which has been reflected in global stock market fluctuations and, in turn, in the valuation of pension scheme assets. This matter has been further detailed under the basis of preparation section of the accounting policies adopted in the financial statements.

The Trustee continues to monitor this ever-evolving situation and is liaising with the Plan's advisers and the Company to assess and manage the impact of COVID-19 on the Plan.

Further information

Requests for additional information about the Plan generally, or queries relating to members' own benefits, should be made to the contact listed on page 4.

The Trustee has limited influence over managers' investment practices because all the Plan's assets are held in pooled funds, but it encourages its managers to improve their practices where appropriate.

The Trustee's view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high-quality service that meets the stated objectives, guidelines and restrictions of the fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover. It is the Trustee's responsibility to ensure that the managers' investment approaches are consistent with its policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies.

Trustee's Report (continued)

Further information (continued)

The Trustee expects investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance. It assesses this when selecting and monitoring managers. The Trustee evaluates investment manager performance by considering performance over both shorter and longer-term periods as available. Except in closed-ended funds where the duration of the investment is determined by the fund's terms, the duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. Generally, the Trustee would be unlikely to terminate a mandate on short-term performance grounds alone.

The Trustee's policy is to evaluate each of its investment managers by reference to the manager's individual performance as well as the role it plays in helping the Plan meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustee recognises that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the investment managers. The Trustee expects its investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Plan's investment mandates.

The Trustee's report, including the Statement of Trustee's Responsibilities on page 18, were approved and signed for and on behalf of Silver Birch Trustees Limited:

________________________________ Director

________________________________ Director

Date:

Statement of Trustee's Responsibilities

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102) are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Plan during the Plan year and of the amount and disposition at the end of the Plan year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Plan year, and
- contain the information specified in Regulation 3A of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Plan will not be wound up.

The Trustee is also responsible for making available certain other information about the Plan in the form of an annual report.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Plan and to prevent and detect fraud and other irregularities including the maintenance of an appropriate system of internal control.

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary, revising a Schedule of Contributions showing the rates of contributions payable towards the Plan by or on behalf of the employer and the active members of the Plan and the dates on or before which such contributions are to be paid.

The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Plan and for adopting risk-based processes to monitor whether contributions are made to the scheme by the employer in accordance with the Schedule of Contributions. Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

DC Annual Governance Statement, covering the period from 1 April 2020 to 31 March 2021

1. Introduction and members' summary

The **Bayer Group Pension Plan** (the "Plan") is an occupational pension scheme that mainly provides defined benefits ("DB") and there are also a small amount of remaining defined contribution ("DC") benefits. A number of members also have Additional Voluntary Contributions ("AVCs") in the Plan in respect of their DB Section benefits.

Governance requirements apply to DC pension arrangements, to help members achieve a good outcome from their pension savings. We, the Trustee of the Plan, are required to produce a yearly statement (signed by the Chair of Trustee) covering:

- the investment options in which members can invest (this includes all funds member can select or have assets in, such as 'legacy' funds);
- processing of core financial transactions (i.e. administration of the Plan);
- the charges and transaction costs borne by members for the default option (if applicable) and any other investment option members can select or have assets in, such as "legacy" funds;
- an illustration of the cumulative effect of these costs and charges;
- how the value members obtain from the Plan is assessed; and
- Trustee knowledge and understanding.

Legislation requires that sections of the Statement, including illustrations showing the impact of charges and transaction costs on investment returns, are published on a website. The Trustee has published this Statement on the Plan's website at http://bayerpensions.4myplan.co.uk.

The assets held in the DC Section of the Plan were transferred to a Master Trust with Aegon on 5 July 2016, following which the only DC benefits remaining in the Plan relate to additional voluntary contributions (AVCs) which are linked to membership of the Defined Benefit Section of the Plan, together with other DC funds transferred into the Plan from other registered pension schemes, which are invested together with the AVCs.

The transferred-in DC benefits and AVCs are invested in funds currently held with Aviva Life & Pensions UK Ltd ("Aviva"), Utmost Life & Pensions ("Utmost") and Clerical Medical (these benefits are also administered by Utmost).

DC Annual Governance Statement, covering the period from 1 April 2020 to 31 March 2021 (continued)

1. Introduction and members' summary (continued)

The key points that we would like members reading this Statement to take away are as follows:

- We regularly monitor the investment arrangements, and we are satisfied that the investment options remain suitable for the membership.
- The administrator has processed core financial transactions promptly and accurately to an acceptable level during the Plan year, and we remain comfortable with the administrator's performance.
- Fees can have a material impact on the value of your pension savings and the fee impact is greater the more time passes, since fees reduce the amount of money from which can grow with future investment returns.
- Fees for the investment options are set out in this Statement, and we remain comfortable that these fees are reasonable given the circumstances of the Plan and represent value for the benefits members obtain.
- Please rest assured that we are looking after your best interests as members, and we undertake training and receive advice as appropriate so that we have sufficient knowledge and understanding to do so effectively.

2. Default arrangements

The Plan is not used as a qualifying scheme for automatic enrolment purposes in respect of its DC benefits.

Following the closure of the DC Section of the Plan in 2016, the Plan no longer operates using a default investment arrangement. This means that we are not required to provide a statement explaining the Plan's default investment strategy, nor any details of any review of the default strategy as part of this Statement.

Neither is the Trustee required to enclose a copy of its Statement of Investment Principles ("SIP") with this Statement.

Members can choose their own investment funds from a range of funds offered by Aviva or Utmost. The only fund available from Clerical Medical is the with- profits fund, which is closed to new members.

DC Annual Governance Statement, covering the period from 1 April 2020 to 31 March 2021 (continued)

2. Default arrangements (continued)

We carried out a triennial review of the Plan's DC investment options in April 2021, which was discussed at the Trustee meeting held on 22 April 2021. The conclusions were that the Plan's current DC arrangements provide members with sufficient choice, are reasonably priced relative to other options available and that the investment performance has been favourable for most of the funds available. Consequently, no changes are being made to the DC arrangements as a result of our 2021 review.

We are responsible for the Plan's investment governance. Details of the Plan's investment objectives and the Trustee's policies regarding the Plan's investments can be found in the SIP, a copy of which can be found on the Plan's website.

3. Requirements for processing core financial transactions

The processing of core financial transactions is carried out by the administrator of the Plan, Broadstone Consultants & Actuaries Ltd ("Broadstone"). Core financial transactions include (but are not limited to): the investment of contributions, processing of transfers in and out of the Plan, transfers of assets between different investments within the Plan, and payments to members and beneficiaries.

We recognise that delay and error can cause significant issues for members. They can also cause members to lose faith in the Plan, which may in turn reduce their propensity to save and impair future outcomes. We have received assurance from Broadstone that there are adequate internal controls to ensure that core financial transactions for the Plan are processed promptly and accurately.

The Plan has a service level agreement ("SLA") in place with Broadstone which covers the accuracy and timeliness of all core financial transactions. The key processes adopted by Broadstone to help it meet the SLA are as follows:

- We receive quarterly reports (summarising the transactions that have taken place, member movements, turnaround times and any delays or errors during the period) to enable the Trustee to monitor delivery against the SLA.
- Plan administration is dealt with by an administration team at Broadstone which is familiar with the features of the Plan.

DC Annual Governance Statement, covering the period from 1 April 2020 to 31 March 2021 (continued)

3. Requirements for processing core financial transactions (continued)

- All disinvestments (including transfers out and retirements) should be completed within five working days.
- Broadstone monitors its SLAs daily to ensure disinvestments do not fall outside of the agreed timescale.
- All work is peer reviewed: financial transactions are checked by a team leader before paperwork is issued and funds are disinvested.

To help us monitor whether core financial transactions are processed in line with the SLAs, we receive regular 'Administration and Project' reports that are included in Trustee meeting packs. These are also discussed during regular pre- meeting calls between the Chair of the Trustee Board and the in-house pensions team.

The Administration and Project report identifies any issues we may have about Broadstone's performance and compliance with the SLA, which would then be discussed with the wider Trustee Board and raised with Broadstone immediately. We ensure that remedial steps are taken to resolve any issues identified.

Broadstone has confirmed that there were no material errors that occurred over the period covered by this Statement.

Based on its review processes, we are satisfied that over the period covered by this Statement:

- Broadstone was operating appropriate procedures, checks and controls, and operating within the agreed SLA;
- there have been no material administration issues in relation to processing core financial transactions; and
- core financial transactions have been processed promptly and accurately to an acceptable level during the Plan year.

DC Annual Governance Statement, covering the period from 1 April 2020 to 31 March 2021 (continued)

4. Member-borne charges and transaction costs

We are required to set out the on-going charges incurred by members over the period covered by this Statement, which are annual fund management charges plus additional fund expenses, such as custody costs, but excluding transaction costs; this is also known as the total expense ratio (TER). The TER is paid by the members and is reflected in the unit price of the funds.

The stated charges exclude administration costs since these are not met by the members.

We are also required to separately disclose transaction cost figures. In the context of this Statement, the transaction costs shown are those incurred when the Plan's fund managers buy and sell assets within investment funds, but are exclusive of any costs incurred when members invest in and switch between funds. The transaction costs are borne by members.

The charges and transaction costs have been supplied by Aviva and Utmost (Utmost also manages the Clerical Medical With-profits Fund) who are the Plan's DC Section investment managers. When preparing this section of the Statement we have taken account of the relevant statutory guidance. Under the prescribed way in which transaction costs have been calculated it is possible for figures to be negative, where market movements are favourable between the time a trade is placed and it is executed. We have shown any negative figures in the tables for the year as provided, but for the costs and charges illustrations we have used zero where a transaction cost is negative to give a more realistic projection (i.e. we would not expect transaction costs to be negative over the long term).

Default arrangements

As mentioned above, following the closure of the DC Section in 2016, the Plan no longer operates using a default investment arrangement. The Trustee is not therefore required to provide details on the Plan's default investment strategy.

Self-select and AVC options

Members can choose their own investment funds from a range made available from Aviva and Utmost. Over the period covered by this Statement the Plan's DC and AVC benefits were invested across 10 Aviva funds, 6 Utmost funds and 1 Clerical Medical fund (held by Utmost). We note that assets invested in the Utmost Secure Cash Fund were transitioned to the Utmost Multi-Asset Moderate Pension Fund, part of Utmost's Investing by Age strategy, by 30 April 2020. The Secure Cash Fund is no longer available to members.

DC Annual Governance Statement, covering the period from 1 April 2020 to 31 March 2021 (continued)

4. Member-borne charges and transaction costs (continued)

Self-select and AVC options (continued)

The level of charges for each fund and the transaction costs over the period covered by this Statement are set out in the following table.

We were unable to source details of the transaction costs over the year to 31 March 2021 in respect of the Clerical Medical With-Profits Fund. We have therefore included transaction costs over the year to 31 December 2020 which is the latest information available. We will continue to try and obtain the transaction costs for this fund.

