



## Declaration by the Board of Management and the Supervisory Board of Bayer AG concerning the German Corporate Governance Code pursuant to Article 161 of the German Stock Corporations Act

Under Section 161 of the German Stock Corporations Act, the Board of Management and the Supervisory Board of Bayer AG are required to issue an annual declaration that the company has conformed and is conforming with the recommendations of the “Government Commission on the German Corporate Governance Code” as published by the German Justice Ministry in the official section of the electronic Federal Gazette (Bundesanzeiger) and to give details of any recommendations that have not been or are not being applied.

Under Article 15 of the Introductory Act of the Stock Corporations Act, this declaration is required for the first time in 2002. However, for this year it may be confined to a declaration that the company is conforming with the recommendations of the “Government Commission on the German Corporate Governance Code” or a statement of any recommendations that are not being applied.

The declaration of conformity pursuant to Article 161 of the Stock Corporation Act shall be available to stockholders at all times.

The Management Board and Supervisory Board of Bayer AG hereby declare that the company is in compliance with the recommendations of the “Government Commission on the German Corporate Governance Code” as published by the German Justice Ministry in the official section of the electronic Federal Gazette, except that the following recommendations currently are not being applied or are being applied in a modified form:

### **1. Section 2.3.3**

*The company shall facilitate the personal exercising of shareholders' voting rights. The company shall also assist the shareholders in the use of proxies. The Management Board shall arrange for the appointment of a representative to exercise shareholders' voting rights in accordance with instructions.*

As in the past, stockholders attending the Annual Stockholders' Meeting can exercise proxy voting rights and issue instructions via proxy voting cards. There are plans to facilitate the exercising of voting rights through the appointment of a representative starting at the Annual Stockholders' Meeting in 2004.

### **2. Section 3.8 Paragraph 2**

*If the company takes out a D&O (directors and officers' liability insurance) policy for the Management Board and Supervisory Board, a suitable deductible shall be agreed.*

The present D&O insurance policy at Bayer AG does not include cover for willful breach of duty. Where insurance cover is provided, there is no deductible for members of either the Management Board or the Supervisory Board.

Bayer AG intends to obtain personal declarations from the members of its Management Board and Supervisory Board concerning the payment of a deductible, even if insurance cover otherwise continues to be provided under a D&O policy taken out by the company. Pursuant to these declarations, members of the Management Board who cause damage to the company or third parties through gross negligence in the performance of their duties are to pay for such damage up to an amount equivalent to half their total annual compensation for the year in which the damage occurs. Members of the Supervisory Board who cause damage to the company or third parties through gross negligence in the performance of their duties are to pay for such damage up to the equivalent of the variable portion of their respective annual compensation as members of the Supervisory Board for the year in which the damage occurs. This does not limit their liability toward the company or third parties.

### **3. Section 5.4.5**

*Compensation of the Supervisory Board shall also take into account exercising of the Chair and membership in committees.*

This requires an amendment to the Articles of Incorporation. An amendment will be submitted to the Annual Stockholders' Meeting in April 2003 for approval.

### **4. Section 7.1.4**

*This recommends that the company publish a list of certain third-party companies and provide information about them, including their operating results for the last fiscal year.*

The operating results of third-party companies are only published if they are available when Bayer's financial statements are prepared.

Leverkusen, December 2002

For the Board of Management:

signed Wenning

signed Kühn

For the Supervisory Board:

signed Dr. Schneider