

An Overview

Sustainability at Bayer

2007



Science For A Better Life

Living responsibly on a global scale

Bayer is a global enterprise with core competencies in the fields of health care, nutrition and high-tech materials. Our products and services are designed to benefit people and improve their quality of life. At the same time we want to create value through innovation, growth and high earning power.

We are committed to the principles of sustainable development, and to our role as a socially and ethically responsible corporate citizen. We see our technical and economic expertise as being closely linked with our responsibility to work for the benefit of humankind, to be socially involved and to make a lasting contribution to sustainable development. At Bayer, we regard economy, ecology and social commitment as objectives of equal importance.

Our vision for the future

The Mission Statement “Bayer: Science For A Better Life” describes our vision, our strategy and our values. It provides our employees with the foundations for daily business. Our values and policies are aligned with the principle of sustainability and respect the needs of humankind and the environment.

Our sustainability management

Sustainability is integrated into all organizational units at Bayer. The Corporate Sustainability Board is responsible for Group-wide management. It is made up of the members of the management boards of the subgroups responsible for research and technology and the heads of the Corporate Center departments Corporate Human Resources & Organization, Communications and Environment & Sustainability (coordination). Under the leadership of the member of the Group Management Board responsible for Innovation, Technology and Environment the Corporate Sustainability Board lays down strategy and objectives and decides on Group directives and important initiatives. The Board is supported on the planning and implementation side by the SD Planning Group.

All subgroups and service companies have established effective management systems for health, safety, environmental protection and quality (HSEQ). A Group-wide audit directive ensures that these systems are regularly reviewed. Also in place are systems and rules for specific requirements of individual subgroups.

Corporate Sustainability Board

Chair

Group Management Board member responsible for Innovation, Technology & Environment

Members

Members of the subgroup management boards responsible for research & technology, Head of Corporate Human Resources & Organization, Head of Communications, Head of Environment & Sustainability (coordination)

SD Planning Group

Chair: Head of Environment & Sustainability

Our guiding principles

Bayer underpins its deep commitment to sustainable development with its Group-wide Sustainable Development Policy and its commitment to the Responsible Care Global Charter® and the United Nations' Global Compact initiative.

We use the human rights position that we adopted in 2007 to promote compliance with the core labor standards of the International Labor Organization (ILO) throughout the entire company and in our supply chains. The right to employee representation and the ban on discrimination, child labor and forced labor are included. We expect the conduct of our employees and business partners throughout the world to also reflect this position.

Bayer places great importance on responsible corporate governance and ethical business conduct. Compliance with company policies is therefore particularly important and is supported by the Program for Legal Compliance and Corporate Responsibility (Corporate Compliance code). There are significant penalties for infringements of the law in all countries.

Bayer Sustainable Development Policy

(www.bayer.com/en/Sustainable-Development-Policy.aspx)

Responsible Care Global Charter®

(www.bayer.com/en/Responsible-Care.aspx)

Progress report on the implementation of the principles of the Global Compact

(www.sustainability2006.bayer.com/en/global-compact.aspx)

Bayer's Human Rights Position

(www.sustainability2006.bayer.com/en/human-rights.aspx)

Core labor standards of the International Labor Organization (ILO)

(www.ilo.org/public/german/region/eurpro/bonn/ilo_kernarbeitsnormen.htm)

Our contributions to sustainable development

We place the highest priority on the safety and environmental compatibility of our products: from monitoring the manufacturing process and evaluating the lifecycle of a product to identifying possible risks. In 2007, we documented this commitment both in our updated “Position on the Responsible Use of Gene Technology” and in the “Bayer Position on Nanotechnology”.

With regard to climate protection, we have already met the ambitious targets we have set ourselves and we want to do even more: Direct and energy-related indirect greenhouse gas emissions fell across the Group by 36 percent between 1990 and 2006 (details according to the Greenhouse Gas Protocol). Based on Bayer’s new climate change policy we launched the “Bayer Climate Program” in 2007, which comprises numerous integrated measures for enhanced climate protection and for dealing with climate change. The central principle is to reconcile commercial success with environmental protection and the needs of society.

