



Transparency in Supply Chains Act Statement

2022

This statement addresses the fiscal year 2022 (from January 1st to December 31st, 2022), in compliance with the requirements of the United Kingdom Modern Slavery Act (2015), the Australian Modern Slavery Act (2018) and the California Transparency in Supply Chains Act (2010). It sets out the steps taken by Bayer AG and its relevant affiliates ("Bayer").

Introduction

We stand for respecting human rights in everything we do and will not turn a blind eye to any violation of human rights. We recognize the increase of modern slavery violations worldwide¹ and acknowledge our responsibility to conduct human rights due diligence to prevent, mitigate and remedy risks and violations. We are committed to respecting and fostering human rights within our own business activities and in business relations and to reporting transparently on the results of our activities in this area. This Statement builds upon our earlier Modern Slavery Act Statements and summarizes our activities to combat modern slavery and human trafficking in 2022.

The term 'human rights', as used in this Statement, includes modern slavery, human trafficking, forced and child labor.

Bayer is a founding member of the UN Global Compact ([UNGC](#)) and respects the [Universal Declaration of Human Rights](#) and the International Covenants on Civil and Political Rights and on Economic, Social and Cultural Rights of the United Nations. Our human rights due diligence is based on the human rights due diligence principles described in the UN Guiding Principles on Business and Human Rights ([UNGPs](#)) and the [OECD Guidelines for Multinational Enterprises](#). The UNGPs are considered to be among the most important international standards for preventing and addressing actual and potential human rights harm in connection with business activities, such as modern slavery. We are committed to respecting these principles along the entire value chain and within our scope of influence worldwide. We also support the [Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy](#) of the International Labour Organization ([ILO](#)), and the latter's core labor standards.

Our commitment to act responsibly along the entire value chain forms a core element of our sustainability strategy and encompass our commitment to respect human rights. We acknowledge that the implementation of human rights due diligence is a continuous process that must be constantly adapted and improved. With our [Human Rights Policy](#), we define the human rights requirements within the company. This binding policy enables us to respect and foster human rights within our own business activities and in business relations. This policy applies to all Bayer employees worldwide and comprises the engagement along the entire value chain, such as our suppliers, business partners, customers, consumers and local communities alike.

In addition to identifying, assessing and addressing potential and actual human rights risks and violations, we also strive to contribute positively towards human rights. We have defined clear sustainability goals that make an important contribution to promoting self-determined living, exerting a positive influence on human rights. This is achieved not only by reducing our ecological footprint, but also by reaching many people in underserved regions with broader access to health care and nutrition. Please visit our [Sustainability Report 2022](#) for more information on our Sustainability Strategy.

¹ ILO Report 2022: [Global Estimates of Modern Slavery](#)

I. Our operations and supply chains

We are a life science company and a global leader in healthcare and nutrition. Our innovative products support efforts to overcome the major challenges presented by a growing and aging global population. We help prevent, alleviate, and treat diseases. We also aim to ensure the world has a reliable supply of high-quality food, feed, and plant-based raw materials. As part of this endeavor, the responsible use of natural resources is always a top priority. In line with our vision of “Health for all, hunger for none”, we aim to put an end to hunger and help everyone lead a healthy life, while at the same time protecting ecosystems. That is what we aspire to achieve, guided by our purpose “Science for a better life”.

Our operations

As the parent company of the Bayer Group, Bayer AG – represented by its **Board of Management** – performs the principal management functions for the entire enterprise. This mainly comprises the Group’s strategic alignment, resource allocation, and the management of financial affairs and managerial staff, along with the management of Group-wide operations across our Crop Science, Pharmaceuticals and Consumer Health divisions.



