

## Disclosure

# California Transparency in Supply Chains Act

The California Transparency in Supply Chains Act of 2010 is designed to increase the amount of information made available by manufacturers and retailers regarding their efforts (if any) to address the issue of slavery and human trafficking, thereby allowing consumers to make better, more informed choices regarding the products they buy and the companies they choose to support. The following highlights Bayer's global efforts in this regard.

Bayer supports the United Nations' Universal Declaration of Human Rights and a number of globally recognized declarations for multinational enterprises. As a founding member of the [United Nations Global Compact \(UNGC\)](#) initiative, Bayer undertakes various measures to implement the [10 universally recognized principles](#) in the areas of human rights, labor standards, environmental protection and anti-corruption throughout the organization when shaping business processes and strategies.

Promoting human rights standards internally and throughout all of Bayer's business operations is in line with our [Values and Leadership Principles](#), our [Sustainable Development Policy](#) and our group-wide [Human Rights Position](#). Since 2017, Bayer has published a public statement based on the [UK Modern Slavery Act](#) to send a clear signal against slavery and servitude, forced or compulsory labor and human trafficking in its value chain. In conjunction with the acquisition of Monsanto in the second quarter of 2018 and its subsequent integration into the Crop Science segment, we are in the process of aligning our relevant policies and processes. The acquired business has expressed its clear commitment to observing human rights in a Policy and a public statement based on the UK Modern Slavery Act.

Bayer's commitment to foster the implementation of human rights is supported through our [Corporate Compliance Policy](#). It is in effect at all Bayer locations and it applies to Bayer's business operations worldwide. Bayer uses this position as a framework to guide our decision-making and constructive engagement within our sphere of influence, while the responsibility of the governments of the various countries for protection of human rights is respected. Prior to its acquisition by Bayer, Monsanto had its own compliance management system which will remain in place until integration into Bayer's compliance processes and systems has been completed.

Bayer has combined all of its fundamental sustainability standards and requirements for its suppliers in a [Supplier Code of Conduct](#). Since the beginning of 2019, this new joint code of conduct also applies to the acquired agriculture business. This code of conduct comprises the areas of ethics, people & labor, health, safety & environment, quality as well as related governance & management systems. Our Supplier Code of Conduct emphasizes international labor and human rights standards such as the principles of the UNGC and the [International Labour Organization's \(ILO\) eight core labor standards](#). Suppliers are expected to respect the human rights of their employees and to treat them with dignity and respect. Supplier employees shall have the right to freely choose employment, the right to associate freely and join or be represented by worker councils or labor unions on a voluntary basis, and the right to bargain collectively as they choose. Workers also have the right to a workplace free of harassment and unlawful discrimination.

In order to successfully address the diverse challenges of a sustainable supply chain and to leverage synergies together with other companies, we collaborate with the Pharmaceutical Supply Chain Initiative (PSCI) as well as with Together for Sustainability (TfS), an initiative co-founded by Bayer. In both initiatives, we focus on the standardization of sustainability aspects in the pharmaceutical and chemical industries in order to establish corresponding social, ethical and environmental practices among our suppliers. The exchange of supplier assessments and audits among member companies enables access to additional sustainability evaluations of suppliers who also work for Bayer. This minimizes the administrative burden for both suppliers and the member companies.

The [Pharmaceutical Supply Chain Initiative](#) is a group of major pharmaceutical companies who share a vision of better social, economic, and environmental outcomes for all those involved in the pharmaceutical supply chain. This includes improved conditions for workers (including freely chosen employment, no involuntary prison labor, abolition of child labor, and no use of forced, bonded or indentured labor), economic development, and a cleaner environment for local communities.

The [Together for Sustainability initiative](#) is a group of multinational companies that aims at developing and implementing a global supplier engagement program that evaluates and improves sustainability sourcing practices, including ecological and social aspects. The initiative is based on good practices and builds on established principles – such as the [UNGC](#) and the [Responsible Care Global Charter](#) as well as standards developed by the [ILO](#), the [International Organization for Standardization \(ISO\)](#), [Social Accountability International \(SAI\)](#) and others.

Slavery and human trafficking can take many forms, including forced labor and child labor. Our position on child labor is unequivocal: Child labor is strictly prohibited at Bayer in accordance with the core labor standards of the International Labour Organization (ILO). We therefore also obligate our suppliers to strictly refrain from employing children. We do not tolerate child labor in our supply chain either, where we take action against known cases of violations. [Our efforts](#) to fight against child labor and forced labor are consistent with the ILO's core labor standards and the UNGC principles.

Our efforts for more sustainability in the supply chain include:

- **Sustainability standards:** Bayer regards adherence to sustainability standards within the supply chain as a crucial factor in the value chain. By acting responsibly in collaboration with our suppliers, we aim to minimize risks and create stable, long-term business relationships with our partners. For this reason, Bayer applies not just economic standards, but also environmental, social and governance (ESG) standards in choosing new suppliers or continuing its relationships with existing ones. These standards are defined in our Supplier Code of Conduct, which includes child labor avoidance and no utilization of slavery, forced, compulsory, bonded or indentured labor or involuntary prison labor as well as human trafficking in our supply chain. It is integrated into electronic ordering systems and contracts throughout Bayer. Furthermore, our standard supply contracts contain a clause that authorizes Bayer to verify suppliers' compliance with our sustainability requirements. The Supplier Code of Conduct is based on the principles of the UNGC and our Human Rights Position. The acquired agriculture business's procurement area is already part of Bayer's Procurement function for organizational purposes. Until the integration into Bayer processes has been completed, this part of the procurement organization will continue to apply its existing procurement and supplier management processes and existing procurement directive.
- **Supplier sustainability performance evaluation:** Starting in 2019, we plan to integrate the suppliers gained through the acquisition into Bayer's processes for evaluating sustainability performance, which include the EcoVadis online assessments and on-site audits by external and Bayer auditors. To date, the acquired agriculture business's procurement organization has used supplier surveys and audits to review the sustainability performance of its suppliers. Since these processes are not comparable with those of Bayer, the following information for 2018 does not yet include the acquired agriculture business. The sustainability performance of our suppliers is monitored through online assessments and on-site audits. Suppliers are selected for these evaluations based on a combination of country and category sustainability risks as well as strategic importance. The assessments are carried out on our behalf by a leading web-based service platform for sustainability performance monitoring (EcoVadis). They are based on a web-supported, modular questionnaire completed by the supplier, coupled with accompanying verification documents and 360° screening. We conduct the on-site audits with external, independent auditors. Here, too, we apply the standard of the respective industry initiatives in which we participate in order to benefit from synergies. In addition, internal auditors perform inspections focusing on health, safety, and environmental protection. These audits are performed on suppliers with significant risk potential as regards substances, production processes, occupational safety or environmental factors, for example, and on toll or contract manufacturers in countries at increased risk. The assessment and audit results are thoroughly analyzed and documented. Wherever the results are unsatisfactory, we develop improvement measures together with our suppliers to ensure that they fulfill social, ethical and environmental standards in the future. In 2018, 2% of the evaluations had a critical result. These suppliers were requested by Bayer to rectify the identified weaknesses with the help of corrective instructions or action plans. In 2018, Bayer had to end one supplier relationship due solely to sustainability performance.
- **Training for procurement staff:** We offer training activities to help procurement staff worldwide create awareness of sustainability and possible risks in dialogue with our suppliers. Training for procurement employees includes online courses dealing with the EcoVadis sustainability assessment process. In addition, we organize specific sustainability roadshows for different procurement categories and local procurement organizations (in 2018, i.e. in Switzerland and the United States), and provide information material. Within the scope of our supplier sustainability evaluations, we have identified a country risk particularly for Brazil. In this connection, we carried out intensive workshops and training courses in Brazil for our local procurement personnel.
- **Training for suppliers:** We regularly provide information on sustainability to our suppliers through Supplier Days. This global and local dialogue is essential to build up reliable relations and to make the principles of our procurement policy and our sustainability requirements clear to our suppliers. In return, we would like to know more about the suppliers' situation in order to be able to identify and remove obstacles in our collaboration at an early stage. In 2018, to make the operational implementation of our Supplier Code of Conduct more comprehensible, we developed a Supplier Sustainability Guidance. The first instruction session on its implementation was held at a Bayer Supplier Day in Brazil. And we also conducted supplier training and workshops in China and India in cooperation with PSCI and TfS. Furthermore in 2018, Bayer joined together with 10 other industrial companies under the umbrella of econsense to form the German Business Initiative for Sustainable Value Chains. In the selected procurement markets China and

Mexico, suppliers were trained locally in sustainable business practices over a nine-month period. The continuous development of suppliers in terms of sustainability is also a key objective of the industry initiatives TfS and PSCI. The TfS initiative offers an online Supplier Academy providing trainings on the initiative, Sustainability in Supply Chains and the Sustainability assessment and audit process. Moreover, the TfS member companies organize joint supplier events with the aim to promote a mutual understanding on sustainability challenges and requirements in the supply chain. PSCI likewise promotes continuing supplier development by means of the comprehensive information provided on the PSCI website and interactive webinars. Furthermore, PSCI organizes supplier conferences providing intensive training on subjects such as occupational safety, health and environmental protection, as well as in labor law and corporate ethics.

For more details:

Internet website: <http://www.bayer.com/en/our-approach.aspx>

<p><b>2018 Bayer AG Annual Report: Procurement and Supplier Management</b> (beginning page 62 of PDF)</p>	<p><a href="#">Read online at Bayer.com</a></p>
<p><b>2018 Bayer AG Annual Report: Supplier Management – Targets and Key Performance Indicators</b> (page 31 of PDF)</p>	<p><a href="#">Read online at Bayer.com</a></p>
<p><b>Additional Reference Documents:</b> Overview of Supplier Management and Sustainability in Procurement Practices, as communicated in past Bayer AG Annual Reports and Sustainable Development Reports</p>	<p><a href="#">Read or download online at Bayer.com</a></p>
<p><b>Globally recognized declarations for multinational enterprises include:</b></p> <ul style="list-style-type: none"> <li>• <a href="#">Global chemical industry’s Responsible Care Global Charter</a></li> <li>• <a href="#">Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy of the International Labor Organization (ILO)</a></li> <li>• <a href="#">Guidelines for Multinational Enterprises of the Organization for Economic Cooperation and Development (OECD)</a></li> <li>• <a href="#">United Nations’ Universal Declaration of Human Rights</a></li> <li>• <a href="#">International Covenant on Civil and Political Rights</a></li> <li>• <a href="#">International Covenant on Economic, Social and Cultural Rights</a></li> <li>• <a href="#">International Labor Organization’s (ILO) eight core labor standards</a></li> </ul>	