Bayer’s acquisition of Monsanto

“A critical evaluation of Bayer's Financial Communication during the crisis in the post-acquisition phase”

by

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Master’s Thesis

Finance & Strategic Management
Supervision: Jens Gregersen
Date of submission: 16th of September 2019

Number of pages: 75
Character count: 187,455
Student number: 107079
Abstract

Within a company, the department of investor relations covers the task of financial communication. Effective financial communication bridges the gap between the company’s top management and investment decisions makers. Financial communication is concerned with more than financial figures and data, especially because the usage of language plays a key role in building an organization’s image, reputation, credibility and confidence. In the course of Bayer’s acquisition of Monsanto in June 2018, deficiencies in the usage of financial communication became evident. In fact, from August 2018 onwards the company’s stock price has suffered a steady decline. This is mainly due to thousands of law suit claims arising in connection with Monsanto’s best-selling product Roundup and its controversial component glyphosate. Bayer’s statements related to these legal cases showed little effects to turn the negative trend of stock price erosion around.

Bayer executives and board members who were responsible for the acquisition might be accused to have underestimated the legal and reputational risks the acquisition would bear on image, reputation and investor's trust. Not to mention whether the single-minded focus on business synergy effects and potential cost savings was a huge mistake that left out a more holistic view of all related risks in the context of the acquisition. However, during the annual general shareholder meeting in April 2019, no self-doubt could be identified at top-management level. That shows the striking dilemma of inappropriate financial communication. Critical Discourse Analysis of the CEO’s speech brings further light into the issue, why Bayer has not managed to improve investors’ trust and escape the crisis through its financial communication. Bayer’s top management should better analyse how to set a new business strategy and communicate more credibly that it is serious about Roundup’s hazards and liability compensation payments, as well as developing glyphosate alternatives in order to restore the trust of a broad public and of all stakeholders.

Keywords: financial communication, investor relations, company crisis, image, reputation, investor’s trust, CSR, organisational legitimacy, Critical Discourse Analysis
ACKNOWLEDGEMENT

The completion of this Master Thesis depicts the end of my academic journey. Countless hours of late night studies, reading academic articles, writing scientific papers and delivering presentations lie behind me now.

While, I will certainly miss the inspirational and exciting time I had during my studies and especially at CBS I am just as thrilled to start a new chapter in my life.

I would like to take this opportunity to thank several people.

Firstly, I would like to thank my supervisor Jens Gregersen, who was excited about my topic and eager to support me from the beginning. Thank you for always lending a sympathetic ear to me and helping me through the completion of my master’s thesis.

I would also like to thank my family, friends and housemates for bearing with me during the ups and downs of this thesis.

From the bottom of my heart – Thank you!

Copenhagen, 16.09.2019
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1 Introduction

This master’s thesis will investigate the role of financial communication in the event of an enduring corporate crisis. More specifically, applied to the case of Bayer’s acquisition of Monsanto, which ended in a financial and credibility disaster.

1.1 Motivation and Problem Statement

Bayer AG’s multidimensional loss of trust and value after the acquisition of Monsanto, the American manufacturer of the controversial crop herbicide Roundup, is unique in Germany and needs deeper analysis. Within the last ten months since Bayer completed the acquisition of Monsanto on June 7, 2018, Bayer has been flooded with product claims and court cases, which sum up to 13,400 by April 2019 (Atkins, 2019). Just three cases have been decided by the first court instance, already creating potential damage payment of approximately US$ 2.3 billion. In the latest case on a stand-alone basis, Bayer has been condemned to pay a compensation of US$ 2 billion (Baum & Hedlund, 2019; Pigden, 2019; Burger, Busvine et al., 2018). In the eyes of the jury, Monsanto’s key product Roundup, which contains glyphosate, is assumed to be carcinogenic and thus caused the plaintiffs’ cancer disease. Bayer directly appealed to this decision by denying any errors and unilaterally placed their trust on attorney’s clearance and scientific reports, saying that they will vigorously defend those cases and all upcoming cases. This path can endure years, but success for Bayer is far from guaranteed (Burger, Busvine et al., 2018).

Several institutional investors, individuals as well as news agencies state that it seems that health and corporate social responsibility (CSR) criteria have not been sufficiently weighted in Bayer’s purchase decision. Bayer appears as having totally underestimated the factor of physical health of involved people and sustainability. While these are some possible explanations for Bayer’s crisis to start with, this master’s thesis further investigates if these factors are exhaustive for explaining the negative effect on Bayer’s image, trust and credibility. In fact, this is a disaster for Bayer because this company had for decades an absolutely outstanding reputation (Atkins, 2019). Oppositely, Monsanto already had had a strictly negative reputation for years due to the reduction of biodiversity induced by their genetically modified crops (GMC), the creation of monocultures and the manipulation of agriculture policies in developing countries (Cobb, 2018). Consequently, there have been numerous investigative
journalism activities concerning Monsanto’s practices (Cobb, 2018). This induced media to convey criticism about Bayer’s decision and also conduct its own investigations.

In the last years, and especially within the last months one can clearly observe that society trends are moving towards more environmental consciousness, where people support the green movement and participate in demonstrations (e.g. Fridays for Future) (Yoon-Hendricks, 2018; Alkousaa & MacSwan, 2019). Around the world, various publics are rising up to challenge institutions, companies and governments to deliver a more equitable and sustainable society (Beatty et al., 2019; Brackley & York, 2019). This means companies need to reassess the environmental and social impact of their core products and services and shift their business models towards generating long-term value for society if they are to keep up with shifting consumer expectations. Thus, at this point, the following questions arise: if these trends also impacted Bayer and how Bayer can adapt its strategy and financial communication initiatives to these developments in order to fulfil stakeholder demands and maintain organisational legitimacy.

Is it possible that Bayer put low priority on these developments with the acquisition of Monsanto, continued with the sale of glyphosate and as a consequence, Bayer has to deal with a weakened public image now? What’s clear is that the acquisition of Monsanto caused the following three types of crises: first, sustainable finance has increasingly become a criterion for purchase of shares for many corporate and private investors and the acquisition of Monsanto causes some investors to pursue an exit strategy and sell their shares, which results in a drop of share price and created the financial crisis. In case of further share price drops, Bayer might become the target of potential take-overs (Dohmen et al., 2019; Patton & Pullin, 2018). Second, it is not clear which law suits will realize, however, it is clear that there are thousands of legal claims that potentially could further deteriorate Bayer’s financial health. Up to now, Bayer has created accruals of EUR 600 million only for lawyers and process costs but they have not at all created accruals for potential damage costs, which could reach tens of billion euros (Burger, Busvine et al., 2018). Moreover, there are several countries who already forbade the use of glyphosate and the list is expanding, creating another operational risk (Cotton et al., 2019). And third, beyond this financial and operational crisis, Bayer is also facing a reputational crisis as Monsanto’s terribly bad image has spilled over on Bayer (Dohmen et al., 2019). Shareholders voice their concerns and criticism, asking for more transparency and a change of action.
The three types of crises cited above are interconnected and reinforce each other, and the market expectations are adjusting according to these tremendous risks and the stock price kept on falling for months (Atkins, 2019). Bayer’s market value on 7 June 2018 was US$ 113 billion and after Monsanto was purchased for US$ 63 billion, Bayer’s market value on April 26, 2019 dropped to US$ 63 billion (Pigden, 2019; Burger, Sheahan et al., 2018). Thus, Bayer has lost around half of its value in market capitalization since the acquisition of Monsanto in the summer of 2018 and is now worth just as much as it spent on Monsanto. (see graph below)

![Figure 1: Bayer’s share price development from February 2016 to April 2019](image)


While Bayer’s newly acquired daughter company becomes increasingly a multidimensional risk, Bayer’s management insists to be certain to win the case in the appeal process in the next instance of the U.S legal system. In its argumentation, Bayer relies on hundreds of studies, according to which glyphosate is safe when applied appropriately. Moreover, the company refers to the evaluation of the Environmental Protection Agency (EPA) and other regulatory authorities, which also reached the conclusion that glyphosate is safe and not carcinogenic if used properly. Bayer is confident to convince with its arguments in higher instances at the court of appeal (Baumann, 2019). However, shareholders and stakeholders do not appreciate how Bayer handles the current issues and find the current financial communication tactics of Bayer cannot establish trust into the company’s future (Dohmen et al., 2019; Becker, 2019). It
becomes evident that there is a large gap between the image that Bayer’s investor relations tries to create of Bayer and the perception of Bayer by the shareholders and other stakeholders.

As a consequence, during the annual shareholder meeting on April 26, 2019 the top management did not get relieved. The management board of the pharmaceuticals and crop science group lost the vote of shareholder confidence at its annual general meeting for the first time in German DAX history (Atkins, 2019). This has no bearing on management liability but it is a key indicator of shareholder sentiment and is a symbolic vote of confidence.

1.2 The rationale behind Bayer’s acquisition of Monsanto

In the third quarter of 2015, the former CEO of Bayer, Mr. Wenning, instructed the executive board to examine all options for possible partnerships and acquisitions and Bayer intensified interest in acquiring Monsanto. At that time, the agricultural industry was quickly consolidating (Bray, 2016). It was clear that a few large producers would ultimately dominate the market and Bayer was left with the question: “How are we going to deal with the consolidation in the agricultural market?”; Wenning explained (Dohmen et al., 2019). Syngenta merged with Chemchina in 2017 and Dow Chemical with Dupont in 2017 (Patton & Pullin, 2018; Pigden, 2019). Hence, executives at Bayer felt forced to act. At one point, Monsanto even considered merging the two agricultural businesses of Bayer and Monsanto under Monsanto's leadership. Bayer’s board of directors then turned the tables and began due diligence in 2016 (Schuetze & Sheahan, 2016).

With the agriculture industry rapidly consolidating, Monsanto’s price was inflating. Thus, Bayer had to keep raising its offer, with Monsanto finally agreeing in September 2016 to an all-cash US$ 63 billion deal with a 44% premium and a US$ 2 billion breakup fee. (Atkins, 2019) The U.S. regulators only approved the deal nearly two years later, after several divestments had been made, ordering Bayer to sell US$ 9 billion in assets (Rains, 2018). As a consequence, 12,000 job cuts were announced, mostly in Germany (Teitelman, 2019; Buck et al., 2018).

Bayer was a renowned chemical and drug giant most famous in the U.S. for Bayer aspirin. In Monsanto, it was chasing a savvy, M&A- and research-and-development-driven company with major global seed and farm-chemicals businesses (Teitelman, 2019). The deal is the latest mega-merger aimed at reshaping the agribusiness and chemical sectors (Smith & Schneider, 2018). From a purely strategic viewpoint, the deal appeared very promising. Food production
is a future market because the world population is growing rapidly, especially in Africa and South America (Bayer AG, 2019). Monsanto is especially strong in these regions, having a research base, which is appraised as excellent by experts of the industry. Hence, the transaction combined two different, but highly complementary businesses and the united business will benefit from it. Bayer, which is strongest in Asia and Europe, is thus expected to gain from Monsanto’s expertise in agriculture and leadership in seeds, with major activities in Africa and South America (Forneck et al., 2016).

On June 7, 2018 Bayer acquired 100% of the outstanding shares of Monsanto Company. As described above, in Bayer’s opinion the acquisition of Monsanto brought together two strong and highly complementary businesses: Bayer’s innovative chemical and biological crop protection portfolio and Monsanto’s exceptional expertise in the field of seeds and traits (Bayer Group, 2019). As a result of the acquisition, Bayer obtained access to new technologies to grow plants as well as to genetically modified (GM) crops, which are highly controversial in Europe (Pigden, 2019). In contrast to these mentioned opportunities, stands the enormous process risk of product claims regarding Monsanto’s weed killer Roundup, containing glyphosate which is accused of causing cancer (Atkins, 2019). It is remarkable that the number of product harm law suits rose tremendously just after the acquisition was completed (Burger, Busvine et al., 2018). Today, the costs for potential damage compensations and penalties are not foreseeable and investors are worried.

Bayer executives have tried to reassure shareholders in a variety of ways: the company is selling off parts of the company, cutting huge numbers of jobs and has even announced the repurchase of its own shares (Rains, 2018; Burger, Sheahan et al., 2018; Dohmen et al., 2019). At the beginning of this year, Bayer engaged Mr. Berninger, former politician of the Green Party in Germany. He now leads the newly established ‘public affairs and sustainability’ department and is supposed to create more outward transparency. He reports directly to CEO and Chairman of the Bayer Board of Management Werner Bauman (Dohmen et al., 2019). However, none of these measures have had the desired effect to improve the credibility so far, and ease stakeholders’ fears and concerns.

1.3 Bayer’s company appearance and perception

Bayer is a global enterprise with core competencies in the Life Science fields of pharmaceuticals, health care and agriculture, headquartered in Leverkusen, Germany. Its products and services are
designed to benefit people and improve their quality of life. At the same time, the company aims to create value for customers, stockholders and employees through innovation, growth and high earning power. At its core, Bayer claims to be deeply committed to the principles of sustainable development and to its social and ethical responsibilities as a corporate citizen. In fiscal 2018, the corporation employed around 117,000 people and had sales of EUR 39.6 billion, net income of EUR 1.7 billion and R&D expenses to EUR 2.3 billion (Bayer AG, 2019). For decades, Bayer’s reputation in Germany and worldwide had been approved by society and the stock market and showed top scores in image value (Atkins, 2019). In September 2016, Bayer finalized a deal to take over Monsanto. The acquisition was completed on June 7, 2018.

1.4 Monsanto’s company presentation and perception

Monsanto is an agricultural company specialized on genetically engineered seeds, headquartered in St. Louis, Missouri. The company is committed to bringing a broad range of solutions to help nourish the growing world population. Through programs and partnerships, they collaborate with farmers, researchers, non-profit organizations, universities and others to help tackle some of the world’s biggest challenges (Forneck et al., 2016). Monsanto produces seeds for fruits, vegetables and key crops such as corn, soybeans, and cotton (Pigden, 2019). Moreover, Monsanto’s key product Roundup is an herbicide that contains glyphosate, which some experts claim to be carcinogenic (Cobb, 2018). Monsanto on the other hand claims to help farmers have better harvests while using water and other important resources more efficiently (Forneck et al., 2016). Since Monsanto developed genetically modified types of crops that are less affected by it, Roundup has been used even more intensively (Pigden, 2019). The R&D department of Monsanto works to find sustainable solutions for soil health, help farmers use data to improve farming practices and conserve natural resources, and provide crop protection products to minimize damage from pests and disease (Forneck et al., 2016). Monsanto’s R&D expenses in 2017 amounted US$ 1.6 billion. In 2017, Monsanto reported net sales of US$ 14.6 billion and net income of US$ 2.3 billion (Monsanto Company, 2018).

The above description of Monsanto is based mainly on their annual report, which is especially positive. Including some negative claims about Monsanto allows to put Monsanto’s own claims into perspective, and thus allows for a more balanced description. Monsanto’s own claims are clearly contradictory to its public image. Overall, Monsanto is accused of damaging health of humans, animals and plants, causing irreversible environmental pollution and monopolistic tendencies by introducing patents and trade mark legislations on their GMC (Cobb, 2018).
Furthermore, some critics claim that Monsanto is pushing farmers into unfair dependencies by forcing them to source strictly the Monsanto pesticides, which seem to be highly unhealthy (Burger, Sheahan et al., 2018).

1.5 Research Objective and Question

The purpose of the investigation is to uncover and explain how Bayer’s acquisition of Monsanto turned into a crisis and to what extent top-executives can use financial communication as a strategic tool to help Bayer to regain trust of investors. Ultimately, the insights may be used to indicate a way out of the current crisis for Bayer. On the basis of Bayer’s acquisition of Monsanto, which resulted in a loss of trust of stakeholders, this research will seek to answer the following question:

“Why did Bayer fail to restore the trust of its shareholders in the context of CEO Baumann’s speech during the annual shareholder meeting on April 26, 2019?”

The objective of this thesis is to determine the factors that influence Bayer’s loss of credibility and investigate whether top executives can restore investors’ and stakeholders’ trust by simply “talking the company image well”. The concluding insights will be used to evaluate the effectiveness of Bayer’s financial communication tactics and offer a recommendation.

2 Limitations

My master’s thesis is limited by several factors. Firstly, I am bound by time constraints due to a submission deadline on September 15, 2019. Hence, this master’s thesis is limited to the two-way communication that took place between Bayer and stakeholders including investors, non-governmental organisations and media, in a time frame of about ten months from the time of the completed acquisition on June 7, 2018 to the date of the annual general shareholder meeting on April 26, 2019. As a result, I am not able to draw any conclusion on the possibility that the found factors are finally decisive for the company’s success as they may change over a longer period of time, which extends outside of the time frame of this analysis. The case of Bayer is ongoing; however, this master’s thesis is based on a snapshot of Bayer’s financial communication up until April 26, 2019. This master’s thesis includes an evaluation of Bayer’s acquisition of Monsanto and the impact of product liability claims of Roundup which can be proved right or wrong in the future, or be solved with a compensation agreement. I chose April
26, 2019 as the cut-off date because, in my opinion, the annual shareholder meeting in my opinion depicts a peak in Bayer’s struggle with many open questions from the side of stakeholders. Bayer had to act. Stakeholders were awaiting an appropriate response from Bayer that would accommodate all fears and concerns which aroused over the period of the last 10 months. CEO Baumann’s speech addressed to a large extent the issues of Monsanto’s allegedly health damaging product ingredient glyphosate and how Bayer will tackle the problems. The speech can be seen as an extensive statement of Bayer in response to the previous incidents, for which stakeholders expected a management solution. Thus, I decided not to look at all of Bayer’s financial communication but only at a single communication product also because further analysis was not feasible in the given time-frame.

3 Research Philosophy

To provide a fulfilling answer to such a research question that this master’s thesis seeks to answer, one must thoroughly choose the philosophy that will be adopted, beforehand. This has been highlighted by Saunders et al. (2008) who state that the “development of knowledge and the nature of that knowledge” with the ambition of enlightening a specific problem must be guided by a research philosophy.

The importance is underlined by the argument that the chosen research philosophy will not only influence the perspective on reality but hereby also the strategy the researcher will follow and the methods that the researcher will use for his investigation. However, Saunders et al. (2008) also admit that the applied strategy and methods being applied will seldom be in perfect conformity with one philosophy. Nonetheless, the adoption of a philosophy in this case serves as a guiding light and will inevitably influence the choices I make underway. Thus, I find it of utmost importance to reflect on the choice of philosophy.

In the following sections, the thoughts and choices in regards to my overall research paradigm, as well as the research ontology and epistemology of this master’s thesis, will be explained. While these choices, as explained above, have a clear and direct impact on the methodological choices of research, they will be addressed in section 4.0.
3.1 Research Paradigm

As Mackenzie & Knipe (2006) argue, if the researchers do not nominate a research paradigm in the first place, “there is no basis for subsequent choices regarding methodology, methods, literature or research design” (p. 2). Saunders et al. (2008) define the understanding of a paradigm as a way of researching “social phenomena from which particular understandings of these phenomena can be gained and explanations attempted” (p. 118). Subsequently, a research paradigm is here understood as an overall approach to researching a particular problem from which particular understandings and explanations can be derived. While literature suggests a range of existing paradigms and how important they are, Mackenzie & Knipe (2006) admit that unexperienced researchers might easily be confused. Thus, they present a list of the more common paradigms; post-positivist and positivist, interpretivist/constructivist, pragmatic etc. Saunders et al. (2008) adds to the list the realist paradigm. The realist perspective assumes the existence of a single reality that is independent of any observer. Yin (2014) further adds to this list the relativist paradigm. He argues that a case study research can excel in accommodating a relativist perspective. Relativists seek to understand that different people can have different views about what’s moral and immoral. In other words, the relativist perspective acknowledges multiple realities with multiple meanings and findings that are observer dependent. Hence, relativism is the belief that there’s no absolute truth, but only the truths that a particular individual or society happen to believe.

Analysing the Bayer/Monsanto case with numerous stakeholders, this paradigm is perfectly applicable in order to derive a balanced evaluation of the highly complex cause-effect relations in Bayer’s management dilemma. The researcher must thus be sensitive in his approach. He should try to view the situation being studied from different actors’ perspective (Yin, 2014). For example, some stakeholders might see CSR different than Bayer’s CEO. However, regardless of how well one argues for the decision of a preference in paradigms, there is no such thing as a definite “correct” choice, because it ultimately relies on belief and confidence (Guba & Lincoln, 1994). With that said, one can argue that in each specific research, an advantageous choice of paradigm exists that benefits some researchers more than others.

For the type of research conducted within this master’s thesis, I committed to the relativistic and interpretivist paradigms. Interpretivists seek to comprehend the differences between human beings and their actions. The researchers must consequently be empathetic in their approach and try to view the situation being studied from the viewpoint of different players, here the
various stakeholders (e.g. shareholders, investors, NGOs, media etc.) involved in this case (Saunders et al., 2008). The interpretivist approach thus suggests that the reality is socially constructed and tends to rely upon the players’ views of the social phenomenon.

Interpretivists will usually be inclined to use qualitative methods (Mackenzie & Knipe, 2006). This allows the researcher to achieve a deep understanding of how the players view the phenomenon in question, ultimately creating the best environment for a researcher to understand and differentiate between the players. In the case of this research and its goal, the interpretivist in combination with the relativist approach is found to be the most appropriate.

3.2 Ontology

When writing a master’s thesis and deciding on one’s research philosophy, it is important to be clear in defining what is thought to be “real”. That is, what is the ontology of this master’s thesis? Generally, ontology is defined as either being objective or subjective. Objectivism, in this regard, is understood as the belief that reality is construed by social institutions and authorities, which exist externally to other social players, thus seeing social constructs as structured and fixed. Saunders et al. (2008) support this with the argument that the objectivist would view management of an organization as a clearly defined position with exact duties, operating procedures and formal structures. Management is in this sense considered to be pretty much the same in any organization one chooses to look at, therefore somewhat creating a code of what management is. Subjectivism, on the other hand, proposes that reality is made from the being of each social entity and the co-existence and co-influence between him and other social players (Saunders et al., 2008). Regarding the prior example, the subjectivist would then claim that while managers from different companies might share some of the same duties, procedures and structures, they still interact with employees and stakeholders in contexts that are undoubtedly different from other companies. Thus, what depicts a manager’s reality is subjective and must be defined in each case.