Self-select fund charges and transaction costs

Manager – fund name	Notes (see below)	Total Expense Ratio % p.a.	Transaction costs % p.a.
Aviva Pension BlackRock (50:50) Global Equity Index Tracker FP	A	0.50	0.086
Aviva Pension BlackRock Over 5 Year Index-Linked Gilt Index Tracker FP	A	0.50	0.031
Aviva Pension BlackRock Over 15 Year Corporate Bond Index Tracker FP	A	0.50	0.145
Aviva Pension BlackRock UK Equity Index Tracker FP	A	0.50	0.255
Aviva Pension Cash FP	A	0.50	0.001
Aviva Pension Global Equity FP	A	0.50	0.129
Aviva Pension Managed FP	A	0.50	0.029
Aviva Pension Pre-retirement Fixed Interest FP	A	0.50	0.036
Clerical Medical With-Profits (held by Utmost)	B, C	0.50	0.240
Utmost Money Market	A	0.50	0.000
Utmost Secure Cash Fund (used until 30 April 2020 as part of the transition to the “Investing by Age” strategy)	B	0.50	0.000
Utmost Life Managed	A	0.75	0.128
Utmost Life UK Equity	A	0.75	0.540
Utmost Multi-Asset Moderate Pension (‘Investing with Age Strategy’)	A	0.75	0.405

DC Annual Governance Statement, covering the period from 1 April 2020 to 31 March 2021 (continued)

4. Member-borne charges and transaction costs (continued)

Self-select and AVC options (continued)

Manager – fund name	Notes (see below)	Total Expense Ratio % p.a.	Transaction costs % p.a.
Utmost Multi-Asset Cautious Pension ('Investing with Age strategy')	A	0.75	0.495
Aviva FP With-Profits Sub-Fund (NGP Pre-demutualisation)	A, C	0.50	0.139
Aviva FP With-Profits Sub-Fund (NGP Series 1 Post-demutualisation)	A, C	0.50	0.139

Notes

A Transaction costs shown for period to 31 March 2021.

B Transaction costs shown for period to 31 December 2020. Figures to 31 March 2020 are currently unavailable.

C The charge levied on all the Plan's With-Profits Funds is implicit, which means that they are included within the bonuses declared for each policy.

Illustration of charges and disclosure costs

The following table sets out an illustration of the impact of charges and transaction costs on the projection of an example member's pension savings. In preparing this illustration, we had regard to the relevant statutory guidance on "Reporting costs, charges and other information: guidance for trustees and managers of occupational pension scheme", and have explained below, where applicable, where it has deviated from the approach set out in that guidance.

- The "before costs" figures represent the savings projection assuming an investment return with no deduction of member borne charges or transaction costs. The "after costs" figures represent the savings projection using the same assumed investment return but after deducting member borne charges and an allowance for transaction costs.
- The transaction cost figures used in the illustration are those provided by the managers over the past two years, subject to a floor of zero (so the illustration does not assume a negative cost over the long term). We have used the average annualised transaction costs over the past two years as this is the longest period over which figures were available, and should be more indicative of longer-term costs compared to only using figures over the Plan year.

DC Annual Governance Statement, covering the period from 1 April 2020 to 31 March 2021 (continued)

4. Member-borne charges and transaction costs (continued)

Illustration of charges and disclosure costs (continued)

- The illustration does not include a default option as the DC Section closed in 2016. We have therefore illustrated funds with the most funds under management together (the Utmost Multi-Asset Moderate) with four further funds from the Plan's fund range. The four self-select funds shown in the illustration are:
    - the fund with the highest before costs expected return – there are several funds that could be selected here but we have carried out the projections using the Aviva Pension BlackRock UK Equity Index which is the fund with most funds invested.
    - the fund with the lowest before costs expected return – this is the Utmost Money Market Fund.
- the fund with the highest annual member borne costs – this is the Utmost Multi-Asset Cautious Fund but since projections have already been shown for this fund we have used the next highest which is the Utmost Multi-Asset Cautious Pension Fund.
    - the fund with the lowest annual member borne costs – this is the Aviva Pension Cash Fund but this has no members invested currently so we have carried out the projections using the Aviva Pension Managed Fund which is the next lowest.

	Utmost Multi-Asset Moderate Fund		Aviva UK Equity Fund		Utmost Money Market		Utmost Multi-Asset Cautious		Aviva Managed Fund	
Years invested	Before costs £	After costs £	Before costs £	After costs £	Before costs £	After costs £	Before costs £	After costs £	Before costs £	After costs £
1	7,000	7,000	7,100	7,100	6,800	6,800	7,000	6,900	7,100	7,000
3	7,100	6,900	7,400	7,300	6,500	6,400	6,900	6,700	7,200	7,100
5	7,200	6,900	7,700	7,500	6,200	6,100	6,900	6,500	7,400	7,200
10	7,500	6,800	8,500	8,000	5,600	5,300	6,800	6,000	7,800	7,400
15	7,800	6,700	9,400	8,500	5,000	4,600	6,700	5,600	8,200	7,600
20	8,000	6,600	10,400	9,000	4,400	4,000	6,600	5,200	8,700	7,800
25	8,300	6,500	11,500	9,600	4,000	3,500	6,500	4,800	9,200	8,000

DC Annual Governance Statement, covering the period from 1 April 2020 to 31 March 2021 (continued)

4. Member-borne charges and transaction costs (continued)

Illustration of charges and disclosure costs (continued)

Notes

- Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund. The numbers shown in the illustration are rounded to the nearest£100 for simplicity.
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
- Annual salary growth and inflation is assumed to be 2.5%.
- The starting pot size used is £7,000. This is the approximate average (median) pot size.
- The projection is for 25 years, being the approximate duration that the youngest scheme member has until they reach the scheme's Normal Pension Age.
- The projected annual returns used are as follows:
  - Utmost Multi-Asset Moderate Fund (fund with the most invested): 0.70% above inflation
  - Aviva UK Equity Fund (highest expected return): 2.00% above inflation
  - Utmost Money Market Fund (lowest expected return): 2.25% below inflation
  - Utmost Multi-Asset Cautious (highest charges): 0.3% below inflation
  - Aviva Managed (lowest charges): 1.1% above inflation
- No allowance for active management outperformance has been made.

5. Value for members' ("VfM") assessment

We are required to assess the extent to which member-borne charges and transaction costs represent good value for members and to explain why, which we carry out on an annual basis. There is no legal definition of 'good value', which means that determining this is subjective. The general policy of the Trustee in relation to value for member considerations is set out below.

DC Annual Governance Statement, covering the period from 1 April 2020 to 31 March 2021 (continued)

5. Value for members' assessment (continued)

We review all member-borne charges (including transaction costs where available) annually, with the aim of ensuring that Plan members are getting value for money, given the circumstances of the Plan. The date of the last review of member charges was 14 April 2021 at the time we carried out a review of the Plan's DC arrangements. We also consider this each year when we consider our assessment of value for members within the Plan's DC Section.

We note that value does not necessarily mean the lowest fee, and the overall quality of the service received is also considered in this assessment. Our investment advisers have confirmed that the fund charges are competitive for the types of fund available to members, bearing in mind the nature of the AVC arrangements and their fixed pricing structure.

In carrying out its assessment, we also considered and ranked as **very good**, **good**, **fair** or **poor** other benefits members receive from the Plan but do not pay for, such as:

- the oversight and governance of the Trustee. This was ranked as **very good** and included factors such as ensuring the Plan is compliant with relevant legislation, holding regular meetings to monitor the Plan and addressing any material issues that may impact members, the Trustee Board composition and experience and the extent to which the Trustee uses its external advisers and service providers to ensure good governance practice is adopted;
- the efficiency of Broadstone's administration processes and the extent to which it met or exceeded its SLA. This was ranked as **good** and considered the SLA met by Broadstone and reflecting the fact that Broadstone reported that there have been no material administration errors or member complaints over the period covered by this Statement;
- the range of investment options available. This was ranked as **very good**, reflecting the fact that the AVC arrangements offer Plan members a wide range of available investment options;
- the quality of communications delivered to members. This was ranked as **good**; and
- the quality of support services such as the Plan's website, where members can access fund information online – this falls under the review of communications and accessibility and has been ranked as **good**.

As detailed in the earlier section covering the processing of core financial transactions, we are comfortable with the quality and efficiency of the administration processes.

DC Annual Governance Statement, covering the period from 1 April 2020 to 31 March 2021 (continued)

5. Value for members' assessment (continued)

We believe the transaction costs provide value for Plan members, as the ability to transact forms an integral part of the investment approaches, which we expect to lead to greater investment returns (net of fees) over time.

Overall, we believe that members of the Plan are receiving good value for money for the charges and cost that they incur. We continually look for areas of improvement in the Plan and as part of our 2021 value for money assessment have identified the following areas for review during the 2021/22 Plan year:

- **Costs & Charges** - continue to monitor charges and ensure they remain competitive for members.
- **Administration** – continue to monitor the performance of Broadstone against its SLA.
- **Governance** – Ensure satisfactory outcome of the new Member Nominated Director (MND) process in appointing a new MND during Summer 2021.
- **Communications** – Consider whether member communications could be improved.
- **Plan design** - consider ways to simplify the DC offering in the Plan.

6. Trustee knowledge and understanding

We are required to maintain appropriate levels of knowledge and understanding to run the Plan effectively. The Trustee has measures in place to comply with the legal and regulatory requirements regarding knowledge and understanding of relevant matters, including investment, pension and trust law. Details of how the knowledge and understanding requirements have been met during the period covered by this Statement are set out below.

- Trustee Directors participate in regular self-study of topical issues and legislative update bulletins produced by the Plan's professional advisers;
- Adviser-led training on items of business as required at Trustee and sub- committee meetings – details of these sessions over the period covered by this statement are set out in the table below;
- Attendance at industry seminars and conferences;

DC Annual Governance Statement, covering the period from 1 April 2020 to 31 March 2021 (continued)

6. Trustee knowledge and understanding (continued)

- Completion of an annual knowledge and understanding assessment by each individual trustee director, which is used, in conjunction with the Plan's advisers, to identify any areas where members of the Trustee Board require more training or support. The last questionnaire was noted by the Trustee Board at its meeting on 14 September 2020;
- The Trustee, with the help of its advisers, regularly considers training requirements to identify any knowledge gaps – any knowledge gaps identified are addressed by the Trustee as soon as possible;
- During the year, the ITS Director representative on the Trustee Board was Chris Martin. During the year Mr Martin was appointed Chair of the Trustee Board. Having been the ITS representative since 14 October 2016, Chris has extensive Plan-specific knowledge and is familiar with the Plan's documentation. In addition to the Plan-specific training noted, Chris also acts as chair of trustees for two (unrelated) DC schemes and has undertaken relevant training through ITS in its capacity as a professional firm of independent trustees. The Trustee is satisfied that Chris has oversight of the Plan's governance benefits from his extensive industry experience and knowledge of other schemes; and
- All new Trustee Directors are provided training which covers topics such as the legal framework, the Plan's history, governance requirements and investments. New Trustee Directors are required to complete the Pensions Regulator's Trustee Toolkit within six months of being appointed.

The Trustee's DC and investment advisers proactively raise any changes in governance requirements and other relevant matters as they become aware of them. Additionally, the Trustee receives regular updates on topical pension issues from its DC and investment advisers (LCP), and its legal advisers (CMS) to ensure the Trustee Directors are kept abreast of legislative and regulatory developments.

