



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

March 2021

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. 2020 was an unprecedented year - the COVID-19 pandemic continues to affect our businesses, employees and our families. We thank our Board of Management and employees for their support, resilience and commitment – we are deeply impressed by the engagement and solidarity they have shown and how they have adapted to the COVID-related challenges to meet customer demands. In advance of our upcoming Annual Stockholders Meeting on April 27, 2021, I would like to highlight some of our significant accomplishments in 2020.

Stockholder Engagement

Engaging in dialogue and hearing feedback from our stockholders has always been a top priority of the Supervisory Board and has been particularly important to me in my first year 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 Management and Supervisory Boards at our 2020 Annual Stockholders Meeting and we continued our engagement through the end of the year. This included an Autumn Governance Roadshow, which I led, as Chairman, meeting with 24 of our top stockholders representing around 40% of our outstanding shares. Additionally, in February of this year, I met with some stockholders and the proxy advisors to obtain feedback on changes we were considering to the Supervisory Board remuneration program.

Stockholder feedback is reviewed by the Supervisory Board and helps inform our disclosures and practices. In particular, during 2020, we discussed the company and Board's response to the COVID-19 pandemic, strategy and performance with a focus on March's Capital Markets Day, progress towards resolution of the outstanding liti-



gation, Supervisory and Management Board refreshment, the redesign of the Management and Supervisory Board's remuneration programs and our ambitious 2030 sustainability objectives. We discuss our responsive actions throughout this letter.

MAY – AUGUST 2020

Analyzed results from Annual Meeting; Reviewed market and regulatory governance trends; Responded to investor-specific questions following Annual Meeting and in advance of coordinated outreach

MARCH – APRIL 2021

Conduct Pre-Annual Meeting outreach with stockholders and proxy advisors to answer questions on the Annual Report, policy changes, and any concerns leading up to the Annual Meeting



SEPTEMBER – NOVEMBER 2020

Supervisory Board Chair led Corporate Governance roadshow with top investors on strategy, COVID-19, sustainability and responsive actions; Feedback informed governance and remuneration updates

DECEMBER 2020 – FEBRUARY 2021

Conducted further outreach to discuss Supervisory Board remuneration program enhancements; Supplemented governance outreach with Sustainability focused engagements; Finalized Annual Report and any governance or remuneration changes based on investor feedback

Business Strategy and Performance

The Supervisory Board, in its oversight and advisory capacity of 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.

Bayer recently held a Capital Markets Day, where the Board of Management communicated a specific plan to accelerate the execution of our transformation. This strategy was informed by investor feedback received during our governance roadshow and investor relations engagement and served as an input for the Supervisory and Management Board's annual strategy session held in December.

Bayer has outlined five strategic priorities to support our growth through innovation and create value for investors over the longer term:



Page 3 of 7

1. **Enable growth** – with a clear plan for translating innovation into top-line growth
2. **Drive profitability** – through the launch of the comprehensive transformation program
3. **Focus on cash** – with strong capacity to generate cash and significant free-cash-flow potential
4. **Disciplined capital allocation** – prioritizing deleveraging, dividends, external growth and investments
5. **Sustainability** – inclusive growth by helping more people thrive and decreasing our ecological footprint

As we execute our plans, we are well positioned to benefit from significant growth through three global megatrends: (a) a growing population, (b) an aging population and (c) pressure on ecosystems. As the population continues to grow and people live longer, innovation is critical to restore and preserve people's health and to secure enough supply of quality food in a sustainable fashion. The increased pressure on our ecosystems requires solutions to use natural resources more efficiently and responsibly. We expect these long-term megatrends to contribute to Bayer's growth in combination with increasing innovation across our divisions, accelerating our transformation and efficiency within our operations.

Response to COVID-19

Bayer took decisive action to be part of the solution to the pandemic, initially focusing on protecting our employees' health and wellbeing and avoiding impact to customers by limiting supply chain disruptions. We partnered with biotech company CureVac to advance the further development, manufacture and supply of CureVac's COVID-19 vaccine candidate. This is in addition to donations of money, medicines, protective equipment and medical appliances, providing additional testing capacities and making available part of our company's real estate as a vaccination center.

The Supervisory Board was informed and engaged in dialogue with the Board of Management on a regular basis – through standing meetings, conversations as appropriate and our ordinary and extraordinary Supervisory Board plenary sessions.

Risk Oversight and Glyphosate Litigation

In March 2020, Bayer published the results of a voluntary special audit, independent reviews, and legal assessments on the M&A due diligence processes, glyphosate liti-



Page 4 of 7

gation risk assessments, and the Board of Management's duties with respect to the Monsanto transaction – the results of which validated our prior actions.

The Supervisory Board, counseled by the Supervisory Board's external legal advisor John H. Beisner, approved and supported a Board of Management resolution to simultaneously address the current Glyphosate litigation on reasonable terms and provide a viable solution to manage and resolve potential future litigation. The dedicated Glyphosate Litigation Committee of the Supervisory Board advised the Board of Management and prepared the respective resolution of the Supervisory Board. In June 2020, Bayer announced a formal agreement to resolve the vast majority of the current product liability claims, and in February 2021, a formal agreement with class counsel was announced to establish a framework to manage and resolve future cases. The latter agreement is subject to approval by the court which has extended the schedule for the preliminary approval hearing to mid-May to allow more time for the parties to engage with the objectors and address remaining concerns.