Crop Science is the world’s leading agricultural enterprise, with businesses in crop protection, seeds and traits and digital farming. We offer a broad portfolio of high-value seeds, improved plant traits, innovative chemical and biological crop protection products, digital solutions, and extensive customer service for sustainable agriculture. We market these products primarily via wholesalers and retailers or directly to farmers. In addition, we market pest and weed control products and services to professional users outside the agriculture industry. Most of our crop protection products are manufactured at the division’s own production sites. Numerous decentralized formulation and filling sites enable the company to respond quickly to the needs of local markets. The breeding, propagation, production and / or processing of seeds, including seed dressing, take place at locations close to our customers, either at our own facilities or under contract.

Pharmaceuticals concentrates on prescription products, especially for cardiology and women’s healthcare, and on specialty therapeutics focused on the areas of oncology, hematology, ophthalmology and, in the medium term, cell and gene therapy. We have established a strategic unit for cell and gene therapy spanning the entire value creation chain – from research and development to marketing and patients. The division also comprises the radiology business, which markets diagnostic imaging equipment and digital solutions together with the necessary contrast agents. Our portfolio includes a range of key products that are among the world’s leading pharmaceuticals for their indications. The prescription products of our Pharmaceuticals Division are primarily distributed through wholesalers, pharmacies, and hospitals.

Consumer Health is a leading supplier of non-prescription (OTC = over-the-counter) medicines, nutritional supplements, medicated skincare products and other self-care solutions in the categories of pain, cardiovascular risk prevention, dermatology, digestive health, allergy, and cough & cold. The products are generally sold by pharmacies and pharmacy chains, supermarkets, online retailers, and other large and small retailers.

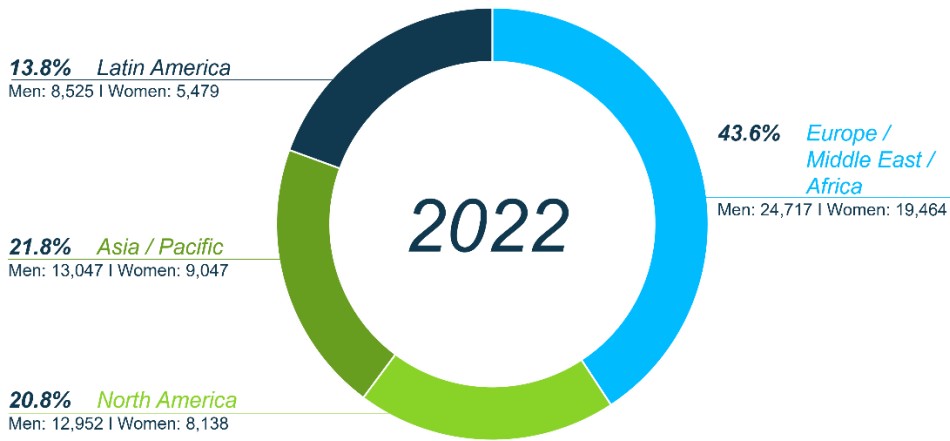
The **enabling functions**, such as Public Affairs, Science, Sustainability (PASS) & Health, Safety and Environment (HSE); Group Finance; Information Technology; and Human Resources, serve as Group-wide competence centers and bundle business support processes and services for the divisions. Our Leaps by Bayer unit, which invests in disruptive innovations, also forms part of the enabling functions.

Our company has a global footprint. As of December 31, 2022, the Bayer Group comprises 354 consolidated companies in 83 countries. Its headquarters is in Leverkusen, Germany. Sales at the Bayer Group in 2022 amounted to €50.7 billion. To learn more about Bayer please visit our website www.bayer.com.

Our Employees

On December 31, 2022, we employed 101,369 people (2021: 99,637) worldwide. In 2022, the Bayer Group hired 12,433 new employees (accounting for 12.3% of our workforce). Thereof, the majority (43.6%) are employed in Europe / Middle East / Africa, 21.8% in Asia / Pacific and 20.8% in North America and 13.8% in Latin America. Our workforce includes only a small number of employees on temporary contracts (3.4%). To learn more about our workforce structure please see the Bayer [Annual Report 2022](#).

Employees by Region and Gender



Employees by Division



For further demographics, please visit our [Sustainability Report 2022](#).

