



## **Message from Norbert Winkeljohann, Chairman of the Supervisory Board of Bayer AG**

April 2022

Dear Stockholders,

### **Introduction**

On behalf of the Supervisory Board, I would like to thank you, our stockholders, for your continued support and investment in Bayer. The lingering effects of the COVID-19 pandemic remained evident in many areas of our lives last year. For Bayer, the actions taken, and strategic decisions made by our Board of Management during 2020 provided a strong foundation to build on, and we were able to meet and, in many cases, exceed our targets for 2021. We are deeply proud of the dedication and solidarity shown by our employees, who met our customers' needs despite the challenges presented by COVID-19. In advance of our upcoming Annual Stockholders' Meeting on April 29, 2022, I would like to highlight some of our noteworthy activities in 2021.

### **Stockholder Engagement**

Engaging in dialogue and hearing feedback from our stockholders continues to be a top priority of the Supervisory Board and has been particularly important to me in my role as Chairman. These engagements cover the breadth of our stockholder base worldwide, meeting with active portfolio managers, stewardship teams and ESG-focused investors. The Supervisory Board was extremely pleased that more than 90% of stockholders supported the discharge of the Board of Management and Supervisory Board at our 2021 Annual Stockholders' Meeting and we continued our engagement through the end of the year. This included a Governance Roadshow, which as Chairman I led, meeting with stockholders representing approximately 40% of our outstanding shares.

Stockholder feedback is reviewed by the Supervisory Board and helps inform our disclosures and practices. In particular, during 2021, we discussed the strategic priorities to progress towards our mid-term targets, the clear path being taken to close the outstanding litigation, the establishment of a dedicated Supervisory Board ESG Committee to oversee the execution of our sustainability strategy, Supervisory and Management Board refreshment and the alignment of Board of Management compensation with performance. During engagement, stockholders did not provide feedback on



individual discharge of the Board of Management. This is something that the Supervisory Board will take under consideration on a go forward basis. We discuss our responsive actions throughout this letter.



## **Business Strategy and Performance**

The Supervisory Board, in its oversight and advisory capacity toward the Board of Management, is directly involved in decisions on matters of fundamental importance to the company, regularly conferring with the Board of Management on the company's strategic alignment and the implementation of the business strategy.

As a leading Life Sciences company, Bayer is uniquely positioned at the intersection of health and nutrition with highly attractive long-term growth prospects, earnings and cash flow potential. Our strategy is to successfully build and operate leading businesses in our core areas of expertise within health and nutrition, aligned with longer-term societal megatrends, and to conduct operations in a manner that is respectful to our planet.

At the Capital Markets Day in March 2021, Management outlined strategic priorities towards Bayer's mid-term targets. These priorities were informed by investor feedback received during our governance roadshow and investor relations engagement:

1. Leverage leading positions of our businesses in health and nutrition
2. Translate innovation strategies into profitable growth
3. Drive transformation of our company to enable execution of our strategy
4. Concentrate investments to drive further growth and innovation
5. Consistently deliver on our financial and sustainability commitments



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Bayer will achieve these goals by leveraging innovation across the Group to drive profitable growth supported by our new transformation program. These efforts include improving go-to-market models, strengthening our digital and data capabilities, and optimizing external spend. Each business has a clear agenda and investment plan to put towards its innovation pipeline.

Our strong fiscal 2021 performance reflects the collective focus and execution of our Board of Management and employees regarding these strategic priorities.

Overall, and supported by a positive market environment, we substantially increased our topline by 9% with strong contributions from all divisions. Looking ahead, we are focused on carrying the strong business momentum into 2022, which will translate into both growth and earnings expansion.

Our businesses are well positioned to address the megatrends that are putting pressure on the planet over the next 30 years. These include an aging, rapidly growing population, and further pressure on ecosystems. These issues are driving critical societal needs that necessitate innovative scientific solutions. Bayer's businesses are built to leverage the tailwinds of these megatrends and drive innovation to propel long-term profitable growth to maximize value for stockholders.

Focused on basic human needs, Bayer's Life Science portfolio has proven to be highly resilient throughout the coronavirus pandemic. That is also the case in the current crisis triggered by the war of aggression against Ukraine.

