



# Corporate Governance Presentation

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Annual Stockholder's  
Meeting  
April 27, 2021





# Cautionary Statements Regarding Forward-Looking Information

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 <http://www.bayer.com/>.

The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.



# Continued Responsiveness to Stockholder Feedback

Engaged stockholders representing **more than 50%** of outstanding shares in 2020

Including a **Fall Governance Roadshow**, led by the **Chairman of our Supervisory Board**, in which we engaged with **24 of our top stockholders representing almost 40%** of outstanding shares

Discussion Topics	Examples of Responsive Actions
Business Strategy	<ul style="list-style-type: none"> <li>// Feedback from Governance roadshow and IR engagement provided valuable input for December strategy sessions and March Capital Markets Day</li> <li>// Announced a specific action plan to accelerate our transformation, grow through innovation and create value for stockholders</li> </ul>
Supervisory Board	<ul style="list-style-type: none"> <li>// Refreshed board with new Chairman, 2 new independent stockholder representatives expanding skillset and geographical presence</li> <li>// Expanded the Nomination Committee from 2 to 4 stockholder representatives</li> </ul>
Board of Management	<ul style="list-style-type: none"> <li>// Increased gender and ethnic diversity, global experience, strategic expertise, leadership skills, and ability to lead large-scale transformations with the appointment of Sarena Lin as Chief Transformation and Talent Officer</li> </ul>
Remuneration Program	<ul style="list-style-type: none"> <li>// Board of Management program redesigned for 2020 to incorporate sustainability targets and improve strategic alignment</li> <li>// No changes as a result of COVID-19</li> <li>// Proposed update to design of Supervisory Board program for 2021 to reflect increased responsibilities, best practices and be competitive for talent</li> </ul>
Risk Oversight & Glyphosate Litigation	<ul style="list-style-type: none"> <li>// Announced a formal agreement to resolve vast majority of current Roundup™ product liability claims and established a framework to manage and resolve future cases</li> <li>// Glyphosate Litigation Committee established to help resolve outstanding litigation, working with our external legal advisor</li> <li>// Announced resolutions to other legal matters in the U.S.</li> </ul>
Sustainability	<ul style="list-style-type: none"> <li>// Announced sustainability targets for 2030, received approval by Science Based Targets initiative</li> <li>// Launched Sustainability Council with world leading experts</li> <li>// Committed to enhancing sustainability disclosures by reporting against the SASB and TCFD frameworks</li> <li>// Approved Inclusion &amp; Diversity key performance indicators and targets through 2030</li> </ul>



# A Global Leader in Health and Nutrition

***Our combination of businesses uniquely positions us to benefit from significant growth through Megatrends***

## Crop Science

Providing crop protection and high quality seeds to deliver food and critical nutrition to support a healthy and growing population while easing pressure and restoring ecosystems

## Pharmaceuticals

With our innovative products, we seek to achieve therapeutic benefit and better access for patients, while at the same time satisfying the growing requirements of physicians and health insurers

## Consumer Health

Increasing access to nonprescription medicines, nutritional supplements, and self-care products to encourage and support the health of growing and aging populations

## Societal Megatrends

### Demand



**50%**

More food, feed & biofuel<sup>1</sup> needed



**10<sub>bn</sub>**

World population<sup>1</sup>



**70%**

More meat in developing nations<sup>1</sup> needed

### Supply



**17%**

Harvest losses from climate change<sup>1</sup>



**12<sub>m</sub>**

Ha of agricultural land loss annually



**20%**

Reduction in arable land per capita<sup>1</sup>

**Science For A Better Life**

**We leverage science to address urgent societal needs  
– with the vision *Health for all, hunger for none***





# Creating Value by Accelerating Our Transformation

Our focus areas for 2021 - to actively address the pandemic, ensure supply to customers and advance the transformation - build on our 2020 performance and activities including the advancement of product pipelines and investment in new technologies

## *Advancing Our Transformation of Bayer*

*5 strategic priorities communicated at our Capital Markets Day in March to support our growth and value creation for stockholders over the longer term*

