

Context for CEO pension information in the Annual Report

Werner Baumann participates in a contribution-based plan. The reported 2,088 T€ for 2021 in the annual report are calculated based on contractual obligation and actuarial assumptions and relate to service costs according to IFRS. Considering this value on a standalone basis is misleading, as these service costs are not and should not be confused with the actual pension entitlement or yearly pension payments. The amount as shown in the Compensation Report is the IFRS service cost, which is subject to fluctuation and the result of an actuarial calculation that considers other factors, such as interest rates and the age of the beneficiary.

Existing (individual) pension entitlements of the management cannot legally be adjusted unilaterally by Bayer, which is also in accordance with the Shareholder Rights Directive and the German Corporate Governance Codex.

Werner Baumann agreed to a reorganization of his company pension scheme when he was appointed CEO in 2016. Until that time, he was part of a 'final salary commitment' that guaranteed him a lifelong pension of up to 60% of his last fixed salary upon retirement.

The following pension entitlements comprise the current service cost of 2,088 T€:

- Werner Baumann retained his already earned pension entitlements based on approximately 49% of his last fixed salary. This entitlement is fully vested and fully earned so that no further current service costs will be incurred. The related future pension payments will start with 443,940 € p.a.
- From May 1, 2016, he has participated in a contribution-based pension plan ("matching contribution") where the future pension payments are based on contributions made by Bayer (around 42% of his base compensation) and Werner Baumann (around 9%). Future pension payments are based on contributions made and earnings of the referenced fund. This pension entitlement is currently earned and leads to current service costs until his expected retirement in 2024.
- As the contribution-based pension plan from May 1, 2016, is less favorable than the prior final fixed salary plan (through April 30, 2016), Werner Baumann was granted a separate entitlement with annual pension payments of 200,000 € p.a. to compensate for that disadvantage. This pension entitlement will be earned by Werner Baumann and leads to current service costs (which are significantly higher than 200,000 € p.a.) until his expected retirement in 2024.
 - The service costs differ from the actual pension payments as the commitment must be fully earned between 2016 and 2024. In simplified terms, the total expected benefits from this commitment are approximately $25 \times 200,000 \text{ €} = 5,000 \text{ T€}$ (assuming a life expectancy of 25 years) which must be available when retirement begins in 2024. The 5,000 T€ will be built up evenly over the expected service period of 2016-2024, or approximately 600,000 € p.a.

As of March 31, 2022, the annual pension payments will amount to approximately 1,016,712 € p.a. from May 1, 2024. This amount is made up of the pension payments from Bayer AG of 997,632 € p.a. and the pension payments from the Bayer Pensionskasse of 19,080 € p.a. These values are calculated with 95% accuracy by our actuarial department; to the extent that Werner Baumann's base compensation and the

income threshold for statutory pension insurance contributions change, this would also result in changes in the annual pension payments.

The increase of current service cost from 1,895 T€ in 2020 to 2,088 T€ relates mainly to the decreased interest rate from 1.0 % to 0.9 % and to the increase in expected pension payments per year from 1.4 % to 1.6%. The prior year increase of service cost from 1,310 T€ to 1,895 T€ relates mainly to the decreased interest rate from 2.0 % to 1.0% and the decrease of the financing expiration age from 63 to 62 due to Werner Baumann's Board of Management contract being extended until April 30, 2024, one year less than it was actuarially expected previously.

Please also note that as Werner Baumann's base compensation is approximately 29% of his annual target amount, his future pension payment of €1,016,712 (per May 1, 2024) is equivalent to approximately 17% of his total direct remuneration - or approximately 58% of his current base salary. Nevertheless, his pension awards are not directly tied to his total direct compensation level.

The company has adjusted the pension scheme for new contracts: Members of the Board of Management newly appointed after January 1, 2020, receive a pension installment calculated as a percentage (40%) of their base compensation and paid out directly in a lump sum (currently applicable for Sarena Lin and Rodrigo Santos). The currently valid remuneration system for the members of the Board of Management was approved by 94.02% at the Annual General Meeting of Bayer AG on April 28, 2020 and has been valid in this form since January 2020.

In designing the remuneration system for the Board of Management, the Supervisory Board endeavors to align it as closely as possible with the Total Reward system, including pensions, for the employees and management below Board of Management level.