Bayer CropScience Limited

65th Annual Report
2022-23

Science for Better

On the Annual Report cover:

Bayer is at the forefront of leading positive change in the areas of digitization, collectivization and sustainability in agriculture. Aligned with the nation's vision, the Company is focused on scaling up and introducing new interventions, with a gender-smart approach, to benefit millions of smallholders, promote women in agriculture and make Indian agriculture globally competitive.

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To view the Annual Report online, please visit:
https://www.bayer.in/en/investors/annual-reports

Introduction

India's growth story is closely linked to that of Indian agriculture with a substantial contribution of over 16.5% to the national Gross Domestic Product (GDP) and nearly ~58% of the population employed in the agri sector. The criticality of this connection is becoming even more important with rising concerns around food security, climate change and geopolitical dynamics. The good news is that Indian agriculture is on a growth trajectory with a consistent growth rate of 4.6 % over the last 6 years and concerted efforts by the Government, at the central and state levels, to ensure forward momentum and empower our 150 million plus smallholder farmers economically.

Addressing the needs of smallholder farmers and a growing population in India comes with its own set of challenges The inherent challenges persist and addressing those would further add momentum to the agri-growth trajectory:

Increasing labour shortage

- Aging farmer population
- Lack of interest among the rural youth to undertake farming

Agronomy gap persists

Market linkages and price volatility

Access to credit and quality inputs

- Limited financing options through formal sources for farm credit
- Limited options for equipment financing

Scaling up of digital infrastructure

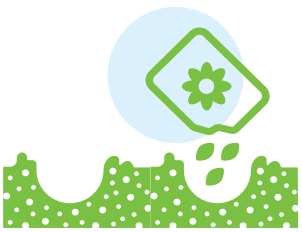
- Fragmented tools and platforms by Govt as well as private players
- Lack of comprehensive insights generation because of fragmented reach

Lack of mechanization

40% Mechanization % in India against ~95 % in US, ~75% in Brazil and ~60% in China

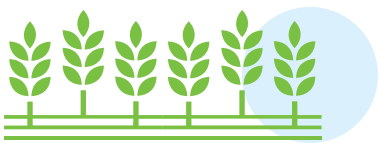
Water scarcity and inefficient water management

Depleting soil health



Low yields

2-4 tonnes/hectare yield in India against an average of ~12 tonnes/ hectare yield of Asian countries



Adoption of sustainable agriculture practices

0.7 MtCO2e total agricultural emissions in India - largest contributor globally

However, these challenges are giving rise to a slew of opportunities for the entire agri-sector at large. There is tremendous value waiting to be unlocked when it comes to Indian agriculture and this transformation is facilitated by:

An enabling policy environment focused on doubling farmers' income e.g. biotech, digitization, access to credit, collectivization through FPOs, etc.	Evolving consumer needs	Strengthening grower collectivization and supporting farmer collectives to evolve as profitable and self-reliant business entities	Growing eco-system of value chain linkages	Advances in services and digital tech – IoT, AI, growing startup ecosystem, digitization, etc

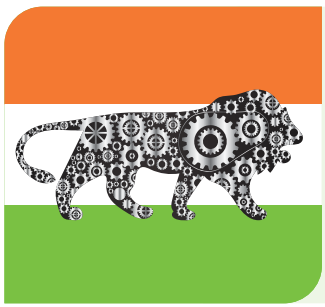
The Indian agriculture market value stood at $ 435.9 billion by 2022 and is expected to reach $ 580.82 billion by 2028, growing at a CAGR of around 4.9% between 2023 and 2028. These key emerging and evolving trends are poised to propel Indian agriculture to the next level.

Digitization & Mechanization

- Access to data and improving farm practices
- Bringing in efficiencies in farm operations