DC Annual Governance Statement, covering the period from 1 April 2020 to 31 March 2021 (continued)

6. Trustee knowledge and understanding (continued)

During the period covered by this Statement, the Trustee received training on the following topics:

Training topic	Date
Actuarial valuations	16 June 2020
DC value for money and contents of Chair'sStatement	14 September 2020
LGIM index funds and ESG adaptations	29 October 2020
Employer covenant	29 October 2020
Climate risk and implications for investment strategy	9 February 2021

All Trustee Directors are familiar with, and have a working knowledge of, the Plan's governing documentation, including the Trust Deed & Rules and SIP as well as the investment concepts relevant to the Plan, in order to properly exercise their functions as trustees:

- Each Trustee Director has access to a copy of the Plan's Trust Deed and Rules, the current SIP, Plan policies (e.g. including its Data Protection Policy, Data Breach Management Policy and the Trustee's conflicts of interests policy) and other governing documentation, including details of the Trustee's current policies. The Trustee Directors must familiarise themselves with these in order to ensure that they have a sufficient working knowledge of their application to the Plan. All Trustee Directors are made aware of any amendments to the Trust Deed and Rules, and any relevant Plan policies. In particular, the Plan's Data Protection Policy was amended in June 2020 as part of its annual review.

- Each Trustee Director is able to request copies of any Plan documentation from the Secretary to the Trustee and can raise queries at any time regarding the Plan's documentation with the Secretary to the Trustee and the Trustee's legal advisers.

- The Trustee Directors are encouraged to request additional information and/or training on the Plan's Trust Deed and Rules, SIP and other documentation at any time.

- The Trustee refers to the Trust Deed and Rules as part of considering and deciding to make any changes to the Plan.

- The Plan's SIP is formally reviewed annually or as part of making any material change to the Plan's investments.

The Trustee Directors believe they have sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes to fulfil their duties.

DC Annual Governance Statement, covering the period from 1 April 2020 to 31 March 2021 (continued)

6. Trustee knowledge and understanding (continued)

All Trustee Directors have completed the Pensions Regulator's Trustee Toolkit and review the Toolkit for updates on a regular basis (the Trustee Toolkit is a free online learning programme from the Pensions Regulator aimed at trustees of occupational pension schemes and designed to help trustees meet the minimum level of knowledge and understanding required by law). A training log is maintained by the Secretary to the Trustee in line with best practice and the training programme is reviewed annually to ensure it is up to date.

Additionally, the Plan has in place a structured induction process for new trustees. The Plan's induction process is slightly different depending on whether it is a Company or member-nominated appointment.

- Company appointments will usually be drawn from the pool of 'shadow trustees' who will already have received training from LCP (DC, Investment and actuarial advisers) and CMS (legal advisers) and will already be working through, or already completed, their Trustee Knowledge requirements. Furthermore, Company appointed trustees will already have attended at least three Trustee meetings and so will be familiar with how the Board operates.
- Member Nominated Directors ("MND") (there were no new appointments during the year) receive training from LCP and CMS, as well as having an introduction to Trustee Knowledge and Understanding with the Secretary to the Trustee, who would also meet with the new MND ahead of the first few Trustee meetings to run through the meeting packs to ensure familiarity with what will be discussed at the meeting.

Each Trustee Director and each of the Trustee's advisers is required to complete a governance and effectiveness questionnaire on a biannual basis, which is designed to measure the performance and effectiveness of the Trustee Board against the objectives for the Trustee as set out in the Plan's annual business plan. The results of the effectiveness questionnaire are then discussed by the Trustee and the Secretary who will make any changes to the Plan's annual business plan and the Trustee training agenda as appropriate.

Considering the knowledge and experience of the Trustee Directors and the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisors (e.g. investment consultants, legal advisors and the Plan actuary), the Trustee Directors believe they are well placed to exercise their functions and duties as Trustee Directors of the Plan properly and effectively.

DC Annual Governance Statement, covering the period from 1 April 2020 to 31 March 2021 (continued)

____ Date: ________________________

Signed by the Chair of Trustee of the Bayer Group Pension Plan

Independent Auditor's Report to the Trustee of the Bayer Group Pension Plan

Opinion

We have audited the financial statements of the Bayer Group Pension Plan ("the Scheme") for the year ended 31 March 2021 which comprise the Fund Account and Statement of Net Assets (Available for Benefits) and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2021, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report to the Trustee of the Bayer Group Pension Plan (continued)

Conclusions relating to going concern

In auditing the financial documents, we have concluded that the Scheme's Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Scheme's Trustee with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Scheme's Trustee is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Trustee

As explained more fully in the Trustee's responsibilities statement set out on page 18, the Trustee is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor’s Report to the Trustee of the Bayer Group Pension Plan (continued)

Responsibilities of Trustee (continued)

In preparing the financial statements, the Trustee is responsible for assessing the Scheme’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

Independent Auditor’s Report to the Trustee of the Bayer Group Pension Plan (continued)

The extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the environment, including the legal and regulatory framework that the Scheme operates in and how the Scheme is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected, or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are the Pensions Act 1995 and 2004 and regulations made under them and FRS 102, including the Financial Reports of Pension Schemes 2018 (the Pensions SORP). We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures were performed to review cashbook transactions and external confirmation of investment transactions, and other procedures included but not limited to testing any manual journal entries and any other adjustments, evaluating the business rationale in relation to any significant, unusual transactions and transactions entered into outside the normal course of business and challenging any judgements and estimates.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Independent Auditor’s Report to the Trustee of the Bayer Group Pension Plan (continued)

Use of our report

This report is made solely to the Scheme’s Trustee as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirements to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme’s Trustee those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme and the Scheme’s trustees as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP
Chartered Accountants and Statutory Auditor
25 Farringdon Street
London
EC4A 4AB

Date:

Fund Account

	Note	SHCL Section £000	BCSPF Section £000	Group DB Section £000	2021 Total £000	2020 Total £000
Contributions and benefits						
Employer contributions		7,657	1,068	19,385	28,110	27,372
Employee contributions		4	2	3	9	9
Total contributions	5	7,661	1,070	19,388	28,119	27,381
Transfers in	6	100	328	594	1,022	1,159
Other income	7	-	-	964	964	-
		7,761	1,398	20,946	30,105	28,540
Benefits payable	8	(3,047)	(29,454)	(21,878)	(54,379)	(51,653)
Payments to and on account of leavers	9	(2,123)	(10,137)	(3,979)	(16,239)	(15,015)
Administrative expenses	10	(30)	(27)	(129)	(186)	(168)
Other payments	11	-	(5)	-	(5)	-
		(5,200)	(39,623)	(25,986)	(70,809)	(66,836)
Net additions/(withdrawals) from dealings with members		2,561	(38,225)	(5,040)	(40,704)	(38,296)
Returns on investments						
Investment income	12	1	494	657	1,152	1,333
Change in market value of investments	13	17,931	134,918	114,507	267,356	1,419
Investment management expenses	15	(115)	(677)	(578)	(1,370)	(1,664)
Net returns on investments		17,817	134,735	114,586	267,138	1,088
Net increase/(decrease) in the fund during the year		20,378	96,510	109,546	226,434	0
Net assets of the Plan at 1 April		139,607	777,277	667,474	1,584,358	1,621,566
Net assets of the Plan at 31 March		159,985	873,787	777,020	1,810,792	1,584,358

The notes on pages 41 to 62 form part of these financial statements.

Statement of Net Assets (available for benefits)

	Note	SHCL Section £000	BCSPF Section £000	Group DB Section £000	2021 Total £000	2020 Total £000
Investment assets	13					
Pooled investment vehicles	16	152,045	863,655	752,598	1,768,298	1,550,455
AVC investments	18	-	543	1,651	2,194	2,154
Cash		3	73	913	989	9203
		152,048	864,271	755,162	1,771,481	1,567,291
Current assets	21	8,005	9,667	25,152	42,824	17,455
Current liabilities	22	(68)	(151)	(3,294)	(3,513)	(388)
Net assets of the Plan at 31 March		159,985	873,787	777,020	1,810,792	1,584,358

The financial statements summarise the transactions of the Plan and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Plan year. The actuarial position of the Plan, which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities on pages 10 and 11, and the actuarial certificates on pages 65 to 67, of this Annual Report and these financial statements should be read in conjunction with them.

The notes on pages 41 to 62 form part of these financial statements.

These financial statements were approved by the Trustee on ……………………………

Trustee Director:

Trustee Director:

Notes to the Financial Statements

1. Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pension Scheme (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS102") and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (revised 2018) ("the SORP").

On 11 March 2020, COVID-19 was declared a pandemic by the World Health Organisation. This has resulted in worldwide restrictions on travel, government fiscal stimulus and extreme financial market volatility, which has the potential to affect the principal employer's business, future contributions and the value of the Plan's investments. Whilst increased uncertainty does exist, over and above that which has always existed in running a defined benefit pension scheme, there is no expectation that the Plan will not remain a going concern for the 12 months subsequent to the signing of these financial statements. A Guarantee is held between Bayer AG and the Trustee Company. A detailed review of the Bayer AG covenant has been commissioned, with LCP reporting on a range of areas including cash resources, profitability and credit strength of the Bayer AG. Overall, the Bayer AG covenant has been robust and rated as strong, and as such the Trustee does not believe a material uncertainty exists in relation to application of the Going concern assumption.

2. Identification of the financial statements

The Plan is established as a trust under English law. The address for enquiries to the Plan is included in the Trustee and its advisors on page 4.

Notes to the Financial Statements (continued)

3. Comparative disclosures for the Fund Account and Statement of Net Assets

Fund Account

	Note	SHCL Section £000	BCSPF Section £000	Group DB Section £000	2020 Total £000
Contributions and benefits					
Employer contributions		2,657	11,357	13,358	27,372
Employee contributions		4	2	3	9
Total contributions	5	2,661	11,359	13,361	27,381
Transfers in	6	-	425	734	1,159
		2,661	11,784	14,095	28,540
Benefits payable	7	(2,911)	(28,986)	(19,756)	(51,653)
Payments to and on account of leavers	8	(402)	(7,808)	(6,805)	(15,015)
Administrative expenses	9	(26)	(32)	(110)	(168)
		(3,339)	(36,826)	(26,671)	(66,836)
Net withdrawals from dealings with members		(678)	(25,042)	(12,576)	(38,296)
Returns on investments					
Investment income	10	-	562	771	1,333
Change in market value of investments	11	3,814	560	(2,955)	1,419
Investment management expenses	13	(173)	(975)	(516)	(1,664)
Net returns on investments		3,641	147	(2,700)	1,088
Net increase/(decrease) in the fund during the year		2,963	(24,895)	(15,276)	(37,208)
Net assets of the Plan at 1 April 2019		136,644	802,172	682,750	1,621,566
Net assets of the Plan at 31 March 2020		139,607	777,277	667,474	1,584,358

Notes to the Financial Statements (continued)

3. Comparative disclosures for the Fund Account and Statement of Net Assets

Statement of Net Assets (available for benefits)

	Note	SHCL Section £000	BCSPF Section £000	Group DB Section £000	2020 Total £000
Investment assets	11				
Pooled investment vehicles	14	136,910	763,468	650,077	1,550,455
AVC investments	16	-	572	1,582	2,154
Cash		3	14	903	920
Cash in transit		1,219	3,717	8,826	13,762
		138,132	767,771	661,388	1,567,291
Current assets	19	1,543	9,675	6,237	17,455
Current liabilities	20	(68)	(169)	(151)	(388)
Net assets of the Plan at 31 March 2020		139,607	777,277	667,474	1,584,358

4. Accounting policies

The principal accounting policies of the Plan are as follows:

Contributions

Employee contributions, including AVCs, are accounted for by the Trustee when they are deducted from pay by the Employer, except for the first contribution due where the employee has been auto-enrolled by the Employer in which case it is accounted for when received by the Plan.

Employer normal contributions that are expressed as a rate of salary are accounted for on the same basis as the employees' contributions, in accordance with the Schedule of Contributions in force during the year.