Following the interpretivist paradigm, the ontology in this research is consequently addressed with a subjectivist approach. By this, I take upon a responsibility to understand the “subjective reality of the players in order to be able to make sense of and understand their motives, actions and intentions in a way that is meaningful” (Saunders et al., 2008, p. 111). Therefore, the task for me as researcher is accordingly, to define a research design that will enable the investigation of the players’ stand points in relation to the phenomenon in question. This means that whatever
choices I make must be supportive of the belief that “reality” unfolds from the interplay between social entities and social actors. From such construction, data or knowledge must be derived and analysed while keeping in mind that truth is determined in what is said by the players (here the stakeholders).

3.3 Epistemology

The main question within epistemology in this case is what determines an acceptable ‘truth’. In other words, what is accepted as valid knowledge in the understanding of our reality? (Saunders et al., 2008). A true interpretivist would claim that any attempt at generalizing across different players, or creating principles, in order to simplify or generalize complex matters will certainly leave out valuable knowledge, and thus not be fully true. It could be argued that such radical standpoint is not necessarily appropriate in any situation. However, I am, in this research, still influenced by that chain of thoughts when I argue that here, valid truth unfolds from the interplay between the players and their role in regard to the phenomenon in question. The ‘real’ is, hence a mixture of subjectively and locally established beliefs. Consequently, none of them can be considered as more or less real, than the other, but rather “some are simply more or less informed and/or sophisticated” (Guba & Lincoln, 1994, p. 111). In exemplifying this, Saunders et al. (2008) mention a theatre play in which everyone plays a role that they themselves interpret and act in accordance with the given meaning as well as in accordance with the others in the play. The ‘real’ here is the overall play, the combination of interpretations and behaviour of the different actors. In the case of this research, what is ‘real’ is thus the interpretation of the knowledge or data, which unfolds from the empirical evidence. The findings that come from this research must then not be considered as an attempt to draw definite principles, but instead must be seen as a reflection of what is ‘real’ based on the interpretation of the underlying meanings that are found in the context of this specific study.

4 Methodology

In the forthcoming section, I will address the methodological tools that I used in order to best provide new empirical knowledge to this specific field of research, the research of opportunities and constraints when applying financial communication to restore reputation and trust.
4.1 Research Approach

Overall, the following three research purposes exist: descriptive, explanatory, and exploratory (Saunders et al., 2008). The first, the descriptive study, rather seeks to convey an accurate image of a particular phenomenon, individual, group or situation in question. While the end goal of a descriptive study can potentially still be unclear, it is most commonly used as an extension or an add-on to an either exploratory or explanatory research (Kohtari, 2004; Saunders et al., 2008). The second, an explanatory study, has the goal to explain cause and effect linkages of a specific context. Saunders et al. (2008) explain it as “studying a situation or a problem in order to explain the relationships between variables” (p. 140). The third, an exploratory study, is defined by the researcher’s desire to “gain familiarity with a phenomenon or to achieve new insights into it” (Kohtari, 2004, p. 2). While it can be argued that the descriptive approach provides the necessary holistic picture for explaining the current multidimensional crisis of Bayer, I believe there is a further necessity for an examination of cause-effect linkages in order to elaborate a valid analysis result.

Therefore, my research approach will be of a descriptive and explanatory nature. The purpose of the research in this master’s thesis is to highlight the causalities, which created Bayer’s crisis, and to explain why CEO Baumann was not successful to restore trust with his speech on this background. This is coherent with my problem statement and research question.

4.2 Research Strategy

Keeping the explanatory research approach in mind, I am looking for the best suiting research strategy in order to answer my research question. Saunders et al. (2008) define seven different research strategies but acknowledge that the use of one does exclude the use another. The important part here is to understand which research strategy will provide the best possibilities to answer my research question. Therefore, the choice of strategy will be guided by the research question. Out of the different types of research strategies including experiments, surveys, case studies, ethnography, grounded theory, action research and archival research, I will follow the case studies strategy.

I acknowledge that the choice of the research method is of great importance, because it will ultimately provide the empirical evidence needed to offer a profound and valid answer to the research question.
4.3 Research Method

Several forms of social science research include experiments, surveys, histories, case studies and archival analysis such as economic or statistical modelling.

According to Yin (2014) the research method of a case study, rather than e.g. a survey or a history, is the most appropriate choice in this analysis because it enables to better understand the complexities of individual, organisational, social and related contemporary phenomena. A case study is defined as “an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-world context” (Yin, 2014, p. 16).

There is no formula that defines when exactly to use a case study, but the choice largely depends on the research question (Yin, 2014). Hence, the distinctive need for a case study research arises from the desire to understand such complex social phenomena as in the case of Bayer’s deteriorating image. Yin (2014) argues that the more the question seeks to explain some present circumstance (e.g. ‘how’ or ‘why’ some social phenomenon works), the more relevant is the case study method. In his earlier work, Yin (2013) found that such questions implicitly draw the attention towards events and actions over time, including but not limited to causal processes. The strength of the subsequent case study would be its ability to examine the relevant events and actions in all their complexity, even if re-creating a contemporary period of time retrospectively (Yin, 2013). Further, a case study allows researchers to focus on a case and retain a holistic and real-world perspective - such as in studying organisational and managerial processes. Yin (2014) claims as well that doing case study research would be the preferred method compared to others in situations when either the main research questions are ‘how’ or ‘why’ questions or if a researcher has no control over behavioural events and, moreover, if the focus of study is a contemporary phenomenon. All these criteria are applicable to the Bayer case according to my research focus.

Critics argue that a case study contains a bias toward verification because it entails a tendency to confirm the researcher’s preconceived notions. According to them, the case study is subjective and gives too much scope for the researcher’s own interpretations. Furthermore, in their view, general, theoretical (context-independent) knowledge is more valuable than concrete, practical (context-dependent) knowledge. And it is often difficult to summarize and develop general propositions and theories on the basis of specific case studies. These opinions indicate that it is theory, reliability, and validity which are at issue; in other words, the very status of the case study as a scientific method (Flyvbjerg, 2004). While opponents claim that
the case study cannot be regarded as a scientific method, I argue that case study research is a reliable research method.

Context-dependent knowledge and experience are at the very heart of expert activity. Such knowledge and expertise also lie at the centre of the case study as a research and learning method. Phenomenological studies of the learning process therefore emphasize the importance of this and similar methods: experience is a key to enable a beginner to become an expert (Flyvbjerg, 2004). Great distance to the object of study and lack of feedback can easily drive to a paralyzed learning process. In research, this can lead to academic dead ends, where the effect and usefulness of research becomes unclear and untested. As a research method, the case study can be an effective remedy against this tendency (Flyvbjerg, 2004).

4.4 Research Design

The research design is the logical sequence that connects the empirical data to a study’s initial research question, and ultimately to its conclusions. Hence, the research design is a logical plan for getting from here to there (Yin, 2014). Every empirical study has an implicit, if not explicit, research design. Articulating a theory of what is being studied and what is to be learned helps to strengthen a research design when doing a case study research. Consequently, it is critical to the design to define the specific case to be studied as well as to set some limits or boundaries to the case, in other words a delimitation. This is presented in sections 1.1. Motivation and Problem Statement, 2. Limitations and 7.3. Opportunities and limitations of IR. Good theoretical propositions also lay the ground work for generalizing the findings from the case study to other situations, by making analytic rather than statistical generalisations (Yin, 2014).

Case study evaluations frequently use logic models, initially to express the theoretical causal relationships between an intervention and its outcomes, and then to guide data collection. The collected data can then be analysed by comparing the empirical findings with the initially imposed theoretical relationships. A match between the theory and the empirical findings would support the explanation how an intervention produced its outcomes. (Yin, 2013)
Figure 2: Logic Model of the cause-and-effect relationships for Bayer’s multidimensional crisis

4.5 Advantages and constraints of the case study methodology

The alleged deficiency of the case study and other qualitative methods is that they seemingly allow more room for the researcher’s subjective and arbitrary judgment than other methods. Thus, they are often seen as less rigorous than quantitative methods. Even if such criticism is useful, because it sensitizes to an important issue, experienced case researchers cannot help but see the critique as demonstrating a lack of knowledge of what is involved in case-study research. The case study has its own rigor, surely different, but no less strict than the rigor of quantitative methods. The advantage of the case study is that it can ‘close in’ on real-life situations and test views directly in relation to phenomena as they unfold in practice (Flyvbjerg, 2004).

Formal generalization is only one of many ways by which people gain and accumulate knowledge. That knowledge cannot be formally generalized does not mean that it cannot enter the collective pool of knowledge in a given field. Flyberg (2004) argues that more discoveries have arisen from intense observation than from statistics applied to large groups. This does not mean that the case study is always appropriate or relevant as a research method, or that large random samples are worthless, but the choice of method should be adapted to the problem under study and its circumstances (Flyvbjerg, 2004).

It is acceptable for hypothesis to be proven wrong. However, for the reasons given in 4.3 Research Method section above, the case study is a necessary and sufficient method for certain
important research tasks in the field of social sciences. Especially for my research, it is a method that holds up well when compared to other methods among the social science research methodologies (Flyvbjerg, 2004). The advantage of quantitative research based on large samples is breadth, while its downside is lack of depth. For the case study, the situation is the reverse. Both approaches are necessary for a sound development of social science (Flyvbjerg, 2004).

4.6 Validity, reliability and generalization of case study findings

Concerns in doing case study evaluations extend from validity issues to generalization issues. Originally, Eysenck (1976) did not regard the case study as anything other than a method of producing anecdotes, but later on he realized that “sometimes we simply have to keep our eyes open and look carefully at individual cases - not in the hope of proving anything, but rather in the hope of learning something” (p. 9). Yin (2013) argues that validity and generalization continue to be challenging aspects in designing and conducting case study evaluations, especially when the number of cases being studied is limited to a single case. The opinion, that one cannot generalize on the basis of a single case, is usually considered to be ruinous to the case study as a scientific method. It depends on the case, and how it is chosen (Flyvbjerg, 2004). The right choice of qualitative information sources and the research method are particularly likely to strengthen the validity of a case study evaluation (Yin, 2013).

Case study generalization is understood as an effort to generalize from a small number of cases or even one case to a larger population of cases (Woolcock, 2013). The common quest has been, first, to establish a sufficiently precise definition of the ‘case’, and then to retrospectively define the broader population of relevant cases (Yin, 2013). The strongest empirical foundation for these generalizations derives from the close-up, in-depth study of a specific case in its real-world context. This is the approach my master’s thesis follows. Such a condition usually limits the number of cases that can be studied and in turn, such a limitation precludes conventional numeric, or sample-to-population generalizations.

As generalization requires one (and only one) understanding of reality (the truth), it might be wiser to talk about analytical generalization. Instead of pursuing the sample-to-population logic, analytic generalization can serve as an appropriate logic for generalizing the findings from a case study and contribute to developing awareness and knowledge for solving similar problems (Small, 2009). Analytic generalization means the extraction of a more abstract level of ideas.
from a set of case study findings - ideas that nevertheless can pertain to newer situations other than the case in the original case study. For case study evaluations, the analytic generalization should aim to apply to other concrete situations and not just to contribute to abstract theory building (Yin, 2014).

4.7 Data Collecting

With the different types of data gathered, I pursue the aim of triangulation. Multiple sources of findings reinforce the case study and thus make it a stronger case. Keeping this in mind, the type of evidence I gathered included archival records and documents. More specifically, I have collected the data in the form of written reports of events such as the annual shareholder meeting of Bayer in April 2019, news media articles, press releases and consultant and NGO reports. Moreover, I have taken data from the company’s website and also extracted information from the Annual Report 2018, downloaded from the Bayer website.

4.8 Quality evaluation of the collected data

It is important to note that the purpose of press releases published by the company conflicts with the purpose of news reporting (Pander Maat, 2008). For large organizations, financial reporting encompasses voluntary quarterly earnings releases in narrative format as well as the annual report, which includes the highly regulated financial accounts and a more discretionary narrative performance review. The narrative parts of financial reports provide companies with plentiful opportunities for presenting their performance in the best possible light (Abrahamson & Park, 1994; Hrasky & Smith, 2008). Obviously, listed companies are thus not always entirely neutral information providers. Bayer has a compelling interest in persuading investors to positively assess their behaviour and ultimately, to invest in their business rather than in those of others, e.g. their competitors (Laskin, 2017).

Here, the role of news agencies is to increase transparency by avoiding adjusted financial figures and adding analyst assessments. The news agencies bring in analysts as sources of benchmark comparisons to counterbalance the companies' framing of their own performance (Rosenkranz & Pollach, 2016). However, news agencies may down-tone positive statements and highlight negative aspects to increase the news value and hence the interest in their stories. This is in line with Eilders (2006) and Scheufele (2006) who argue that the way in which journalists frame or reframe events in their reports is influenced by the news factors that lead
to higher audience attention, including negative events, human interest, unexpectedness, relevance, or intensity, as well as the subjective beliefs of journalists. Thus, journalists are not always entirely neutral information providers either.

Hence, while Bayer’s statements might be too positive, articles of news media might be overly negative. In order to provide a balanced view, I have collected data not only from Bayer’s own communication but also from various different news agencies like Reuters, the Financial Times, as well as Spiegel to name a few.

4.9 Processing the Data

4.9.1 Stakeholder Analysis

To better understand the opinions of the key stakeholders, their worries, fears and demands, I conduct a stakeholder analysis. The key stakeholders’ attitude towards Bayer play a major role in the company’s crisis. Thus, the stakeholder analysis is a necessary step towards the following Critical Discourse Analysis in order to make the right interpretations of the causality between stakeholders’ opinions and actions and the current credibility, operational and financial crisis.

4.9.2 Critical Discourse Analysis & Fairclough’s framework

In fact, the aim of this analysis is to systematically explore the non-transparent “relationships of causality and determination between (a) discursive practices, events and texts, and (b) wider social and cultural structures, relations and processes in order to investigate how such practices, events and texts arise out of and are ideologically shaped by relations of power and struggles over power” (Fairclough, 2010, p. 93). Thereby, CDA produces interpretations and explanations of areas of social life which both identify the causes of strong social resistance and thus can produce knowledge which could contribute to righting or mitigating them (Fairclough, 2010).

Additionally, Van Dijk (1988) claims that discourse is not simply an isolated textual or dialogic structure. Rather it is a complex communicative event that should be considered in its social context, featuring participants as well as production and reception processes. Halliday (1979) states that a particular text is a process as well as a product which is created, embedded and interpreted in a social context. In this case this means, that the social effect of CEO Baumann’s speech is dependent upon the audience accessing, comprehending, using and resisting this
discourse. Baumann’s speech is a response that was triggered and shaped by previous discourses. Thus, the discourse during the annual shareholder meeting on April 26, 2019 must be understood with reference to these distinct discourses in the months before. Thus, the Baumann’s speech builds upon the discourse of different stakeholders that I investigate in the stakeholder analysis part 6.1. CDA can, in fact, serve well to explain why Bayer could not escape the crisis and helps clarifying why the speech of Bayer’s CEO at the annual shareholder meeting was not as convincing as hoped. Hence, the choice of using CDA as a tool for analysis builds well upon the explanatory research approach.

Norman Fairclough, a professor of linguistics at Lancaster University, introduced the concepts that are now viewed as vital in CDA: the links between language, power, ideology, social practice and common sense in discourse. He argues that language should be analysed as a social practice through the lens of discourse in both speaking and writing (Fairclough, 2010). In the following analysis, I will thoroughly analyse these vital concepts of CDA along Fairclough’s three-step approach. This three-step approach is closely linked to the three related dimensions for studying discourse, which are given in figure 3 below. It is exactly the link between language as discourse and broader social structures, which this framework explores, that makes Fairclough’s groundwork the right tool of analysis for answering my research question.

![Figure 3: Theoretical three-dimensional framework for CDA](image)

Source: Fairclough (2010)
Fairclough developed this three-dimensional framework for studying discourse, with the aim to map three separate levels of analysis onto one another: 1.) analysis of (spoken or written) language texts, 2.) analysis of discourse practice (processes of text production, distribution and consumption) and 3.) analysis of discursive events as instances of socio-cultural practice (Fairclough, 2010). Particularly, he combines micro, meso and macro-level interpretation. At the micro-level, the analyst considers various aspects of textual/linguistic analysis, for example syntactic analysis, the use of metaphors and rhetorical devices. The meso-level or "level of discursive practice" involves studying issues of production and consumption, for instance, which institution produced a text, who is the target audience, etc. It acts as a bridge between micro and macro levels and focusses mainly on the context of the text and how the text is produced. Finally, CDA seeks to reveal the hidden power relations at the macro-level. Accordingly, a text is produced in a wider context which itself contains complicated relations of power, and readers/listeners give it their own interpretation based on society norms. At the macro-level, the analyst is concerned with intertextual and interdiscursive elements and must take into account the broad, societal currents affecting the text being studied. It focusses on interpretation and explanation. The purpose of this stage is to establish whether the verbal cues in the text contain certain assumptions or other hidden elements that are not obvious at first glance (Fairclough, 2010). In this step by step analysis and by studying the forms of language, one can discover the social processes and the ideology that is embedded in the language. Then the power relations that exist between speaker and the audience can be determined and revealed.

4.9.2.1 Methodological considerations regarding CDA

Norman Fairclough’s Model in CDA can be applied to various genres of literature e.g. press releases, annual reports and on speeches. Nevertheless, this master’s thesis is limited only to the analysis of selected parts of the speech of CEO Baumann, related to post-merger issues regarding Monsanto, in April 2019. This is because further analysis was not feasible in the given time frame. In order to come to a fruitful answer for my research question, I have decided to narrow the focus of my analysis to particular comments related to the acquisition of Monsanto and associated issues, e.g. legal product liability claims for Roundup. With CDA I aim to explore and highlight the underlying structures of power, ideology and language in text excerpts of Baumann’s speech. I seek to find out why Bayer did not manage to get out of the crisis. The three-dimensional framework of Fairclough is applied and concepts thereof are selectively chosen depending on how well they fit to this specific business context. I did not apply the concepts of hegemony, colonisation, democracy, class struggle, injustice or inequality.
because these concepts are more connected to political power structures. Hence, I apply from Fairclough’s framework only structures and concepts that are applicable to a business context. This being said, I see a good opportunity to apply the narrative of fidelity, ideology and power to Bayer’s crisis in the context of the acquisition of Monsanto.

The concept of “ideology” carries paramount significance in Critical Discourse Analysis as many linguists talk about it in their frameworks. This argument is supported by Widdowson (2000), who points out that CDA is an attempt to unveil the hidden ideologies in the texts. Further support comes from Fairclough (2010), who is of the view that the word ‘critical’ is added in Discourse Analysis in order to be focused on the main issue, ideology or the “basic hidden agenda” in the text. In my pursuit of uncovering the hidden ideologies in Baumann’s speech, I define as ideological a particular representation of some aspect of the world which might be alternatively represented or perceived, and where any given representation can be associated with some particular 'social base' (Fairclough, 2010). In other words, ideology involves the representation of ‘the world’ from the perspective of a particular interest.

Moreover, I slightly reframe the concept of “struggle for power” by directing it more towards the query for organisational legitimacy. Thus, while Fairclough investigates causes for social wrongs, I intend to investigate the causes for strong stakeholder and public resistance in Bayer’s case. While the concepts of Fairclough’s three-dimensional framework might not be applicable one on one in the context of a business case scenario, parts of the framework are of utmost usefulness, because the overall construct fits well to my research approach and provides my analysis with a systematic procedure.

5 Literature Review

The literature review serves to introduce the most important definitions and concepts of financial communication. This creates the relevant academic background to follow and comprehend my later analysis. As such, the literature review starts with a very broad discussion of roles, purposes and tools of financial communication, so that people who are not familiar with these details are prepared with the theoretical basis for my argumentation line. In the next part of the literature review, the aspects of financial communication specifically during acquisitions will be elaborated on, what reveals deeper insights into the related tasks as well as challenges of financial communication in times of transition. In the following step, the literature narrows down to financial communication in crisis situations and explains tools and concepts that companies need to take into account for tackling a crisis and ultimately to get out of it.
5.1 Definitions and concepts of Financial Communication

5.1.1 What is the meaning of Financial Communication?

Financial information involves legal obligations such as the requirement to publish annual accounts. Complementary to this, financial communication, if it arises from within the firm, belongs to the field of financial marketing (Heldenbergh et al., 2006). As a result, even if the financial information consists exclusively of objective business data, the resultant financial communication will be based on data which are at least partly subjective. This is because the communication must provide a combination of financial data with clarifications and evaluations regarding the firm’s development and external environment (Laskin, 2017). In this context, de Bruin (1999) has defined financial communication as any activity that involves financial information and the promotion of the financial corporate image. Thus, financial communication is not only composed of financial figures and data, but has also a specific role in building the company’s image, reputation and investor confidence. This is particularly true in case of mergers and acquisitions since these events can strongly affect the company’s identity (Heldenbergh et al., 2006).