Fair treatment

The company aims to create a culture that is based on fairness and respect. As established in the Bayer [Human Rights Policy](#), we are committed to respecting the human rights of our employees and therefore to fair and equitable treatment as a basic principle of our work environment. This includes observing Group-wide standards of conduct and protecting employees from discrimination, harassment and retaliation. These standards are set out in our Group regulation on "Fairness and Respect at Work", which was signed by the Board of Management. Bayer employees around the world are provided with guidance on how to comply with these.

Fair compensation

As a global enterprise, Bayer enacts uniform standards to ensure that employees are fairly compensated throughout the Group. Our performance and responsibility-related compensation system combines a basic salary with elements based on the company's success, plus additional benefits. Adjustments based on continuous benchmarking make our compensation internationally competitive. We attach great importance to equal pay for men and women, and to informing our employees transparently about the overall structure of their compensation. Bayer compensates employees on both permanent and temporary employment contracts in excess of the statutory minimum wage in the respective countries, paying a living wage that is annually reviewed and specified worldwide by the non-profit organization Business for Social Responsibility ([BSR](#)). That makes Bayer one of the first companies to commit globally to this concept. This also applies to part-time employees whose compensation was proportionately aligned with that of a full-time position.

Our supply chains

As a global company, Bayer procures services and materials from all over the world. In 2022, we had a total of 91,149 (2021: 93,844) suppliers. Our main direct procurement materials include active ingredients, raw materials, intermediates, finished products and seeds. Technical goods and services, research and development (R&D) supplies, marketing services and information technologies are important components of our indirect procurement portfolio. Bayer purchases locally wherever feasible in order to respond promptly to the requirements of our sites and simultaneously strengthen local economies. In 2022, this applied to 77% (2021: 77%) of procurement spend worldwide.

Geographical distribution of our suppliers and spend in 2022

	Spend in € billion		Number of suppliers	
	2021	2022	2021	2022
OECD countries	14.9	17.7	50,687	47,689
U.S.A.	6.3	8.1	14,034	12,606
Germany	4.1	4.5	7,794	7,131
United Kingdom	0.6	0.7	1,299	1,331
Australia	0.1	0.1	1,127	1,002
Other	3.8	4.3	26,433	25,621
Non-OECD countries	4.0	5.6	43,157	43,463
China	0.9	1.4	2,022	1,931
Brazil	1.0	1.6	7,588	7,449
India	0.8	0.9	10,351	10,014
Other	1.3	1.6	23,196	24,071
Procurement spend in € billion	18.9	23.3	-	-
Number of suppliers	-	-	93,844	91,149

With regard to modern slavery, our analysis indicates that 10% of our purchasing volume is coming from countries with a high modern slavery risk in 2022. Further details on our human rights supply chain risks and their management can be found the chapter III, IV and V of this Statement.

II. Human Rights Management Approach

Our Human Rights Governance

Human rights are among the responsibilities of the Chairman of the Bayer Board of Management, who is also Bayer's Chief Sustainability Officer. In his role as Chief Sustainability Officer, he is supported in the topic of human rights by the PASS & HSE enabling function.

At the beginning of 2022, an ESG (Environment, Social, Governance) Committee was established within Bayer's Supervisory Board to deal with ecological and social responsibility matters and sustainable corporate governance. This includes in particular the incorporation of sustainability into the business strategy; the establishment of sustainability targets; the non-mandatory ESG reporting and, if applicable, the auditing thereof; the opportunities and risks and the organizational structures and processes in ESG areas, provided in each case that these do not fall within the responsibility of the Audit Committee of the Supervisory Board. Within its scope of responsibility, the ESG Committee advises and oversees management and prepares possible resolutions by the Supervisory Board.

Additionally, in October 2022, the Board of Management introduced the position of a Human Rights Officer, who oversees risk management activities relating to human rights and is responsible for regularly informing the Board of Management of ongoing efforts in this respect.