Employer augmentation contributions are accounted for in accordance with the agreement under which they are payable.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the Schedule of Contributions or on receipt if earlier with the agreement of the employer and Trustee.

Employer other contributions are accounted for in accordance with the agreement under which they are payable.

Notes to the Financial Statements (continued)

4. Accounting policies (continued)

Payments to members

Benefits are accounted for in the period in which the member notifies the Trustee of his decision on the type or amount of benefit to be taken, or on retirement if later, or if there is no member choice, on the date of retiring or leaving.

Pensions in payment are accounted for in the period to which they relate.

Opt-outs are accounted for when the Plan is notified of the opt-out.

Individual transfers in or out of the Plan are accounted for when member liability is accepted or discharged which is normally when the transfer amount is paid or received.

Bulk transfers are accounted for on an accruals basis, once agreement between the trustees of the transferor and transferee schemes has been reached.

Expenses

Expenses that are not borne directly by the employer are accounted for on an accruals basis.

Investment income

Income from cash and short term deposits is accounted for on an accruals basis.

Income from pooled investment vehicles is accounted for when declared by the fund manager.

Receipts from annuity policies are accounted for as investment income on an accruals basis.

Investments

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Investments are included at fair value as described below:

Unitised pooled investment vehicles have been valued at the latest available bid price or single price provided by the pooled investment manager. Shares in other pooled arrangements have been valued at the latest available net asset value (NAV), determined in accordance with fair value principles, provided by the pooled investment manager.

Notes to the Financial Statements (continued)

4. Accounting policies (continued)

Investments (continued)

With profit insurance policies (held as AVCs) are reported at the policy value provided by the insurance company based on the cumulative reversionary bonuses declared and the current terminal bonus.

The Trustee has taken advice from their professional advisers and determined the annuity policies held by the Plan are immaterial. The Trustee has therefore opted not to include a valuation of these policies in the financial statements.

Presentation currency

The Plan functional and presentation currency is pounds sterling. Monetary items denominated in foreign currency are translated into sterling using the closing exchange rates at the Plan year end. Foreign currency transactions are recorded in sterling at the spot exchange rate at the date of the transaction.

5. Contributions

	SHCL Section 2021 £000	BCSPF Section 2021 £000	Group DB Section 2021 £000	Total 2021 £000
Employer contributions:				
Normal	35	37	231	303
Deficit funding	7,500	1,000	18,000	26,500
Augmentations	92	4	1,025	1,121
Other	30	27	129	186
	7,657	1,068	19,385	28,110
Employee contributions:				
Normal	-	2	3	5
Additional voluntary contributions	4	-	-	4
	4	2	3	9
	7,661	1,070	19,388	28,119

Notes to the Financial Statements (continued)

5. Contributions (continued)

	SHCL Section 2020 £000	BCSPF Section 2020 £000	Group DB Section 2020 £000	Total 2020 £000
Employer contributions:				
Normal	41	90	333	464
Deficit funding	2,500	11,200	12,800	26,500
Augmentations	90	41	122	253
Other	26	26	103	155
	2,657	11,357	13,358	27,372
Employee contributions:				
Normal	-	2	3	5
Additional voluntary contributions	4	-	-	4
	4	2	3	9
	2,661	11,359	13,361	27,381

Additional contributions from members include Additional Voluntary Contributions (AVCs) and added years contributions whereby additional years of service are purchased for extra DB Section benefits.

Augmentations relate to amounts paid by the sponsoring employers to cover the cost of early retirements.

Other contributions relate to amounts paid by the sponsoring employers to cover the Plan's administrative expenses and PPF levies.

Following the finalisation of the actuarial valuation as at 31 March 2020, under a revised Schedule of Contributions dated 19 March 2021, the company agreed to eliminate the Plan deficit by paying a deficit contribution of £26.5m in 2021 and additional payments of up to £26.5m in each of 2022 and 2023, depending on the funding position of the Plan shortly before the respective dates.

6. Transfers in

	SHCL Section 2021 £000	**BCSPF Section 2021 £000**	**Group DB Section 2021 £000**	**Total 2021 £000**
Individual transfers in	**100**	**328**	**594**	**1,022**

Notes to the Financial Statements (continued)

6. Transfers in (continued)

	SHCL Section 2020 £000	BCSPF Section 2020 £000	Group DB Section 2020 £000	Total 2020 £000
Individual transfers in	-	425	734	1,159

7. Other income

	SHCL Section 2021 £000	**BCSPF Section 2021 £000**	**Group DB Section 2021 £000**	**Total 2021 £000**
Claims on death in service insurance	**-**	**-**	**964**	**964**

8. Benefits payable

	SHCL Section 2021 £000	**BCSPF Section 2021 £000**	**Group DB Section 2021 £000**	**Total 2021 £000**
Pensions	**2,829**	**26,544**	**17,698**	**47,071**
Commutations and lump sum retirement benefits	**130**	**2,668**	**3,178**	**5,976**
Lump sum death benefits	**88**	**190**	**1,002**	**1,280**
Taxation where lifetime or annual allowance exceeded	**-**	**52**	**-**	**52**
	3,047	**29,454**	**21,878**	**54,379**

	SHCL Section 2020 £000	BCSPF Section 2020 £000	Group DB Section 2020 £000	Total 2020 £000
Pensions	2,808	25,959	17,143	45,910
Commutations and lump sum retirement benefits	54	2,598	2,572	5,224
Lump sum death benefits	49	87	13	149
Taxation where lifetime or annual allowance exceeded	-	342	28	370
	2,911	28,986	19,756	51,653

Notes to the Financial Statements (continued)

9. Payments to and on account of leavers

	SHCL Section 2021 £000	BCSPF Section 2021 £000	Group DB Section 2021 £000	Total 2021 £000
Individual transfers out	2,123	10,137	3,966	16,226
Purchase of annuities	-	-	13	13
	2,123	10,137	3,979	16,239

	SHCL Section 2020 £000	BCSPF Section 2020 £000	Group DB Section 2020 £000	Total 2020 £000
Individual transfers out	403	7,832	6,804	15,039
Payments for members joining state scheme (refunds)	(1)	(24)	1	(24)
	402	7,808	6,805	15,015

10. Administrative expenses

	SHCL Section 2021 £000	BCSPF Section 2021 £000	Group DB Section 2021 £000	Total 2021 £000
Plan administration levies	30	27	28	85
Independent trustee's fees	-	-	57	57
Trustee Director expenses	-	-	37	37
Consultancy	-	-	7	7
	30	27	129	186

	SHCL Section 2020 £000	BCSPF Section 2020 £000	Group DB Section 2020 £000	Total 2020 £000
Plan administration levies	26	26	31	83
Independent trustee's fees	-	-	41	41
Trustee Director expenses	-	-	30	30
Other expenses	-	6	8	14
	26	32	110	168

Other than the expenses detailed above, all expenses are borne by Bayer plc and Bayer CropScience Ltd.

Notes to the Financial Statements (continued)

11. Other payments

	SHCL Section 2021 £000	BCSPF Section 2021 £000	Group DB Section 2021 £000	Total 2021 £000
Compensation payment	-	5	-	5

12. Investment income

	SHCL Section 2021 £000	BCSPF Section 2021 £000	Group DB Section 2021 £000	Total 2021 £000
Income from pooled investment vehicles	-	488	465	953
Annuity income	-	-	188	188
Interest on cash deposits	1	6	4	11
	1	494	657	1,152

	SHCL Section 2020 £000	BCSPF Section 2020 £000	Group DB Section 2020 £000	Total 2020 £000
Income from pooled investment vehicles	-	552	539	1,091
Annuity income	-	-	224	224
Interest on cash deposits	-	10	8	18
	-	562	771	1,333

13. Reconciliation of investments

SHCL Section	Value at 1 April 2020 £000	Purchases at cost £000	Sale Proceeds £000	Change in market value £000	Value at 31 March 2021 £000
Pooled investment vehicles	152,045	37,971	(40,767)	17,931	167,180
Cash deposits	3				3
Cash in transit	1,219				-
	167,183				167,183

Notes to the Financial Statements (continued)

13. Reconciliation of investments (continued)

BCSPF Section	Value at 1 April 2020 £000	Purchases at costs £000	Sale Proceeds £000	Change in market value £000	**Value at 31 March 2021 £000**
Pooled investment vehicles	863,655	181,509	(216,149)	134,827	**963,842**
AVC investments	543	-	(120)	91	**514**
	864,198	181,509	(216,269)	134,918	**964,356**
Cash deposits	14				**73**
Cash in transit	3,717				**-**
	964,429				**964,429**

Group DB Section	Value at 1 April 2020 £000	Purchases at costs £000	Sale Proceeds £000	Change in market value £000	**Value at 31 March 2021 £000**
Pooled investment vehicles	752,598	189,246	(200,885)	114,160	**855,119**
AVC investments	1,651	-	(278)	347	**1,720**
	856,839	189,246	(201,163)	114,507	**856,839**
Cash deposits	903				**913**
Cash in transit	8,826				**-**
	857,752				**857,752**

Property unit trusts totalling £79,358k (2020: £89,132k) representing 4.4% (2020: 5.6%) of Plan net assets are considered a long term investment by the Trustee. The funds held by the Plan are considered illiquid in the short term as it may be difficult to sell the funds before the full investment term. The Trustee has considered the valuation and concluded it appropriate to use the investment manager's valuation which reflects the current market conditions.

The change in market value of investments during the year comprises profits and losses realised on sales of investments during the year together with gains and losses arising from the revaluation in the market value of investments held at the year-end.

Transaction costs are incurred in the cost of purchases and sale proceeds. Direct transaction costs include costs charged to the Plan such as fees, commissions and stamp duty.

Notes to the Financial Statements (continued)

13. Reconciliation of investments (continued)

Indirect costs are incurred through the bid-offer spread as investments within pooled investment vehicles and charges made within those vehicles.

14. Concentration of investments

The following investment holdings represent more than 5% of the Plan's net assets at either the current or previous year ends:

	2021		2020	
	£000	**%**	£000	%
Legal & General All World Equity Index GBP Hedged	**547,722**	**30.2**	554,383	35.0
Legal & General Over 15y Index-Linked Gilts	**525,437**	**29.0**	381,526	24.1
Legal & General AAA-AA-A Bonds Over 15y Index	**379,849**	**21.0**	375,440	23.7
Legal & General Over 15y Gilts Index	**157,784**	**8.7**	-	-

15. Investment management expenses

	SHCL Section 2021 £000	**BCSPF Section 2021 £000**	**Group DB Section 2021 £000**	**Total 2021 £000**
Administration, management and custody	**115**	**677**	**578**	**1,370**

	SHCL Section 2020 £000	BCSPF Section 2020 £000	Group DB Section 2020 £000	Total 2020 £000
Administration, management and custody	173	975	516	1,664

16. Pooled investment vehicles

The Plan's investments in pooled investment vehicles at the year end comprised:

	SHCL Section 2021 £000	**BCSPF Section 2021 £000**	**Group DB Section 2021 £000**	**Total 2021 £000**
Equity	**46,868**	**268,931**	**231,924**	**547,723**
Bonds	**90,772**	**514,907**	**457,392**	**1,063,071**
Property	**14,162**	**77,531**	**61,689**	**153,382**
Derivatives	**11**	**64**	**55**	**130**
Cash funds	**232**	**2,222**	**1,538**	**3,992**
	152,045	**863,655**	**752,598**	**1,768,298**

Notes to the Financial Statements (continued)

16. Pooled investment vehicles (continued)

	SHCL Section 2020 £000	BCSPF Section 2020 £000	Group DB Section 2020 £000	Total 2020 £000
Equity	47,421	270,589	236,373	554,383
Bonds	72,101	391,408	331,453	794,962
Property	14,224	81,291	65,791	161,306
Derivatives	2,697	15,692	13,679	32,068
Cash funds	467	4,488	2,781	7,736
	136,910	763,468	650,077	1,550,455

The Plan is the sole investor in the derivatives fund. The assets underlying this pooled investment vehicle are:

	2021 £000	2020 £000
Options	**-**	32,058
Liquidity fund	**129**	9
Cash and accruals	**1**	1
	130	130

17. Insurance policies

The legacy annuity policies relate to 21 individuals (2020: 22). The Trustee no longer purchases annuities to meet Plan liabilities. Annuities are issued by Canada Life, Legal & General, Generali and ReAssure. No collateral is held in relation to these assets.