5.1.2 What is the meaning of Investor Relations (IR)?

Investor Relations, as the name itself suggests, is all about the relationship between a company and its investors, especially its shareholders. However, this is not the only group that is interested in the general state of business (see figure 4). Apart from actual investors, the group of stakeholders also includes a group of potential investors and potential shareholders, analysts, influential financial media, stockbrokers, financial/investment advisers cooperating with investors, and finally, various entities outside the market like creditors, contractors, etc. who carefully monitor the general state of a company (Hoffmann & Fieseler, 2012). In this context, Kuperman (2003) has described IR as a sense giving function: the investor relations department provides the financial community with crucial input, allowing them to develop a more realistic understanding of the company and as well creating a certain advantageous picture about the company’s future. Thus, by providing the financial community with regular inputs into their sense-making efforts, investor relations, at its very core, is engaged in an image-building process and is best understood as a strategic communication function rather than a mere provider of pure financial figures (Gackowski, 2017).
Understanding investor relations as a function charged with the management of crucial stakeholder relations between a company and capital market participants, allows further analysis of IR’s strategic role and tasks (Marston & Straker, 2001; Laskin, 2009). Tuominen (1997) and Hoffmann et al. (2011) describe this role in terms of cultivating dependable and beneficial relationships by increasing trust, cooperation and commitment. As the central link between a company and the financial community, investor relations is tasked with a whole range of strategic goals from creating shareholder value to lowering capital costs and ensuring access to capital (Kuperman et al., 2003; Lang & Lundholm, 1996). Hence, the main objective of IR is to establish a mutually beneficial relationship between the management of a company and its shareholders and broader set of stakeholders which is characterized by two-way symmetrical communication and which is not only governed by monetary factors (Kelly et al., 2010).

For the ease of understanding, financial communication and investor relations are to be seen closely connected and thus will be used interchangeably in this master’s thesis.

What should be also discussed here is that the term IR is often confused with Public Relations (PR). PR activities are designed to communicate with a broader community, creating and maintaining the company’s desired image (Gackowski, 2017). In this respect, IR is similar to PR as the skills of a communication specialist are of utmost importance. In fact, this expert
must possess the ability to establish and maintain good relationships with the financial community and the ability to acquire new, as well as influential contacts. The main difference between PR and IR lies in the legal sanctions imposed on a public company, connected to disregarding or inadequately executing disclosure obligations. It should be noted that the lack of communication with stakeholders (the financial community) in the case of a public company entails financial and criminal penalties, as well as the risk of civil lawsuits (Gackowski, 2017). The highest sanction is, of course, depriving a company of its public company status.

5.1.3 Image and Reputation

While the market price of a share is mainly determined by the performance of the firm, the decisions taken by the managers in terms of use of the funds, choices of investments and planned mergers influence the price as well. Moreover, the ability to inform the financial community concerning these areas can greatly affect the firm’s image and in turn the market price of the share (Heldenbergh & Scoubeau, 2005). Previous research has shown that a favourable corporate reputation helps a company become an “investment of choice”, enhancing its ability to attract capital at lower costs and generating a price premium for the company’s shares (Fombrun, 2002; Larkin, 2003). Seeing that the capital market’s perception of a company is influenced by its overall reputation (e.g. derived from its media coverage), it becomes obvious that the IR task cannot be isolated from that of other communication departments, such as PR or marketing (Petersen & Martin, 1996; Laskin, 2009). A company’s marketing, employee communication, PR or CSR activities influence the respective stakeholder relations and images and thereby its overall reputation (Hockerts & Moir, 2004).

Both the corporate image and the corporate reputation reflect how the public perceives the corporation. But reputation is a far broader term than image. Image is about the immediate ‘mental picture’ stakeholders have of a company and the short-term evaluation of an organisation’s communication and its impact on various publics (Gackowski, 2017). Reputation is long-term and consists of several factors: the different images of a company and its subsidiaries, corporate identity, innovation, quality of the products and services, corporate strength and financial reliability, ethical and environmental standards, and relations with market regulators (Hoffmann & Fieseler, 2012). It is the overall value judgement about a company over time.
A company communicates its identity through its products, promotion actions, financial results, strategic decisions and other messages that it sends out. This information then helps to establish the image that it wishes to transmit to its various publics, whether internal or external. This image will, on the one hand, determine the degree of trust, preference and interest that the company inspires, and, on the other, reinforces the already existing links that it has with all its stakeholders (Heldenbergh et al., 2006). Hence, image-building is a powerful tool to win over unconvinced investors and intrigue those who have not heard of the company yet (Gackowski, 2017).

Moreover, it is worth mentioning that a company’s reputation is considered as one of the intangible assets of a company and has a direct impact on its value. Reputation helps to achieve better results, attract more qualified workers, obtain additional financing on more favourable terms, or set higher prices for products and services. These direct benefits are the essence of IR activities in the field of brand image. Finally, it should be noted that reputation may be subject to change, depending on the overall perception of a company, particularly with regard to the assessment of management competence, the quality of financial results, the development strategy and evaluation of effects after its implementation, principles of corporate governance and quality, transparency, and credibility of information provided. (Gackowski, 2017)

Figure 5: Global image of the firm/confidence atmosphere
Source: Heldenbergh & Scoubeau (2005)
5.1.4 Trust and Credibility

Communication requires the creation of an atmosphere of trust involving all the main players: consumers, suppliers, professional associations, investors, financial analysts, commercial banks, notation agencies, governments etc. (see figure 5). Each of these influence the firm’s performance, its public image, the image of its brand names, the acceptance of its products and services, the behaviour of the competitors, internal relationships with all the employees, etc. As a matter of fact, the company depends on the stakeholders because the economic role of the company is to bring together the contributions of the different players: the risk assets provided by the investors, the know-how, ability, skills and productivity of the employees, the consumers’ acceptance and demand, the varied abilities of all the economic partners as well as the legal infrastructure provided by the government (Heldenbergh & Scoubeau, 2005; Hoffmann & Fieseler, 2012; Gackowski, 2017).

5.2 Tools in Financial Communication

IR must be understood as a strategic management responsibility that integrates finance, communication, marketing and law compliance to enable the most effective two-way communication between a company and its the financial community, and other stakeholders. This ultimately contributes to a company’s shares achieving fair valuation (NIRI, 2010). Overall, as mentioned before, the investor relations function provides the financial community with crucial input on the state, the success and the strategic development of a business, which goes beyond purely financial reporting (Hoffmann & Fieseler, 2012). However, to better understand the role of investor relations in shaping a company’s perception on the capital market, professionals need to know which factors (e.g. tools and topics) actually reach and influence their target audience (Hoffmann & Fieseler, 2012).

To guarantee the impact of its financial message, the company must devise an optimal communication mix. In order to achieve this, financial communication can call on different tools: the most commonly cited in the literature being the annual report, quarterly earnings releases, letters to the shareholders, the annual general shareholder meeting, road shows, meetings with the investors and financial analysts, articles published in the specialised press, financial advertising, as well as the internet to name but a few (Heldenbergh et al., 2006). The appendix 3 contains a more detailed description of the financial communication tools, which are not described here, e.g. the annual report and the letter to shareholders.
The annual general meeting presenting the results of the firm is one of the most important events for the target financial community. It is for this reason that the event is carefully prepared with a list of potential questions and their answers, identification of the most important strategic orientations and choice of speaker (Heldenbergh & Scoubeau, 2005).

Also, press releases are an important strategic tool for organizations to influence stakeholder relationships by promoting their own version of reality via news media reporting. By providing quick and inexpensive information to journalists, press releases function as information subsidies that increase the likelihood of the information to be adopted by news agencies (Gandy, 1982).

5.3 Issues of Financial Communication in times of M&A

A merger or acquisition can be considered as a high-risk operation. While, over the last few years the financial markets have been characterised by a significant increase in the number of mergers and acquisitions, several surveys show that 50 per cent of these operations fail to achieve their profitability targets (Heldenbergh et al., 2006). Even worse, many lead to shareholder value destruction. As a result of the persistent wave of mergers and acquisitions, financial communication has become a strategic tool directed at all corporate stakeholders. So, before and after the merger or acquisition, the motives of these operations have to be clearly communicated to the stakeholders (Heldenbergh et al., 2006).

5.3.1 The importance of transparency and uncertainty avoidance

As mentioned above, mergers and acquisitions do not inevitably produce the expected profits. For this reason, it is not surprising that the various stakeholders in companies planning to undertake a merger begin to worry about the outcome of the deal. Of course, this anxiety is mainly felt by stakeholders such as investors and employees, who could incur financial losses because of the transaction. That is why communicating with their audiences about the financial aspects of the merger is a matter of undeniable concern for the companies involved in such a risky initiative. In this context, the purpose of financial communication is not just to sell the shares and attract new investors, but rather to restore the confidence of the current stakeholders in the financial health and the potential for profit of the combined firm (Heldenbergh et al., 2006).
Allowing uncertainty to exist about financial issues raised by the merger may prove particularly hazardous for the successful progress of the deal. First of all, in view of the low success rate in merger and acquisition activities, it is little wonder that the uncertainty introduced by a financial operation on such a scale causes concerns among many shareholders (whether they are individual, institutional or members of the company) about the future results of the partnership (Heldenbergh et al., 2006). In such a situation, clear, fully transparent and complete financial communication about the strategy, the post-merger anticipated profits, measures undertaken in support of the merger and the integration of the two institutions surely helps to keep emotional tensions down and reduce investors’ fears. Without efforts of this sort to reduce the degree of uncertainty, many shareholders may become afraid of the risks entailed by the operation and may want to sell their shares in order to avoid potential losses (Del Guercio et al., 2008). Behaviour of this kind, if followed by a significant number of investors, could cause a stock market drop that would have disastrous consequences for the company’s financial image as well as erode confidence in the new partnership (Heldenbergh et al., 2006). On the other hand, the investors’ concern about the outcome of the acquisition may generate need for information, and thus a potentially great necessity for communication.

A lack of financial data and a lack of communication could result in a loss of trust in the company and increase the degree of uncertainty. This would lead to a deterioration in the company’s relations with the various target stakeholders and would allow all kinds of rumours and wrong information to flourish. And as the financial markets react at an incredibly fast pace to every item of information that emerges, this could have a direct influence on whether the acquisition takes place as well as the value of the share (Heldenbergh et al., 2006). Therefore, companies should consider the implementation of an immediate, detailed and reassuring financial communication, which can calm the anxieties felt by the different stakeholders of the firm during this period. Moreover, the corporate financial communication must prevent the spread of wrong information which might support or increase the shareholders’ worries and consequently harm the financial image and the stability of the stock value (Heldenbergh et al., 2006). Thus, these communication efforts must aim to provide accurate information about the company’s financial, economic and social situation while attempting to reduce any feelings of uncertainty regarding the company’s future.
5.3.2 Target audiences for financial communication during M&A

Despite its high regard for the power of a company’s management, the financial community understands that the success of a company to a large extent depends on the cooperation of a range of key stakeholders. In other words, stakeholder relations impact a company’s bottom line (Donaldson & Preston, 1995; Hillman & Keim, 2001). In line with this, investors are strongly interested in a company’s overall reputation and public perception as well as its relationships with specific stakeholders. Balmer and Dinnie (1999) have identified eight key stakeholders to whom it is essential that the company continues communicating, and even strengthens its communication before, during and after the acquisition. Regarding financial communication, in accordance with the audiences identified earlier, it is now possible to determine the key stakeholders towards whom the company must aim its financial communication during an M&A operation. These key stakeholders include: the employees, the investors whether individual or institutional (shareholders, bankers & bondholders), the customers, suppliers, financial analysts, specialized media and market authorities where financial and legal obligations are involved (see Figure 6).

![Figure 6: Targets of financial communication](image)

Source: Heldenbergh et al. (2006)

5.3.3 Overview of different stakeholders’ interests & information requests

As the role of IR is described in terms of fostering dependable and beneficial relationships by increasing trust, transparency, cooperation and commitment, it is of utmost importance for the company to be informed about its stakeholders and their demands from and perceptions of the company in order to make strategic decisions about what should be communicated. The next
section entails a stakeholder overview for financial communication purposes of a company (see figure 6) with detailed explanations about who is interested in which kind of information from the company in order to steer a company’s financial communication efforts towards a successful result in creating a certain image and/or maintain a specific reputation during a period of transition like M&A.

5.3.3.1 Factors driving investors’ decision-making
Apart from reading the annual report, an investor’s understanding of a company is also formed by speaking with the company’s management, by reading or consuming the available media information, by comparing companies to members of peer groups, and even through the personal experience of buying and consuming a company’s products and services (Fombrun, 1996; Gabbioneta et al., 2007). Likewise, behavioural finance research reveals that investors’ decision making is not only grounded on financial performance, but is sensitive to psychological factors which can be influenced by communication (Shefrin, 2002). A detailed, reliable and positive image of a company, in turn, represents the basis of investment decisions or recommendations (Hoffmann & Fieseler, 2012). Investors’ investment decisions may also be influenced by the image projected by a company’s executives (Hoffmann & Fieseler, 2012).

Institutional investors expect strategic information giving some idea about the quality of the corporation’s management as well as prospects for growth. Small investors are interested in information about the firm’s main activity, its products, the markets etc. They are susceptible to the global image of the company and they take the advice of professional consultants into account. This means investors rely on the estimations and recommendations provided by analysts when making their investment choices (Sabelfeld, 2011). Thus, analysts are recognized to be intermediates between companies and investors.

5.3.3.2 Required non-financial information for the financial analyst
Besides the financial analysis of the financial statements, equity analysts consider the following seven categories of non-financial information when forming their opinion of a company: the stakeholder relations of an organization, its corporate governance, its corporate social responsibility (CSR), its reputation and brand, the quality of its management and its strategic consistency. One of the most important factors, however, is the quality of a company’s communication, which underscores the “strategic role that the investor relations function should play in fostering positive capital market relations” (Hoffmann & Fieseler, 2012).
5.3.3.3 The role of notation agencies
Credit ratings agencies deal with estimating the level of risk associated with investing in debt instruments. In this way, they help companies to reduce the investment risk and gain more investors. Today, some experts claim that the market experiences the dictatorship of three credit ratings agencies, the so-called ‘Big Three’ - Standard & Poor’s, Moody’s, and Fitch (Gackowski, 2017). For company’s it is especially important to have a good rating, because this gives a major signal to the market about the credit worthiness of the company and thus strongly influences the company’s chances of getting favourable loan terms.

5.3.3.4 The role of commercial banks
If a company is heavily indebted this is more often than not a sign for negative creditworthiness. Banks certainly look at the company’s level of net debt and if that is too high, banks or bond investors could be discouraged from lending more (Bodie et al., 2014). In other words, corporations are dependent on loans in order to finance their business operations and expansion plans. This is to say that access to funding is vital for growth and survival and hence a good relationship with banks becomes essential.

5.3.3.5 Required information for business partners
Customers need to have confidence in a company. They need to know that a company manages its finances effectively so that it will continue to provide a reliable source of supply for the long term. Suppliers and other business partners want to know that they will have a continuing profitable relationship with the organization (Gartenstein, 2019).

5.3.3.6 Required information for employees
While employees are not usually considered a key target for financial communication, during a period of considerable change such as a merger or acquisition, it will be critical to keep them informed about every aspect of the operation (Heldenbergh et al., 2006).
As stated by Bourke et al. (2000), keeping employees informed about financial performance is necessary in order to ‘ensure cohesion, maintain the employees’ enthusiasm and a good social climate’ because employees quite often regard an acquisition as a threat. This diminished confidence can be expressed in different ways. Some of these are more dangerous than others, taking the form of protests, disruptions, strikes, etc. (Heldenbergh et al., 2006).
5.3.3.7 The role of media and journalists regarding investment decisions

Not only the way in which the news media report on corporate financial performance, strategies, future developments and descriptions of the company has implications for corporate reputation (Fombrun & Shanley, 1990). News agencies are especially important stakeholders for large organizations since the news they distribute will be adopted by other news outlets. The latter will influence public opinion and hence corporate reputation even more (Rosenkranz & Pollach, 2016).

5.4 Integrating the stakeholders’ diverse interests and the necessity of a coherent story

The stakeholders’ description above shows that effective financial communication plays an important role in shaping the attitudes of shareholders, investors and their advisors, news agencies etc. This said, external communication aims to enhance the company’s overall image during the transition period, to inform its suppliers and its creditors about its financial state, as well as informing customers about possible changes to its name, products and strategy (Heldenbergh et al., 2006). However, just because the company intensifies its communication with the eight key categories of stakeholders, it cannot forget about its other traditional target publics such as financial analysts and rating agencies. Nevertheless, not all of these different stakeholders are supposed to belong to the financial field and thus not all of them are expected to be able to interpret the entire financial message transmitted by financial communication. Indeed, some do not have sufficient knowledge of the financial field to do this.

Furthermore, as I have already stated above, these publics do not have the same interests in the company. Consequently, the biggest challenge with financial communication is to transmit a single very clear and accurate message containing no ambiguity towards different stakeholders having divergent interests (Heldenbergh et al., 2006). As the consultancy firm Ernst & Young points out, the financial community is looking for a cohesive story about company performance (Gartenstein, 2019). They report that, although companies provide a great deal of financial-performance information, stakeholders continue to find it difficult to get a clear story and thus tend to show a lower level of trust, especially after the experiences during the financial crisis in 2008 (Gartenstein, 2019).
5.4.1 Asymmetric Information & Agency Theory

The principal-agent theory holds that shareholders strive to control the actions and decisions of top executives (Fama, 1980; Jensen & Meckling, 1976). Given the information asymmetries between the company’s insiders and outsiders, investors depend on governance structures ensuring that the stewardship in a company is managed in accordance with the shareholders’ interests (Karpoff et al., 1996; Jensen, 2000).

In this context, IR is recognised as a fundamental necessity for publicly listed corporations, with a particularly focus towards ensuring transparency. The market participants should be rationally informed, assuming that the company is interested in good stakeholder relationships and wants to create an environment of mutual trust. According to Chang et al. (2008) an effective investor-relations program enables companies to enhance exposure in capital markets, improve public perceptions, enhance analyst coverage, and attract institutional investors. These tangible benefits can in turn reduce information asymmetry and lower the cost of equity capital (Chang et al., 2008). Thus, the cornerstone of financial communications policy is the signal the managers of a company send to investors, what is closely linked to the signalling theory.

Signalling is the idea that one party (the agent) credibly conveys some information about itself to another party (the principal) (Hendrikse, 2003). Hence, signalling theory is useful for describing behaviour when two parties (individuals or organizations) have access to different information. Typically, the sender (the agent) must choose whether and how to communicate (or signal) an information, and the receiver (the principal), must choose how to interpret the signal (Hendrikse, 2003).

5.4.2 Framing

As discussed above, the theoretical purpose of corporate financial communication is to reduce the information asymmetry between corporate managers and investors by providing the latter with accurate and reliable information about corporate performance, but at the same time, present the company in the best possible way (Abrahamson & Park, 1994; Hrasky & Smith, 2008).

Hence, companies are not always entirely neutral information providers because they have a compelling interest in persuading investors to positively assess their behaviour and invest in the company (Laskin, 2017). Thus, companies’ communication activities often entail ‘framing’ tactics. ‘Framing’ expresses itself through the principles of selection and salience. While
favourable aspects of a desired reality can be emphasized, negative ones can be understated or completely excluded in order to guide audiences towards a particular “problem definition, causal interpretation, moral evaluation and/or treatment recommendation for the item described” (Entman, 1993, p. 52). Hence, ‘framing’ provides writers or speakers with a mean to strongly influence the ways in which audiences interpret their texts. This goes hand in hand with the purposes of impression management.

To counterbalance this information asymmetry and protect the interests of non-expert investors, financial reporting is a highly regulated form of corporate communication, subject to both national legislation as well as international accounting standards (Rosenkranz & Pollach, 2016). Additionally, stakeholders might anticipate that companies are signalling, meaning that they only send out carefully selected information which present the company too positive (Elliott, 2006; Davis & Tama-Sweet, 2012). Hence, the shareholders are particularly dependent on other sources of information beyond the company’s own information releases. Triangulation helps to form a wholesome opinion of the company in their investment process. Moreover, lacking corporate transparency and explanatory power towards the shareholders may induce shareholders to challenge management in proxy contests or to sell their shares (Heldenerbergh et al., 2006). This is to say that especially during the acquisition of a highly controversial company, agency problems intensify and may result in or reinforce a crisis (Gartenstein, 2019).

5.5 Issues of Financial Communication in Crisis

According to Freeman (1984), a crisis can be seen as a negative event for a company that might ultimately lead to an adverse financial impact on its stock price by negatively affecting organisational stakeholders. A complexity surrounding crisis management is the fact that not all crises are generated equally or can be managed in the same way. The research that links crises to negative market effects (e.g. stock prices) covers three crisis types: product liability and compensations for product harm, boycotts and protests, and management misconduct (Laskin, 2017). Product liability and compensations for product harm involve situations where a defective or contaminated product poses a health or safety risk to consumers. Boycotts and protests involve stakeholders publicly claiming the company is acting socially irresponsibly. Management misconduct or scandals involve situations where managers knowingly violate laws or regulations (Laskin, 2017).
As such, corporate crisis can be defined as a perceived violation of stakeholder expectations that has the potential to harm the corporation and/or its stakeholders (Coombs, 2015). As a consequence, typical corporate crises create an operational threat, a financial threat, a reputational threat or a combination of the three (Coombs, 2015). This is closely linked to the concept of organisational legitimacy and shareholder activism discussed below. In this context, it is worth remembering that IR is an important element of the so-called ‘strategic management’ and should be shaped by the board of directors and top executives because their status theoretically adds importance, seriousness and credibility to the messages conveyed (Gackowski, 2017).

5.5.1 IR and the role of top executives in crisis

An important feature of financial communication during a period of transition and crisis, relates to the role of the top management in the way the firm sends out its overall message. In fact, especially during periods of change and of uncertainty, it is reassuring for the different stakeholders of the company to see that the CEO gets directly involved in corporate communication, for example by means of his participation in the meetings with the different public targets, his signature on the letter intended for the shareholders, the speech during an annual shareholders meeting or an interview with the press (Coombs, 2007, Heldenbergh et al., 2006; Laskin, 2017). The CEO’s presence raises the level of importance and credibility of the delivered messages and allows stakeholders to develop a unified image of the new company. Hence, communication which is based on a fully committed executive manager who reinforces the firm’s financial and institutional image will, in most cases, allow this company to maintain both investor and employee confidence (Heldenbergh et al., 2006).

