



News Release

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Annual Stockholders' Meeting April 27, 2021

Explanations to the Supervisory Board Report

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Chairman of the Supervisory Board of Bayer AG

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Dear stockholders, ladies and gentlemen,

As this is my first time chairing the Annual Stockholders' Meeting of Bayer AG, I'd like to begin with a few personal comments.

I have been a member of the Bayer Supervisory Board for three years now and I have been serving as its Chairman since April of last year. This is a great honor for me. I am assuming this important role with great joy and I am fully committed to it. I am doing this in the best interest of the Company, its stockholders and employees as well as its other stakeholders.

We already achieved a lot last year, as I will explain to you in more detail later on.

Ladies and gentlemen,

I am fully convinced of Bayer's potential. That's because Bayer's vision – "Health for all, hunger for none" – very much appeals to me personally. It is a vision worth pursuing.

In April 2020, I took over from Werner Wenning as Chairman of a very well organized Supervisory Board – at a time when Bayer is facing considerable headwinds.

At the same time, however, Bayer is outstandingly well positioned to master these challenges. And I am optimistic that Bayer will see success here very soon. The bio-revolution is just beginning, and Bayer is very well equipped as a life science company that is focused on health and nutrition and has made good progress in digitalization.

Ladies and gentlemen,

our aim is to assume a leading role in the bio-revolution right from the beginning.

Bayer holds strong positions in attractive markets with significant potential for growth and value creation. In my role as Chairman of the Supervisory Board, I will do my part to ensure that Bayer consistently takes advantage of these opportunities.

This brings me to the Report of the Supervisory Board, which is part of Agenda Item 1 of today's Annual Stockholders' Meeting. You will find the Report of the Supervisory Board on pages 13 to 20 of the Annual Report.

I'd like to start by looking at key areas of the Supervisory Board's work. Then I will explain the proposals for the agenda items "Supervisory Board elections" and "Resolution on the compensation of the members of the Supervisory Board."

Ladies and gentlemen,

the Supervisory Board convened for 10 meetings last year. In addition to its "day-to-day" activities such as monitoring the operating business, matters regarding the composition and remuneration of the Board of Management and the review of the financial statements, the Supervisory Board also focused on the following three issues:

- First, the glyphosate litigations as well as the PCB water contamination, dicamba and Essure litigations – the Supervisory Board and several of its committees dealt intensively with these topics.
- Second, the effects of the COVID-19 pandemic on Bayer's business and the short- and medium-term planning.
- Third, individual corporate acquisitions and the divestment of corporate shareholdings.

As regards the glyphosate litigations: The Supervisory Board and several of its committees dealt intensively in 2020 with the glyphosate litigations as well as the other aforementioned litigations.

In June 2020, the Supervisory Board approved the proposed settlement agreements based on

- the reports by the Board of Management and other internal and external legal experts,
- the reports by John H. Beisner, the external expert retained by the Supervisory Board,
- an advisory opinion on the admissibility of the settlement according to stock corporation law
- and extensive discussions.

Following interim statements by the court, the settlement was revised once again, and the revised version was then approved by the Supervisory Board at its September 2020 meeting. That decision was prepared and discussed with the same thoroughness as at the June 2020 meeting.

The Supervisory Board and the Audit Committee also dealt intensively with the establishment of the provisions needed to manage the glyphosate matter and with the planning of the necessary liquidity, including various bond issuances.

You may rest assured that the Supervisory Board, its committees and I myself are discussing the glyphosate issue very intensively, and the same applies to the Board of Management. The best legal experts and law firms are working extensively and comprehensively on the details.

Of course, it is important that the glyphosate litigations are dealt with extremely thoroughly. Every bit as significant, however, is that the Board of Management and the Supervisory Board are also concentrating intensively on the core issues of innovation, growth, profitability and value creation within their respective fields of responsibility. And both bodies are doing so with great dedication.

As regards the effects of the COVID-19 pandemic: Another focus of the work of the Supervisory Board was the impact of the COVID-19 pandemic on the business. At nearly every meeting of the Supervisory Board and the Audit Committee, we looked at how Bayer is handling the pandemic.

These deliberations were and remain primarily focused on our responsibility to our customers as well as on the safety of our employees at the sites.