The Trustee has determined the value of these annuity policies is immaterial to the Plan and therefore they have not been included within the financial statements.

18. AVC investments

Members are entitled to make additional voluntary contributions that are invested separately from the Plan in the form of insurance policies, with-profits pension policies, and building society accounts. Members participating in this arrangement each receive an annual statement made up to 5 April each year, confirming the amounts held in their account and the movements in the year.

Notes to the Financial Statements (continued)

18. AVC investments (continued)

The aggregate amounts of AVC funds are as follows:

	SHCL Section 2021 £000	BCSPF Section 2021 £000	Group DB Section 2021 £000	Total 2021 £000
Utmost	-	509	849	1,358
Aviva	-	34	802	836
	-	543	1,651	2,194

	SHCL Section 2020 £000	BCSPF Section 2020 £000	Group DB Section 2020 £000	Total 2020 £000
Utmost	-	546	898	1,444
Aviva	-	26	684	710
	-	572	1,582	2,154

19. Fair value of investments

The fair value of investments has been determined using the following hierarchy:

Level 1: Unadjusted quoted price in an active market for identical instruments that the entity can access at the measurement date.

Level 2: Inputs (other than quoted prices) that are observable for the instrument, either directly or indirectly.

Level 3: Inputs are unobservable, i.e. for which market data is unavailable.

Notes to the Financial Statements (continued)

19. Fair value of investments (continued)

The Plan's investment assets and liabilities have been fair valued using the above hierarchy as follows:

	At 31 March 2021			
	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
SHCL Section				
Pooled investment vehicles	-	145,296	6,749	152,045
Cash	3	-	-	3
	3	145,296	6,749	152,048
BCSPF Section				
Pooled investment vehicles	-	824,010	39,645	863,655
AVC investments	-	34	509	543
Cash	73	-	-	73
	73	824,044	40,154	864,271
Group DB Section				
Pooled investment vehicles	-	719,634	32,964	752,598
AVC investments	-	802	849	1,651
Cash	913	-	-	913
	913	720,436	33,813	755,162

Notes to the Financial Statements (continued)

19. Fair value of investments (continued)

	At 31 March 2020			
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
SHCL Section				
Pooled investment vehicles	-	129,914	6,996	136,910
Cash	3	-	-	3
Cash in transit	1,219	-	-	1,219
	1,222	129,914	6,996	138,132
BCSPF Section				
Pooled investment vehicles	-	719,117	44,351	763,468
AVC investments	-	26	546	572
Cash	14	-	-	14
Cash in transit	3,717	-	-	3,717
	3,731	719,143	44,897	767,771
Group DB Section				
Pooled investment vehicles	-	612,292	37,785	650,077
AVC investments	-	684	898	1,582
Cash	903	-	-	903
Cash in transit	8,826	-	-	8,826
	9,729	612,976	38,683	661,388

20. Investment risk disclosures

When deciding how to invest the Plan's assets, the Trustee considers a wide range of risks, including credit risk and market risk, as defined below.

- Credit risk is the risk that one party to a financial agreement will cause a financial loss for the other party by failing to meet an obligation.
- Market risk comprises currency risk, interest rate risk and other price risk, defined as follows:
    - Currency risk is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
    - Interest rate risk is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.

Notes to the Financial Statements (continued)

20. Investment risk disclosures (continued)

- Other price risk is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustee determined the Plan's investment strategy after taking advice from its investment adviser. The Plan has exposure to the aforementioned risks via the investments held to implement the investment strategy. The Trustee manages investment risks, including credit risk and market risk, considering the Plan's investment objectives and strategy, and the advice of its investment advisers.

Within each investment portfolio, investment objectives and restrictions to manage risk are implemented through the legal agreements in place with the Plan's investment managers. The Trustee monitors the performance of the strategy and associated risks, and each investment manager against its objectives and restrictions, on a regular basis.

Further information on these risks and the Trustee's approach to risk management is set out below. This does not include annuity or AVC investments, as these are not considered significant in relation to the overall investments of the Plan.

Credit risk

There was no material change to the credit risk taken by the Plan over the year. The Plan is subject to credit risk through its investments in pooled investment vehicles. It is directly exposed to credit risk in relation to the solvency of the custodians of those funds.

The role of a custodian is to ensure the safe-keeping of the assets and facilitate all transactions entered into by the appointed investment managers. The Trustee is not responsible for the appointment of the custodian of the assets contained within the various pooled fund investments. The pooled investment vehicle's governing body is responsible for appointing its own custodian for the safe-keeping, monitoring and reconciliation of documentation relating to these securities.

Notes to the Financial Statements (continued)

20. Investment risk disclosures (continued)

Credit risk (continued)

The Plan's holdings in pooled investment vehicles are 'unrated' from a credit perspective. Direct credit risk arising from pooled investment vehicles is mitigated by: the underlying assets of the pooled arrangements being ring-fenced from the assets of the custodian and the investment manager; the regulatory environments in which the pooled fund managers operate; and diversification of the Plan's investments across a number of pooled funds. The Trustee carries out due diligence checks on investments into new pooled funds and on an ongoing basis monitors any changes to the operating environment of those pooled funds.

The Plan is indirectly exposed to credit risks arising from the underlying investments held by the pooled funds, for example where they invest in bonds. The primary indirect exposure to credit risk arises from the Scheme's investments in the LGIM Corporate Bond Fund. The amount invested in this mandate is shown in the Statement of Net Assets. The Plan's strategic allocation to the LGIM Corporate Bond Fund was unchanged over the period. The Plan also invests in UK government bond funds, but the Trustee does not view these as having material credit risk.

The Plan's bond funds are passively managed. Therefore, in these funds credit risk is managed by replicating a bond index that includes a diversified exposure to bond issuers, predominantly restricted to bonds rated A or above. As such, indirect credit risk through exposure to the underlying investments is managed by the index (by design) avoiding exposure to those bonds that have a high risk of defaulting.

Currency risk

As the Plan's liabilities are denominated in Sterling, any non-Sterling currency exposure within the assets presents additional currency risk.

Whilst the majority of the currency exposure of the Plan's assets is to Sterling, the Plan is subject to indirect currency risk because some of the Plan's pooled investments are held in overseas markets. The Trustee considers the overseas currency exposure in the context of the overall investment strategy and believes that the currency exposure that exists diversifies the strategy and is appropriate. There was no material change to the currency risk being taken by the Plan over the year.

Notes to the Financial Statements (continued)

20. Investment risk disclosures (continued)

Currency risk (continued)

All of the Plan's pooled funds are accessed via a Sterling share class, with the exception of the CBRE Global Alpha Fund which is denominated in USD. The Plan's assets that are invested in overseas markets are the L&G All World Equities Fund and the CBRE Global Alpha Fund. The amount invested in each of these funds is shown in the Statement of Net Assets.

However, the Plan's holding in the L&G All World Equity Index Fund is 100% currency hedged, hence minimising any currency risk associated with it.

The exposure to foreign currencies within the CBRE Global Alpha Fund (an actively managed pooled property fund) will vary over time as CBRE changes the underlying investments but is not expected to be a material driver of returns over the longer term. Decisions about the exposure to foreign currencies within this fund is at the discretion of CBRE. As at 31 March 2021 around 95% of the currency exposure within the CBRE Global Alpha Fund was allocated to non-sterling currencies.

Interest rate and inflation risk

Interest rate risk and inflation risk is a significant risk for the Plan given that movements in interest rates and inflation are a significant influence on the value of the liabilities assessed in present day terms. Some of the Plan's assets are subject to interest rate risk (both nominal and real interest rates). However, the overall interest rate exposure of the Plan's assets hedges part of the corresponding risks associated with the Plan's liabilities. The net effect will be to reduce the volatility of the funding level, and therefore the Trustee believes that it is appropriate to have exposure to interest rate risk in this manner.

There was a reduction in the net interest rate and inflation risk being run by the Plan over the year. Over the year, the Trustee had a de-risking trigger mechanism in place such that if the Plan's funding level improves sufficiently, it would switch assets from equity to bond portfolios. Over the reporting period, the Trustee de-risked on two separate occasions in response to triggers being breached. This had the effect of increasing interest rate and inflation risk of the Plan's assets but also provide a higher level of matching to the corresponding liability risk, thereby reducing the net interest rate and inflation risk the Plan is subject to.

Notes to the Financial Statements (continued)

20. Investment risk disclosures (continued)

Interest rate and inflation risk (continued)

As the Plan invests predominantly in pooled funds, there is no direct exposure to interest rate or inflation risk. The Plan's assets that are invested in bond funds are subject to indirect interest rate risk. Where those bond funds invest in index-linked bonds, similarly the Plan is subject to indirect inflation risk.

The assets the Plan invests in with material exposure to changes in interest rates are the L&G corporate bond, fixed interest gilt and index-linked gilt funds. The index-linked gilt fund is the only investment with material explicit exposure to inflation risk. The amount invested in each of these mandates is shown in the Statement of Net Assets.

Other price risk

As the Plan invests predominantly in pooled funds, there is no direct exposure to other price risk.

The Plan's assets are exposed indirectly to risks of market prices other than currencies and interest rates, such as the L&G equity pooled fund holdings being subject to movements in equity prices and the CBRE property portfolio being subject to movements in property prices. Most of the indirect other price risk is within the equity pooled fund. The Trustee believes that the Plan's assets are adequately diversified between different asset classes and within each asset class to manage this risk. Over the period, due to the activity noted in the previous section, the Plan's exposure to other price risk via equities reduced, because part of the equity allocation was sold during the year.

The Plan's exposure to these risks will vary over time depending on how L&G and CBRE change the underlying asset allocation to reflect their market views.

On 17 October 2019, the Trustee implemented an equity protection strategy designed to protect the Plan against equity market falls greater than 20% (from the implementation date). This was intended to be in place around 31 March 2020 actuarial valuation date. This reduced the extent of the market price risk of the Plan's equity holdings. The strategy expired in June 2020.

Notes to the Financial Statements (continued)

20. Investment risk disclosures (continued)

The table below summarises the Plan's exposure to these risks at the end of the year:

	Credit risk	Currency risk	Interest rate risk	Other price risk
L&G All World Equity Index Fund (GBP Hedged)	○	○	○	●
L&G Over 15 Year Gilts Index Fund	○	○	●	○
L&G Over 15 Year Index-Linked Gilts Fund	○	○	●	○
L&G Corporate Bond Over 15 Year Index Fund	●	○	●	○
L&G Liquidity Fund	○	○	○	○
L&G Managed Property Fund	●	○	○	●
CBRE UK Osiris Property Fund	●	○	○	●
CBRE Global Alpha Fund	●	●	○	●
Approximate exposure as at 31 March 2021 (£000)	533,231	56,500	1,063,071	701,104

Key: The risk noted affects the fund significantly (●) or hardly/not at all (○).