In fact, managing the image of a company’s top management may be crucial to a company’s perception on capital markets and thereby becomes a core task of IR as an image-building function (Laskin, 2017). When forming an opinion on a company’s management team, capital market participants desire to see a credible dedication to shareholder value and a high degree of consistency in the implementation of previously announced strategic plans (Hoffmann & Fieseler, 2012). When managers are consistently able to execute their strategic plans, it is easier for the capital market to form a reliable understanding of the company and its development. If, however, the top executives practise financial communication objectives poorly or if ignored during an acquisition phase, this can fuel the emergence of shareholder activism carried out by worried and/or angry shareholders (Laskin, 2017; Uysal, 2014).
5.5.2 Shareholder activism

Shareholder activism arises once the board is not acting on behalf of the shareholders, and when the shareholders feel a need to monitor, control and discipline the agents on their own. The most common reason for shareholders to become active is to pressure management of poorly performing companies to improve performance and to discipline, restructure or replace corporate executive officers (Brav et al., 2008; Del Guercio et al., 2008). In this context, the main forms of activism are selling shares (“exit”) and keeping shares but voicing dissatisfaction (“voice”) (Del Guercio et al., 2008). The voice mechanism can be expressed as private engagement with the corporate board or management, press campaigns, shareholder resolutions or voting at annual general meetings (Hirschman, 1970).

Institutional investors, such as pension funds and mutual funds, are among corporations’ most significant shareholders. Thus, when they are dissatisfied with a particular company’s corporate governance, institutional investors typically do not sell their shares in the corporation, but rather attempt to influence the corporate decision-making processes through institutional mechanisms (Uysal, 2014). In particular, institutional shareholders have increasingly started to engage with shareholder activism on various social and environmental issues (Smith, 2012). Social shareholder activism is one of the main components of socially responsible investing, which is an investment movement that seeks to consider societal well-being along with financial returns (Guay et al., 2004).

5.5.3 The importance of Corporate Social Responsibility

Corporate Social Responsibility (CSR) is an evolving self-regulating business practice that integrates sustainable development into a company’s business model and helps the company to be socially accountable to itself, its stakeholders and the public. Practising CSR means that the company is conscious about the kind of impact it has on all aspects of society including social, economic and environmental factors and the company is operating in ways that have a positive impact on society and the environment. Thus, it can be understood as an effort by the company to assure the well-being of the company’s social environment, including sustainability and environmental protection initiatives. (Hendrikse, 2003; Thomsen & Conyon, 2012)
5.5.4 Socially Responsible Investing

Socially Responsible Investing (SRI) is an approach that integrates the three dimensions of corporate social responsibility (CSR), namely social, environmental and economic responsibilities, into investment processes. This has created a niche in the financial world in recent years. SRI thus broadly refers to the financial investment that meets social, ethical and environmental criteria (Uysal, 2014).

Socially responsible investors typically examine a company’s internal operating behaviour (such as employment policies and benefits), external practices (such as effects on the environment) and its product line (such as tobacco or defence equipment) to determine whether they should invest in the company (Guay et al., 2004).

5.5.5 The importance of Organisational Legitimacy

As discussed above, an expanded role of investor relations pushes corporations to meet or even exceed societal expectations of a broader set of stakeholders. This change in practice ensures that corporations are committed to conducting socially desired actions in return for legitimacy in society (Uysal, 2014).

Suchman (1995) defined organizational legitimacy as “the generalized perception that the actions of an organization are acceptable and desirable within a social system” (p. 574). According to DiMaggio and Powell (1983), organizational legitimacy relies on the company maintaining a network of supportive stakeholders with legitimacy-determining power. Thus, Hallahan et al. (2007) argue that strategic communication, defined as the “purposeful use of communication by an organization to fulfil its mission,” is key to establishing organizational legitimacy (p.4).

As social shareholder activists believe that corporations must achieve more than financial profit, they voice their concerns, aiming to change unjust and harmful corporate practices that affect the well-being of non-shareholding stakeholders (Uysal, 2014; Rowley & Moldoveanu, 2003). Being a stakeholder group that possesses power and legitimacy, shareholders are in a unique position, whereby they can voice society’s expectations from within the corporations (Mitchell et al., 1997).
Hence, socially responsible investing can be seen as a form of social movement that involves activism efforts aimed at influencing corporate behaviour and policy-making through channelling or withdrawing investment (Weber et al., 2009). Thus, social shareholder activism is a form of stakeholder activism representing various social interests and goals. And if a company does not put enough weight on organisational legitimacy and communicating with its stakeholders it might soon find itself attacked from all sides and this leads to and reinforces a crisis. Accordingly, corporations can respond to CSR issues either in a reactive, defensive, accommodative, or proactive way (Uysal, 2014).

5.5.6 Crisis communication tactics
Specific types of operational and reputational crises have been documented to negatively affect stock prices of a company. How a corporation responds to certain crises, especially product liability law suits, can act to mitigate or to enforce negative market reactions to crises (Laskin, 2017). Laskin’s framework can be used as a guideline by companies (see appendix 5). Building off signalling theory, messages can either be accommodative or defensive in nature. An accommodative system is “a statement in which management accepts responsibility, admits to the existence of a problem, and takes actions to remedy the situation“ (Marcus & Goodman, 1991, p. 286). A defensive signal is “a statement in which management insists that the problems do not exist, tries to reduce doubts about the firm’s ability to generate future revenue, and takes action to resume normal operations rapidly“ (Marcus & Goodman, 1991, p. 286).

In this context, there are several tactics for the corporation’s communication:

Stealing thunder
Crisis communication researchers consistently find that a crisis does less damage to a company’s reputation when the company is the first source to announce the existence of a crisis (Arpan & Pompper, 2003).

Denial
‘Denial’ is an attractive strategy for communicators in the event of a crisis. First, effective denial separates the company from the crisis and/or responsibility for the crisis (Coombs, 2015). Coombs argues that if there is no crisis or if the company has no responsibility for the crisis, the company should suffer no damage from the crisis (Coombs, 1995). Second, ‘denial’ is a favoured legal strategy because it protects corporations during law suits by negating crisis
responsibility (Fitzpatrick & Rubin, 1995; Tyler, 1997). However, if a corporation which first denies then is found to be responsible for a crisis, the damage from the crisis is intensified (Coombs et al., 2016).

*Crisis Centred Crisis responses*

Crisis communication favours focusing the crisis response on victims (actual and potential) when there are victims in a crisis (Coombs, 2007). Product harm crisis provide examples of victims. Here, crisis response strategies can vary in their emphasis on victim concerns (Laskin, 2017). Accommodative crisis response strategies show a high concern for victims, while defensive crisis response strategies show a low concern for victims (Coombs & Holladay, 2002). Experimental studies have found that victim-oriented crisis responses are more effective in protecting reputational assets than defensive strategies (Kim & Sung, 2014).

5.6 Research Gap

Financial communication and investor relations have traditionally been dominated by finance and accounting studies. However, recently they have attracted the attention of linguistic scholars, too (Rocci et al., 2015). The importance of communication in finance is demonstrated by the plentiful, varied production and publication of written documents and spoken discourses in the financial sectors. As a matter of fact, financial markets constitute a complex and highly regulated field of communicative interactions realized through various textual genres (Palmieri & Palmieri, 2012).

Examples of textual genres by which financial actors interact within the financial market are inexhaustible: annual and quarterly reports published by listed companies, earnings releases and profit warnings, takeover documents, corporate social responsibility (CSR) reports, conference calls with financial analysts, rating decisions, analyst’s recommendations, stories and comments on financial newspapers, and public debates emerging, e.g. during a crisis (Palmieri & Palmieri, 2012).

Further development of investor relations theory could benefit from a societal perspective, given the complex relationships between investors and companies. According to Uysal (2014) there are several issues that should be scrutinized: “(1) shareholders are not a homogenous group; (2) shareholder groups can sometimes compete against and sometimes complement each other; (3) shareholders may form strategic alliances, or cooperate, to increase the persuasive power of their combined claim; and, (4) shareholders’ potential to influence other shareholders
and the organization is often determined by the particular nature of their role” (Uysal, 2014, p. 225).

This master’s thesis attempts a critical review of textural genres like press releases and I will give extended attention to the speech of CEO Werner Baumann during the annual shareholder meeting on the basis of critical discourse analysis during which Bayer’s communication tactics will be critically evaluated with a focus on the above mentioned societal perspective. Hence, I intend to elaborate a case study with the idea to reach a better understanding of how Bayer’s top management created by inappropriate financial communication during the speech at the annual shareholder meeting, in an absolutely critical post-merger context, strongest shareholder and stakeholder resistance and distrust about the company’s future, leading to a ‘no-confidence vote’. Furthermore, this master’s thesis aims to be a contribution to Critical Discourse Analysis in a sense that it is based on the analysis of a corporate speech and elaborates on its hidden ideology with the help of Fairclough’s CDA-Model.

6 Analysis

Up to now, I have dug into existing literature in order to assess and understand the theoretical foundation that lays the ground for exploring the importance and adequate usage of financial communication as a strategic tool in a business crisis. To explain how the reputational crisis at Bayer arose, one needs to first bring further light into the image of Monsanto, second the linked CSR concerns of stakeholders will be investigated and third following shareholder activism in this context will be examined. Bayer might have underestimated or missed out on several important factors during due diligence that later triggered Bayer’s deadlock (e.g. negative image of Monsanto, glyphosate health risks, uprising wave of legal product claims, possible compensation costs, and overall CSR issues). My stakeholder analysis contains a first assessment of these causal linkages that have led to the crisis. Following the stakeholder analysis, an analysis of Bayer’s response strategy in the period until and including the annual shareholder meeting, will be conducted. More specifically, I will elaborate on the speech of Bayer’s CEO Werner Baumann using Critical Discourse Analysis (CDA) and investigate why Bayer’s financial communication strategy from June 2018 to April 2019 could not create the desired effect of image improvement.
6.1 Analysis of Bayer’s stakeholders’ concerns and issues causing the crisis

Mergers often end in disappointment when buyers pay too much for their targets and cannot integrate them as hoped. But this is not the problem in Bayer’s case because the post-merger pitfalls are rather about legal cases that entail extremely high compensation requests of Monsanto’s U.S. customers and Roundup users. Bayer, in fact, has extensive experience in successfully integrating acquisitions from a business, geographic and cultural perspective, having integrated various multibillion transactions (Forneck et al., 2016). It is important to notice that a much more complicated combination of stakeholder demands, perceptions and relationships led to Bayer’s crisis. In other words, even though, the first hurdle of getting DOJ approval was passed, the success of the acquisition was and still is in doubt. Several thousand law suits related to health damages made the acquisition ex-post very problematic. These product liability obligations had been acquired together with the deal.

Since the role of investor relations is described in terms of fostering dependable and beneficial relationships by increasing trust, transparency, cooperation and commitment it is of utmost importance for Bayer to be informed about its stakeholders’ attitudes and their demands and perceptions of the company to make strategic decisions about what should be appropriately communicated by Bayer. The following analysis is an attempt to clarify this situation.

6.1.1 Monsanto’s public image deficits

What Bayer might have overlooked, or underestimated, is that Monsanto and its herbicide have long been viewed with a significant degree of distaste by public. In the eyes of many, particularly in France and Germany, Monsanto is considered as the embodiment of a misguided form of agriculture: contaminated and genetically modified food, monocultures and waning biodiversity (Atkins, 2019; Dohmen et al., 2019).

More specifically Monsanto was perhaps the most hated corporation in the world for various reasons: 1. Farmers around the world suffered from the company’s terms of no replanting and endured severe legal penalties for disobedience resulting in dependence on an increasingly ineffective and dangerous weed killer. 2. Some agricultural scientists began to doubt that such genetic modifications had any purpose other than creating a dependence between farmers and the company’s companion weed killers, which the crops were designed to resist. 3. A few
prominent researchers concluded genetically engineered crops may not be healthy for humans and whose careers were destroyed by Monsanto. 4. There is a suspicious public, especially people trying to avoid genetically modified foods. 5. A widespread movement of anti-GMO activists tried to get labels onto GMO foods and successfully launched a non-GMO label that is gaining widespread traction (Cobb, 2018). Hence, it becomes clear that Monsanto has been a company, whose public image could hardly be evaluated as outstanding. In fact, the opposite may be true. For example, Monsanto's herbicide Roundup, whose active ingredient is glyphosate, is suspected of causing cancer. The company's business model can also be seen as controversial: Monsanto genetically engineers seeds that are resistant to glyphosate, allowing e.g. U.S. farmers to use the herbicide abundantly in their vast fields. Given that Monsanto requires customers to purchase an annual license for its seeds, there have also been accusations the company makes farmers dependent by creating monopolistic structures (Dohmen et al., 2019).

6.1.2 Customers’ legal action
After the release of a study in year 2015 and an edited version in 2017 by the International Agency for Research on Cancer (IARC), a subsidiary of the World Health Organization (WHO), concluding that glyphosate is ‘probably carcinogenic’, American attorneys began gathering plaintiffs for conducting a lawsuit against Monsanto (Burger, Goodman et al., 2018). Having integrated Monsanto, Bayer faces now 13,400 glyphosate-related legal claims (April 2019) despite its insistence that the chemical is safe (Pigden, 2019).

6.1.3 The impact of NGOs & public voices on stakeholder opinions
Bayer critics like Ralf Bilke, who is responsible for agricultural policy at BUND, a German NGO, do not believe in glyphosate's safety. Bayer was only recently forced to admit that it wasn't hundreds of studies that prove that glyphosate isn't carcinogenic, but only fifty (Burger, Goodman et al., 2018; Dohmen et al., 2019). This clearly deteriorated Bayer’s credibility and is a reason for ongoing shareholder and stakeholder doubt and distrust. Besides, Bilke claims, the approval procedures for herbicides products are influenced by the chemical companies (Dohmen et al., 2019). In Germany, for example, Bilke claims that the Federal Institute for Risk Assessment adopted passages directly from Monsanto's papers in its own statement, probably pressured by strong lobbying work (Dohmen et al., 2019).
This is in line with many protesters’ claims, investigative journalists’ reports, well-accredited environmental activist organisations, individual environmentally-conscious investors and sustainable finance-oriented funds which demand that this “irresponsible and selfish industry” is held to account as companies like Bayer spread lies and false claims through anti-science and industry propaganda in their opinion (Cobb, 2018; Burger, Goodman et al., 2018; Dohmen et al., 2019). These stakeholders create awareness on these issues and thereby shape the reality of other stakeholders. In return, this calls for an enhanced Corporate Social Responsibility orientation of Bayer and credible and aligned communication.

6.1.4 The influence of society trends and media

Monsanto being active in agriculture, already had a controversial image, but stakeholders only gave it limited attention before the wave of law suits. According to Beatty et al. (2019) over the course of 2018 and even more in the beginning of 2019, a more dedicated society trend towards more sustainability arose, bringing Bayer’s acquisition of Monsanto under attention and severe pressure. Driven by this society trend towards more environmental consciousness, many shareholder activists attempt to influence the behaviour of corporations by advocating for improved CSR (Uysal, 2014). Moreover today, with the help of the mass media, the topic of glyphosate is in everyone’s mouth and mind. Thus, considering this new awareness, there is a need for an enhanced focus on CSR by corporations. The next section makes the consequences especially clear. Bayer needs to react.

6.1.5 Sustainable Finance – CSR & Corporate Governance as investment criteria

In addition to economic criteria, fund managers like Speich, head of sustainability and engagement at Union Investment, also consider the way companies treat the environment and health concerns, their respect for human rights and social criteria when making their investments (Hendrikse, 2003; Dohmen et al., 2019). If there is even a suspicion that a company is willing to hazard the consequences of increased health risks for its customers, such investors react sensitively (Hendrikse, 2003; Thomsen & Conyon, 2012). Reputational risk is a key factor in investment decisions. "Our sustainability funds, through which we invest around 42 billion euros, have sold all their shares in Bayer," said Speich in 2018 (Dohmen et al., 2019). Around 23 trillion euros are invested worldwide each year based on sustainability criteria. It's a fast-growing market and for the time being, Bayer has now been cut off from that money flow.
Bayer has also been dropped from the Dow Jones Sustainability Index, a stock market barometer that takes sustainability criteria into account (Atkins, 2019; Dohmen et al., 2019).

6.1.6 Investors’ & shareholders’ voices

Bayer's reputation has also suffered losses among more conventional investors, who are critical of the fact that Baumann, Wenning and other executives were determined to push through the Monsanto deal at any cost. "The shareholders weren't even asked," says Mr. Strenger, an expert in good corporate governance and a member of the supervisory board of the fund company DWS (Dohmen et al., 2019). Hedge fund Elliot and research house Bernstein are two activist shareholders which argue that the best strategy for Bayer would be to separate the crop and pharma business (Atkins, 2019).

But so far, Bayer has ignored their demands. Instead, Bayer continues to claim humanity is entering a new era in agriculture with significant challenges where additional three billion people need to be fed by 2050 (Bayer AG, 2019). This mission demands new, sustainable solutions and technologies to enable growers to produce more with less. Monsanto’s combination with Bayer should supposedly drive the creation of an innovative engine that pairs Bayer’s crop protection portfolio with Monsanto’s world-class seeds and traits and digital agriculture tools to help growers overcome those challenges of the future (Forneck et al., 2016). Thus, in light of demographic developments regarding the world population until 2050, it may make sense in the long term to invest in crop science. But investors denounce that Bayer “bought the black sheep of the industry and clearly underestimated the litigation and reputational risks" (Dohmen et al., 2019).

6.1.7 The role of media during Bayer’s crisis

The above investigation on the standpoints of stakeholders makes it clear that how the media presents information about Bayer’s acquisition of Monsanto and the amount of media presence they give to Bayer’s controversial business activities plays a central role in fuelling the reputational crisis. This is because media information shapes the reality of the stakeholders to a certain degree in a negative way, as contrary to corporate statements much more critical and negative aspects are reported (Elliott, 2006; Davis & Tama-Sweet, 2012; Laskin, 2017).

News agencies and newspapers like Spiegel, Reuters and Financial Times created a certain hype of negative news about Bayer and claimed the German multinational Bayer underestimated the
risks of acquiring Monsanto and that now, the company is desperately seeking to control the damage (Rosenkranz & Pollach, 2016; Dohmen et al., 2019). They further convey the message that Monsanto’s image has now spilled over onto Bayer, as in numerous court cases, consumers claim damage compensations because of using Monsanto’s key product Roundup. In this regard, German media constantly expressed that the acquisition deteriorated Bayer’s good reputation and market position (Dohmen et al., 2019).

6.1.8 Bayer’s underestimation of legal and reputational risks
Bayer has extensive experience in successfully integrating acquisitions from a business, geographic and cultural perspective, and remains committed to its strong culture of innovation, sustainability and social responsibility (Forneck et al., 2016). Moreover, Bayer is an experienced acquirer, which has successfully integrated various multibillion transactions before (Pigden, 2019). Still, Bayer ended up in a reputational, operational and financial crisis due to the acquisition of Monsanto, making it clear that the case at hand went out of control of Bayer’s top management’s field of experience, due to juries’ decisions on glyphosate.

6.1.8.1 Failed Due Diligence? - Warning signs in the merger process
Due diligence refers to the research done before entering into an agreement or contract with another party. It is a comprehensive assessment of a business undertaken by a prospective buyer, especially to establish its assets and liabilities and evaluate its commercial potential (Hendrikse, 2003). Hence, due diligence can be understood as the investigation, which is done before purchasing another company (Thomsen & Conyon, 2012).

Glyphosate is hardly untried as it was first developed in the 1970s and is used in growing most of US corn, soya bean and cotton. Roundup has today US$ 5 billion in annual sales, and has been used more intensively since Monsanto developed genetically modified strains of crops that are less affected by it (Pigden, 2019; Burger, Goodman et al., 2018). But Bayer’s failure to predict the liability reflects badly on its due diligence. Bayer may have paid greater attention to Monsanto’s biotechnology innovation in the US, where GM crops are more tolerated than in Europe, and underestimated the risk. There was one other warning sign in the acquisition: it took place as other chemicals and crop science companies were merging, including Dow Chemical and DuPont, and Syngenta and ChemChina (Patton & Pullin, 2018; Atkins, 2019). It is common for rounds of parallel mergers in industries to lead to at least one error as companies
are panicking by the fear of missing out (Hendrikse, 2003). Bayer is contesting the glyphosate claims and insists it is backed by science; the merger could still succeed if it limits the liability to the US$ 5 billion that some analysts predict (Atkins, 2019). But the affair reinforces the lesson that large mergers, especially those carried out across borders and technologies, are risky. The pitfalls can lie not just with new products but familiar ones. Roundup’s ingredient glyphosate has caused Bayer reputational, legal and financial problems and Bayer seems not to have anticipated problems to this extent.

While the general trend towards more sustainability in society has led to the result that Bayer becomes increasingly targeted by accusations, the reputational breakdown has also caused further operational and financial problems. Moreover, as the product component glyphosate is widely believed to be carcinogenic, it might be forbidden by authorities in the upcoming months and countries might prohibit its use (Cotton et al., 2019). Additionally, the penalties that could be charged for product liabilities in the future might exceed the company’s value. Hence it seems that, at the point of the acquisition, **CSR and sustainability concerns have not been major nor sufficiently weighted criteria** for the M&A decision. Clearly, as can it be seen in this case, if a company does not put enough weight on CSR in today’s world, it can get into severe trouble.

In other words, as Bayer has undervalued the importance of product liabilities, the rise of thousands of lawsuits concerning glyphosate over the last year has strongly contributed to bring Bayer into the current crisis. All synergy and profit expectations for the future are in doubt, as long as such law suits are not solved.

Through the general social trend towards increased sustainability and the emergence of plenty of environmental movement campaigns in combination with its omnipresence in the media, the issue of Bayer’s acquisition of Monsanto and the continued sale of Roundup has been pushed to become a cornerstone topic determining Bayer’s future. It cannot be ignored anymore. This is a development that Bayer could not anticipate one year ago.