Of great importance is the contribution that Bayer makes to the global food supply as a leading agriculture company. The world is unquestionably heading towards a food crisis; the question is how severe it will be. The situation, which was already strained due to the pandemic, extreme weather events and relatively weak harvests in Africa and Latin America, has now deteriorated into a grain supply crisis. Bayer will do everything in its power to help farmers mitigate this food crisis to the greatest possible degree in the short term. At the same time, the Group's aim is to provide innovative medium- and long-term solutions to help feed up to 10 billion people in a sustainable way in the future.



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### **Risk Oversight and Glyphosate Litigation**

Bayer has put in place and is executing a five-point plan, which encompasses a holistic approach to bring closure to future risk from the U.S. glyphosate litigation. This will allow our company, our customers, and our shareholders to move on, put the uncertainty behind us, and focus on our performance, innovations, and contributions to society. The petition we filed with the U.S. Supreme Court for review in *Hardeman* represents an important component of our five-point plan. Provisions were established last year to cover the possibility of a negative decision by the U.S. Supreme Court. However, if the court agrees to hear the case and subsequently rules in our favor, it would effectively and largely put an end to the glyphosate litigations in the United States.

### **Sustainability**

Sustainability is a core element of our strategic alignment. To strengthen oversight of the execution of our sustainability strategy, and systemically assess our contribution to the UN Sustainable Development Goals (UN SDGs), the Supervisory Board established a dedicated ESG Committee and appointed Ertharin Cousin as Chair.

Ms. Cousin previously served as executive director of the UN World Food Program and is a renowned expert in the area of nutrition and agriculture. This Committee is in addition to the independent external Sustainability Council, which includes 12 highly renowned and diverse experts from relevant fields such as health, nutrition and agriculture and advises the Board of Management on all sustainability matters.

Bayer describes its sustainability strategy and ambitious 2030 and 2050 social and ecological targets in its most recent Sustainability Report. In 2021, we achieved significant progress against these targets:

- We reduced our direct and indirect GHG emissions by 11.5% and are on track to become climate-neutral in our own operations by 2030 – our decarbonization goals are in line with the Paris Climate Agreement and the objective of limiting global warming to 1.5 °C.
- Across the divisions, we reached an additional 7.5 million people in low- and middle-income countries (LMICs) in relation to our sustainability targets compared with 2020.



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Our sustainability disclosures are aligned to the UN SDGs and the Global Reporting Initiative (GRI) and in 2021, Bayer delivered on its commitment to further enhance disclosure aligned to the Sustainable Accounting Standards Board (SASB) and Task Force on Climate-Related Financial Disclosures (TCFD) frameworks.

### **Supervisory Board Composition**

The Supervisory Board continued to operate efficiently and effectively and added two new stockholder representatives who have enhanced and complemented the existing skillsets and experience on the Supervisory Board. These appointments take into account investor feedback to expand the skillset and geographical presence in alignment with Bayer's operational and strategic needs.

1. Prof. Dr. Fei-Fei Li, a leading scientist in the field of artificial intelligence with broad research interests, including in healthcare
2. Alberto Weisser, a renowned agricultural expert with decades of capital markets experience

The Supervisory Board proposes for re-election for four-year terms, three of Bayer's stockholder representatives whose terms expire at the 2022 Annual Stockholders' Meeting:

1. Dr. Paul Achleitner has been a member of the Supervisory Board since 2002. He brings extensive international business experience and is an accomplished financial expert thanks to his previous roles at Goldman Sachs and Allianz AG. As seven of our stockholder representatives have been new to the Supervisory Board in the last five years and five employee representatives are being replaced this year, Dr. Achleitner brings vast institutional knowledge to balance against recent refreshment and provides important continuity given average tenure of the other stockholder representatives is less than four years. While the Supervisory Board does not consider him independent due to his tenure, in response to stockholder feedback, Dr. Achleitner will step down from the Nominations Committee and the Human Resources Committee. This will also be his final term on the Supervisory Board.
2. Dr. Norbert Bischofberger has been a member of the Supervisory Board since 2017. He has extensive international business experience and supports the work of the Supervisory Board in particular through his pharmaceuticals and research



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and development experience. Dr. Bischofberger is the President and CEO of Kronos Bio, Inc. and a non-executive member of the Board of Directors of Morphic Holding Inc. The Supervisory Board considered Dr. Bischofberger's commitments and is satisfied that he is able to meet the expected time commitment for performing his Supervisory Board duties at Bayer. In particular, the additional time requirement for his non-executive membership on the Board of Directors of Morphic Holding, Inc., is limited and does not require travel. In 2021, Dr. Bischofberger attended all meetings of the Supervisory Board and of the committee of the Supervisory Board of which he is a member. Dr. Bischofberger's board commitments are in compliance with the recommendations of the German Corporate Governance code (GCGC).