Decarbonization of agriculture and sustainability

- Addressing climate change imperatives and growing customer needs



Make in India and exports focus

- Growing agri exports from $40 Bn to $100 Bn
- Impetus to Food pressing segment

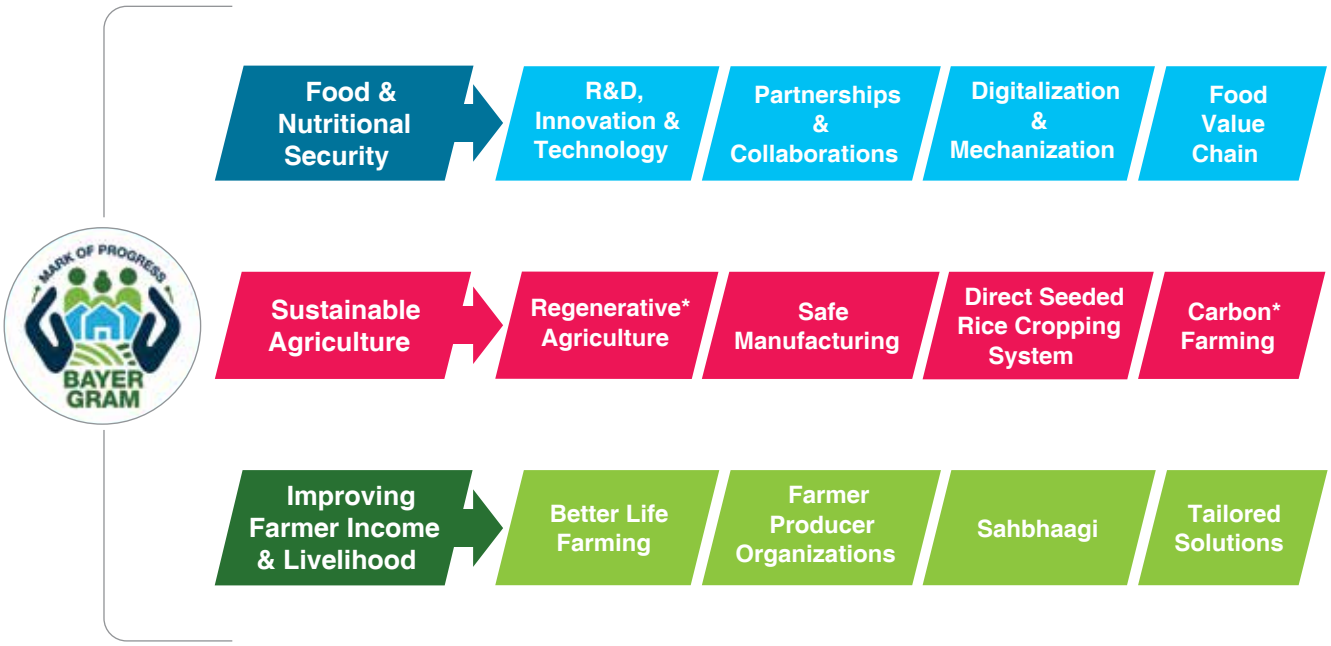
Greater push to collectivize and create value chain linkages

- Focus on growing FPOs and other market linkages

Focus of nutritional security

- Focus on high nutritional segments

Unlocking the next great transformation of Indian agriculture will require all stakeholders to come together. Being able to address the food security need is one side of the coin but doing it sustainably is what will define the next few decades. Recognizing this need, Bayer has been identifying and creating synergies with like-minded industry stakeholders over the past few years to develop this collaborative ecosystem, whether it is through the Better Life Farming Alliance or the Food value chain partnerships or partnering with the Government and academia on multiple fronts wherein each partner is leveraging their expertise and strengths to collectively deliver greater value to the most underserved of them all, the smallholder farmers of India.



A **COLLABORATIVE ECOSYSTEM** to solve for agriculture's biggest challenges

In a nutshell, our efforts are closely linked to that of national priorities, and we are committed to maximizing the potential of existing coalitions and creating new ones to empower farmers with the best tools and solutions, so they can achieve better harvests using fewer resources (water, land and energy) thereby creating a win-win scenario for the planet and its people.

Some of the ways in which we are facilitating the three key imperatives of improving farmer livelihoods, food and nutritional security and sustainable agriculture are outlined in the next few pages.

Bayer Innovation Hub

Accelerating access to innovation to help enhance farmer productivity

At Bayer, we are highly committed to accelerating breakthrough innovations in agriculture to improve the productivity and profitability of smallholders. With an aim to foster and implement new technologies and strategies that increase efficiency, conserve resources and significantly improve the lives of farmers and consumers, Bayer inaugurated its first Innovation Hub in India in Bengaluru. The Innovation Hub is leveraged to screen early-phase compounds in order to speed up the development of innovative solutions for addressing agricultural challenges for Indian farmers. The Hub plays a crucial role in shaping the future of Indian agriculture and has capabilities to integrate drone application technology, digital tools including IoT devices, modern crop protection research capabilities & sustainable agricultural practices.

Further, contributing to sustainable development, the Innovation Hub supports solar-powered infrastructure to take care of its energy requirements sustainably. All equipment and operations, at the Innovation Hub are powered by a solar panel which enables the site to strengthen our contribution towards the objective of reducing our carbon footprint.

Key features of the Innovation Hub include:

- its vantage location where several functions collaborate to develop tailored solutions in different crops to offer sustainable solutions for smallholder farmers.
- its state-of-the-art capabilities of incorporating modern technologies, such as drones and digital tools such as Weather Stations, Soil Probe Sensors & Digital Pest Monitoring System that help to usher into the next leg of sustainable growth and the rise of precision agriculture. These technologies when clubbed with agricultural innovations can thus shape the roadmap for sustainable farming in India while strengthening food security.
- An opportunity for outreach and knowledge sharing to enhance crop knowledge among our internal and external stakeholders.

FarmRise Digital Platform

Better tools bring better outcomes

FarmRise uses satellite imagery and weather data to give farmers real-time information about crop health, weather forecasts, pest and disease outbreaks.

Bayer CropScience Limited initiated an online to offline/offline to online (O2O) strategy by launching FarmRise.