### 6.2 Critical review of Bayer’s response to the crisis

In his speech during the annual shareholder meeting in April 2019, Baumann said that all reputation issues and risks were actively identified and assessed in the course of Monsanto’s acquisition (Baumann, 2019). It is now clear, however, that the company significantly underestimated potential repercussions (Dohmen et al., 2019). But Bayer’s communication strategy, showing a kind of stubborn argumentation line that glyphosate is scientifically proved
to be safe, was leading to even more stakeholder anger, shareholder resistance and increased shareholder activism. The situation at Bayer has left stakeholders and shareholders angry and upset, together with large parts of the society either sceptical or hostile in their attitudes towards the company’s behaviour and customers, e.g. farmers uncertain about product usage. 2018 was one of the most difficult years in Bayer Group's 155-year history (Atkins, 2019). And 2019 proves to be even more turbulent with ongoing plaintiffs, and the situation may grow even more risky for the company, if the legal cases cannot be managed for Bayer’s advantage (Dohmen et al., 2019).

6.2.1 Bayer’s top management’s efforts to mitigate the crisis
In the following I will analyse the financial communication tactics of Bayer and investigate whether and how they were adapted in the course of the crisis. Financial communication is not a static approach and, more often than not, financial communication can be understood as a dynamic function, that needs to constantly adapt to external influences.

6.2.1.1 Bayer’s Financial Communication during the acquisition
An excerpt from personal statement of the CEO of Bayer on June 7, 2018, which is the day of the acquisition of Monsanto contains the following message: “Today is a great day: for our customers - farmers around the world whom we will be able to help secure and improve their harvests even better; for our shareholders, because this transaction has the potential to create significant value; and for consumers and broader society, because we will be even better placed to help the world’s farmers grow more healthy and affordable food in a sustainable manner” (Monsanto Company, 2018). Relationship management is the ethical and efficient management of an organisation-stakeholder relationship, focused over time, on common interests and shared goals in support of mutual understanding and mutual benefits (Ledingham, 2003). Theoretically, the comments made by Bayer are well aligned with the principles of good financial communication. However, this good intend is clearly doubted by several stakeholders because Bayer’s reputation is damaged. This, in fact, weakens the credibility of Bayer’s statements. And because the stakeholders have a preconception about Bayer, this induces them to distrust Bayer’s communication. Hence, also the following comments by Baumann were seen with this suspicion. “As a leading innovation engine in agriculture, we offer employees around the world attractive jobs and development opportunities,” said Werner Baumann. “Our sustainability targets are as important to us as our financial targets. We aim to live up to the
heightened responsibility that a leadership position in agriculture entails and to deepen our dialogue with society” (Monsanto Company, 2018). Ledingham and Bruning (1998) note that goals are developed around relationships and communication is used as a strategic tool in helping to achieve those goals.

To emphasize the deep interest of Bayer in the well-being of its stakeholders aims at tightening the relationships and is a strategy to create trust into Bayer. However, these comments are always just words and might be perceived as empty promises, as long as they are not followed by concrete actions. Relationship management suggests that an organisation and its stakeholders live in a kind of partnership. And while the benefits may not always be equal, each partner in the relationship must feel the other is operating in good faith or the relationship will fail (Ledingham, 2003). What becomes clear is that the financial communication of Bayer applies the key concepts of financial communication in an appropriate manner, emphasizing a deep focus mutually beneficial stakeholder relationships and sustainability targets and CSR initiatives. However, this has little effect because the messages do not get across to most of the stakeholders in a credible way. Thus, the crisis persists and Bayer was forced to apply more persuasive tactics.

6.2.1.2 Bayer’s Financial Communication during the crisis

Bayer CEO Baumann said he wanted to actively engage in dialogue with all interest groups - those who are supportive and those who are critical (Burger, Sheahan et al., 2018). He said that "only through transparency and openness will Bayer be able to build the trust Bayer needs in the long term" (Dohmen et al., 2019). This is in line with Sloan (2009), who considered stakeholder engagement to be the process of involving individuals and groups that affect or are affected by the activities of a company. It is exactly through this very open communication, which is persuasive because it directly addresses a key issue, that Bayer tried to regain organisational legitimacy in the course of the crisis. Hence, it can be claimed that Bayer hoped to regain the sympathies of its stakeholders by communicating what they like to hear. Moreover, the Bayer CEO insisted to declare that he is confident the company will successfully challenge the lawsuits in the U.S. Baumann reassures that Bayer’s pharmaceutical division has experience with such lawsuits from past court trials in pharmaceutics and will now apply that expertise in the glyphosate litigation (Dohmen et al., 2019). In the pursuit of relieving Bayer from the enduring crisis, however, neither of those statements were fruitful as stakeholders felt these words were not sufficiently credible to overcome the problems that lie ahead of the company. Furthermore, the statements gave little reassurance about the outcome of the ongoing
legal disputes. Hence, one can clearly see a gap between promising words and actual legal proceedings here. So far, Bayer did not manage to transfer its success relating to legal disputes in the pharma sector onto the much more extensive and completely different law suits related to glyphosate. Today, Bayer continues to channel its communication in a way similar to the communication content of June 2018, in order to restore the trust of stakeholders. While the narrative is basically still the same, especially Bayer’s claim that glyphosate is safe, the continuously declining share price from June 7, 2018 to April 26, 2019 indicates that this communication strategy has not been a success.

During the ten months’ period between the acquisition in June 2018 and the annual shareholder meeting in April 2019, the reputational, operational and financial crisis was enforced through three lost law suits, its omnipresence in the media and a tremendous change in societal trends. The annual shareholder meeting of April 2019 depicts a key event and is perceived as a peak in this situation, with many open questions from the side of stakeholders and turbulent times for Bayer. Bayer needed to act and stakeholders awaited Bayer’s appropriate response. A considerable part of CEO Baumann’s speech addressed the issue of Monsanto’s glyphosate and how Bayer will cope with it. Thus, the speech of CEO Baumann during the annual shareholder meeting on April 26, 2019 appears to be another attempt to mollify investors and regain shareholders’ and other stakeholders’ trust, in Bayer’s pursuit of finding a way out of the crisis. Here, the central focus is to restore top management’s power in regards to credibility and organisational legitimacy. In this context, I chose to analyse the speech of CEO Baumann, as a major milestone in Bayer’s crisis, using Critical Discourse Analysis.

### 6.3 Critical Discourse Analysis applied to CEO Baumann’s speech at the annual shareholder meeting in April 2019

As explained in section 3.1, this master’s thesis is based on an interpretivist/relativist approach which assumes that reality is socially constructed and tends to rely upon the players’ (stakeholders’) views of the situation being studied. Hence, I believe there is a very good match between the chosen interpretivist/relativist approach and CDA, which also follows a realist approach based on the key assumption that reality is socially constructed (Fairclough, 2010). Under this view, it becomes clear that different stakeholders can have different views on realities. Hence, the preceding stakeholder analysis serves as a solid and necessary foundation for the following CDA.
The ‘critical’ discourse analysis’ I undertake in this master’s thesis is a qualitative investigation which aims to systematically explore the opaque relationships of causality and determination between (a) discursive practices, events and texts, and (b) wider social and cultural structures, relations and processes in order to investigate how such practices, events and texts arise out of and are ideologically shaped by relations of power and struggles over power (Fairclough, 2010, p.93). This said, I aim to further illuminate, with this analysis, the causal linkages that led to Bayer’s current crisis and investigate why the CEO’s speech at the annual shareholder meeting was not successful in improving shareholders’ perception of Bayer’s image. To conduct a fruitful CDA of Baumann’s speech, it is helpful to identify first the version of reality, that he created in 2018 and that he continues to manifest in 2019 (at least until April 2019).

6.3.1 CEO Baumann’s version of reality

For Werner Baumann, CEO of Bayer since May 2016, the truth is strictly one-dimensional, and, according to him based on facts and scientific findings, studies and expert opinions. Therefore, the head of Bayer has no doubts about the safety of glyphosate from a technical and product point of view. He said he would acquire Monsanto at any time again “without any ifs, ands or buts” (Dohmen et al., 2019). Moreover, Baumann tried, with a single sentence, to dismiss fears of stakeholders about the most important factor in the decline in Bayer's share price, namely the ongoing legal disputes with alleged glyphosate victims. He expressed himself in rather technocratic terms without any emotions directed towards the victims of glyphosate. The lawsuits, he said, are baseless and the company will fight them resolutely with experienced lawyers (Dohmen et al., 2019). This is very different to the cases of Volkswagen’s (VW) “diesel emission scandal” and British Petroleum’s “Deepwater Horizon scandal” where the companies acknowledged their guilt and engaged in some form of mediation. Bayer and particularly Baumann make it different by denying any mistake and arguing with scientific evidence, that the usage of the product is not harmful if the product is applied properly. Baumann’s strategy focusses on legal countermeasures, effectively excluding mediation.

6.3.2 Applying Fairclough’s three-dimensional framework for studying discourse

This section specifically analyses discourse of speech, namely the speech of Bayer’s CEO Baumann during the annual general shareholder meeting on April 26, 2019. I analyse the speech according to Fairclough’s (1989) framework within a qualitative approach. Given the enormous
domestic and global significance of the speech in terms of attempting to restore investors’ trust, it is important to decipher the ideological traits of Baumann enshrined in his speech. The aim here is to examine the realisation of power and organisational legitimacy in Baumann’s language usage and its ideological component.

6.3.2.1 Step 1: Text analysis on linguistic micro-level

The very first analytical attention of Fairclough’s model is “Text”. It is the words and the way the speech is written what this first dimension seeks to understand. According to Fairclough (2010), text analysis includes the linguistic analysis. We can start at the linguistic micro-level and explore which strategic functions specific structures (e.g. word choice, grammar and rhetoric) serve to fulfil regarding the intensions of the speech.

Rhetoric is the art of using language in a way to persuade or influence others (Oxford English Dictionary). This analysis section focuses on the language and individual words that shape the text of the annual shareholder speech (see appendix). Thomas et al. (2004) point out that a speaker can become successful through the skilful use of rhetoric, by which he aims to persuade the audience of the validity of his views. Here, I look at a few word choices by Werner Baumann. “We were convinced at the time – and we are today – that glyphosate is a safe product when used as directed. That view is based on science and on the practical experience of farmers over a period of more than 40 years” (Baumann, 2019, p. 7). At the word level, it is observable that CEO Baumann is strikingly often using the word “we” which gives the speech a recognizable tone and is a demonstration of power. Using the word ‘we’ repeatedly aims to make the listener think that all board members of Bayer stand in unity behind the CEO and his words. This is aimed at building a feeling of cohesion between the stakeholders.

To further reassure shareholders and stakeholders, Baumann explains how Bayer focusses its resources to cope with the law suit claims to yield a mutually beneficial outcome. His words are a set of promises and entail a plenitude of features known from signalling theory. “Our lawyers are working intensively with the external law firms involved to further develop Bayer’s defence strategy and manage the ongoing cases. Bayer is therefore confident that they will also be able to reduce the uncertainty regarding the outcome of this liability litigation in the medium term” (Baumann, 2019, p. 10). By using words like “confident” or “working relentlessly” Baumann wants to assure the shareholders that Bayer does everything in their power to successfully defend themselves in the appeal proceedings and the coming trials.

“Research and progress with the necessary responsibility and transparency as well as science-based regulation are the preconditions for trust and for societal acceptance” (Baumann, 2019,
p. 24). Using buzzwords like “responsibility, transparency, trust and societal acceptance” shows Werner Baumann is consciously using expressions to strengthen organizational legitimacy for organisational well-being. CEO Baumann tries to remind the audience that Bayer has a record of formidable CSR and wants to re-establish a positive picture in the perception of the audience. His tactic here is to construct a logical link between the positive CSR practice of the past and current activities of Bayer. Several times during the speech, Baumann repeats that “glyphosate is a safe product” (Baumann, 2019, p. 7). The rhetoric device of repetition is used here as a mean to constantly bring this reality to the listener’s mind in the hope that the listener will finally adopt Baumann’s reality and adjust his own reality. Moreover, Baumann uses numbers (e.g. 40 years of science and experience) to support his claims, hoping that technical and quantitative facts help to change the listeners’ perception. However, it is rather fact that due to 13,400 law suits the negative image of Monsanto has spilled over onto Bayer and not the other way around.

Thus, in his attempt to mitigate the negative effects of Monsanto’s product Roundup on Bayer, Baumann goes on to emphasize the outstanding reputation of Bayer in the past in order to distract the audience. “Throughout the world, Bayer stands for quality, transparency and trust. This reputation is in line with our mission as a leading life science enterprise and at the same time provides an incentive for Bayer’s work in the future” (Baumann, 2019, p. 11). “And that also applies particularly to the safety of our products. I’ll say this quite clearly: For all of us here at Bayer, the safety of customers, patients and consumers always comes first everywhere” (Baumann, 2019, p. 11). In terms of financial communication, it can be argued that these statements contain messages that intent good stakeholder relationships and support. From this perspective, Bayer’ communication is in fact exemplary. It makes clear the central focus of Bayer that in regard of glyphosate, safety of customers and users comes first. But actually, there is no logical bridge between what Baumann says and Bayer’s activities of acquiring a company that sells a product which is allegedly carcinogenic. The audience understood this as a contradiction. Hence, Baumann’s statements appeared as misguided because stakeholders have a completely different picture of the wider scenario. Consequently, this invalidates Baumann’s words. Stakeholders could not be convinced and thus stay suspicious.

Baumann continues to use rhetorical devices and specific wordings in pursuit of convincing the audience to change their opinion. “In this situation, acting with responsibility and transparency is the only thing that helps. That’s what Bayer has stood for, for decades. It’s what Bayer’s
reputation is based on” (Baumann, 2019, p. 23). The way he phrases this sentence, with the grammar is very interesting. Ending the sentence with “…, for decades” is supposed to underline, that Bayer has a long record of formidable and transparent financial communication and is always taking the interest of stakeholders into account. His open, direct and benevolent communication and good intent let Baumann appear sympathetic at first glance. But still it remains questionable to the audience if his words are credible. Stakeholders might worry if this behaviour is not just a strategic initiative to get their trust for voting ‘yes’.

This word level analysis shows something about the intentions of the top management. Baumann clearly used specifically selected words and rhetoric devices to influence the listener’s perception towards his own interest, but he could not convince.

By analysing the text at sentence level, it can be observed that Baumann often added up 15 words or more for each of his sentences. This might lead to incomprehensibility. CEO Baumann used complicated sentence constructions like: “Apart from the important and very successful acquisitions of the Aventis agriculture business in 2001, the OTC business of Roche in 2004, and also Schering AG in 2006, we’ve accomplished further crucial transactions more recently, most of which have created value” (Baumann, 2019, p. 2). This sentence contains 42 words. Long and complicated sentences are hard to understand and a sentence like this of more than 40 words completely overwhelms the audience. Experts advice not to use more than seven words per sentence because otherwise the audience loses the red-thread (Jameson, 2000). But Baumann on average uses more than 15 words per sentence and also interlaces the sentences. An example: “Ladies and gentlemen, the answers I’ve given so far referred to our strategic development, the alignment of our businesses or the reasons, why we decided to acquire Monsanto” (Baumann, 2019, p. 10).

Overall, an important rule for speakers is to only express one thought per sentence (Jameson, 2000). CEO Baumann clearly did not follow these rules. In addition, Baumann utilized a lot of buzz-words, technical terms and an above-average number of very general, unspecific and passive constructions like the following one: “Of course, an assessment of the risks associated with the glyphosate business was included” (Baumann, 2019, p. 6). Such vague formulations without “I”, “we” or “our legal department” veil, who actually did something and who bears the responsibility. This gives the impression of large personal distance of Baumann to the product litigations and the wave of possibly following compensation claims, which caused the
significant drop in share price. On the contrary to Baumann, most shareholders perceive these issues as existentially threatening. This gap between perceptions of Baumann and perceptions of stakeholders will be further analysed in the next sections, where I scrutinize Baumann’s ideology and the intended reality that should be shaped from this.

6.3.2.2 Step 2: Processing analysis on linguistic meso-level

Any text contains interpretations from listeners. The connection between text and social practice is seen as being mediated by discourse practice. Discursive practice is about the way in which the speech of CEO Baumann at annual shareholder meeting in April 2019 is produced. The form is speaking. As the author draws on other discourses in his text, the timing is also an important factor as this discourse of speech is a response to previous ones. Hence, this instance of discursive practice cannot be analysed without reference to its context.

As mentioned above the annual shareholder meeting of April 26, 2019 depicts a key event and is perceived as a peak in the enduring crisis of Bayer. Thus, the preceding stakeholder analysis serves as a necessary foundation in order to come to valid interpretations of the stakeholder perceptions. The audience understands the words of Baumann as a contradiction to their own reality. For them, there is a gap between what Baumann says (caring about society and sustainability, being deeply involved in CSR) and Bayer’s activities of acquiring a company that sells a product which is most probably carcinogenic and has to face thousands of law suits. In this context, Baumann’s statements appear as misguided because stakeholders seem to have a completely different view of the entire scenario. Consequently, this invalidates Baumann’s words and stakeholders must stay suspicious. This said, as has been seen above, the words one chooses and the way the sentences are composed are of importance. Language is not neutral and contains values, attitudes and assessments that the sender will convey to the recipient. This makes the text subject to interpretation.

6.3.2.2.1 Relation of discourse with ideology

According to CEO Baumann, Bayer is committed to contribute to more sustainable agriculture and at the same time ensure an adequate and healthy food supply. “The sustainable intensification of agriculture along these lines can only succeed through innovation. That is the aim of Bayer’s efforts, and in the new constellation Bayer is now in the best position to achieve it”, Baumann said (Baumann, 2019, p. 5). Baumann continued: “As a result of the acquisition, Bayer is now the leader in agriculture. We have a unique technology base. Bayer has leading
businesses in chemical and biological crop protection, in conventional and biotech seed, and also in digital farming” (Baumann, 2019, p. 5). Here, Baumann’s statements about state of the art technology are overly positive and optimistic. This is intended to reassure and focus shareholders on that Bayer is well prepared for the future. However, he completely blends out negative facts like the product liability and compensation payments for Roundup. This is what shareholders are in fact the most worried about. Actually, this is positive framing and obviously a tactic of avoidance and denial becomes apparent.

He added: “Today, we are already more profitable than our direct competitors. We have the right people and an outstanding regional positioning, which enables us to continue increasing Bayer’s earning power and outpace market growth in the coming years” (Baumann, 2019, p. 5). “In addition, the transaction (meaning the acquisition of Monsanto) is financially worthwhile. The divestments to BASF that were required for antitrust reasons were accomplished at an attractive sale price of EUR 7.3 billion (US$ 9 billion) and with a gain of EUR 4.0 billion. Even though divestments were required on a larger scale than expected and this reduced the synergies, Bayer will still realize one billion euros a year in synergies from the Monsanto acquisition from 2022 onward” (Baumann, 2019, p. 5). Talking about the financials, Baumann was also strictly positive. The critical audience might be under the impression that Bayer’s CEO is ignoring any downsides. He tries to influence the listener in a way to believe the acquisition of Monsanto will be a big financial success in the future. However, listeners have their own thoughts and at this particular moment in time they can see that the financial targets do not realise, with a share price plummeting and an unclear starting point of this promised ‘brilliant future’ as long as all the court cases are not settled.

Bayer’s CEO continues to defend his standpoint and showed no doubt that he or top management might have done any mistake in acquiring Monsanto. “For all these reasons – the outstanding positions of Bayer’s businesses, the great potential for Bayer’s customers, the possibilities for more sustainable agriculture and also the economic rationale – the acquisition of Monsanto was and remains the right step for Bayer. We’re as convinced of that now as we were before. And this is still the case when taking into account the discussion about glyphosate, a matter I’ll address in more detail shortly” (Baumann, 2019, p.5). Here again, CEO Baumann used strictly positive framing. This is exercised to influence the ways in which audiences interpret his text, which goes hand in hand with the purposes of impression management. According to Thomas et al. (2004) language can be used to steer people’s thought and beliefs.
While favourable aspects of a desired reality can be emphasized (e.g. scientist claim that Roundup is safe if appropriately applied) negative ones are downplayed or excluded (e.g. glyphosate has caused cancer in several cases) by Baumann in order to steer audiences toward a particular interpretation that Bayer will come back to great success soon (Entman, 1993).

Ideology is the strongest when it becomes opaque, meaning that it is no longer visible as ideology. When ideology becomes a part of everyday common sense then the discourse becomes natural and thus words become available for the speakers and writers to express themselves unconsciously and naturally (Fairclough, 2010). It is the ideology that constitutes the identities and constructions of the world. Baumann himself appears to sincerely believe in what he was saying and holds on to a strict argumentation that glyphosate is safe and Bayer in his opinion is well set up for the future. Looking at particular excerpts from Baumann’s speech in April 2019 as elaborated on above, it becomes clear that the CEO communicates continuously on the background of a very strong ideology.

This deeply embedded particular ideology becomes especially apparent through the scrutiny of the following comments where Baumann continues to eagerly defend Bayer and top management’s decisions and denies any error: “Regulatory authorities worldwide have approved glyphosate-based products and extended their registrations multiple times over several decades. The plaintiffs’ attorneys in the United States wrongly claim that glyphosate-based products are carcinogenic and that Monsanto knowingly exposed its customers to this risk. These really are quite incredible accusations” (Baumann, 2019, p. 7-8). “Bayer remain convinced of the safety of glyphosate. At the same time, we’re also aware of the tremendous importance of glyphosate for the global food supply and for sustainable agriculture that uses less land, causes less soil erosion and releases less carbon dioxide” (Baumann, 2019, p. 8). These statements get to the heart of how strong CEO Baumann’s ideology effectively shapes his reality.

Baumann’s defensive strategy entails a complete denial of the product harmfulness, that stakeholders claim to be present in glyphosate. Further, he did not refer to any details of the jury’s argumentation for declaring glyphosate hazardous to health. In Werner Baumann’s point of view, there is simply no reason for refraining from his standpoint, leave alone admitting any form of mistake. As soon as the CEO’s intention is interpreted, the invisible agenda becomes vivid. What Baumann tries to do is to implant his version of reality into the mind of his audience (the stakeholders). Thereby he wants to mollify stakeholders to an extent that they believe Bayer
will undoubtedly get out of the crisis, which is only temporary and completely unjustified. However, the strongly embedded ideology rather created distance to stakeholders who have a completely different reality and resentment because Baumann did not show enough sensitivity.