- 1 Enable Growth:** Clear plan for translating innovation into top-line growth
- 2 Drive Profitability:** New transformation program building on synergy and current efficiency program
- 3 Focus on Cash:** Strong capacity to generate cash
- 4 Disciplined Capital Allocation:** Focus on deleveraging, dividends, and external growth investments
- 5 Sustainability:** Inclusive growth by helping more people thrive and decreasing our ecological footprint



# Being Part of the Solution to the COVID-19 Pandemic

## Leveraging our Capabilities



### RESEARCH

**Partnered with CureVac** to make vaccine available  
**20+ Clinical studies** supported with products  
**Several research consortia** joined



### PROTECTION

**600,000+** units of **Personal Protection Equipment** provided  
**150,000+** liters of **disinfectants** produced  
**Safe places** for treatment of chronic patients created



### MITIGATION

**60,000+ PCR COVID-19** tests run at Bayer labs in Berlin  
**2,600,000+** Units of everyday **healthcare products**  
**4+ projects** to provide psychological support of healthcare workers  
**Actively support vaccination centers**, providing people and buildings



### TREATMENT

**Ventilators donated** from Bayer's research facilities  
**Faceshields** produced in the Bayer AI labs



### AWARENESS

**6+ campaigns** supported to protect vulnerable population groups  
**Employee awareness campaigns** provide vaccination education  
**Preparing to assist vaccination** of our people through medical infrastructure

## Supporting Our Employees, Customers, and Communities

### We are currently focused on:

- // Partnering with CureVac to advance the further development, manufacture and supply of CureVac's COVID-19 vaccine candidate
- // The safety and well-being of employees and customers
- // Reliably supplying customers with essential products for health and nutrition

### These actions build on our early pandemic response where we:

- // Implemented safety protocols across our global workforce including:
  - Encouraging employees to work from home wherever possible
  - Applying extended safety and distance regulations for employees working on-site including in production facilities most affected by the outbreak
- // Kept employees informed of updates provided by governments and health authorities and provided cloth masks to >100,000 employees
- // Incorporated emergency response plans for all sites to ensure continued safe and effective operation
- // Set up the Crisis Management Team, chaired by our CEO, which meets bi-weekly to discuss the pandemic, its implications, and the safety and well-being of employees



# Overview of Governance System & Recent Refreshment

## Supervisory Board

(Control level)

- // Oversees and advises Board of Management
- // Directly involved in decisions on matters of fundamental importance to the company
- // Responsible for the remuneration system of the Board of Management
- // Comprises 50% stockholder (10) and 50% (10) employee representatives

advises, oversees,  
appoints, dismisses



reports to





## Board of Management

(Executive level)

- // Responsible for independently managing the company
- // Develops and executes Bayer's strategy
- // Further areas of responsibility, e.g. budget, allocation of resources, risk management, external financial reporting

## 4 Independent Directors Appointed in the Past 2 Years

### Recently Appointed Independent Directors<sup>(1)</sup>

	<b>Fei-Fei Li</b> (Candidate for election)	// Professor of Computer Science, Stanford University // Brings prominent Artificial Intelligence experience with broad research interests, including in healthcare
	<b>Alberto Weisser</b> (Candidate for election)	// Former CFO and CEO of Bunge Limited // Brings expertise in the agricultural industry as well as capital markets, finance and accounting
	<b>Horst Baier</b> (joined Apr. 2020)	// Former Member of Board of Management, TUI AG // Brings expertise in accounting and human capital management
	<b>Ertharin Cousin</b> (joined Oct. 2019)	// Former Executive Director, UN World Food Program // Brings expertise in nutrition and agriculture

### Additional Updates

- ✓ Appointed **Dr. Norbert Winkeljohann** the new Chairman of the Supervisory Board
- ✓ Expanded and diversified the **Nomination Committee** from 2 to 4 members
- ✓ Appointed Horst Baier as Audit Committee Chair

## New Appointment to Board of Management in 2021



### Sarena Lin

#### Chief Talent & Transformation Officer

- // Head of HR, Strategy and Business Consulting, driving the accelerated transformation of Bayer
- // Labor Director, leading and overseeing human capital management matters
- // Former Executive Committee member, Elanco Animal Health Incorporated