Our Human Rights Strategy

In 2030, we want to be industry-leading in our approach to human rights, based on our human rights strategy, which comprises three interlinking phases:

Definition of the framework: The strategy builds on an analysis of the status and risks in accordance with the UNGPs and OECD Guidelines, our vision "Health for all, hunger for none" and the legal requirements such as those stemming from the German Supply Chain Due Diligence Act (SCDDA), the UK Modern Slavery Act, the Australia Modern Slavery Act and the California Transparency in Supply Chains Act.

Operationalization and full integration: Expansion of existing due diligence processes to address human rights risks.

Strategic positive contribution: Support for the protection of human rights in areas that concern our business and started with our sustainability targets.

Guided by our [Human Rights Policy](#) and underpinned by our established governance structure, we are continuing to drive forward the implementation of our human rights strategy.

Human Rights Due Diligence in accordance with UNGPs and OECD at Bayer



We implement measures to ensure respect for human rights both within our own company and along our entire value chain. Group regulations, processes, and management as well as monitoring systems regulate the implementation of human rights standards. We are aware that the implementation of human rights due diligence is a continuous process that must be constantly adapted and improved. To ensure respect for human rights in the value chain in a targeted manner, Bayer operates according to a due diligence approach that is based on the UNGPs and OECD Guidelines for Multinational Enterprises. This process comprises a policy statement, risk identification and assessment processes, prevention and mitigation measures, measures for determining effectiveness and reporting, along with access to grievance mechanisms and the implementation of remedial measures.

Our efforts and progress on strengthening our human rights due diligence efforts is reported in the Human Rights Chapter our [Sustainability Report 2022](#) and in the following chapters of this Statement.

III. Risk Identification and Assessment

To determine potentially adverse effects of our operations on human rights, we use our Group-wide integrated risk management system. The Bayer Risk Portfolio is regularly reviewed and updated. The Group-wide identification and assessment of our human rights risks was completed in 2022. The risk analysis was conducted together with external business and human rights experts. Alongside the involvement of internal experts, civil society organizations were also consulted by way of interviews. Risks were identified and assessed in a two-step process.

- // The first step was to identify potential human rights risks that we could encounter, either through our business activities, products and services, or in our value chain. For this purpose, we considered the human rights described in the International Bill of Human Rights and the core labor standards of the ILO. Herewith we considered the freedom from slavery, servitude and forced labor as well as protection against child labor.
- // The second step was to assess these rights separately in terms of their risks with regard to their degree of severity (based on scope, scale and irremediability), materiality and likelihood of occurrence.

Salience & materiality

Two dimensions must be accounted for when managing human rights risks. The first comprises salient human rights issues, which refer to those human rights that can be most severely impacted by our activities and business relationships. The other concerns material human rights, which are those that are of great importance for our internal and external stakeholders.

In assessing human rights-related risks, we distinguish between gross and net risks. Gross risk refers to a risk a company can expect due to its business operations, the type and scope of its products and services along with the value chain, excluding any governance measures (in other words prevention and mitigation measures). When assessing our activities and business relations, we have also considered our scope of involvement, i.e. cause, contribute, directly linked, as described in the UNGPs and OECD Guidelines.

The net risk describes the gross risk, taking account of prevention/mitigation measures that have already been established. First, we assessed the respective gross risk and then the net risk, taking into account established prevention and mitigation measures.

This enabled us to identify and assess the human rights that could be negatively impacted most significantly through our activities and business relationships in the upstream and downstream value chains (salient human rights) or that are of particular importance for our company (material human rights).