6.3.2.3 Step 3: Social analysis on linguistic macro-level

The macro-level analysis aims to further scrutinize the relationship between discourse and the socio-cultural reality. While power, dominance and inequality between social players are typically terms that belong to this macro-level of analysis, the immediate condition, from which a text evolved, is important for the authentic interpretation of the text. This is because the main belief of Fairclough’s framework (1989) is that discourse is a part of social life. Thus, in the following section I intend to further analyse how the external environment of Bayer has influenced the speech. Additionally, the focus will be on how Baumann aimed to restore trust of shareholders and stakeholders in a wider context, using power.

6.3.2.3.1 Relation of discourse with power

In order to put certain political, economic and social ideas into practice, language plays a crucial role. It is all about the attitude that a listener adopts towards the speaker. This attitude shapes the responses people give to social situations. In the following I am going to analyse the realisation of power by means of language use.

Power depends on sustaining the legitimacy of the entity and its representatives. This can be largely achieved through discourse (Foucault, 1991). In the last section about ideology, CDA illuminated the ways in which CEO Baumann constructs versions of reality that favour Bayer’s interests. According to Fairclough (2010), these explanations can be considered ideological if they can be shown to not only be inadequate but also necessary to establish and keep in place particular relations of power. In Bayer’s case, the power relations concern especially its organisational legacy. Baumann wants to avoid losing his face and Bayer losing more value. Thus, he cannot admit in any way that Bayer has done a mistake in acquiring Monsanto nor that the product component glyphosate is harmful in any way. This is the core issue in Baumann’s struggle for organisational legitimacy.

Foucault (1991) states that there is a relationship between knowledge and power. More specifically, according to Foucault (1991), ‘power’ is constituted through accepted forms of knowledge, scientific understanding and the truth. While Bayer refers to their long-time
experience and scientific reports claiming glyphosate’s safety, to establish their organisational legitimacy, stakeholders have a different conception about the ‘truth’ as discussed before. Stakeholders have power in the sense that they can challenge Bayer’s behaviour through publishing reports that challenge glyphosate’s safety, cutting their business ties or selling their shares to show disagreement. These power relations discipline Bayer to adapt its activities (Foucault, 1991).

Baumann clearly understood what the concerns of stakeholders are. However, in his speech he created a reality that is far apart from that of critical stakeholders. He attempts to bridge the gap by talking the company well and framing it positively in order to blend out the negative aspects. While he makes Bayer appear like a winner, stakeholders strongly doubt it. By pronouncing that this matter of product liability litigation concerning glyphosate in the United States is a top priority for the Board of Management and of course for Baumann personally, he reassures stakeholders and investors that the product liability litigations concerning glyphosate can be solved in the short to medium-term based on the right arguments and smart management. Additionally, Baumann stated: “We believe that providing transparency about the product safety studies is a necessary step to restore trust” (Baumann, 2019, p. 24). This is a way to sympathize with the listeners and talk what they want to hear to get their attention and indoctrinate them. He continued: “That’s why back in 2017, we were the only company to voluntarily begin publishing comprehensive data on safety studies concerning crop protection products. After acquiring Monsanto, we of course added extensive safety data concerning glyphosate to this overview” (Baumann, 2019, p. 24). This creates the image that Bayer is acting socially responsibly and follows conscientiously its obligations. However, what becomes clear is that Baumann makes absolutely no sign of confession and strictly sticks to his conception that glyphosate is a safe product. Hence, the organisational legitimacy is unstable and vulnerable to each new law suit and expert report that claims glyphosate to be harmful.

6.3.2.3.2 The principle of coherence and narrative fidelity

The principle of coherence brings into focus the integrity of a story as a whole, but the principle of fidelity pertains to the separate components of stories of whether they represent accurate assertions about social reality and constitute good reasons for belief.

CEO Baumann places his speech in the context of other discourse, referring to developments that have been going on during the previous months. This is to say, his speech is embedded in
the social context, where previous events have certainly influenced the content of his annual speech. Baumann began his speech in a very smart way by asking the rhetoric key questions “is the corporate strategy sound and sustainable?” , “was acquiring Monsanto the right step for Bayer?” and “when will the stockholders benefit from it?” (Baumann, 2019, p. 1). After the welcome and introduction, he thereby directly addressed what bothered the majority of the audience the most and made sure to get everyone’s undivided attention.

Baumann identified that “the major factor weighing on the share price is the product liability litigation concerning glyphosate in the United States” (Baumann, 2019, p. 22). “Since the verdict in the Johnson case on August 10, 2018, the stock has shown a clear reaction to developments in the glyphosate litigation, falling to its lowest level for seven years in March 2019. That is disappointing and very painful for you as stockholders, as it is for us as the responsible management” (Baumann, 2019, p. 9). Talking only about business and numbers let him appear rather cold, distant and technocratic. Overall, he does not manage to establish an emotional relationship with the audience and hence the organisational legitimacy is not backed by stakeholders but only by controversial expert reports which report glyphosate’s safety. At this point Bauman made something really clear: “Responsibility for assessing and approving products – and thus for people’s health – must continue to lie with independent authorities. They make decisions based on scientific analysis – and not on emotions” (Baumann, 2019, p. 23). By strictly referring on facts and leaving out emotions, CEO Baumann attempts to convince the audience that his reality is founded only on fact-based science.

In his attempt to change the audience’s way of thinking and their behaviour, Baumann directly appeals to the stakeholders. “We did of course identify and assess the legal risks associated with glyphosate, as I mentioned earlier. However, Bayer has seen society’s trust in science and independent regulatory authorities being increasingly eroded and undermined. This is a very dangerous development, as it harms the credibility of independent authorities and thus ultimately also the foundation of trust for all” (Baumann, 2019, p. 23). Here, Baumann presents himself and Bayer as a victim and complains that independent authorities must regain their credibility in society. He, in fact, points out that the juries simply misinterpret the scientific reports about glyphosate. This is again something out of the scope of the CEO’s power, because he cannot influence the jury’s perceptions, which appears as a rather weak argument. Society has withdrawn their trust in independent regulatory bodies to a large extent because of several incidences of corruption in the past, where officials have been paid to release favourable reports.
(Cobb, 2018; Dohmen et al., 2019). This has created the “lemon problem” of asymmetric information (Hendrikse, 2003). Now, it is thought that all expert’s opinions have been bought, which erodes the trust put in every single of these studies. Hence, stakeholders might declare that the cited experts by Baumann are not convincing with their studies. Moreover, stakeholders might easily see through Baumann’s intent to persuade them to adopt his reality, which is based on a strong ideology and manipulating discourse rather than independent and reliable scientific research.

7 Discussion

To a large extent, critique is a matter of highlighting gaps between what a corporation claims to be and what it is in real life (Fairclough, 2010). In other words, CDA is very useful to understand what the sender (CEO) wants to convey to the recipients (stakeholders and especially shareholders) and what perception the sender does intend from the recipients’ point of view. On top of that, the real perceptions that recipients maintain are investigated. From here it is feasible to make assumptions on why Bayer did not manage to improve its image in the context of Baumann’s speech. In this way, I want to highlight the contribution that CDA might help in Bayer’s struggle to explain the financial communication deficits and why the CEO’s speech failed to create the intended picture for stakeholders.

7.1 Why did Bayer fail to restore investors’ trust in the context of CEO Baumann’s speech?

Through CDA, the intentions of Bayer’s CEO Baumann were revealed. The CEO had chosen to develop a speech that is unifying and encouraging, but as well denying any form of mistake. It also contains clear attitudes towards how the company should be regarded by key stakeholders. The CEO is the sender of the speech, which is an expression of top management’s view on the acquisition of Monsanto and issues concerning product liability of Roundup.

The current tactics of Bayer’s CEO Baumann have been identified as a form of complete denial of product harm, which is supposed to be proven based on certain scientific reports. This said, for Baumann there is only the reality that glyphosate is a safe product and all allegations will turn out as unjustified. His ‘victim-centred crisis response’ might only reinforce the problem because stakeholders do not accept the reality he aims to create. There is scientific evidence and expert opinions who claim exactly the opposite. And as long as the court cases in the US
have not been decided, there is little credibility in Baumann’s words, especially in the light of the three lost law suits and thousands to follow. Investors stay alarmed and cannot be mollified just by words in this case. Overall, the comments by the CEO were not convincing enough to turn the stakeholder’s thoughts around.

The audience seeks active formulations and clear messages that accommodate its own beliefs of reality. Further, the speaker must think about listeners in the audience who are no business or legal experts and as well take into account perceptions of the general public in order to be persuasive. Throughout his entire speech about Monsanto, Baumann was in a defensive mode. Speakers who need to justify something, often embellish what they have to say. This clearly comes at the cost of clarity and persuasiveness, especially when the language, expressions and narratives do not fit to facts and risks in the real environment.

While Baumann wants to push his version of reality onto his listeners this naturalisation of ideology cannot be successful, because critical listeners see through Baumann’s intention. The credibility of Bayer was damaged before, and an informed audience will not blindly believe any of Baumann’s declarations. Talking the company well, cannot necessarily contribute to ameliorate Bayer’s image in the short run, because stakeholders have formed their own realities about Bayer’s business concerning glyphosate and numerous liability claims at courts. Stakeholders expect appropriate action and no “business as usual” approach. There is little sensitiveness towards stakeholders’ issues and their concerns and his words are rather heard as a form of justification and defensive action. This makes it difficult for stakeholders to belief the CEO.

As mentioned above, most of the stakeholders already had some strong opinions on glyphosate’s risks and costs of damage compensation. A CEO talking the exact opposite of the stakeholders’ belief potentially only widens the gap of trust and fuels the anger. During the course of his speech, Baumann describes and repeats multiple times in a very fact-bound and unemotionally way the advantages of the purchase of Monsanto and talks about a brilliant future in order to appease the doubts of the audience fearing huge compensation payments. Baumann even presented expert assessments, which certify him correct behaviour during the acquisition. But this even widened the gap between Bayer management and shareholders. In the annual shareholder meeting on April 26, 2019 over 55,5% withdrew their trust. This happened for the first time in DAX history (German stock index), and even though it has no immediate consequences for top management, it is the strongest sign of distrust. As this vote took place
immediately after the speech of CEO Baumann, it is clear that he was not successful in his pursuit of persuading stakeholders and mollifying shareholders. Here, it becomes evident that shareholders and stakeholders generally understand the contradiction between the strategy of error-denial and underlining solid financial metrics while a legal risk of tens of thousands of billion dollars is not mentioned, but exists.

### 7.2 Implications

The critique in this CDA focuses on what is wrong with a corporation, and how wrongs might be righted or mitigated, from a particular normative standpoint. Critique is grounded in values, in particular views of the ‘good society’ and of human well-being and flourishing, on the basis of which it evaluates existing corporations and possible ways of changing them. Clearly, sustainability and environmental consciousness have become more important to investors and society at large, especially within the last year. Bayer seems to have underestimated their importance. Exactly because of Monsanto’s controversial business activities, the spill over effect of Monsanto’s image onto Bayer, legal risks and the current developments in society, Bayer finds itself in an enduring operational, financial and reputational crisis. In accordance with the acquisition, Bayer let the brand name Monsanto disappear in order to get rid of the negative image. However, this does not suffice because with every process the name appears again and accordingly the bad image. And as long as Monsanto products are sold, people will associate this image with Bayer, the buyer of Monsanto.

The preceding CDA analysis showed to be very helpful in identifying why Bayer did not manage to get out of the distrust and can give some indication what needs to happen to mitigate the crisis. After analysing parts of the speech of Bayer’s CEO Baumann at the annual shareholder meeting in April 2019 through the lens of Norman Fairclough’s Model of Critical Discourse Analysis, it is evident that CEO Baumann has a profound ideology in this speech. He has a hidden intention to make all people believe that glyphosate is a safe product if applied correctly from a scientifically proven point of view and shareholders. In accordance with this view, he tries to persuade investors that they do not need to worry about product liabilities and following penalties because a fleet of star lawyers will solve the court cases in Bayer’s advantage.

However, Baumann’s view clearly contradicts with that of a large part of the stakeholders, which considers glyphosate to be toxic and a high commercial risk of probably tens of
thousands of lawsuits and billions of dollars for penalty charges. Thousands of farmers with cancer have filed lawsuits against Monsanto's new owner, and investors now view Bayer shares as high-risk stocks they don't want to include in their portfolios because the final outcomes of multi-level lawsuits are completely open and may last for years. Consequently, Baumann was not able to comfort investors as can be seen by the first no-confidence vote of shareholders from a German DAX company during the annual shareholder meeting in April 2019. Thus, it remains a challenging situation for Bayer, and the crisis will persist as long as Bayer has not found a more effective financial communication approach to remedy the loss of credibility or even until a wholesome new strategy will be decided upon.

7.2.1 Critical reflection on strategic alternatives

First of all, Bayer did not have to buy Monsanto to create a combined agricultural business. It could have sold its crop sciences unit instead, harvested a windfall and avoided the Roundup pitfall. Selling Bayer’s agricultural business was not on the company’s agenda, however. It operates as a conglomerate, running a portfolio of businesses. The idea behind is that managers can spot growth opportunities. Bayer saw agriculture, a regulated sector, as an area it could apply and benefit from with the knowledge it had gained in healthcare. An alternative view is that the Monsanto acquisition was a defensive move. Selling crop sciences would have left the remaining healthcare businesses vulnerable to a takeover. The irony is that the acquisition has made Bayer more vulnerable for a takeover due to a share price decline, except that the US lawsuits are now a potential ‘poison pill’.

Bayer faces two options for their financial communication strategy: either hold tight to their standpoint and rigorously defend the safety of glyphosate as they are currently doing or to adapt to stakeholder demands and acknowledge their own mistakes. So far, Bayer is completely denying stakeholder concerns and continues business ‘as usual’ and thus the second option seems to be ignored. This may work out by settling the legal cases as quickly as possible e.g. by comparative payments of precedents or announcing the R&D of an alternative product to get rid of Roundup. However, in this regard the investor relations function of Bayer is not adequately performing its role of mediating between the different rationalities of stakeholders and corporate management. Following this, Bayer is facing the consequences in the form of stakeholders’ distrust. What Bayer can do in order to relieve themselves at least partly from the reputational crisis is to admit to a certain extend that they have done a mistake and take
social responsibility by compensating the victims of the glyphosate case. This would create clarity.

The decline in Bayer’s value implies that investors have priced in the cost of the US litigation as running into probably tens of billions of dollars. This means, the penalties that could be charged for product liabilities in the future can well exceed the company’s value. Thus, the market expectations have already adjusted the share price of Bayer according to the tremendous risks and thus the share price has continuously been falling from about EUR 99 on 7 June 2018 to as low as EUR 62 on April 26, 2019. On the other hand, precedents suggest the final bill could be much lower. In 2007, US drug group Merck settled, for US$ 4.85 billion, lawsuits claiming its Vioxx painkiller drug caused heart attacks and strokes. Earlier this year Bayer and Johnson & Johnson settled more than 25,000 US claims that their blood thinner Xarelto caused dangerous bleeding, for US$ 775 million. An analysis by Citi Bank even implied that Bayer’s shares should trade much higher because the whole company is presently valued significantly below the intrinsic worth of its individual businesses based on so called “sum of the parts” calculations. The largest part of this discount is explained by the potential US legal compensation payments. Additionally, investors expect a “conglomerate discount”. This means valuing Bayer at a lower price because of the perceived inefficiencies of combining diverse businesses.

Hence, one option to resolve the problems could be to spin off agrochemicals or healthcare activities into a separate company as hedge fund Elliot already asked. The businesses have little interconnections and such a move would isolate any legal or reputational risks surrounding the Monsanto part of the agricultural business. Most importantly, it could change the investors’ perceptions of Bayer, bringing gains for shareholders. The shares might also benefit for another reason: Monsanto’s reputation has prevented the purchase of Bayer’s shares by sustainable investment funds like Union Investment, which judge companies according to environmental, social and governance standards. However, if that spin-off happened, Bayer might itself become a takeover target.

7.2.2 Lessons learned

The results of the confidence-vote during the annual shareholder meeting on April 26, 2019 show that Bayer did not manage to get out of the credibility crisis simply by CEO Baumann’s
effort of talking the company well and continuing the narrative of business success. Figure 6 presents a proposed model of shareholder activist-corporate engagement on social issues to mitigate the crisis. In the time of an operational, financial, reputational corporate crisis or all of them combined corporations like Bayer need to develop some strategies over to cope with shareholder activism. In the focus lays the concept of organizational legitimacy that offers a theoretical lens through which Bayer’s responses to societal expectations of shareholders should be explored.

**Figure 6:** Proposed model of shareholder activist-corporate engagement on social issues to mitigate the crisis.

In this context, the role of investor relations is to reach agreements on mutually acceptable social expectations shaped by a broader set of stakeholders through engagement. As organizational theory scholars assert that changing social norms and expectations voiced by stakeholders constitute a source of pressure for organizations to maintain legitimacy through organizational adjustment, Bayer must become be fully cognizant of the societal norms and expectations. It is not enough to strictly deny any mistake, as this creates the impression of dictatorship and little effort to find common ground. Shareholders like DWS, Union Invest, and American hedge fund investor Elliot voice their societal concerns and exert pressure e.g. to split the business, divest, replace, find new products as alternatives for glyphosate by R&D etc. Rehbein et al. (2004) point out that shareholder proposals can “identify and define problems for
firms and thereby signal an emerging gap between a corporation’s polices and stakeholder demands” (p. 242). Hence, investor relations must target to help Bayer to improve their abilities to relate reflectively to request from the social environment. This has not been implemented by Bayer’s IR so far. More importantly, through effective communication and following actions Bayer can ensure that the public is aware of their firm commitment to conducting socially desired actions in return for legitimacy in society. Following this, the reputational crisis becomes neutralized. However, if the issues that shareholders voiced in shareholder resolutions or at the annual general meeting are not handled well, they will prolong and intensify the crisis. In the case of ignored CSR issues like customer harm and sustainability, the cycle of shareholder activism starts again with the release of each new law suit claim regarding glyphosate and becomes even stronger.

As it can be seen in the case of Bayer’s crisis following the acquisition of Monsanto, activists tend to bring the issue to the attention of the media. In addition, they seek alliances with other stakeholder groups including other activists, customers, and governmental agencies in order to strengthen their position and increase their pressure on corporate management for a necessary change in strategy. Social shareholder activism has thus challenged a previous understanding of shareholders as a homogenous, static group with maximizing profit as a single motivation. It also suggests a greater responsibility for the investor relations function, as it is required to facilitate the engagement process between shareholder activists and corporate managements and mediate their different rationalities. Thus, the case of Bayer shows that if a company puts not enough weight in organisational legitimacy and communicating with its stakeholders in a credible two-sided way it will soon find itself attacked even more from all sides due to its ignorance. In an environment of heightened and networked stakeholder activism for CSR issues, a more proactive corporate strategy is to anticipate responsibility and move beyond the expectations of not only shareholders but also a broader set of stakeholders.

7.3 Opportunities & limitations of IR for the restoration of a good image and reputation for Bayer

The analysis has shown how investor relations is used as a strategic communication function other than just merely a financial function. Financial communication is not only about corporate strategy and financial figures, but also communicating legal risks (e.g. law suits). However, there are clear boundaries to financial communication. When the company is in court, a judge will rule. This authority stands above Financial Communication of the company and shapes the
dominant reality. When facing a ruled case the only three possible actions are either (1) to repeat one’s stand point over and over again, (2) admit a mistake or (3) strictly deny it. In Bayer’s situation, option one and three did not induce the turnaround to the operational, financial and operational crisis. Moreover, as the product ingredient glyphosate is widely seen as carcinogenic, it might be forbidden by authorities and countries might ban its use. In case of a government’s decision to ban the use of Roundup any financial communication in this particular country in pursuit of convincing the customers, that they can use glyphosate without worries because the product is save, would become obsolete.

Another important takeaway is that the analysis has clearly shown that effective financial communication is always to be combined with management decisions at corporate strategy level. Thus, financial communication on its own cannot produce a turnaround. Bayer needs a new corporate strategy directed towards closing the law suits and producing innovation that can replace Roundup, taking the currently 13,400 open law suits into account.

Bayer can only get out of such crisis and restore confidence with shareholders and stakeholders, when the overall corporate strategy is changed as well. Accordingly, a new financial communication can be set up, that is more credible to stakeholders. A new corporate strategy leads to concrete actions that are observable. But as long as the corporate strategy of Bayer stays the same, the financial communication is bound to communicating the same standpoints repeatedly. In the case of Bayer this has created an ever growing gap between stakeholders and Bayer, because the financial communication is not perceived to be aligned with Bayer’s action. Restoring image, reputation and credibility must be achieved through favourable financial communication and aligned with corporate actions that truly materialize and are observable. If the actions are missing, the whole financial communication activities have little effect and financial communication might be just seen as ‘talking the company well’. Hence, financial communication becomes a strong tool to improve and sustain the image only when the corporate strategy is aligned with society’s interests and stakeholders can observe meaningful actions that support that the corporation is not only talking but actually implementing its promises. Therefore, a close collaboration of IR with the departments of Business Development and Strategy is required.
7.4 Suggestions for future research

Literature documents inconsistent evidence on whether activism is successful as to change corporate strategy as well as whether proposed actions are value adding (Del Guercio & Hawkins, 1999; Becht et al., 2008). There is, however, consensus that shareholder activism is a costly undertaking for any company. The firm bears administration and organization costs, as well as potential stock price depreciation (Cziraki et al., 2010). Further indirect costs apply to reputational damage and reduced attractiveness among investors, as well as distractions from operating business (Del Guercio et al., 2008). In brief, companies naturally aim to avoid shareholder activism. As a function, IR might help companies to reduce activism by bonding agents and principles as well as providing transparent information about corporate strategy and long-term payoffs. This, in turn, stresses the need for well-functioning communication channels between shareholders and the company, enabled by IR.