A summary of pooled investment vehicles by type of arrangement is as follows:

	Legal structure
L&G All World Equity Index Fund (GBP Hedged)	UK life policy
L&G Over 15 Year Gilts Index Fund	UK life policy
L&G Over 15 Year Index-Linked Gilts Fund	UK life policy
L&G Corporate Bond Over 15 Year Index Fund	UK life policy
L&G Liquidity Fund	UK life policy
L&G Managed Property Fund	UK life policy
CBRE UK Osiris Property Fund	Contractual Investment Fund
CBRE Global Alpha Fund	Luxembourg FCP

21. Current assets

	SHCL Section 2021 £000	BCSPF Section 2021 £000	Group DB Section 2021 £000	Total 2021 £000
Contributions receivable - employer	-	-	48	48
Prepaid pensions	102	-	-	102
Due from other sections	7	2,821	-	2,828
Cash at bank	7,896	6,846	25,104	39,846
	8,005	9,667	25,152	42,824

Notes to the Financial Statements (continued)

21. Current assets (continued)

	SHCL Section 2020 £000	BCSPF Section 2020 £000	Group DB Section 2020 £000	Total 2020 £000
Contributions receivable - employer	-	-	38	38
Prepaid pensions	99	-	-	99
Due from other sections	4	-	-	4
Cash at bank	1,440	9,675	6,199	17,314
	1,543	9,675	6,237	17,455

22. Current liabilities

	SHCL Section 2021 £000	**BCSPF Section 2021 £000**	**Group DB Section 2021 £000**	**Total 2021 £000**
Unpaid benefits	**1**	**11**	**314**	**326**
Due to other sections	**-**	**-**	**2,828**	**2,828**
Accrued expenses	**24**	**140**	**152**	**316**
Taxation	**43**	**-**	**-**	**43**
	68	**151**	**3,294**	**3,513**

	SHCL Section 2020 £000	BCSPF Section 2020 £000	Group DB Section 2020 £000	Total 2020 £000
Unpaid benefits	-	14	-	14
Due to other sections	-	-	4	4
Accrued expenses	29	155	147	331
Taxation	39	-	-	39
	68	169	151	388

23. Related party transactions

Employer's contributions are paid by the Employer in accordance with the rules of the Plan and the recommendations of the Actuary. Trustee expenses are paid by the Employer. Any additional Trustee expenses paid by the Plan (disclosed in note 10) are reimbursed by the Employer. Contributions receivable at the year end are disclosed in note 21. At the year end there were no Trustee Directors contributing to the Plan.

At the beginning and end of the year three Trustee Directors were in receipt of a pension from the Plan. These benefits were paid in accordance with the rules of the Plan.

Notes to the Financial Statements (continued)

23. Related party transactions (continued)

Fees of £56,691 (2020: £40,872) were paid in the year by the Plan in respect of the Independent Trustee Director. See Note 8 (page 47) for administration expenses payable for the year.

24. GMP equalisation

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. On 20 November 2020 a further High Court judgement concluded schemes owed a duty of care to make transfer payments which reflect members' rights to equalised benefits. The issues determined by these judgments also arise in relation to many other defined benefit pension schemes. Based on an initial assessment of the likely backdated amounts and related interest the Trustee does not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined. The Plan's 2020 triennial actuarial valuation included an approximate allowance for the financial impact of GMP equalisation of 1% of the Plan's technical provisions. However, this is a broad allowance and cannot be split between back payments and future payments. The Trustee has adjusted all transfer values requested from July 2021 to allow for the impact of GMP equalisation but has not yet carried out a wider equalisation exercise including revisiting transfer values prior to July 2021 where the amount transferred included liability for periods of contracted out employment between 7 May 1990 and 5 April 1997.

25. Post balance sheet event

On 20 July 2021, after the Trustee and the Company having taken actuarial and legal advice, in order to reduce future administration costs and to streamline the management of the Plan, the three Sections were merged into one overall Section for the Plan as a whole. Merging the three Sections does not have any impact on the benefits due to members from the Plan.

Independent Auditor's Statement about Contributions, under Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, to the Trustee of the Bayer Group Pension Plan

Statement about contributions payable under the Schedules of Contributions

We have examined the Summary of Contributions payable to the Bayer Group Pension Plan on page 11, in respect of the Plan year ended 31 March 2021.

In our opinion the contributions for the year ended 31 March 2021 as reported on page 11 and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedules of Contributions certified by the Scheme Actuary on 19 March 2018 and 19 March 2021.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported on page 11 have in all material respects been paid at least in accordance with the Schedules of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Plan and the timing of those payments under the Schedules of Contributions.

Respective responsibilities of Trustee and auditor

As explained more fully on page 18 in the Statement of Trustees' Responsibilities, the Plan's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates and due dates of certain contributions payable towards the Plan by or on behalf of the employer and the active members of the Plan. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Plan and for monitoring whether contributions are made to the Plan by the employer in accordance with the Schedule of Contributions.

It is our responsibility to provide a statement about contributions paid under the Schedule of Contributions and to report our opinion to you.

Independent Auditor’s Statement about Contributions, under Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, to the Trustee of the Bayer Group Pension Plan (continued)

Use of our statement

This statement is made solely to the Plan’s Trustee as a body, in accordance with the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Plan’s Trustee those matters we are required to state to them in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Plan and the Plan’s Trustee as a body, for our audit work, for this statement, or for the opinions we have formed.

RSM UK Audit LLP
Chartered Accountants and Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

Date:

Actuary's Certification of the Schedule of Contributions

This certificate is provided for the purposes of Section 227(5) of the Pensions Act 2004 and Regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005.

Name of scheme: Bayer Group Pension Plan – SHCL Section

Adequacy of rates of contributions

1. I certify that, in my opinion, the rate of contributions shown in this Schedule of Contributions are such that the statutory funding objective can be expected to be met by the end of the period specified in the Recovery Plan dated 19 March 2021.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the statement of funding principles dated 19 March 2021.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Signature:	*M Wright*	Date of signing:	19 March 2021
Name:	M Wright Appointed Scheme Actuary Fellow of the Institute of Actuaries		
Address:	Lane Clark & Peacock LLP 95 Wigmore Street London W1U 1DQ		

In giving the above opinion I have interpreted the phrase "can be expected to continue to be met" as being satisfied by consideration of the proposed contributions under the economic and demographic scenario implied by the trustee's funding assumptions as set out in its statement of funding principles dated 19 March 2021 and its recovery plan dated 19 March 2021 and without any further allowance for adverse contingencies. My opinion does not necessarily hold in any other scenarios.

Actuary’s Certification of the Schedule of Contributions (continued)

This certificate is provided for the purposes of Section 227(5) of the Pensions Act 2004 and Regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005.

Name of scheme: Bayer Group Pension Plan – BCSPF Section

Adequacy of rates of contributions

1. I certify that, in my opinion, the rate of contributions shown in this Schedule of Contributions are such that the statutory funding objective can be expected to be met by the end of the period specified in the Recovery Plan dated 19 March 2021.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the statement of funding principles dated 19 March 2021.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme’s liabilities by the purchase of annuities, if the scheme were to be wound up.

Signature:	*M Wright*	Date of signing:	19 March 2021

Name: M Wright
Appointed Scheme Actuary
Fellow of the Institute of Actuaries

Address: Lane Clark & Peacock LLP
95 Wigmore Street
London
W1U 1DQ

In giving the above opinion I have interpreted the phrase "can be expected to continue to be met" as being satisfied by consideration of the proposed contributions under the economic and demographic scenario implied by the trustee's funding assumptions as set out in its statement of funding principles dated 19 March 2021 and its recovery plan dated 19 March 2021 and without any further allowance for adverse contingencies. My opinion does not necessarily hold in any other scenarios.

Actuary’s Certification of the Schedule of Contributions (continued)

This certificate is provided for the purposes of Section 227(5) of the Pensions Act 2004 and Regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005.

Name of scheme: Bayer Group Pension Plan – Group DB Section

Adequacy of rates of contributions

1. I certify that, in my opinion, the rate of contributions shown in this Schedule of Contributions are such that the statutory funding objective can be expected to be met by the end of the period specified in the Recovery Plan dated 19 March 2021.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the statement of funding principles dated 19 March 2021.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme’s liabilities by the purchase of annuities, if the scheme were to be wound up.

Signature:	*M Wright*	Date of signing:	19 March 2021
Name:	M Wright Appointed Scheme Actuary Fellow of the Institute of Actuaries		
Address:	Lane Clark & Peacock LLP 95 Wigmore Street London W1U 1DQ		

In giving the above opinion I have interpreted the phrase "can be expected to continue to be met" as being satisfied by consideration of the proposed contributions under the economic and demographic scenario implied by the trustee's funding assumptions as set out in its statement of funding principles dated 19 March 2021 and its recovery plan dated 19 March 2021 and without any further allowance for adverse contingencies. My opinion does not necessarily hold in any other scenarios.

Further Information

The Pensions Regulator

The Pensions Regulator is the statutory body that regulates occupational pension schemes and can be contacted at:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW

Telephone: 0345 600 0707

Email: customersupport@tpr.gov.uk

Website: www.thepensionsregulator.gov.uk

The Pension Tracing Service

The Pension Tracing Service's main purpose is to provide a tracing service for members (and their dependants) of previous employers' schemes, who have lost touch with earlier employers and trustees. To trace a benefit entitlement under a former employer's scheme, enquiries should be addressed to:

The Pension Tracing Service
The Pension Service 9
Mail Handling Site A
Wolverhampton
WV98 1LU

Telephone: 0800 731 0193

Website: www.gov.uk/find-pension-contact-details

The information provided includes details of the address at which trustees of a pension scheme may be contacted. This Plan is registered with the Pension Tracing Service.

Further Information (continued)

MoneyHelper

Pension Wise, The Pensions Advisory Service and The Money Advice Service, previously operated by Money and Pensions Service, have been now consolidated into one brand - MoneyHelper. Consolidating three brands into one means a better and enhanced consumer experience with a single source of information and guidance.

The MoneyHelper is a free and impartial guidance service introduced by the government to assist people with retirement saving options to ensure people make well-informed decisions in order to ensure good retirement outcomes. Contact details are available via the MoneyHelper website at:

www.moneyhelper.org.uk

Their contact telephone number is 0800 011 3797. Please note that the MoneyHelper Service does not provide advice but will provide guidance to help understand an individual's options.

Pensions Ombudsman

Any concern connected with the Plan should be referred to the Plan Administrators, Broadstone Consultants & Actuaries Limited, who will try to resolve the problem as quickly as possible. Contact details are provided on page 4. Members and beneficiaries of occupational pension schemes who have problems concerning their scheme which are not satisfied by the information or explanation given by the administrators or the trustees can make an application to the Pensions Ombudsman for him to investigate and determine any complaint or dispute of fact or law involving occupational pension schemes. The address is:

Pensions Ombudsman Service
10 South Colonnade
Canary Wharf
London
E14 4PU

Telephone: 0800 917 4487

Email: helpline@pensions-ombudsman.org.uk

Website: www.pensions-ombudsman.org.uk

Implementation Statement

The Trustee of the Bayer Group Pension Plan (the "Plan") is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed its Statement of Investment Principles ("SIP") during the Plan Year, as well as details of any review of the SIP during the Plan Year, subsequent changes made with the reasons for the changes, and the date of the last SIP review. The Statement is also required to include a description of the voting behaviour during the year by, and on behalf of, the Trustee (including the most significant votes cast by the Trustee or on its behalf).