Supervisory and Management Board Leadership

In my first year as Chairman, I have been excited to build on our recent accomplishments and actions taken in response to investor feedback - an important input into Bayer's governance practices and decision-making process. We added new members to enhance and complement the existing skillsets and experiences on both the Supervisory and Management Boards.

The Supervisory Board is pleased to propose two new stockholder representatives who will be subject to election at the upcoming Annual Meeting.

- **Prof. Dr. Fei-Fei Li** is a leading scientist in the field of artificial intelligence in the United States with broad research interests, including in healthcare
- **Alberto Weisser** is a renowned agricultural expert with decades of capital markets experience in the United States gained during his time as CFO and CEO of agribusiness and food company Bunge

Prof. Dr. Li and Mr. Weisser are in addition to the appointments of Mr. Horst Baier in 2020 and Ms. Ertharin Cousin in 2019 and take into account investor feedback to expand the skillset and geographical presence aligned to Bayer's operational and strategic needs.



Page 5 of 7

I would like to thank Johanna W. (Hanneke) Faber and Prof. Dr. Wolfgang Plischke for their support over the years. Ms. Faber brought many new ideas to the Supervisory Board and was a great asset to our work, while Prof. Dr. Plischke brought extensive expertise and dedication during his 40-year career with Bayer spanning management and board roles.

We would also like to wish our best to the family of Sabine Schaab who had been an employee elected member of the Supervisory Board and who sadly passed away this past year. We welcome Andrea Sacher who was appointed as her successor.

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 44-66, 40% are female, 50% are citizens of a country other than Germany and numerous members have many years of international business experience.

In April 2020, the Board increased the size of the Nomination Committee from two to four stockholder representatives and increased its diversity by electing Colleen Goggin and Dr. Simone Bagel-Trah as the additional Members.

The Supervisory Board is firmly of the view that Werner Baumann is the right leader to advance the comprehensive transformation of the business purposefully and resolutely given his profound knowledge of Bayer's markets, businesses, organization and strengths. As a result, in September, the Supervisory Board unanimously decided to extend Werner's contract until April 30, 2024. One of my key priorities as Chairman is working with the Human Resources Committee on the long-term succession planning for when Werner retires.

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.

Board of Management and Supervisory Board Compensation

The Supervisory Board redesigned the compensation system for the Board of Man-



Page 6 of 7

agement effective 2020 to reflect Bayer's long-term strategy for sustainable corporate success. The plan, which was overwhelmingly approved by stockholders with 94% support at the 2020 Annual Meeting, includes the following key changes:

- Decoupling the short-term and long-term incentives to provide for greater clarity and transparent disclosure
- Incorporating best practice elements such as performance and compliance malus and claw back provisions
- New targets aligned to our long-term strategy, including sustainability goals in our long-term incentive. The sustainability goals align to our ambitious sustainability targets set for 2030, including improving access to smallholder farmers, women and underserved communities, and reducing our carbon footprint

2020 truly was a challenging year. Despite the business and financial impact, the recent updates made to the compensation program ensured it worked as intended, short-term payouts were below target and there were no changes made as a result of COVID-19.

To align the KPIs of the employees with those of the Board of Management broadly and create common goals across the full Bayer group, effective with 2021, long-term incentives for all eligible employees will include an ESG modifier.

At the 2021 Annual Meeting, we also seek stockholder approval for the redesign of the compensation of the Supervisory Board. As part of a comprehensive review process, our independent compensation consultant determined that the structure our Supervisory Board pay program no longer reflects best practice and is below that of our peers. The proposed changes include:

- An increase in fixed compensation to better align to market;
- Realignment of committee fees including a reduction in membership and chair fees and establishing fees for the newly constituted Nomination Committee
- An increase in attendance fees, including a provision that attendance fees will be paid irrespective of the meeting format being physical or virtual in nature

Supervisory Board compensation has not changed since April 2017, and since this time, the scope of work, time commitment and responsibility of our Supervisory Board members has increased considerably. In addition, as we consider refresh-



Page 7 of 7

ment, the Supervisory Board must stay competitive for our recruitment efforts – particularly considering the international nature of our business and that we compete in markets where pay is considerably more for directors at a company of our size.

Sustainability

The Supervisory Board fully supports the approach taken by the Board of Management with respect to the ambitious and measurable targets for sustainable development. These targets have been set in line with the UN SDGs and are supported by a commitment to map our sustainability disclosures to the Sustainable Accounting Standard Board (SASB) and Task Force on Climate-related Financial Disclosures (TCFD) frameworks. Bayer will help more people thrive by driving inclusive growth in underserved regions, whilst decreasing the ecological footprint by facilitating growth through sustainable resource use. We support our initiatives in this area through a Sustainability Council, established in 2020 and comprised of highly qualified experts, that provides advice and reviews progress on sustainable business strategy and social innovation in consultation with our CEO and the Board. Furthermore, Bayer is committed to furthering inclusion and diversity and has approved key performance indicators and targets to ensure we remain on track through 2030.

Conclusion

Thank you for considering our 2020 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, March 2021
For the Supervisory Board:

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

Norbert Winkeljohann
Chairman