We have identified six priority issues:

- // Right to health
- // Responsible use of natural resources
- // Protection against child labor
- // Right to freedom from slavery, servitude and forced labor
- // Right to fair and favorable working conditions
- // Right to freedom of association

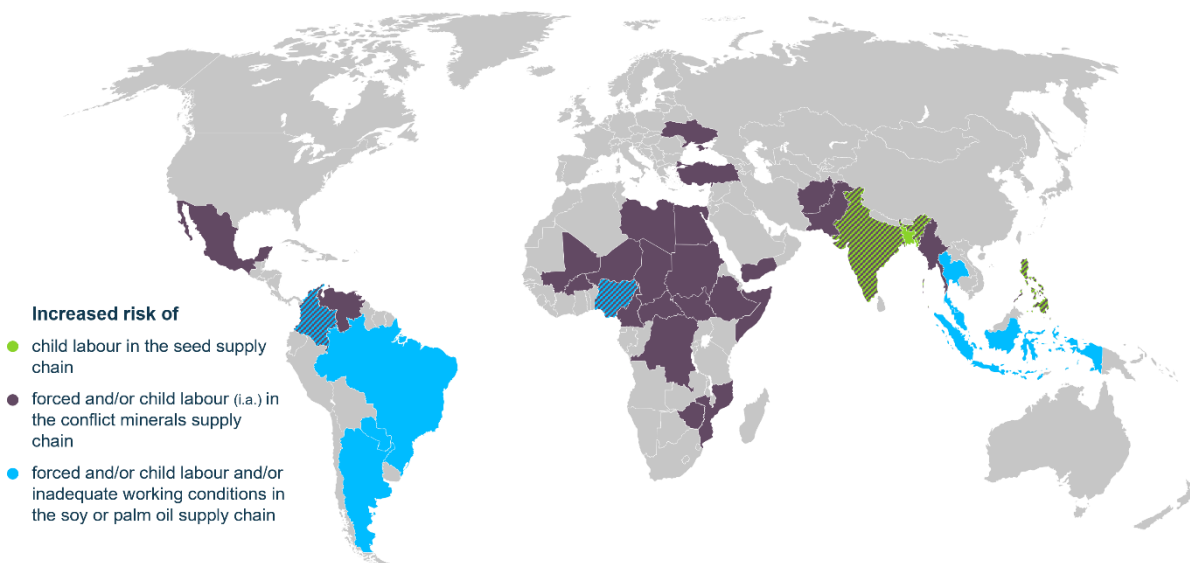
The results of this human rights risk analysis will be incorporated into the Bayer Risk Portfolio of our Group-wide, integrated risk management process. In the coming months and years, we will put a particular focus on addressing these priority issues.

Given our company structure, human rights governance is managed through a globally led program by Bayer AG. The program considers operational and in the supply chain activities of each of the reporting entities.

We conduct our human rights risk analysis on a regular basis, i.e. once a year, and on an ad hoc basis as required. For more information on our Group-wide, integrated risk management process, please see our [Sustainability Report 2022](#).

Additionally, annually, we perform specific in-depth analysis in the form of risk classifications for our direct supply chain (further details on our management process to improve sustainability practices in the supply chain see chapter IV of this Statement) as we are connected to several million rightsholders – in other words people who are directly or indirectly impacted by our activities – through this. The sustainability supplier risk classification comprises the supplier's country and category risks including social standards (e.g., child labor, forced labor, working conditions). The risk categorization is based on internationally recognized classifications of country risks such as those applied by the World Bank and of category risks such as those employed by the United Nations. Those suppliers with a significant annual procurement spend of more than €0.5 million and a high sustainability risk classification as well as those of strategic relevance to Bayer must undergo a sustainability evaluation. In 2022, this selection process yielded 181 strategically important suppliers making up around 31% of the total procurement spend, and 333 suppliers with a high sustainability risk and a significant procurement spend (>€0.5 million p.a.) making up nearly 8% of the total procurement spend.

Additionally, we identified further areas in our supply chain with a potential increased risk of human rights violations for which we have derived preventive measures accordingly (further details, see chapter IV of this Statement).



IV. Measures to address risks

We implement measures to ensure respect for human rights both within our own company and along our entire value chain. Group regulations, processes, and management and monitoring systems regulate the implementation of human rights standards within our own operations and the supply chain.

