Annual Stockholders' Meeting
April 26, 2024

Explanations to the Supervisory Board Report

Prof. Dr. Norbert Winkeljohann,
Chairman of the Supervisory Board of Bayer AG

(Please check against delivery)

(2024-1502e)
Dear stockholders, ladies and gentlemen,

I would now like to deliver 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 12 to 19 of the Annual Report.

Before I address the focal points of the Supervisory Board’s duties, I would like to highlight some individual aspects that had a special impact on the Board’s work last year.

The Supervisory Board’s work in 2023 was largely devoted to reorganizing Bayer’s managerial team. In February, the Supervisory Board appointed Bill Anderson to the Board of Management effective April 1, and he then duly became CEO on June 1, 2023. Over the remainder of last year and in the first months of this year, the Supervisory Board reached decisions on two further changes to the Board of Management.

The Supervisory Board also reevaluated its own composition, and it will propose to the Annual Stockholders’ Meeting today that two established members be reelected to the Supervisory Board and three new individuals be elected to replace outgoing members.

Finally, the Supervisory Board and the Human Resources and Compensation Committee have scrutinized the Board of Management’s compensation and how it is reported on in the Compensation Report.

I will go into all of these matters in more detail.

Ladies and gentlemen,

The Supervisory Board convened for eight meetings last year. Following the end of the pandemic, it was possible for us to meet up more often in person again. In view of the now very international composition of the Board and in the interests of sustainability and cost-effectiveness, however, many of the meetings were held as virtual events.

In between the meetings of the Supervisory Board, I was in regular and close contact with the CEO at the time – Werner Baumann until the end of May 2023 and then Bill Anderson from June – as well as with other members of the Board of Management and further company executives.
Allow me to highlight some of the key areas the Supervisory Board focused on this past year.

**Engaging with stockholders and other stakeholders** is a top priority for Bayer and the Supervisory Board. Following the 2023 Annual Stockholders’ Meeting, we prioritized engagement across many topics including CEO transition, corporate structure, Supervisory Board refreshment, dividend policy, Board of Management compensation and sustainability. These topics were particularly important in view of the low vote support for some of these items at last year’s Annual Stockholders’ Meeting.

During the most recent Corporate Governance Roadshow, we engaged with stockholders representing 40 percent of shares outstanding (which is approximately 63 percent of shares held by institutional investors). As Supervisory Board Chairman, I participated in many of these engagements and am grateful for the constructive dialogue with our stockholders. The feedback we received has given us a wider and deeper perspective on the issues we discussed.

The Supervisory Board also scrutinized the **Board of Management’s business strategy and the company’s performance**. Bill Anderson has already talked in detail about this and I do not wish to repeat what he said, but the challenges facing Bayer that he mentioned, such as our growth and profitability, the patent expirations and our Pharmaceuticals Division’s pipeline structure, the lawsuits, our debt situation and the need to reduce bureaucracy, have all been analyzed in detail by the Supervisory Board as well. Many of our in-depth meetings were devoted to the implementation of Dynamic Shared Ownership, a new organizational model aimed at boosting our performance, and the repositioning of our capital allocation strategies so that we can concentrate on achieving a healthy financial position.

The **appointment of a new CEO** was, as I already mentioned, one of our top priorities in 2023. We pursued and completed this task with due consideration of the feedback from our stockholders. We are delighted that Bill Anderson is the new CEO who will lead Bayer into the future, and as we have already seen, he has immediately identified the most important issues and set about tackling them. His fresh perspective enables him to take decisive action on the basis of his in-depth review of our strengths and weaknesses.
In addition to Bill Anderson, the Supervisory Board also appointed two new members to the Board of Management. Heike Prinz was appointed Chief Talent Officer and Labor Director effective September 1, 2023. And in early 2024, Julio Triana was appointed President of the Consumer Health Division effective May 1, 2024. Both of them introduced themselves to you at the beginning of today’s Meeting.

In addition, the Supervisory Board and the Human Resources and Compensation Committee have developed an improved Board of Management compensation system that incorporates the feedback we received from shareholders. We hope that you will vote in favor of this improved system today. Along with new features and improvements, we have also made structural changes to simplify the system and to ensure that the implementation of compensation decisions more closely aligns to company performance. Furthermore, a clear focus was placed on the performance of the share price.

A summary of the specific feedback we received from investors and the actions taken in response is included in the 2023 Compensation Report, which is likewise the subject of a vote for approval at today’s Meeting. While the views of stockholders varied and were not consistent in all areas, we believe we have addressed the consensus feedback in our actions along with a commitment to transparency around our decision-making processes. The key changes, which are described in detail in the compensation system we published together with the documentation for the Annual Stockholders’ Meeting, include:

- In the short-term incentive (STI), the free cash flow metric will not be adjusted for litigation payments and will be the same as the value published in the Annual Report.
- A formal mechanism has been created to give the Supervisory Board a limited ability to adjust final STI payouts in the event of extraordinary developments.
In the long-term incentive (LTI), we want to achieve greater alignment to long-term shareholder value creation by doubling the proportion of the LTI opportunity linked to the relative total shareholder return (TSR) from 40 percent to 80 percent. While a few investors would have preferred retaining the metric used in the past, the return on capital employed (ROCE), there was a general belief that in the near term, greater emphasis should be placed on increasing the share price. This was particularly appreciated when combined with the new outperformance requirement to achieve an at-target payout. Payout of the target amount is contingent on reaching the 60th percentile of the EuroStoxx 50 benchmark values.