3. Colleen Goggins has also been a member of the Supervisory Board since 2017. Ms. Goggins served as a senior executive at Johnson & Johnson for more than three decades, including roles such as Worldwide Chairman of the Consumer Group, and under her leadership, the Johnson & Johnson global personal and healthcare portfolio grew to more than \$16 billion in annual revenue. Ms. Goggins brings extensive knowledge in the field of broad life sciences, portfolio management and a proven commitment toward improving public health.

The elections for the employee representatives were also carried out and those who were not re-elected will leave the Supervisory Board at the end of the Annual Stockholders' Meeting. I would like to thank Dr. Thomas Elsner, Robert Gundlach, Petra Reinbold-Knape, Michael Schmidt-Kießling and Oliver Zühlke for their support over the years. They have been excellent contributors and dedicated representatives of our employees during their terms. I would also like to welcome Dr. Barbara Gansewendt, Francesco Grioli, Claudia Schade, Heinz Georg Webers and Michael Westmeier who are joining the Supervisory Board in their place.

As the Supervisory Board considers new members, it prioritizes its focus on having diverse representation so that collective oversight is informed by many different perspectives. Supervisory Board stockholder representatives are evenly spread in age between 45-67, 40% are female, 60% are citizens of a country other than Germany and numerous members have many years of international business experience.



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### **Leadership on the Board of Management**

We welcomed two new members to the Board of Management in 2021, supporting our strategy to continue to advance inclusion and diversity.

In January 2021, the Supervisory Board announced the appointment of Sarena Lin to the Board of Management as Chief Transformation and Talent Officer. Ms. Lin brings substantial global experience, strategic expertise, leadership skills and ability to lead large-scale transformations from her prior experiences at Cargill and Elanco. The addition of Ms. Lin strengthens the company's oversight of human capital management and enhances the Board of Management's gender and ethnic diversity.

In November 2021, we announced the appointment of Rodrigo Santos as President of the Crop Science Division. Mr. Santos, a Brazilian citizen, has 25 years of agriculture experience, including significant success leading the Crop Science business in Latin America. Mr. Santos' track-record of customer-centric leadership, strong capacity for innovation and execution combined with his deep market knowledge, will help us to defend and enhance our market leading positions, in order to fully realize the significant potential for value creation.

The Supervisory Board continues to focus on succession planning for the Board of Management.

### **Board of Management Compensation**

The compensation system for the Board of Management is aligned toward the long-term development of Bayer. The key performance indicators that are included in the variable compensation components in order to evaluate the performance of Board of Management members are in close alignment with our strategy and the targets communicated to our stockholders. This ensures that our company offers the right financial incentives, while also establishing a clear link between the performance of the Board of Management and its compensation.

In 2020, Bayer redesigned the remuneration program to incorporate updated metrics aligned to our long-term strategy and sustainability-related goals that hold the Board of Management directly accountable to achieve our ambitious 2030 targets. The system was approved by 94% of stockholders voting at our 2020 Annual Stockholders' Meeting.



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The outcomes of our STI and LTI align with our strong performance during 2021 and underperformance during the four-year period beginning in 2018, respectively. During 2021, Bayer exceeded its core EPS, free cash flow and divisional targets, resulting in an average attainment of 175% for the STI. However, over the past four years, Bayer's negative absolute and relative share price performance resulted in an average attainment of 32% for the LTI. As a result, direct compensation paid out in 2021 was 92% of target.

To align the Board of Management compensation structure even more closely with the company's long-term performance, the Supervisory Board decided to recalibrate variable compensation in favor of long-term variable compensation. Effective January 1, 2022, the target amounts in the LTI were raised from 150% to 160%, and the target amounts in STI were reduced from 100% to 90% of base compensation.

### **Conclusion**

Thank you for considering our 2021 accomplishments. The Supervisory Board believes our strategic actions and responsiveness across the many areas discussed above position us to achieve long-term success. As Bayer continues to progress, our Supervisory Board values the constructive feedback and support from our stockholders. Together we will work towards Bayer - Science for a better life.

Leverkusen, April 2022  
For the Supervisory Board:

A handwritten signature in blue ink, appearing to read "Norbert Winkeljohann".

Norbert Winkeljohann  
Chairman