Presently, research in the field of shareholder activism for corporate social and environmental responsibility is at initial stages, as evidenced by the scarcity of published articles in management and business ethics journals (Uysal, 2014). Hence, further research could investigate under what conditions activism can be successful in changing corporate strategy and if the proposed actions are indeed value adding.

8 Conclusion

Overall, it is now clear that Bayer’s acquisition was a key event that had an impact on the very core of the company’s identity and influenced the way in which it is perceived by the public. Hence, this acquisition of Monsanto is an event in the company’s life which involves a very special type of financial communication. Customers, suppliers, shareholders and other external partners may closely monitor whether radical changes such as these might affect the corporate results, the company’s mission, its commitments or more generally speaking, the climate of confidence surrounding its operations. Here, the goals of financial communication must be to influence in a favourable and authentic way the perception of Bayer and the behaviour of its shareholders and stakeholders.

In pure business terms, the acquisition of Monsanto could be seen as a logical step since it was supposed to offer Bayer, which has its roots in chemistry, access to a new universe of knowledge and biotechnology. However, up to now, the promised financial targets have not
been achieved at all. Additionally, Monsanto’s character flaws and the consequences for Bayer’s image pose an even bigger problem. Hence, Bayer’s deal for Monsanto looked like a winning case first but now it looks like a lesson in how not to handle legal and credibility issues in the course of a post-merger context. Bayer thought it could avoid reputational damage by withdrawing the Monsanto brand name immediately after the acquisition. However, as it turned out, the US court cases have kept the name very much alive. The main problem is the following: in connection with the keyword ‘Bayer’, the public perception automatically associates Monsanto and the weed killer Roundup that contains glyphosate. The huge damage for Bayer’s image is clearly observable and might even intensify with each new legal process.

In fact, Bayer’s 2018 takeover of Monsanto has become one of the most damaging cases of deal disillusion. Bayer may have put in danger its own existence with the acquisition of Monsanto and it might be one of the biggest flops of all time, bigger than the failed merger of Daimler & Chrysler in the 90’s. Beyond the operational and financial crisis, Bayer is also facing a reputational crisis and their organisational legitimacy is heavily pressured. Nevertheless, Bayer communicates to be confident that expert assessments and expensive lawyers will deem glyphosate as not carcinogenic. ‘Talking the company well’, in such circumstances, is necessary but not sufficient. Bayer’s focus needs to be on the long-run instead of the short run in order to re-establish trust. Given the current development of societal trends, civil movements like ‘Friday’s for future’ have gained strong support, while Bayer struggles to find support for their business activities. Thus, handling the product liability claims in a socially responsible manner and caring for the well-being and health of its customers and society at large is part of CSR that Bayer must include in their activities over the long-time horizon. However, given the ongoing sale of partly highly toxic pesticides, fertilizers and genetically modified seeds, it is questionable how Bayer wants to become more sustainable and socially responsible with Monsanto aboard.

Concluding this master’s thesis I look back at my research question and objectives. The overall research question was to figure out, why Bayer did not manage to restore investors’ trust in the context of CEO Baumann’s speech at the annual shareholders meeting on April 26, 2019.

While it can be argued that Bayer engages in exemplary financial communication tactics under Bayer’s current corporate strategy of denying any mistake and claiming that glyphosate is safe, if applied correctly, Bayer cannot be successful to turn around the crisis because of the large
gap between the image Bayer has of itself and the perception of Bayer by the stakeholders. In order to get out of the crisis, they first need to change corporate strategy and implement observable actions which then must be aligned with their communication activities. This would be a more appropriate approach to restore shareholders’ and stakeholders’ trust in the long term.

On the background of currently 13,400 open law suits, which seem to further increase in number in the near future, Bayer should change their ‘business as usual’ communication attitude and hence elaborate a new corporate strategy directed towards closing the law suits as well as head for innovation that can replace Roundup. Simultaneously, the agreement to start a balanced mediation approach in order to achieve a judicial comparison could be a break through to terminate the legal suits and restore the stakeholders’ trust.

The explanatory power of critical discourse analysis is its ability to provide justified explanations of many features of Bayer’s crisis in the context of the acquisition of Monsanto. Hence, in my critical evaluation of Bayer’s credibility crisis, CDA served well to provide explanations of the causes and further development the crisis. By the virtue of Fairclough’s model as a research tool for CDA, I further explored the underlying intention of the speech. And it became clear that Bayer’s CEO has a very strong ideology, which he rigorously tried to implant on his audience during the speech. However, the world outside Bayer views these issues differently. Stakeholders have their own realities about glyphosate and Bayer’s new activities and could not be convinced. Consequently, to demonstrate their disagreement, shareholders voted ‘no’ at the confidence vote during the annual shareholder meeting.

In this context, the investor relations function should act more actively as a reflective mechanism that mediates between different social rationalities of a broader and connected set of stakeholders. This, in turn, can help identify any potential social and environmental issues which can be prevented or mitigated, allowing the company to meet or even exceed stakeholder expectations in return for organisational legitimacy. The financial communicator’s role can thus be seen as the one adapting the message in relation to the particular needs of the various target audiences so as to create an atmosphere of trust and confidence regarding the company. Transparent communication and the management of informational asymmetries between shareholders and the company constitute areas on which IR must strongly support companies.
9 Perspective

A critically orientated discourse analysis can systematise awareness and critique of ideology. From awareness and critique arise possibilities of empowerment and change. (Fairclough, 2010) In the case of Bayer this means that CDA applied to CEO Baumann’s speech can (a) unveil what the responsible factors are, that caused Bayer to get into this crisis, (b) find out why Bayer did not manage to get out of this crisis yet and (c) what needs to happen to get out of the crisis.

Using Fairclough’s three-dimensional framework, I apply a scientific procedure rather than just interpreting the case with common sense. Common sense is still part of my interpretive endeavour but it is embedded into a scientific framework. The framework makes my argumentation not only more profound, but also provides a stringent guideline to analyse the case step by step and helps to assure scientific quality. Moreover, the framework allows for investigation not only at the text level but also at the social level. Additionally, I address market level observations to support the triangulation of my findings. This brings light from different angles into the case and thus helps to make my argumentation stronger. By applying this framework, I seek to reach a higher level of reliability and validity in my findings.

Hence, it can be concluded that the application of Fairclough’s framework gives my analysis a scientific foundation from the social science discipline, which is closely linked to the discipline of financial communication and investor relations. Moreover, it makes my case study analysis rigorous because I follow a systematic procedure.

At this point, I would like to include a critical reflection about my conclusion. Since I accept reality to be socially constructed, I also have to acknowledge that other researchers who would use the same empirical data, theories and methods as I, might come to other conclusions. Additionally, my findings may be prone to the “Black Swan” induction problem, an issue in the way to falsify (Popper, 2002; Eysenck, 2010). This is because it seems rather unrealistic that Bayer’s current financial communication tactics can be successful in turning around its image. The withdrawal of trust during the annual shareholder meeting and the continuously decreasing share price are the clearest signs that Bayer will not get out of it operational, financial and reputational crisis by following the current strategy. However, my findings are prone to errors of this sort, because I do not carry out further testing of hypotheses. Even though unlikely,
Bayer might be successful in the long-term without changing its strategy and since this case is still ongoing, my conclusion may prove wrong in the future. Just because it is rare or unproven yet, that such a strategy of complete denial can be successful does not mean that Bayer necessarily needs to change its strategy in order to get out of this crisis. This said, I might also be susceptible to “confirmation bias”, which is the tendency to accept evidence that confirms one’s own view and reject anything that contradicts it (Eysenck, 2010). To mitigate these effects, I try to always be neutral and objective in my analysis and interpretation to the greatest extent possible and also discuss alternative views.

In this regard, it is also important to reflect on the connection of the above mentioned and how I can improve my case study. Narrative inquiries begin with an interest in a particular phenomenon that is best understood narratively. Narrative inquiries then develop descriptions and interpretations of the phenomenon from the perspective of participants, researchers, and others. A good case study often contains a substantial element of narrative and also should be read as a narrative in their entirety (Flyvbjerg, 2004). Further, Flyvbjerg (2004) advises to try to achieve this by describing the case with so many facets that different readers may be attracted, or repelled, by different things in the case.

When writing up my case study, I followed Flyvbjerg’s (2004) advice and aimed to tell the story in its diversity, allowing the story to unfold from the many-sided, complex, and sometimes conflicting stories that the players in the case have told about Bayer’s acquisition of Monsanto and the resulted crisis. The stakeholder viewpoints analysed in this master’s thesis might not be exhaustive, but I investigated a decent variety of stakeholder views that allowed to answer to my research question. Moreover, I avoided linking the case with the theories of any one academic specialization. Instead I related the case to broader positions that cut across specializations including economics, strategy, management, corporate governance, financial communication and investor relations. In this way, I tried to leave scope for readers of different backgrounds to make different interpretations and draw diverse conclusions regarding the question of what the case is a case of.

As mentioned above, good narratives typically approach the complexities and contradictions of real-life. Accordingly, such narratives may be difficult or impossible to summarize into neat scientific formulae, general propositions, and theories (Mitchell & Charmaz, 1996). Rather, it is often a sign that the study has uncovered a particularly rich problematic. Hence, this case study contributes to a holistic understanding of Bayer’s dilemma created by the asymmetric
information situation, evolved legal risks and underestimation of CSR necessities. I admit this list may not be exhaustive. There might be even other facets affecting the case, which are not included in this master’s thesis.
References


Appendix 1

Enron and the establishment of more developed Financial Communication

The importance of IR increased considerably during the crisis of the early twenty-first century. Then, new disclosure obligations were imposed and more severe sanctions for the inappropriate fulfilment of these obligations were introduced. All these extra obligations and sanctions were preceded by the legendary case of Enron which caused a wave of bankruptcies in 2001–2003 in the U.S. The reason why Enron’s bankruptcy was so unexpected was that the company sent no disturbing signals. On the contrary, its financial statements showed high profits, which also influenced the company’s share price to be growing at an impressive rate. The Enron case was widely publicised because of the size of the company. Enron was the seventh largest corporation in the US, with assets amounting US$ 80 billion, favourable recommendations of analysts, and thousands of employees around the world. (Gackowski, 2017)

Scandals regarding financial accounting practices like Enron called for more scrutiny of disclosure standards and investor relations in general. The biggest worldwide collapse in the stock market was triggered in September 2008, when Lehman Brothers, the fourth largest investment bank in the US, became bankrupt. It was the biggest bankruptcy case in the economic history of the world. These circumstances have led to the implementation of even stricter legal regulations regarding the capital markets (Gackowski, 2017). In the post-Enron & Lehman Brothers era, investor relations has moved to the top of the corporate agenda, as companies must begin to rebuild investor confidence (Allen, 2002). Today, trust can no longer be assumed and thus, investor relations is recognized as an activity capable of creating “a competitive advantage“ (Allen, 2002, p. 206-207).

Financial communication and investor relations in the second decade of the 21st century

Over the last decade, financial communication has progressively acquired a strategic purpose. It needs to be stated that previously this kind of communication used to have only a single aim: to communicate financial information to those persons directly interested in it. The principal targets of financial communication efforts were the financial analysts, the banks and the members of the rating agencies, shareholders and the media. Thus, there was restricted concern about identifying the different groups to be targeted by financial communication. However, over the last decade, managers have realised the necessity to combine financial communication with a strategic dimension. (Gackowski, 2017)
Appendix 2

Mandatory and voluntary disclosure

Transparency and unrestricted access to information on a particular company plays a decisive role regarding the effectiveness of the investment process (Gackowski, 2017). The scope of activities carried out by IR professionals may differ and involve: (1) the mandatory scope of activities; and (2) the self-regulatory/voluntary scope of activities. The first is the basic, minimum level that means complying with legal requirements and fulfilling the duty of at least one-way communication with shareholders (Gackowski, 2017). The second is the self-regulatory, optional level which concerns the bilateral communication that is of a financial and economic nature between a company and its investment community, especially the potential shareholders (Gackowski, 2017). The obligatory scope of IR activities is defined by institutional standards and the rules laid down in local law. The range of flexibility and freedom of a company listed on the stock exchange is strictly limited when it comes to communication with shareholders, including the form, date, method, system, scope, content, and tools that are being used (Sabelfeld, 2011).

Therefore, IR is not only a matter of corporate image, marketing strategy or an ability to win over potential investors, but it is also a matter of compliance with legal regulations and the underlying business principles (Hoffmann & Fieseler, 2012).

Appendix 3

Tools in Financial Communication (Continued)

The annual report is one of the most important tools in financial communication. The content generally has the following order: a letter from the president, activities of the group, the situation regarding competitors, economic climate, strategies, future developments and descriptions of the firm (Heldenbergh & Scoubeau, 2005). More detailed items of financial information, which are commonly used by all companies are dividend policy, dividend history, key financial indicators and financial development presented in the form of static tables and graphs (Sabelfeld, 2011).

The letter to the shareholders is written twice to four times a year. It is then sent to individual investors but can also be interesting for the various analysts. This mean is also used in the case of specific situations, such as when there is a crisis, for example a crash on the stock exchange.
The shareholders and, more generally, all the stakeholders, decide whether they want to continue their relationship with the firm based on this information (Heldenbergh & Scoubeau, 2005). In addition to the use of legal documents and the use of a shareholder letter, financial communication, during an operation of appeasement, can make use of general meetings or meetings with financial analysts and financial journalists (Heldenbergh et al., 2006).

**Appendix 4**

Financial communication and the announcement of an acquisition

In practice, a merger or an acquisition is announced with a press release, a few weeks or even a few months before it is finalised. Following this statement (and sometimes even before the announcement, when it is sensed by the financial community that a merger or acquisition is imminent) the concerns of the shareholders, the staff and other partners of the company as regards the reasons and the terms of this operation must be addressed. From this moment on, it is very important for the company to inform its different target publics about the technical conditions and the consequences of the merger or acquisition and also about the profits that the reconciliation could be expected to produce. (Heldenbergh et al., 2006)

**Appendix 5**

Development of financial communication considering the risk approach

<table>
<thead>
<tr>
<th>Step 1</th>
<th>Identification of situation (acquisition, etc and its specific features)</th>
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<tr>
<td>Step 2</td>
<td>Identification of risks linked to situation</td>
</tr>
<tr>
<td>Step 3</td>
<td>Identification of the key actors, of their specific features and of way to evaluate risks involved</td>
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Appendix 6

Bayer’s expectation of the future before the acquisition

Bayer is supposed to benefit from Monsanto’s major presence in North America (Smith and Schneider, 2018). This goes along with Bayer’s broad Crop Protection product line and crops in all key geographies. As a result, farmers will benefit from a broad set of solutions to meet their current and future needs, including enhanced solutions in seeds and traits, digital agriculture and crop protection (Forneck et al., 2016).

The combination also brings together both companies’ leading innovation capabilities and R&D technology platforms. Over the mid to long-term, the combined business is expected to accelerate innovation and provide customers with enhanced solutions and optimized products based on analytical agronomic insight supported by Digital Farming applications. These innovations are expected to result in significant and lasting benefits for farmers: from improved sourcing and increased convenience to higher yield and better environmental protection and sustainability (Forneck et al., 2016). The digital farming applications had to be sold to BASF however, in line with the divestment requirements of the DOJ.

While the agriculture industry is in the middle of one of the greatest challenges of our time: “how to feed an additional three billion people in the world by 2050 in an environmentally sustainable way”, it has been both companies’ belief that this challenge requires a new approach that more systematically integrates expertise across seeds, traits and crop protection including biologicals.
with a deep commitment to innovation and sustainable agriculture practices (Bayer AG, 2019; Forneck et al., 2016).

Hence, the combined company is expected to be well positioned to participate in the agricultural industry with significant long-term growth potential. Beyond the attractive long term value creation potential of the combination, Bayer confirmed sales and cost synergies assumptions after due diligence and expects annual EBITDA contributions from total synergies of approximately USD 1.5 billion after year three (2022) (Sheahan and Weiss, 2018).

Appendix 7

The Competition Regulation Panel’s Evaluation

First of all, the US antitrust division of the department of justice (DOJ) was reviewing Bayer's acquisition and analysed the concerns that it would lead to higher seed prices and hence negatively impact both farmers and consumers. The DOJ claimed that without the agreed-to divestitures (see further below), the proposed merger would likely result in higher prices, lower quality, and fewer choices across a wide array of seed and crop protection products. The acquisition also threatened to slow down the innovation in agricultural technologies that has delivered significant benefits to American farmers and consumers (Rains, 2018). As a consequence, Bayer had to divest its businesses that compete with Monsanto. The list of these businesses includes: cotton, canola, soybean and vegetable seed businesses, along with Bayer's Liberty herbicide business, which the DOJ classified a key competitor to Monsanto's Roundup brand (Buck et al., 2018). Bayer’s CEO Werner Baumann said in a statement that the DOJ's approval was an important mile stone in the acquisition and brings them close to their goal of creating a leading company in agriculture (Smith and Schneider, 2018).

Appendix 8

Annual Stockholders' Meeting April 26, 2019, Bonn

Address by Werner Baumann, Chairman of the Board of Management

Ladies and gentlemen, valued stockholders,

A very good morning also from my side. On behalf of the entire Board of Management, I would like to welcome you to our Annual Stockholders’ Meeting.
This is a rather special annual meeting, because we’re looking back on a difficult year. A year in which, on the one hand, we made great progress – both operationally and strategically – and worked hard for it. On the other hand, Bayer, and therefore you, our stockholders, saw substantial falls in the share price. There’s no getting around it. The lawsuits and the first verdicts concerning glyphosate are placing a heavy burden on our company and worrying many people.

That’s why I’d like to start my speech by addressing questions that those of you here today are no doubt asking yourselves, too.

- Is Bayer’s strategy sound and sustainable?
- Was acquiring Monsanto the right step for Bayer?
- Did the Board of Management act conscientiously and thoroughly assess the risks of glyphosate?
- Is glyphosate a safe product?
- How do you view the glyphosate lawsuits?
- How is Bayer positioned for the future?
- How does the strategy translate into the operational business?
- And when will the stockholders benefit from it?

Let me begin with the question about our corporate strategy. In recent years, we’ve consistently aligned our business to long-term growth trends in attractive markets, and in doing so we’ve developed Bayer into a focused, fast-growing and profitable enterprise.

As a leading life science company for health and nutrition, we are in a better position than almost any other company to help solve some of the biggest societal challenges of our time. It’s not without reason that combating hunger and improving health care are also among the principal sustainable development goals of the United Nations.

The Board of Management and the Supervisory Board firmly believe that this strategy forms the right basis both for Bayer’s economic attractiveness and for our company’s wide-ranging contribution to society.

We’ve continued to systematically evolve this strategy over recent years, underlining the fact that this is the right way forward for Bayer. This strategy is the compass that points us in the right direction, even in difficult times.

I’d like to mention some of the milestones we reached in recent years on the way to becoming a leading life science company.

Apart from the important and very successful acquisitions of the Aventis agriculture business in 2001, the OTC business of Roche in 2004, and also Schering AG in 2006, we’ve accomplished further crucial transactions more recently, most of which have created value. These include the acquisitions of Algeta and Steigerwald and also the securing of development and marketing rights for products such as EyleaTM and – very recently – VitravkiTM.

However, it’s also clear that not every acquisition has fulfilled our expectations – or indeed yours, ladies and gentlemen, the main example here being the purchase of the consumer care business of Merck & Co. in 2014. Also in 2014, we announced the separation
of our material science business, today’s Covestro. By transforming Covestro into an independent entity, we played a major part in the development of a successful DAX company based here in North Rhine-Westphalia.

At the same time, we strengthened Bayer financially and strategically. We have now almost entirely divested our Covestro shares, at an average price of about 73 euros per share. That’s a very good result in view of the original issue price of 24 euros per share and also the current price level of just over 50 euros.

The sale of our Covestro shares has brought in total proceeds of more than 9 billion euros, or 15 billion euros taking into account the transferred debt, thanks to our careful analysis, foresight and good timing. It was also one of the factors that enabled us to finance the Monsanto acquisition with considerably less equity than originally planned.

That brings us to the second question I’m often asked: Was acquiring Monsanto the right step for Bayer?

We signed the agreement to acquire Monsanto in September 2016 after lengthy and very careful preparation, and finalized the transaction in August 2018 after thorough investigations by the antitrust authorities worldwide. Since then, the integration into our company has been under way. This is proceeding faster than planned, thanks to the very thorough planning, and also successfully on the whole.

I’ll be telling you later on how the acquired business already made a contribution to our operating income in 2018, and especially at the beginning of 2019. But first I’d like to tell you exactly why this transaction was the right move from a strategic point of view.

To do that, I’ll just briefly take you back to the time before we decided on this acquisition and outline the criteria that governed our decision.

The development of our businesses is based on a sector’s long-term growth potential, along with market profitability, the entry barriers for competitors, and the question of whether market success is driven by innovation.

Other criteria include whether we can achieve leading competitive positions and, of course, whether the businesses are in line with our values and core competencies and thus make us the best company to operate them. Based on these criteria, we analyzed the agriculture sector long before the Monsanto acquisition and became convinced that the crop protection and seeds industry meets these criteria like virtually no other sector.

Also, Bayer had by that time become the leading company in chemical crop protection, growing faster than the market during the previous ten years, gaining market share, and achieving a good global reputation – then and now – for our leading expertise in chemistry.

Starting from this position of strength and after an extensive analysis of the sector, we decided to actively participate in the consolidation of the agriculture industry. That was in 2015, when
the industry consolidation had just begun. In the meantime, there have been decisive structural changes in the sector that will probably last for several decades.

As a result of the acquisition, Bayer is now the leader in agriculture. We have a unique technology base. We have leading businesses in chemical and biological crop protection, in conventional and biotech seed, and also in digital farming.