Our Group regulations – for own operations and supply chain

Bayer has documented its stance on human rights, including modern slavery, human trafficking and forced and child labor, in a globally binding Bayer [Human Rights Policy](#), which defines the human rights requirements within the company and obligates us to respect and foster human rights within our own business activities and in business relations. Our commitment to respecting human rights extends to all Bayer employees worldwide and the entire value chain, comprising business partners, suppliers, contractors, customers, consumers, and local communities.

Guided by our [LIFE values](#) and supplementary to our [Human Rights Policy](#), we substantiate specific standards and responsibilities for respecting human rights in existing rules and Group regulations. These include the [Bayer Societal Engagement \(BASE\) Principles](#), along with regulations on Data Privacy, [Corporate Compliance](#), Fairness & Respect at Work, [HSE management & HSE key requirements](#), and Security and Crisis Management; Management of Contingent Workforce; and Management of Compliance Incidents. We have anchored ethical, social, and ecological principles in our Procurement Policy, which is binding for all employees worldwide.

The regulations approved by the Board of Management are managed centrally and follow a uniform, global process that includes notifying employees about changes and new aspects via a newsletter and the intranet. Bayer has also actively established a system that transparently describes the enactment and implementation status of these regulations.

Additionally, we have a [Supplier Code of Conduct](#) in place that specifies what we expect of our suppliers and obligates them to fully respect human rights, including right to be free from slavery, servitude and forced labor as well as protection against child labor.

With respect to clinical trials, we strictly align ourselves to the Declaration of Helsinki, a set of ethical principles regarding medical research involving humans, adopted in 1964, and other international ethical norms and standards (e.g. from the Council for International Organizations of Medical Sciences (CIOMS) and the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH). These principles are also specified in our [Supplier Code of Conduct](#).

In our operation

Training for our Employees

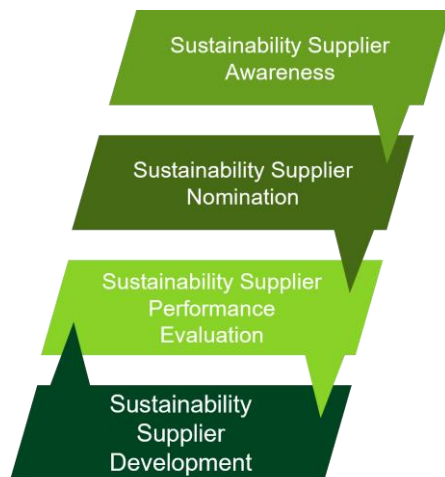
We offer numerous ongoing training programs – partly on mandatory basis – to enhance employees' awareness of the importance of human rights in their day-to-day activities, including our employees with direct responsibility for our own workforce and our supply chains. In 2022, more than 85% of our employees received training on aspects of our [Human Rights Policy](#) in sessions totaling more than 165,000 hours. Those trainings cover e.g. fairness and respect at work principles (i.e. on how we expect our employees to conduct themselves fairly and in a compliant manner and informs on when and how to speak up in case of observing non-compliant behavior), health & safety (i.e. on explosion safety at our sites) or data privacy (i.e. on how to protect data). The issue of human rights continues to be an integral element of training measures for the management of our country organizations.

All employees are continuously strongly encouraged to complete the "Respecting Human Rights at Bayer" training course which includes the topics of modern slavery, forced labor, and child labor. In 2022 it had been introduced in the languages Chinese, French, German, Italian, Japanese, Portuguese, Russian, Spanish and thus is offered since then in nine languages, including the initial publication in English. With this training, we aim to enhance our employees' awareness of the importance of human rights in their day-to-day activities. Employees learn how to identify, analyze, and address cases of potential human rights violations. The training was developed with internal experts from the divisions, functions, and country organizations. In 2022, this training has been awarded with the Brandon Hall Bronze Award that especially highlighted the learner experiences delivered by the course. This course continuous to be included in the development plans of employees working in areas with a higher risk of potential human rights infringements.

Internal training measures are accompanied by an internal learning platform on sustainability that also offers diverse learning materials on the respect for human rights, including topic of modern slavery.