We are increasingly subjecting our supply chains to a systematic risk analysis, in order for example to ensure that suppliers respect human rights.

Social commitment has always been a part of Bayer’s business culture: Globally we support numerous projects in the areas of education and research, health and social affairs, the environment, sports and culture. We have also pooled and expended our traditional commitment to our foundation activities.

Sustainable investment

Bayer is listed in the most important indices and represented in investment funds that focus on companies adopting principles of responsible corporate management that further sustainable development.

- Dow Jones Sustainability Indices World/STOXX
- FTSE4 Good Index Series
- Storebrand Principle Funds
- Advanced Sustainable Performance Indices (ASPI) Eurozone

Due to its achievements in the field of climate protection, the Bayer Group was awarded the title once again of “best in class” in the “Carbon Disclosure Project” ranking in 2007 as one of the leading companies in the industry in terms of climate protection. Bayer was the only European company in its sector to be included in the “Climate Disclosure Leadership Index”. The assessment involved considered the risk and opportunity profile of the top 500 companies with respect to climate change. Major financial analysts worldwide align themselves to the results of the “Carbon Disclosure Project” .



BEST IN CLASS

environmental and
social performance

STOREBRAND SRI



FTSE4Good



FTSE4Good
Environmental Leader



**Dow Jones
Sustainability Indexes**
Member 2007/08

CARBON DISCLOSURE PROJECT

Our reporting

Detailed information on the subject of sustainability and social commitment at Bayer can be found on our website www.bayer.com, as well as in our annual Sustainable Development Report. The report is aligned to the Global Reporting Initiative (GRI) guidelines and essential figures and statements are reviewed by an independent auditor. The Sustainable Development Report 2006 scored a GRI level of B+.

Our progress report on the implementation of the principles of the Global Compact at Bayer can be found at www.sd2006.bayer.com and in our Sustainable Development Report 2006.



THE GLOBAL
COMPACT

Overview of key statistics

Performance Indicators provide information on the position and development of the Bayer Group in the fields of health, safety and the environment, employees and society and business. Since 2007, our indirect greenhouse gas emissions have been included in our KPIs. As a consequence, Bayer is now producing a comprehensive climate balance sheet in accordance with the requirements of the Greenhouse Gas Protocol, one of the first companies around the world to do so. Newly included are details on the extent to which Bayer employees worldwide are covered by social protection systems. Detailed information can be found in the Sustainable Development Report 2006 or at www.sd2006.bayer.com

Performance Indicators	2005*	2006*
Ecological indicators		
Energy use (in petajoules)	82	86
Water use (in million m ³ /day)	1.2	1.2
Direct greenhouse gas emissions (in million t CO ₂ equivalents)**	4.06	4.05
Indirect greenhouse gas emissions (in million t CO ₂ equivalents)**	3.7	3.85
VOC emissions (in 1,000 t)	3.4	2.9
Total amount of phosphorus in wastewater (in 1,000 t)	0.74	0.81
Total organic carbon (TOC) in wastewater (in 1,000 t)	1.49	1.49
Total amount of nitrogen in wastewater (in 1,000 t)	0.6	0.7
Generation of hazardous waste (in million t)	0.35	0.34
Removal of hazardous waste to landfill sites (in million t)	0.21	0.13
Number of transportation incidents	3	9
Number of environmental incidents and incidents resulting in damage	2	8