*Strengthened Bayer's oversight of human capital management and enhanced the Board of Management's gender and ethnic diversity, global experience, strategic expertise, leadership skills, and ability to lead large-scale transformations*



## 20 Members of the Supervisory Board

// Composition effective at the 2021 Annual Meeting

// 50% of representatives elected by stockholders, 50% elected by employees\*

### Stockholder Representatives



**Chairman  
(2018)**

*Prof. Dr. Winkeljohann*



(2002)

**Dr. Paul Achleitner**



(2014)

**Dr. rer. nat. Simone Bagel-Trah**



(2020)

**Horst Baier**



(2017)

**Dr. Norbert W. Bischofberger**



(2019)

**Ertharin Cousin**



(2017)

**Colleen A. Goggins**



(2021)<sup>(1)</sup>

**Fei-Fei Li**



(2021)<sup>(1)</sup>

**Alberto Weisser**



(2014)

**Prof. Dr. Dr. h.c. Otmar D. Wiestler**

### Employee Representatives



**Vice Chairman  
(2015)**

*Oliver Zühlke*



(2019)

**Robert Gundlach**



(2017)

**Dr. Thomas Elsner**



(2017)

**Heike Hausfeld**



(2006)

**Reiner Hoffmann**



(2015)

**Frank Löllgen**



(2012)

**Petra Reinbold-Knape**



(2020)

**Andrea Sacher**



(2012)

**Michael Schmidt-Kießling**



(2012)

**André van Broich**

\*in accordance with German Codetermination Act.  
(Year) indicates when the member joined the Board.  
(1) Subject to candidate election at the 2021 AGM.





# Strong Supervisory Board Independent Leadership & Skill Alignment

To effectively oversee management's execution of strategy

## New Independent Chairman



**Professor Dr. Norbert Winkeljohann**  
(appointed Apr. 2020)

- // Former Chairman of the Board of Management of PricewaterhouseCoopers GmbH and Europe SE
- // Extensive global experience in management, auditing and consulting

## Chairman Responsibilities

- // Constant communications between the Supervisory Board and CEO
- // Member of all committees of the Supervisory Board and Chairman of the Presidial / Mediation, Human Resources, Nomination, and Glyphosate Litigation Committees
- // Leads the Board review process to identify opportunities to maximize effectiveness
- // Provides oversight of long-term succession planning
- // Engages with stockholders and relays feedback to the full Board

## Thoughtfully Composed Supervisory Board<sup>(1)</sup>

### Balanced Skills Among Supervisory Board Members



### Gender Structure



**40% Female**

### International Diversity<sup>(2)</sup>



### Age Range

**44-66**

relatively equal distribution

(1) Reflects the composition and skills of our stockholder representatives on the Supervisory Board; assumes the election of director candidates Li and Weisser at the 2021 AGM and the departure of directors Prof. Dr. Wolfgang Plischke and Johanna Faber.

(2) Representative of nationality.



# Proposed Updates to Supervisory Board Remuneration

## Summary of Proposed Changes

- // Increase in fixed remuneration
- // Decrease in Committee fees, slightly offset by increase in cap
- // Increase in attendance fees and incorporation of remote attendance

## Rationale for Proposed Changes

- // Remuneration has been unchanged since April 2017, and since this time, the scope of work, time commitment and responsibilities have increased considerably
- // Independent assessment against DAX peers found that our pay is below market and the structure of the program no longer reflects best practice
- // We have to stay competitive for recruitment efforts – particularly in consideration of the international nature of our business and that we are competing for Board talent with markets with considerably higher pay