In our supply chains

We have established a four-step process throughout the Group to improve sustainability practices in the supply chain. The sustainability landscape encompasses human rights topics including modern slavery, human trafficking and forced and child labor.



The steps include 1) Supplier Awareness: Raising awareness on our sustainability expectations by means of our [Supplier Code of Conduct](#) and contract clauses, 2) Supplier Nomination: Nominating and selecting suppliers for sustainability evaluation with the help of sustainability risk classifications (further details see chapter III of this Statement), 3) Supplier Performance Evaluation: Evaluating sustainability performance of selected suppliers through online assessments or on-site audits, 4) Supplier Development: Developing suppliers as needed. We monitor the performance developments by way of re-evaluations. More details can be found in our [Sustainability Report 2022](#).

This process is centrally steered by a Sustainability unit in Procurement. It is implemented through cross-functional cooperation between the Procurement, PASS & HSE enabling functions.

Our Supplier Code of Conduct (Step 1: Supplier Awareness)²

We expect our business partners, and particularly our suppliers and subcontractors, to fully respect human rights. Therefore our [Supplier Code of Conduct](#) (Code) is based on our [Human Rights Policy](#), the principles of the UNGC and the core labor standards of the ILO. Our Code aims to strengthen our mutual understanding of how sustainability should be practiced in day-to-day business and including the expectation that our suppliers will seek to enforce the same principles within their own supply chains. It is made available to our suppliers before entering into contract and suppliers must already commit to our core principles upon registration. The Code is available in 12 languages and covers the areas of ethics, labor & human rights, health & safety, environment, quality, and governance & management systems. The chapter “labor & human rights” specifies that we do neither accept child labor nor slavery, servitude and forced or compulsory labor and human trafficking in our supply chains. The Code is frequently reviewed and updated. In 2022, following the enactment of the German Supply Chain Due Diligence Act (SCDDA) in January 2023, which sets out legal requirements in the supply chain for various environmental and human rights topics, including child labor avoidance and freely chosen employment, we updated the Bayer [Supplier Code of Conduct](#) to include the new legal requirements.

Training for our Suppliers (Step 1: Supplier Awareness; Step 4: Supplier Development)³

Aspects of modern slavery are also integrated in the training offering for suppliers as well as the Bayer [Supplier Code of Conduct Guidance](#) which supplements our [Supplier Code of Conduct](#). The guidance provides concrete examples of good practices, key expectations, and benchmarks which supplier can use to practice in their daily business. Suppliers will find practical examples on how to address potential modern slavery, human trafficking, forced and child labor risks within its own operation.

² First step of the four-step management process to improve sustainability practices in the supply chain

³ First and fourth step of the four-step management process to improve sustainability practices in the supply chain

In order to effectively address the wide-ranging challenges of a sustainable supply chain and to leverage synergies, Bayer joined two industry initiatives – the “Pharmaceutical Supply Chain Initiative” ([PSCI](#)) and “Together for Sustainability” ([TfS](#)), an initiative that was co-founded by Bayer.

The industry initiative PSCI organized face-to-face and virtual training sessions and workshops for suppliers in India and China in 2022. These were attended by more than 2,000 supplier representatives. Additionally, a number of webinars were delivered online on various human rights and HSE topics. In 2022, PSCI offered new webinars on human rights legislation, process and plant safety, and environmental protection. Through the PSCI online resource library, our suppliers can download additional training materials, the scope of which is expanded each year. Since 2022, PSCI has also given suppliers the opportunity to network with each other via its Link platform and further develop a more responsible supply chain.

Together with the TfS initiative, we successfully launched a practically oriented learning environment for suppliers and purchasers in 2022 to further establish competencies as regards sustainability issues. The focus here, for example, is on ethical aspects, conflict minerals, waste management and anti-corruption measures. In 2022, we selected around 100 suppliers to participate in TfS training courses based on their sustainability performance and Bayer’s assessment plan. The training courses dealt with labor and human rights guidelines, whistleblower procedures, environmental reporting and sustainable procurement guidelines.