Information is provided on the last review of the SIP in Section 1 and on the implementation of the SIP in Sections 2-11 below. This Statement is based on the Plan's SIP which was in place during the Plan Year – dated November 2019. This Statement uses the same headings as, and should be read in conjunction with, the SIP which can be found here: https://www.4myplan.co.uk/ClientPage?Client=BAY.

1. Introduction

No review of the SIP was undertaken during the Plan Year. The last time the SIP was formally reviewed was in November 2019.

The Trustee has, in its opinion, followed the policies in the Plan's SIP during the Plan Year. The following Sections provide detail and commentary about how and the extent to which it has done so.

2. Investment objectives

Progress against the long-term journey plan is reviewed as part of monthly asset and liability reports as well as more detailed quarterly performance monitoring reports. The Trustee is also able to view the progress on an ongoing basis using LCP Visualise online (a tool provided by the Plan's investment adviser which shows key metrics and information on the Plan).

As at 31 March 2021 the Plan was on track to achieve full funding on the agreed "Termination Basis" by the target date.

The Plan holds a very small number of Defined Contribution ("DC") benefits as well as AVCs which are invested on a DC basis (collectively referred to as "DC benefits" in this Statement). As part of the performance and review of the Plan's DC benefits in January 2021, the Trustee considered the membership demographics for members with DC benefits, and the variety of ways that members may draw their DC benefits in retirement from the Plan.

Implementation Statement (continued)

2. Investment objectives (continued)

Based on the outcome of this analysis, the Trustee concluded that the range of DC investment options available to members remained appropriate given the demographic of those members with DC benefits in the Plan.

The Trustee is able to review the membership demographic and any material changes using administration reports. The Trustee reviewed the membership demographics as part of the last review of the DC benefits, which was carried out in January 2021.

3. Investment strategy

The Trustee did not review the DB strategy over the period, though made progress against its agreed de-risking plan (see below). The Trustee carried out a review of the Plan's DC benefits in January 2021 and it was concluded that the current strategy and range of fund options available to DC members remains appropriate.

The Trustee monitors the asset allocation quarterly and compares this to the strategic asset allocation. The Trustee's investment manager is expected to undertake rebalancing action, as and when required, and in accordance with the rebalancing policy stated within the SIP.

The Trustee de-risked twice in the reporting year in response to two funding level-based triggers being breached. The first trigger was breached in December 2020, instigating a reduction in equity allocation from 40% to 36% and an equivalent increase in allocation to UK government bonds. The second trigger was breached in February 2021, instigating a reduction in equity allocation from 36% to 30% and an equivalent increase in the allocation to UK government bonds.

The triggers put in place as part of the de-risking mechanism are monitored on a daily basis using LCP Visualise. If a trigger were to be hit, LCP Visualise would notify the Trustee automatically. The Trustee reviews the Plan's progress against the triggers as part of the monthly and quarterly performance monitoring reporting it receives. If one of the triggers is hit, the Trustee re-confirms the proposed de-risking action and consults with the employer before implementation occurs. In line with the guarantee in place with the employer, approval is needed from the employer ahead of implementation.

Implementation Statement (continued)

4. Considerations in setting the investment arrangements

When the Trustee reviewed the DB investment strategy during 2019, it considered the investment risks set out in Appendix 2 of the SIP. It also considered a wide range of asset classes for investment, taking into account the expected returns and risks associated with those asset classes as well as how these risks can be mitigated.

The Trustee reviewed its investment beliefs in April 2019. As part of this, the investment adviser held an Environmental, Social and Governance ("ESG") training session which gathered the opinions of the Trustee.

As a result, the Trustee updated the investment beliefs in the SIP. It added two new investment beliefs to the SIP:

- "environmental, social and governance (ESG) factors are likely to be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of ESG factors"; and
- "long-term environmental, social and economic sustainability is one factor that trustees should consider when making investment decisions".

The Trustee regularly reviews its investment manager mandates to understand the extent to which ESG factors are incorporated in the funds currently held by the DB Section and DC assets.

Following the addition of these beliefs, the Trustee reviewed its investment manager mandates to understand the extent to which ESG factors are incorporated in the funds currently held by the Plan.

During the relevant Plan year, the Trustee engaged with its two DB managers to consider further their ESG policies. This occurred during the investment managers' annual presentations to the Trustee.

5. Implementation of the investment arrangements

The Trustee has not made any changes to its manager arrangements over the period.

Implementation Statement (continued)

5. Implementation of the investment arrangements (continued)

The Plan's investment adviser, LCP, monitors the investment managers on an ongoing basis, through regular research meetings. LCP monitors any developments at managers and informs the Trustee promptly about any significant updates or events they become aware of with regard to the Plan's investment managers that may affect the managers' ability to achieve their investment objectives. This includes any significant change to the investment process or key staff for any of the funds the Plan invests in, or any material change in the level of diversification in the fund.

The Trustee regularly invites the Plan's investment managers to present at Trustee meetings, seeing each manager approximately once every year. Over the period, the Trustee met with CBRE and LGIM to discuss the Plan's investments. The Trustee was comfortable with all of its investment manager arrangements over the Plan Year.

The Trustee monitors the performance of the Plan's investment managers on a quarterly basis, using the quarterly performance monitoring report. The report shows the performance of each manager over the quarter and one year, in the context of the manager's benchmark and objectives. A longer-term record of performance since the last actuarial valuation date is also considered.

The most recent quarterly report shows that all managers have produced performance broadly in line with expectations over the long-term.

The Trustee undertook a value for members' assessment in September 2020 in respect of the DC benefits offered within the Plan. This assessed a range of factors, including the fees payable to managers in respect of the DC funds offered to members, which were found to be reasonable when compared against schemes with similar sizes mandates.

During the Plan Year the Trustee assessed the investment managers' fees in light of LCP's fee survey. Overall the Trustee believes the investment managers provide reasonable value for money.

6. Realisation of investments

The Trustee reviews the Plan's net current and future cashflow requirements on a regular basis. The Trustee's policy is to have access to sufficient liquid assets in order to meet any outflows whilst maintaining a portfolio which is appropriately diversified across a range of factors, including suitable exposure to both liquid and illiquid assets.

Implementation Statement (continued)

6. Realisation of investments (continued)

Over the Plan Year, the Trustee used cashflows to help rebalance the Plan's assets towards the strategic asset allocation. One significant cashflow into the Plan over the period was the deficit contribution that was received on 30 March 2021 and invested in line with the Plan's strategic allocation following Year end ie in accordance with this policy.

7. Financially material considerations and non-financial matters

As part of its advice on the selection and ongoing review of the investment managers, the Plan's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to financially material considerations (including climate change and other ESG considerations), voting and engagement.

In February 2020 the Trustee reviewed LCP's responsible investment (RI) scores for the Plan's existing managers and funds, along with LCP's qualitative RI assessments for each fund and red flags for any managers of concern. These scores cover the manager's approach to ESG factors, voting and engagement. The fund scores and assessments are based on LCP's ongoing manager research programme and it is these that directly affect LCP's manager and fund recommendations. The manager scores and red flags are based on LCP's Responsible Investment Survey 2020.

The Trustee was satisfied with the results of the review and no further action was taken.

When managers LGIM and CBRE presented to the Trustee during the Plan Year, the Trustee asked several questions about the managers' ESG, voting and engagement practices and were satisfied with the answers it received. The Trustee also reviewed reports from their managers on voting and engagement activities undertaken on its behalf.

8. Voting and engagement

This is covered in Section 7 above.

9. Investment governance, responsibilities, decision-making and fees (Appendix 1 of SIP)

As mentioned in Section 5, the Trustee assesses the performance of the Plan's investments on an ongoing basis as part of the quarterly monitoring reports it receives.

The performance of the professional advisers is considered on an ongoing basis by the Trustee.

Implementation Statement (continued)

9. Investment governance, responsibilities, decision-making and fees (Appendix 1 of SIP) (continued)

The Trustee has put in place formal objectives for its investment adviser and will review the adviser's performance against these objectives on a regular basis with the next review expected to take place by the end of the year.

10. Policy towards risk (Appendix 2 of SIP)

Risks are monitored on an ongoing basis with the help of the investment adviser.

The Trustee maintains a risk register and this is discussed at quarterly meetings.

The Trustee's policy for some risks, given their nature, is to understand them and to address them if they become necessary, based upon the advice of the Plan's investment adviser or information provided to the Trustee by the Plan's investment manager. These include credit risk, equity risk, currency risk and counterparty risk.

With regard to the risk of inadequate returns, Plan's required return, along with various other metrics such as expected return and risk, is monitored by the Trustee using an investment dashboard on a monthly basis.

Together, the investment and non-investment risks set out in Appendix 2 of the SIP give rise generally to funding risk. The Trustee formally review the Plan's funding position as part of its annual actuarial report to allow for changes in market conditions. On a triennial basis the Trustee reviews the funding position allowing for membership and other experience. The Trustee also informally monitors the funding position more regularly, on a quarterly basis at Trustee meetings and the Trustee Directors also have the ability to monitor this daily on LCP Visualise.

The following risks are covered earlier in this Statement: diversification risk in Sections 3 and 5, investment manager risk and excessive charges in Section 5, illiquidity/marketability risk in Section 6 and ESG risks in Section 7.

11. Description of voting behaviour during the Plan Year

All of the Trustee's holdings in listed equities are within pooled funds and the Trustee has delegated to its investment managers the exercise of voting rights. Therefore the Trustee is not able to direct how votes are exercised and the Trustee itself has not used proxy voting services over the Plan Year.

Implementation Statement (continued)

11. Description of voting behaviour during the Plan Year (continued)

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, on the Plan's funds that hold equities as follows:

- ("LGIM") All World Equity Index Fund;
- Aviva Managed Fund; and
- Aviva Global Equity Fund.

The Trustee has sought to obtain the relevant voting data for Section 12.1, from all of the investment managers listed above, however were unable to include information on significant votes for the Aviva Managed Fund and Aviva Global Equity Fund (for which day-to-day investment portfolio management has been delegated by Aviva to Schroders). This is because Schroders is unable to identify significant votes or provide information to help the Trustee assess the significance of votes themselves.

The Trustee will continue to work with its advisers and investment managers with the aim of providing fuller voting information in future implementation statements.

In addition to the above, the Trustee contacted the Plan's other asset managers that don't hold listed equities, to ask if any of the assets held by the Plan had voting opportunities over the period. None of the other pooled funds that the Scheme invested in over the Scheme Year held any assets with voting opportunities.

11.1 Description of the voting processes

LGIM

LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all their clients. Their voting policies are reviewed annually and take into account feedback from clients. Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as they continue to develop their voting and engagement policies and define strategic priorities in the years ahead.

All decisions are made by LGIM's Investment Stewardship team and in accordance with their relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant companies.

Implementation Statement (continued)

11.1 Description of the voting processes (continued)

LGIM (continued)

The Investment Stewardship team use third parties to augment their own research and proprietary ESG assessment tools when making specific voting decisions.

To ensure their proxy provider votes in accordance with their position on ESG, they have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what they consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice.

LGIM retains the ability in all markets to override any vote decisions, which are based on their custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows them to apply a qualitative overlay to their voting judgement. They have strict monitoring controls to ensure their votes are fully and effectively executed in accordance with their voting policies by their service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform them of rejected votes which require further action.