Our activities also centered around the significance of the pandemic for Bayer's business. The Supervisory Board also discussed at length how Bayer can help to fight the pandemic. Werner Baumann just addressed these points in detail.

In the fall of 2020, the Supervisory Board held three meetings at which it intensively dealt with Bayer's strategy and discussed this together with the Board of Management. We dealt not only with the strategies of the individual divisions, but also with Bayer's portfolio strategy.

Both sides of the Supervisory Board – the employee representatives and the stockholder representatives – unanimously affirmed that together with the Board of Management, they are committed to the portfolio strategy of a diversified life science company.

As regards the corporate acquisitions and stockholding divestments: The third major focus of the Supervisory Board's work, were individual corporate acquisitions and the divestment of corporate shareholdings.

These included the acquisition of Care/of, a company specializing in the direct-to-consumer sale of personalized nutritional products, and the purchase of British biotech company KaNDy Therapeutics.

I should also mention the acquisition of the gene therapy specialist AskBio and our consent to the sale of the Elanco shares held by Bayer.

These transactions have one thing in common: they consistently strengthen Bayer's life science strategy. And the acquisition of AskBio reinforces Bayer's position as a leading company in the bio-revolution – in other words the convergence of biology and information technology. The bio-revolution will provide impetus for both our Crop Science and our Pharmaceuticals businesses.

At the same time, Bayer is resolutely divesting activities that are not integral to this strategy.

In addition to these main strategic topics, the Supervisory Board intensively dealt with the composition of the Board of Management:

In September, the Supervisory Board unanimously extended Werner Baumann's service contract by three years until April 30, 2024. In so doing, the Supervisory Board expressed its desire for Werner Baumann to systematically and resolutely drive the accelerated implementation of Bayer's strategy together with the other members of the expanded Board of Management.

In April, the Supervisory Board had already extended the service contracts of Wolfgang Nickl, our Chief Financial Officer, and Heiko Schipper, head of the Consumer Health Division, by four years each. The service contract of Stefan Oelrich, head of Pharmaceuticals, was extended in February 2021, also by four years.

I am especially pleased that the Supervisory Board was successful in having Sarena Lin join our Board of Management. She introduced herself already at the beginning of the Annual Stockholders' Meeting. Once again, a warm welcome to Sarena Lin.

The Supervisory Board has thus ensured that a competent, diverse and well-coordinated Board of Management team will address the challenges facing Bayer. Our focus is on growth and above-market earnings, and thus on value creation.

That concludes my remarks about the key areas of the Supervisory Board's work last year.

It goes without saying that constant close dialogue with the Board of Management is very important for the work of the Supervisory Board. The Board of Management reports extensively at the meetings of the Supervisory Board. Yet I personally also maintain constant contact with Werner Baumann and the other members of the Board of Management.

Interaction with investors is very important to me. During a governance roadshow undertaken in November and December of last year, I was in close dialogue with representatives of 24 of our leading stockholders that together account for 40 percent of our capital stock.

The discussions revolved around governance and sustainability issues. However, issues related to the composition of the Board of Management and the Supervisory Board and their compensation were also raised.

Other intensively discussed topics were the role of the Supervisory Board in the further development of Bayer's strategy, including the portfolio strategy, and its role in the ongoing litigations.

In February of this year, I discussed our proposals to adjust the compensation of the Supervisory Board with a smaller group of institutional investors. I will address that topic in more detail in a moment. I had the opportunity to engage with other investors too in the run-up to this Annual Stockholders' Meeting.

The insights we receive as a result of our discussions with investors are of great importance, and we take them into account in our work on the Supervisory Board.

The new system in place for the compensation of the Board of Management met with a very positive response overall in my conversations. With effect from January 1, 2020, the Supervisory Board introduced a new Board of Management compensation system that you, our stockholders, approved a year ago at the Annual Stockholders' Meeting 2020 with a majority of 94 percent.