Today we are already more profitable than our direct competitors. We have the right people and an outstanding regional positioning, which enables us to continue increasing our earning power and outpace market growth in the coming years.

What’s more, our innovation capability puts us in a better position than any other company to contribute to more sustainable agriculture and at the same time ensure an adequate and healthy food supply.

We are committed to addressing this challenge of modern agriculture: the need to increase yields while at the same time reducing the input of resources – including pesticides and fertilizers. The sustainable intensification of agriculture along these lines can only succeed through innovation. That is the aim of our efforts, and in the new constellation we’re now in the best position to achieve it.

In addition, the transaction is financially worthwhile. The divestments to BASF that were required for antitrust reasons were accomplished at an attractive sale price of 7.3 billion euros and with a gain of 4.0 billion euros. Even though divestments were required on a larger scale than expected and this reduced the synergies, we will still realize one billion euros a year in synergies from the Monsanto acquisition from 2022 onward.

We will achieve all the margin targets we already communicated in 2016 as well as the targets for the return on capital. We will succeed in that with a capital increase that was smaller than first announced and a financial debt level that is now much lower than originally expected.

In 2019 we already expect the acquired business to make a positive contribution to core earnings per share. And its percentage contribution should be in double digits by 2021.

For all these reasons – the outstanding positions of our businesses, the great potential for our customers, the possibilities for more sustainable agriculture and also the economic rationale – the acquisition of Monsanto was and remains the right step for Bayer. We’re as convinced of that now as we were before. And this is still the case when taking into account the discussion about glyphosate, a matter I’ll address in more detail shortly.

Many shareholders I speak with are equally convinced of the potential of our new business in Crop Science. But they are also worried about the risks. So I’d like to say something about that now. The question was: Were the risks of glyphosate thoroughly assessed, and did the Board of Management act conscientiously?
Prior to the signing of the acquisition agreement with Monsanto in September 2016, the Board of Management discussed the transaction in great detail at numerous meetings and carefully weighed the opportunities and risks involved. Of course, this also included an assessment of the risks associated with the glyphosate business.

This assessment was based firstly on publicly available documents from the regulatory authorities, which Bayer analyzed internally; secondly on statements and documents that Monsanto provided during due diligence; and thirdly on a detailed and regularly updated external expert opinion on the legal risks relating to glyphosate, which Bayer had commissioned from a leading law firm and which was compiled before the acquisition agreement was signed.

Based on all this information, the Board of Management considered the liability risk in connection with glyphosate to be low. The Board of Management acted conscientiously in every respect. That is the conclusion reached in an expert opinion from the leading law firm Linklaters which the Supervisory Board commissioned in September 2018, immediately after the first jury verdict in the Johnson case.

A second independent opinion, given by Professor Habersack of Munich University in the spring of 2019, comes to the same conclusion.

Now let me emphasize this once again: We were convinced at the time – and we are today – that glyphosate is a safe product when used as directed. That view is based on science and on the practical experience of farmers over a period of more than 40 years.

Quite apart from glyphosate, the fact is that approval and regulatory authorities throughout the world carry out product testing according to scientific principles. These authorities bear responsibility for the health of their populations. They therefore constantly inspect and analyze products to see if they pose any risk to people.

Regulatory authorities worldwide have approved glyphosate-based products and extended their registrations multiple times over several decades.

Then in 2015, the International Agency for Research on Cancer – the IARC – classified glyphosate as “probably carcinogenic.” It did not assess the actual risk from exposure to glyphosate under real conditions, but only the general hazard potential. In addition, the IARC had conducted no studies of its own.

This IARC evaluation of glyphosate nevertheless prompted the major regulatory authorities to carry out a thorough reassessment.

Health Canada, for example, instructed 20 scientists who had not previously been involved in assessing glyphosate to review all the available documents once again to ensure an unbiased assessment. These also included internal Monsanto documents alleged to show that Monsanto exerted undue influence on scientific publications. Health Canada itself has stated that the scientists – and I quote – “left no stone unturned” – unquote – before reconfirming the safety of glyphosate.
In a statement issued in January 2019, Health Canada clearly and unequivocally denied there was a cancer risk for humans and also referred to the assessments of other major regulatory authorities around the world that had reached the same conclusion. It doesn’t get much clearer than that.

The plaintiffs’ attorneys in the United States wrongly claim that glyphosate-based products are carcinogenic and that Monsanto knowingly exposed its customers to this risk.

These really are quite incredible accusations. Accusations that are deeply upsetting for our new colleagues. I have spoken with many of them in recent months. They are mothers, fathers, people who are committed to helping society.

I’d like to tell you about one of these encounters. A few months ago, I spent a week traveling in the United States with one of our new colleagues. He told me he had worked with farmers across the world for over 35 years and sold them glyphosate throughout that time. Many of his customers and their families had become personal friends during this long period. He is regularly invited to family events such as their children’s weddings.

He told me he couldn’t imagine that people believed he would knowingly expose customers and friends to an increased health risk or even a cancer risk. His actual words were: “What kind of people do they think we are?” I think that says it all.

We remain convinced of the safety of glyphosate. At the same time we’re also aware of the tremendous importance of glyphosate for the global food supply and for sustainable agriculture that uses less land, causes less soil erosion and releases less carbon dioxide.

Farmers throughout the world are using glyphosate responsibly to protect their harvests and provide people with food. For these reasons we will continue to vigorously defend glyphosate – also on behalf of our customers.

However, our assessment and that of the regulatory authorities was not shared in the first two verdicts by courts of first instance in the United States. In 2018 this put considerable pressure on our company’s stock despite the satisfactory operational development.

Our share price fell by around 40 percent during 2018. Since the verdict in the Johnson case on August 10, 2018, the stock has shown a clear reaction to developments in the glyphosate litigation, falling to its lowest level for seven years in March 2019. That is disappointing and very painful for you as stockholders, as it is for us as the responsible management.

However exaggerated the market reactions may be and however little the current share price reflects what we regard as our company’s true value, the unsettling effect it has is understandable. The number of product liability lawsuits concerning glyphosate in the United States had risen to 13,400 by April 11. We announced this number yesterday.

This figure doesn’t come as a surprise for us, and it says nothing about whether the allegations are justified or not. And it’s also important to note that we do not have a single final judgment relating to glyphosate at the present time. What we have are two first-instance jury verdicts. We have appealed the first decision, in the Dewayne Johnson case. We will also appeal the second decision, in the Edwin Hardeman case.
We have great sympathy for Mr. Johnson, Mr. Hardeman and their families, but glyphosate-based products are not the cause of their serious illnesses. We remain optimistic that the next higher courts will reach different verdicts.

This matter is a top priority for the Board of Management and also for me personally. We are working relentlessly to successfully defend ourselves in the appeal proceedings and the coming trials. Our lawyers are working intensively with the external law firms involved to further develop our defense strategy and manage the ongoing cases. We are therefore confident that we will also be able to reduce the uncertainty regarding the outcome of this liability litigation in the medium term.

Ladies and gentlemen,

The answers I’ve given so far referred to our strategic development, the alignment of our businesses or the reasons why we decided to acquire Monsanto.

Now I’m going to talk about the operational business. I want to show you how Bayer is positioned for the future and what the company we own is all about.

Throughout the world, Bayer stands for quality, transparency and trust. This reputation is in line with our mission as a leading life science enterprise and at the same time provides an incentive for our work in the future.

That’s also the case for the combined Crop Science business, which we are running according to Bayer standards – just like all our businesses. With no ifs or buts. Just like I’ve said numerous times – quite clearly and unambiguously – since 2016.

And that also applies particularly to the safety of our products. I’ll say this quite clearly: For all of us here at Bayer, the safety of customers, patients and consumers always comes first everywhere.

Our businesses are geared toward ensuring an adequate supply of nutritious food throughout the world and at the same time improving people’s lives with new medicines or even potentially finding cures for chronic diseases.

Bayer is very well positioned to do that. With our competencies and our experience, we can compete successfully with the world’s best companies.

I’ve already spoken about our leading portfolio in seeds, crop protection and digital farming at Crop Science.

Our Consumer Health Division is among the leading global players in the attractive market for self-care products. We have strong brands, a strong team and the power and reputation of the Bayer Cross.
In this area we have a portfolio of 16 major brands with annual sales of more than 100 million euros, including Aspirin™, one of the best-known and most-trusted health brands of all. Our Pharmaceuticals business has made us one of the fastest-growing companies in this sector over the past five years. At the same time we have significantly raised profitability while continuing to increase research and development expenditures.

We are market leaders in women’s health and radiology. In the area of cardiovascular diseases we are also one of the leading suppliers. And our top products Xarelto™ and Eylea™ are among the most successful and best-selling products in their respective therapeutic areas.

In fact, Xarelto™ is now the fourth-best-selling prescription drug in the entire pharmaceutical industry. In the growth market of China, Bayer is one of the three leading international pharmaceutical companies. Based on this position, we also have the best credentials to continue our success in health care for the benefit of consumers and patients and achieve long-term growth.

Ladies and gentlemen,

The main reason our company is well positioned for the future is, of course, our employees.

A total of around 120,000 colleagues work for Bayer across 90 countries on all continents. They represent and embody Bayer’s values. They work hard every day to satisfy our customers. With their tremendous dedication that in many cases far exceeded the norm, our colleagues also played a crucial role in the achievement of our operational targets last year.

For that I would like to explicitly thank our employees on behalf of the entire Board of Management and, I’m sure, on your behalf as well!

With that I’ll move on to the operational business.

In 2018 the Bayer Group posted sales of 39.6 billion euros. Adjusted for currency effects and portfolio changes, sales rose by 4.5 percent. Please remember that the sales variations I refer to are always the currency- and portfolio-adjusted figures.

EBITDA – our earnings before interest, taxes, depreciation and amortization – before special items increased by 2.8 percent to 9.5 billion euros. Currency effects diminished earnings by nearly half a billion euros.

Core earnings per share, at 5.94 euros, were below the prior-year figure, as expected. This had to do with Monsanto, for example with the fact that only the sales and earnings contributions in the seasonally weaker second half of the year could be included. Another factor is that the number of shares has risen due to the capital increases.

With these numbers for sales, EBITDA and earnings per share, we met our operational targets for 2018 based on the updated guidance we provided in September. In fact, core earnings per share slightly exceeded our expectations.
Valued stockholders, we want you to share in Bayer’s success in 2018 as you have done in the past. We have therefore proposed that the Annual Stockholders’ Meeting declare a dividend of 2.80 euros per share. This results in a record payout by our company due to the larger number of shares.

And it means we are continuing to pursue our chosen course. The very good development in recent years has also allowed us to considerably increase our dividend payouts so that you, our stockholders, share in this development. Since 2010, we have nearly doubled our dividend from 1.50 euros to 2.80 euros, equivalent to an annual increase in dividend payments of 10 percent.

Now let’s move on to the business development in each of our divisions, starting with Pharmaceuticals.

Sales of our prescription medicines rose by 3.4 percent to 16.7 billion euros. This was mainly due to substantial growth in China and the continued strong performance of our top products XareltoTM and EyleaTM.

Business with XareltoTM expanded significantly, especially in Europe, China and Canada, with overall sales growth of 12.8 percent. Sales of EyleaTM climbed by 19.6 percent, mainly thanks to volume growth in Europe, Canada and Japan.

EBITDA before special items at Pharmaceuticals declined in 2018 by 2.0 percent to 5.6 billion euros. Adjusted for the €256 million in negative currency effects, however, earnings were up by 2.5 percent.

That brings me to Consumer Health. 2018 was another difficult year for our business with nonprescription medicines. Sales were at the prior-year level of 5.5 billion euros. Business in the Latin America and Asia/Pacific regions developed positively, while sales declined in North America and Europe/Middle East/Africa.

Our best-selling product at Consumer Health, the allergy medicine ClaritinTM, also saw a drop in sales, especially in the principal sales market, the United States.

We also posted lower sales of our best-known product AspirinTM. Including the AspirinTM Cardio business reported under Pharmaceuticals, sales amounted to 975 million euros, giving a currency- and portfolio-adjusted decrease of 1.5 percent for our AspirinTM products. Business with our BepanthenTM / BepantholTM wound and skin care products developed positively.

EBITDA before special items of Consumer Health declined by a substantial 11 percent in 2018, to 1.1 billion euros.

From a strategic point of view, Consumer Health last year laid important foundations for future success and is now implementing a wide-ranging plan to realign the business and boost profitability.
Our Crop Science Division achieved sales of 14.3 billion euros last year. On a reported basis, sales rose by 49 percent. This was mainly attributable to the inclusion of the newly acquired business since June 7, 2018. At the same time, the businesses divested to BASF were only included until the sale of these businesses closed.

Adjusted for currency and portfolio effects, sales rose by 6.1 percent. This growth was primarily due to the normalization of the market situation in Brazil.

Sales developed especially well in North America, China, Japan and India. However, business was down in the Europe/Middle East/Africa region. This was due to registration restrictions in Europe and the unfavorable weather conditions last summer. Farmers suffered from the extreme heat and drought, and therefore so did we.

EBITDA before special items of Crop Science advanced by nearly 30 percent in 2018 to 2.7 billion euros, a major reason for the increase being the earnings contribution of about

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700 million euros from the acquired business. There was a negative currency effect of roughly 100 million euros.

Sales of our Animal Health business unit, at 1.5 billion euros, matched the prior year, with an increase of just 0.5 percent. EBITDA before special items of Animal Health fell by 6 percent to 358 million euros.

That concludes my review of fiscal 2018. The outcome is clear: We experienced a difficult market environment, with distinctly negative currency effects and also growing uncertainty arising from global trade disputes. Despite this, our sales and earnings continued to increase and we achieved our operational targets.

We also had a very good start to the 2019 fiscal year. Our first-quarter results were published yesterday.

Group sales amounted to 13 billion euros. This substantial increase compared with the first quarter of 2018 is of course mainly due to the acquisition. But even on a currency- and portfolio-adjusted basis, Group sales were up by 4.1 percent.

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Sales of Crop Science rose by 5.5 percent, primarily due to business development in North America and Latin America. The 5.3 percent sales growth for Pharmaceuticals was also encouraging. In this case, business developed particularly well in China.

Group EBITDA before special items rose by 44.6 percent in the first quarter to 4.2 billion euros, with the newly acquired business accounting for 1.8 billion euros, which is more than 40 percent.

On this basis we also confirmed the outlook for the full year 2019. As already communicated at our Capital Markets Day last December, we have set ourselves ambitious targets:
We expect sales of approximately 46 billion euros in 2019. This would correspond to a currency- and portfolio-adjusted increase of about 4 percent. We aim to raise EBITDA before special items to roughly 12.2 billion euros. For core earnings per share we are planning an increase to about 6.80 euros.

In addition, we have set ourselves ambitious medium-term goals. For example, on a going concern basis, i.e. with an unchanged portfolio, we aim to raise EBITDA before special items to around 16 billion euros by 2022. And by then we intend to increase core earnings per share to around 10 euros.

With the same time horizon, the Board of Management and the Supervisory Board decided last November on a number of significant portfolio changes as well as efficiency and structural measures to further strengthen our core businesses and significantly raise the company’s productivity and earning power.

The portfolio measures include the announced sale of our CoppertoneTM and Dr. Scholl’sTM brands, the sale of our 60 percent interest in Currenta and our exit from the Animal Health business.

We are making good progress with all of these projects. As announced yesterday, we want to sell Animal Health but will continue to consider all value-maximizing exit options.

The efficiency and structural measures involve the planned reduction of about 12,000 jobs worldwide by the end of 2021, including a total of 4,500 positions in Germany. We are aware of the implications of these decisions for our employees and are therefore implementing the measures fairly, responsibly and in close collaboration with the employee representatives. In Germany this has enabled us to rule out dismissals for operational reasons within the intercompany personnel network through the end of 2025. This was a joint success.

Let me take this opportunity on behalf of the Board of Management to thank the members of the Supervisory Board for their trustful cooperation last year. This cooperation has contributed substantially, even in difficult situations, to making important decisions for the company and finding viable solutions for our employees.

Such decisions also include our plan to invest a total of 35 billion euros in Bayer’s further development through 2022. Over two-thirds of this amount will go into research and development. These expenditures stand for our confidence in the future and our firm belief that we can shape the future with innovative solutions.

Before I come to the end of my presentation, I would like to detail a few examples to illustrate the exciting innovations we are working on. Some of them are currently just visions of the future, while others are already well advanced.

Last November, we obtained marketing approval in the United States for our new drug VitrakviTM. Applications for approval are pending in Europe and other regions. VitrakviTM, containing the active ingredient larotrectinib, is a new type of highly effective cancer medication.
Cancer treatment traditionally follows an organ-based approach. Irrespective of this, however, forms of cancer that appear to be completely different from one another may be caused by similar genetic changes in cancer cells.

Our new active ingredient directly targets the genetic change responsible for tumor growth and can be used to treat different types of tumor. This enables us to provide patients with a new and highly effective therapy. We took over this active ingredient from an American company as a late-stage project, continued its development jointly with that company and then recently decided to proceed with the drug’s global development and commercialization on our own. This is a good example of how we are gaining access to new technologies through collaborations to further enhance our understanding and thus the treatment of diseases. In future we will focus even more on this way of developing our pipeline. Our principle is that where good ideas come from is less important than how we can implement them for the benefit of patients.

Another fascinating example is the digitalization of agriculture. Today we are able to provide farmers with data and knowledge about every plant and every square centimeter of soil.

Each year farmers make around 40 major decisions about their fields – from crop rotation and seed selection to fertilizers. Thanks to digital technology, these decisions can have better and more precise outcomes than ever before – both today and moving forward. This will also reduce the use of fertilizers and crop protection products to the necessary minimum. Digital farming means more sustainable farming. And in that lies a major opportunity!

At the same time, the digital applications and artificial intelligence in our FieldViewTM platform increasingly enable us to predict the specific benefit in the field, such as the harvest yield a farmer gets when he uses our products.

For example, last year we launched a pilot project with a fungicide to offer farmers a defined yield per acre as an outcome that is measured by digital methods. If this yield gain is not achieved, we reimburse the cost to the farmer. In other words: In future we are selling a promise and only earning money if we keep it. That is a fundamental innovation that benefits our customers.

This applies even more to the third and final example I’d like to tell you about. It’s a rather more distant prospect, but it’s an example that’s a cause for hope.

Many diseases are caused by the death of a particular cell type. In the case of Parkinson’s, it’s the nerve cells responsible for movement that die. This distressing experience is shared by the more than 10 million people worldwide who are afflicted with the disease. Bayer is collaborating with its partner BlueRock on a stem cell therapy for Parkinson’s disease. The goal is to implant new, viable cells in the patient that then replace the dead cells.

Our researchers are expected to begin the first clinical study with a group of 10 Parkinson’s patients later this year. This is a true milestone.
Ladies and gentlemen,

Now let me come to the end of my remarks.

I hope very much that I’ve been able to give you satisfactory answers to the principal questions we’re being asked at this time:

- Is Bayer’s strategy sound and sustainable?
- Was acquiring Monsanto the right move for Bayer?
- Did the Board of Management act conscientiously and thoroughly assess the risks of glyphosate?
- Is glyphosate a safe product?
- How do you view the glyphosate lawsuits?
- How is Bayer positioned for the future?
- How does the strategy translate into the operational business?

That leaves one last question: “When will the stockholders benefit from it?”

To all appearances this is less a question of our current operational performance or the successful attainment of our medium-term targets. The major factor weighing on the share price is the product liability litigation concerning glyphosate in the United States.

We can’t promise you any full clarification on this in the short term. But I can assure you that we are working relentlessly to successfully defend ourselves in the appeal proceedings and the coming trials and thus to reduce the uncertainty regarding the outcome of the liability litigation.

Vigorously defending our company is a top priority for us. This involves managing the ongoing proceedings, continuously developing our defense strategy and getting leading experts on board.

Ladies and gentlemen,

Bayer’s diversity, the quality of our products, the expertise of our employees and, in particular, the company’s operational performance and its future prospects – all these things are not adequately reflected in our stock market valuation today. That also applies to the way our company is viewed by some sections of the public.

We’re accused of focusing too much on the facts regarding Monsanto and glyphosate and not sufficiently taking into account the emotional side.

At this point I’d like to make something really clear: Responsibility for assessing and approving products – and thus for people’s health – must continue to lie with independent authorities. They make decisions based on scientific analysis – and not on emotions.
Against this backdrop, we did of course identify and assess the legal risks associated with glyphosate, as I mentioned earlier. However, we have seen society’s trust in science and independent regulatory authorities being increasingly eroded and undermined.

This is a very dangerous development, as it harms the credibility of independent authorities and thus ultimately also the foundation of trust for us all.

In this situation, acting with responsibility and transparency is the only thing that helps. That’s what our company has stood for, for decades. It’s what our reputation is based on.

Here at Bayer, we are committed to helping people regain the trust they have lost in science and in the regulatory authorities.

That’s why back in 2017, we were the only company to voluntarily begin publishing comprehensive data on safety studies concerning crop protection products. After acquiring Monsanto, we of course added extensive safety data concerning glyphosate to this overview.

We believe that providing transparency about the product safety studies is a necessary step to restore trust.

But this alone will not suffice. All social groups have a responsibility to support the independence of science and risk assessment – including, or perhaps especially – when they don’t like the results of studies or regulatory decisions.

Research and progress with the necessary responsibility and transparency as well as science-based regulation are the preconditions for trust and also for societal acceptance.

This is the only way we can achieve our mission, “Science for a better life.” It’s about improving people’s lives – using products based on science and research.

“Bayer will still be Bayer” is what I said last year. At the core of what we do at Bayer is always responsible science for the benefit of customers, consumers and patients.

That’s the way it was when I started working at this company more than 30 years ago. That’s the way it is today, and that’s the way it will stay. Thank you very much!

**Forward-Looking Statements**

This presentation may contain forward-looking statements based on current assumptions and forecasts made by Bayer management. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. These factors include those discussed in Bayer’s public reports which are available on the Bayer website at www.bayer.com. The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.