Schroders

In order to maintain the necessary flexibility to meet client needs, local offices of Schroders may determine a voting policy regarding the securities for which they are responsible, subject to agreement with clients as appropriate, and/or addressing local market issues.

Schroders evaluates voting issues arising at their investee companies and, where it has the authority to do so, vote on them in line with their fiduciary responsibilities in what they deem to be the interests of their clients. Schroders utilises company engagement, internal research, investor views and governance expertise to confirm its intention.

Schroders receives research from both ISS and the Investment Association’s Institutional Voting Information Services (IVIS) for upcoming general meetings, however this is only one component that feeds into its voting decisions. In addition to relying on its policies it will also be informed by company reporting, company engagements, country specific policies, engagements with stakeholders and the views of portfolio managers and analysts.

Implementation Statement (continued)

11.1 Description of the voting processes (continued)

Schroders (continued)

Schroders stresses that its own research is integral to its final voting decision; which will be conducted by both its financial and ESG analysts. For contentious issues, Schroders' Corporate Governance specialists will be in deep dialogue with the relevant analysts and portfolio managers to seek their view and better understand the corporate context.

Schroders reviews its voting practices and policies during their ongoing dialogue with its portfolio managers. This has led it to raise the bar on what it considers 'good governance practice.'

Schroders considers "most significant" votes as those against company management. Schroders are not afraid to oppose management if they believe that doing so is in the best interests of shareholders and their clients. For example, if Schroders believes a proposal diminishes shareholder rights or if remuneration incentives are not aligned with the company's long-term performance and creation of shareholder value. Such votes against will typically follow an engagement and they will inform the company of their intention to vote against before the meeting, along with their rationale. Where there have been ongoing and significant areas of concerns with a company's performance Schroders may choose to vote against individuals on the board. However, as an active fund manager it usually looks to support the management of the companies that it invests in. Where it does not do this, Schroders classifies the vote as significant and will disclose the reason behind this to the company and the public.

It is Schroders' policy to disclose its voting activity publicly. On a monthly basis, it produces a voting report which details how votes were cast, including votes against management and abstentions. While Schroders implements an ESG policy, it does not have a "tick box" approach to voting. It relies on analysis and engagement to determine its voting intention.

Implementation Statement (continued)

12. Summary of voting behaviour over the Plan Year

A summary of voting behaviour over the period is provided in the table below.

	Fund 1	Fund 2	Fund 3
Manager name	LGIM	Schroders	Schroders
Fund name	All World Equity Index Fund	Aviva Managed Fund	Aviva Global Equity Fund
Total size of fund at end of reporting period	£4.3bn	£3.9bn	£0.3bn
Value of Plan assets at end of reporting period	£547.7m	£0.3m	£0.4m
Number of holdings at end of reporting period	4,077	3,357	141
Number of meetings eligible to vote	6,779	30	145
Number of resolutions eligible to vote	70,672	484	2,257
% of resolutions voted	99.9%	100%	98.1%
Of the resolutions on which voted, % voted with management	83.3%	95.0%	90.7%
Of the resolutions on which voted, % voted against management	16.0%	5.0%	9.3%
Of the resolutions on which voted, % abstained from voting	0.8%	0.4%	0.1%
Of the meetings in which the manager voted, % with at least one vote against management	5.6%	46.7%	61.4%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	0.2%	3.5%	4.7%

12.1 Most significant votes over the Plan year

As discussed above, only LGIM has indicated to us what it considers to be the "most significant vote". Commentary on some of the most significant votes over the period is set out below. Please note that this is not an exhaustive list. We have used our discretion to choose "most significant vote" resolutions from those provided by LGIM, aiming to provide a broad range of example resolutions that the Plan's investment managers typically vote on.

Implementation Statement (continued)

12.1 Most significant votes over the Plan Year (continued)

LGIM

- **Qantas Airways Limited, Australia, October 2020.**
    - **Vote:** L&G voted against resolution 3 and supported resolution 4
    - **Summary of resolution:** Resolution 3: Approve participation of Alan Joyce in the Long-Term Incentive Plan; Resolution 4: Approve Remuneration Report.
    - **Rationale:** *The COVID crisis has had an impact on the Australian airline company's financials. In light of this, the company raised significant capital to be able to execute its recovery plan. It also cancelled dividends, terminated employees and accepted government assistance. The circumstances triggered extra scrutiny from L&G as it wanted to ensure the impact of the COVID crisis on the company's stakeholders was appropriately reflected in the executive pay package. In collaboration with our Active Equities team, L&G's Investment Stewardship team engaged with the Head of Investor Relations of the company to express its concerns and understand the company's views. The voting decision ultimately sat with the Investment Stewardship team. L&G supported the remuneration report (resolution 4) given the executive salary cuts, short-term incentive cancellations and the CEO's voluntary decision to defer the vesting of the long-term incentive plan (LTIP), in light of the pandemic. However, its concerns as to the quantum of the 2021 LTIP grant remained, especially given the share price at the date of the grant and the remuneration committee not being able to exercise discretion on LTIPs, which is against best practice. L&G voted against resolution 3 to signal its concerns.*
- **Whitehaven Coal, Australia, October 2020.**
    - **Vote:** For
    - Summary of resolution: Resolution 6: Approve capital protection. Shareholders are asking the company for a report on the potential wind-down of the company's coal operations, with the potential to return increasing amounts of capital to shareholders.

Implementation Statement (continued)

12.1 Most significant votes over the Plan Year (continued)

- **Rationale:** *The role of coal in the future energy mix is increasingly uncertain, due to the competitiveness of renewable energy, as well as increased regulation: in Q4 2020 alone three of Australia's main export markets for coal - Japan, South Korea and China - have announced targets for carbon neutrality around 2050. L&G has publicly advocated for a 'managed decline' for fossil fuel companies, in line with global climate targets, with capital being returned to shareholders instead of spent on diversification and growth projects that risk becoming stranded assets. As the most polluting fossil fuel, the phase-out of coal will be key to reaching these global targets.*

- **Lagardere, France, May 2020.**
  - **Vote:** L&G voted in favour of five of the Amber-proposed candidates (resolutions H,J,K,L,M) and voted off five of the incumbent Lagardere SB directors (resolutions B,C,E,F,G).
  - **Summary of resolution:** Shareholder resolutions A to P. Activist Amber Capital, which owned 16% of the share capital at the time of engagement, proposed 8 new directors to the Supervisory Board (SB) of Lagardere, as well as to remove all the incumbent directors (apart from two 2019 appointments).
  - **Rationale:** *Proposals by Amber were due to the opinion that the company strategy was not creating value for shareholders, that the board members were not sufficiently challenging management on strategic decisions, and for various governance failures. The company continues to have a commandite structure; a limited partnership, which means that the managing partner has a tight grip on the company, despite only having 7 % share capital and 11% voting rights. L&G engages with companies on their strategies, any lack of challenge to these, and with governance concerns. The company strategy had not been value-enhancing and the governance structure of the company was not allowing the SB to challenge management on this. Where there is a proxy contest, L&G engages with both the activist and the company to understand both perspectives. L&G engaged with both Amber Capital, where it was able to speak to the proposed new SB Chair, and also Lagardere, where it spoke to the incumbent SB Chair. This allowed L&G to gain direct perspectives from the individual charged with ensuring their board includes the right individuals to challenge management.*

Implementation Statement (continued)

12.1 Most significant votes over the Plan Year (continued)

- **Pearson, United Kingdom, September 2020.**
    - **Vote:** Against
    - **Summary of resolution:** 'Resolution 1: Amend remuneration policy' was proposed at the company's special shareholder meeting, held on 18 September 2020.
    - **Rationale:** *Pearson issued a series of profit warnings under its previous CEO. Yet shareholders have been continuously supportive of the company, believing that there is much value to be gained from new leadership and a fresh approach to their strategy. However, the company decided to put forward an all-or-nothing proposal in the form of an amendment to the company's remuneration policy. This resolution at the extraordinary general meeting (EGM) was seeking shareholder approval for the grant of a co-investment award, an unusual step for a UK company, yet if this resolution was not passed the company confirmed that the proposed new CEO would not take up the CEO role. This is an unusual approach and many shareholders felt backed into a corner, whereby they were keen for the company to appoint a new CEO, but were not happy with the plan being proposed. However, shareholders were not able to vote separately on the two distinctly different items, and felt forced to accept a less-than-ideal remuneration structure for the new CEO. L&G spoke with the chair of the board earlier this year, on the board's succession plans and progress for the new CEO. L&G also discussed the shortcomings of the company's current remuneration policy. L&G also spoke with the chair directly before the EGM, and relayed its concerns that the performance conditions were weak and should be re-visited, to strengthen the financial underpinning of the new CEO's award. L&G also asked that the post-exit shareholding requirements were reviewed to be brought into line with its expectations for UK companies. In the absence of any changes, L&G took the decision to vote against the amendment to the remuneration policy.*

- **Barclays, United Kingdom, May 2020.**
    - **Vote:** L&G voted for resolution 29, proposed by Barclays and for resolution 30, proposed by ShareAction.
    - **Summary of resolution:** Resolution 29: Approve Barclays' Commitment in Tackling Climate Change; Resolution 30: Approve ShareAction Requisitioned Resolution.

Implementation Statement (continued)

12.1 Most significant votes over the Plan Year (continued)

- **Rationale:** *The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers. We are particularly grateful to the Investor Forum for the significant role it played in coordinating this outcome.*

- **Medtronic plc, US, December 2020.**
    - **Vote:** Against
    - **Summary of resolution:** Resolution 3: Advisory Vote to Ratify Named Executive Officers' Compensation.
    - **Rationale:** *Following the end of the financial year, executive directors were granted a special, one-off award of stock options to compensate for no bonus being paid out during the financial year. L&G voted against the one-off payment as we are not supportive of one-off awards in general and in particular when these are awarded to compensate for a payment for which the performance criterion/criteria were not met. Prior to the AGM L&G engaged with the company and clearly communicated its concerns over one-off payments.*

- **Plus 500 ltd., Israel, September 2020.**
    - **Vote:** L&G voted against the special bonus based on the belief that such transaction bonuses do not align with the achievement of pre-set targets. Separately, L&G also voted against an amendment to the company's remuneration policy, which continues to allow for the flexibility to make one-off awards and offers long-term incentives that remain outside best market practice in terms of long-term performance alignment.
    - **Summary of resolution:** 'Resolution 17: Approve Special Bonus Payment to CFO Elad Even-Chen' at the company's special shareholder meeting held on 16 September 2020.

Implementation Statement (continued)

12.1 Most significant votes over the Plan Year (continued)

- **Rationale:** *At its AGM on 16 September 2020, Plus500 proposed a number of pay-related proposals for shareholder approval. Amongst these, the board recommended the approval of a substantial discretionary bonus offered to the CFO of around $1.2 million, for his successful work with Israeli tax authorities over a number of years, resulting in a significant tax-saving for shareholders. The bonus is in addition to his annual variable pay and outside the normal bonus structure. L&G does not support one-off discretionary bonuses (or transaction bonuses) as these are not within the approved policy to reward the achievement of pre-set targets. Moreover, discussions with tax authorities and the obtaining of preferential tax structures for the company are seen as part of a CFO's day-to-day job and should not be remunerated separately. Instead, a preferential tax treatment will benefit future performance and will therefore be rewarded within annual bonus and long-term incentives in future performance years.*