	2005*	2006*
Social indicators		
Occupational injuries resulting in days lost (injuries for every one million hours worked)	2.7	2.8
Fatal occupational injuries	4	9
Percentage of women in senior management	3.9	3.8
Number of different nationalities in senior management	17	17
Training and continuing education costs (as % of total personnel expenditure)	2.3	2.2
Percentage of employees with health insurance	-	98.6
Percentage of employees entitled to a company pension program	-	84.6
Percentage of employees with contractually agreed working time of max. 48 hours/week	-	100
Percentage of employees covered by collective agreements	-	63.3
Number of employees according to region		
Europe	45,700	57,800
North America	13,100	17,200
Asia/Pacific	13,200	17,300
Latin America/Middle East/Africa	10,600	13,700
Economic indicators		
Net sales (in € million)	24,701	28,956
Net income (in € million)	1,597	1,683
Capital expenditures (in € million)	1,210	1,739
Research and development expenses (in € million)	1,729	2,297
Pension obligations (in € million)	15,561	16,708
Net debt	5,494	17,539

* continuing operations

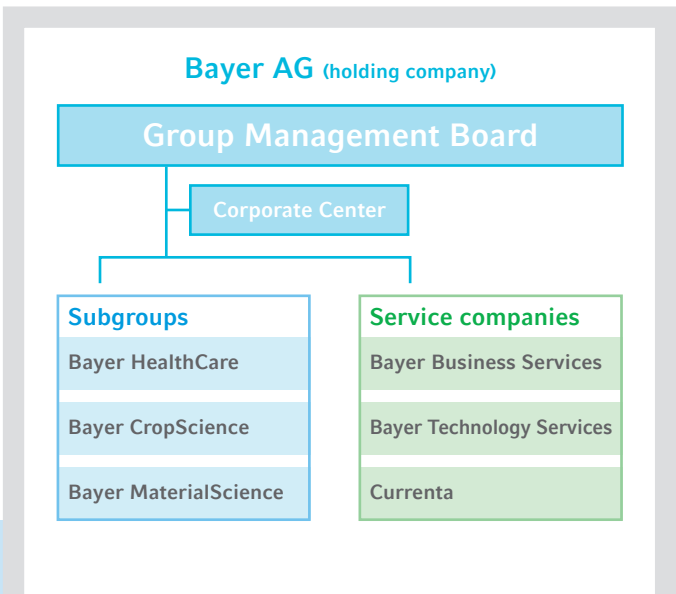
** according to Greenhouse Gas Protocol

Our company

With around 106,000 employees and annual sales of EUR 28,956 million (2006), the Bayer Group is one of the leading international companies in the fields of health care, nutrition and high-tech materials.

Our Group structure

Bayer AG defines common values, goals and strategies for the entire Group. The subgroups and service companies operate independently, led by the management holding company. The Corporate Center supports the Group Management Board in its task of strategic leadership.



Our subgroups and service companies

The mission of the Bayer HealthCare subgroup is to make a substantial contribution to improving the health of people and animals throughout the world by researching, developing, manufacturing and marketing innovative products.

Bayer CropScience is a global leader in crop protection and non-agricultural pest control. The company also has major activities in seeds and crop plants with genetically optimized attributes.

Bayer MaterialScience is a leading supplier of high-performance materials and innovative system solutions for a wide range of everyday uses. Products holding top positions on the world market account for a large proportion of its sales.

Bayer Business Services is the Bayer Group's international competence center for IT-based services.

Bayer Technology Services forms the Bayer Group's global technological backbone for process development, planning, construction and optimization of processes and plant.

Currenta a joint venture between Bayer and Lanxess, offers services in the chemical and technical sector at the German Chempark sites in Leverkusen, Dormagen and Krefeld-Uerdingen.

Reports, information and contacts

Reports

Bayer Sustainable Development Report 2006

Bayer Annual Report 2006

Websites

www.bayer.com

www.sd2006.bayer.com

Published by

Bayer AG

Corporate Communications

D-51368 Leverkusen

Germany

Editor

Corporate Communications:

Ute Bode

Tel. +49 (0) 214/30-58992

Fax +49 (0) 214/30-71985

E-mail: ute.bode.ub@bayer-ag.de

Environment & Sustainability:

Ursula Mathar

Tel. +49 (0) 214/30-36520

Fax +49 (0) 214/30-53407

E-mail: ursula.mathar.um@bayer-ag.de