Remuneration Element		Current		Proposal	
Fixed remuneration	Members	€ 132,000 p.a.		€ 160,000 p.a.	
Differentiation	Vice-Chair	€ 264,000 (no additional Committee fees)		€ 320,000 (no additional Committee fees)	
	Chair	€ 396,000 (no additional Committee fees)		€ 480,000 (no additional Committee fees)	
Committee fee		<b>Chairman</b>	<b>Member</b>	<b>Chairman</b>	<b>Member</b>
	Audit	€ 132,000	€ 66,000	€ 120,000	€ 60,000
	All Others <sup>(1)</sup>	€ 66,000	€ 33,000	€ 40-60,000	€ 20-30,000
		Compensation for max. <b>two</b> committees		Compensation for max. <b>three</b> committees	
Attendance fee		€ <b>1,000</b> for in-person attendance Maximum of one attendance fee per day		€ <b>1,500</b> for in-person <b>and remote</b> attendance Maximum of one attendance fee per day	

***Proposed changes are subject to approval by stockholders at our Annual Meeting and would be effective immediately***



# Redesigned Board of Management Remuneration Program

Strong support from stockholders at the 2020 Annual Meeting and in engagement

Base Salary (BS)	// Fixed
Short-term Incentive (STI)	<div>Financial Performance (Cap: 200%)</div> <div><div><div>33%</div><div>Core EPS (group level)</div></div><div><div>33%</div><div>Free Cashflow (group level)</div></div><div><div>33%</div><div>EBITDA / Sales Growth (division level)</div></div></div> <div><div>×</div><div>Individual performance / non-financial targets (0.8 – 1.2)</div></div>
Long-term Incentive (LTI) <sup>(1)</sup>	<div>4 year performance period (Cap: 250%)</div> <div><div><div>40%</div><div>Relative TSR<sup>(2)</sup></div></div><div><div>40%</div><div>ROCE (group level)</div></div><div><div>New</div><div>20%</div><div>Sustainability Goals (group level)</div></div></div> <div><div>×</div><div>Absolute share price development (incl. dividends)</div></div>
Pension Scheme <sup>(3)</sup>	// Updated for new hires to a fixed annual amount paid out in lump sum (previously a defined benefit with matching contribution)
Share Ownership Guidelines	<div>// CEO: Increased to 200% of base salary (previously 75%)</div> <div>// OBM: Increased to 100% of base salary (previously 75%)</div> <div>// Shareholding during service period plus 2 years</div>
Maximum total annual compensation is €12m for the CEO and €7.5m for all other Board of Management members	

**No changes due to the effects of COVID-19**

(1) All changes were effective for 2020 other than the LTI, which shifted from equally weighted rTSR and ROCE metrics to add a 3<sup>rd</sup> metric for sustainability goals.

(2) Comparison with EURO STOXX® 50 TR.

(3) Change to pension scheme does not apply to existing service contracts, in line with the stockholder Rights Directive and the German Corporate Governance Code.



# Ambitious measurable targets for Sustainable Development

We set bold 2030 targets in line with the UN SDGs and committed to mapping our sustainability disclosures to the SASB and TCFD frameworks

## Help more *PEOPLE* thrive: Driving inclusive growth in underserved regions



Support **100m<sup>(1)</sup> smallholder farmers** in LMIC<sup>(2)</sup>



Provide **100m<sup>(1)</sup> women** in LMIC with **access to modern contraception**



Expand **access to self-care for 100m<sup>(1)</sup> people** in underserved<sup>(3)</sup> communities



## Decrease *ECOLOGICAL* footprint: Driving growth through sustainable resource use



**Climate neutrality at own sites + reduced emissions in our supply chain**



// 42%<sup>1</sup> reduction target for Scope 1 & 2

// 12.3%<sup>1</sup> reduction target for Scope 3

**+ Net Zero emission target until 2050** in line with long term goal of Paris Agreement (Scope 1, 2 & 3)

**Established a Sustainability Council comprised of highly renowned experts to provide advice and review progress on sustainable business strategy and social innovation in consultation with our CEO and Board**

<sup>\*)</sup> Numbers reflect people; preliminary figures; pending external audit.

<sup>(1)</sup> Baseline\* (2019): ~42m smallholder farmers; ~38m women; ~41m people; 3.7m tCO<sub>2</sub>e for Scope 1&2; 10m tCO<sub>2</sub>e for Scope 3.

<sup>(2)</sup> LMIC: low and middle income countries - All countries included in the [World Bank list](#) as per 1 July 2019.

<sup>(3)</sup> Underserved : Economically or medically.