We believe that we have developed a system that is very well suited to Bayer’s current situation. Nonetheless, the Supervisory Board plans to review the system in just two years to determine whether our experiences with the system or any changes to the underlying circumstances will necessitate a revision. If this is the case, we will submit a revised compensation system to the Annual Stockholders’ Meeting for approval ahead of the four-year interval stipulated by law.

Let me now turn to Board of Management compensation for 2023 as outlined in the Compensation Report submitted to today’s Meeting. The compensation for 2023 is still based on the compensation system approved by the Annual Stockholders’ Meeting in 2020.

The compensation system is designed to ensure that the variable compensation is aligned to the general performance of the company and its businesses, and also reflects the stockholder experience. Bayer did not meet the ambitious goals set for 2023 by the Supervisory Board at the beginning of the respective performance periods. This resulted in payouts well below the target amounts for the year.

- Average target attainment for the short-term incentive (STI) was 13 percent, compared to 130 percent in 2022. This value is based on the below-target attainment levels for all three equally weighted components: core earnings per share came in at 6.39 euros and resulted in target attainment of 0 percent; free cash flow was 1,311 million euros, which resulted in target attainment of 0 percent; and the Crop Science, Pharmaceutical and Consumer Health divisional components, based on EBITDA margin and sales growth, resulted in attainment levels of 0 percent, 35 percent and 102 percent respectively.
• The first tranche of the long-term incentive (LTI) granted in 2020 was earned substantially below target at 13 percent. This was largely a result of our stock price performance. The 2019 tranche which ran until 2022 amounted to 62 percent.

Average direct compensation awarded to the Board of Management in 2023 – which is made up of the two variable compensation components STI and LTI – amounted to 13 percent of the agreed target amount, compared to 87 percent last year. This result demonstrates the strong alignment between company performance and pay outcomes.

Over the past year, we also prioritized a review of the composition of the Supervisory Board. We focused on finding the right balance of skill, experience and expertise to support effective oversight of Bayer in alignment with our strategic priorities and the challenges ahead. The Supervisory Board has proposed five stockholder representatives for election at the 2024 Annual Stockholder’s Meeting, including three new nominees who bring with them the skills identified in our review process – 1. navigating complex litigation, 2. integrating science into our business strategy, and 3. bringing relevant investor perspectives as well as experience in leading transformations.

Ladies and gentlemen,

Now let’s turn to the audit of the financial statements for fiscal 2023. 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 for fiscal 2023. 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 company.

The same applies to the proposed dividend. The Supervisory Board has assented to the proposal by the Board of Management for the use of the distributable profit, which provides for payment of a dividend of 0.11 euros per share. The Supervisory Board is aware that the reduction of the dividend represents a substantial burden for our stockholders. However, we believe that in view of the need to reduce our debt, the decision was unavoidable. Bill Anderson explained the reasons for this decision in more detail in his speech.
Dear stockholders,

As already explained by Bill Anderson, 2023 was a very challenging year for your company Bayer AG. However, Bill and the entire Board of Management have taken strategic, targeted measures to create strong foundations that we can build on to generate substantial long-term value for our stockholders.

On behalf of the Supervisory Board – and I am sure on your behalf as well – I would like to thank the members of the Board of Management and the entire workforce for their hard work, particularly in view of these very challenging times for Bayer.

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

[The planned presentation of the candidates for election to the Supervisory Board does not form part of the explanations to the Supervisory Board Report and is not reproduced here.]

Ladies and gentlemen,
I would like to close with a summary of what the work of the Supervisory Board will focus on the coming 12 months. The Supervisory Board will focus its work primarily on the following priorities and closely monitor and accompany the corresponding activities of the Board of Management:
1. Improving performance in all areas. Outperforming the competition in terms of growth and profitability.
2. Further evolving the pipelines at Pharmaceuticals, Crop Science and Consumer Health
3. Improving the cash flow and reducing net debt over the long term
4. Implementing Dynamic Shared Ownership to demonstrably enhance performance
5. Proactively finding solutions to Bayer’s litigation issues

Dear stockholders,

I am firmly convinced that by focusing on these five priorities, the Supervisory Board together with the Board of Management will significantly advance the transformation of
Bayer. The Supervisory Board and I personally will closely oversee and accompany them. We look forward to our continued dialogue with you. Thank you very much.

Forward-Looking Statements
These explanations 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.