As was already intended when the compensation system was approved, the following change has taken effect for fiscal 2021 and thereafter: as of this year, the long-term compensation includes an ESG-based sustainability component that significantly takes into account the progress made by the Board of Management in the areas of environmental protection, social issues and responsible corporate governance. Since the program tranche introduced in 2021, the realization of sustainability targets accounts for 20 percent in calculating the payment from the long-term program. The attainment of the sustainability targets complements the other targets:

- development of Bayer stock compared with the EuroStoxx50
- and return on capital employed (ROCE).

The sustainability targets relevant for compensation are derived from Bayer's ambitious targets for 2030 and include support for smallholder farmers as well as for women and children in underserved regions and the reduction of our direct and indirect carbon footprint.

Incidentally, the inclusion of sustainability targets in the calculation of long-term compensation applies not just to the Board of Management, but to all Bayer managerial employees who receive long-term compensation according to this model.

The result is that total variable compensation of employees whose compensation includes a performance component – including the Board of Management – is harmonized, which will help to even better align the entire organization toward achieving the targets set.

Except for the inclusion of sustainability targets, which had already been planned, the Supervisory Board has not made any changes to the compensation system for the Board of Management.

In particular, the Supervisory Board did not retroactively revise the targets for variable compensation in view of the burden placed on the business by the COVID-19 pandemic.

As Werner Baumann explained, the COVID-19 pandemic had a strong negative impact in 2020, particularly on sales growth as well as on other key data. This led to a substantial decline in the short-term variable compensation.

I would like to further illustrate this for you. Target attainment for short-term variable compensation for members of the Board of Management declined by 44 percent on average compared with the previous year, and amounted to only 60 percent of the target amount. The Supervisory Board did not see any reason to compensate for such fluctuations. On the contrary, such fluctuations are accounted for in our Board of Management compensation system and ultimately reflect the functionality of the system.

The payment from the long-term compensation tranche of the Board of Management members that fell due in January 2021 also amounted to only 38 percent of the target amount for that tranche due to the decline in the price of Bayer shares in absolute terms and relative to the EuroStoxx50.

As you can see, the compensation system you supported is very heavily performance-related. With its sharply negative impact on the total compensation of the Board of Management and senior management in the current situation, it very clearly reflects the owners' interests.

Ladies and gentlemen,

The Audit Committee and the Supervisory Board extensively discussed and examined the annual financial statements of Bayer AG, the consolidated financial statements for the Group, the combined management report and the audit reports by the external auditor. There were no objections, and we therefore concurred with the result of the external audit. We are in agreement with the combined management report and, in particular, with the assessment of the future development of the enterprise.

The same applies to the proposed dividend. The Supervisory Board assents to the proposal by the Board of Management for the use of the distributable profit, which provides for payment of a dividend of 2.00 euros per share.

Ladies and gentlemen,
your company, Bayer AG, is very well equipped to become a highly valuable enterprise. As explained, activities are primarily focused on aggressive growth in sales, earnings and value. Some 100,000 employees around the world are working hard and with great dedication to achieve these objectives.

On behalf of the Supervisory Board – and I'm sure on your behalf as well – I would like to thank the members of the Board of Management and Bayer's entire workforce for their hard work. That explicitly includes my gratitude for their tremendous dedication under the difficult conditions brought about by the COVID-19 pandemic.

Ladies and gentlemen, that concludes the Report of the Supervisory Board.

[The planned presentation of the candidates for election to the Supervisory Board and the explanations on the proposed amendment of the Supervisory Board compensation do not form part of the explanations to the Supervisory Board Report and are not reproduced here.]

Dear stockholders, ladies and gentlemen,
I would like to conclude my remarks with a summary of what you can expect from the Supervisory Board of Bayer AG in the coming 12 months. The Supervisory Board will focus particularly on the following seven points:

1. Increasing value through the accelerated implementation of Bayer's strategy
2. Supporting change processes
3. Strengthening growth
4. Resolving the glyphosate matter
5. Disciplined capital allocation and debt reduction
6. Targeted innovation and digitalization
7. Thoroughly addressing Bayer's ESG targets

I am firmly convinced that the measures planned in connection with these points are very well suited to help drive Bayer's transformation and further positive development. I can assure you that the Supervisory Board and I personally will closely monitor and oversee the measures planned in this connection.

We look forward to continued dialogue with you, our stockholders.

Forward-Looking Statements

This release 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.