Management of particular risks in the supply chain

Type of Risks	Our action
<p>Child labor risks in the seed supply chain</p>	<p>The risk of human rights violations poses a particular challenge for Bayer in the seed supply chain. One risk is child labor. Our position on child labor is clear – it is not tolerated at Bayer (we will not ignore it). We therefore obligate our suppliers to refrain from employing children. Through our Child Care Program, Bayer has for years taken systematic action to prevent child labor in the seed supply chain. The program is established in India, Bangladesh and the Philippines – the countries in which we identified the risk of child labor infractions. Through this program, we raise awareness about this issue among our suppliers and clearly communicate our requirements. It involves systematic and repeated inspections of individual seed producers in their fields by local Bayer employees during the growing season. In 2021/22, we did not identify any cases of child labor in India, Bangladesh or the Philippines. We report in more detail in Chapter 5.3 of our Sustainability Report 2022. As we continue to monitor risk situations, we will adjust our programs accordingly to address or mitigate human rights violations in our seed supply chain.</p>
<p>Forced and/or child labor risks in the conflict minerals supply chain</p>	<p>As the procurement of minerals originating from unstable regions of the world can contribute to the financing of conflicts and the violation of human rights, we work to ensure that so-called conflict materials are procured responsibly. We are not sourcing minerals directly. As stated in our Supplier Code of Conduct, we expect that our suppliers ensure that products supplied to Bayer do not contain metals derived from minerals or their derivatives originating from conflict regions. As such, additional verification processes were established for the fulfillment of further international regulations such as those requesting companies to disclose the origin of certain raw materials. We continue to use the internationally recognized Conflict Minerals Reporting Template to survey our relevant suppliers in order to identify the use, sources and origin of certain minerals in our supply chain. Suppliers who do not meet our requirements are immediately notified that these standards must be complied with, and suitable measures are initiated.</p>
<p>Forced and/or child labor risks and/or inadequate working conditions in the oil supply chain</p>	<p>Bayer is not sourcing palm (kernel) or soy oil directly, but we are using palm or soy oil derivatives in a small number of our products. As to promote the socially and environmentally responsible production of palm and soy oil, we are a member of the Roundtable on Sustainable Palm Oil (RSPO) and Round Table on Responsible Soy (RTRS). In their principles, both include strict requirements on child and forced labor as identified as risk in the production.</p> <p>In terms of sustainable palm oil, we support the certified sustainable production of these raw materials as a purchaser of plant oil derivatives, which is especially important in Southeast Asia but also other regions. Since 2017 we are buying RSPO-credits according to the quantities we use. In addition, we at Bayer have decided to move from the RSPO credit system towards the RSPO Supply Chain Certification, the RSPO Mass Balance Certification. We understand the complexity of our value chains, therefore we drafted a trajectory for change targeting to achieve 50% Mass Balance certification in 2022, in 2023 60%, in 2024 70%, in 2025 80%, in 2026 90% and in 2027 almost 100% certified sustainable palm (kernel) oil. We invite all stakeholders to follow and support in this process.</p> <p>In terms of sustainable soy, we support the certified sustainable production of these raw materials as a purchaser of plant oil derivatives, which is especially important in South America but also other regions. We buy RTRS-credits according to the quantities we use. The purchase of these credits rewards farmer who grow soy in a legal and ecologically, socially and economically sustainable way and who demonstrate this as part of an audited certification process. Crop Science also cooperates with the RTRS to provide mutual support in the certification of Brazilian soybean producers according to the high ecological, social and economic criteria of the RTRS. Further information about our Crop Science food chain partnerships, certification and projects with the RTRS can be found here.</p>

V. Tracking and Reviewing Effectiveness of measures

We are constantly tracking the implementation of our measures to address human rights including modern slavery, human trafficking, forced and child labor risks and are working on a concept for measuring the effectiveness of our human rights due diligence approach. In this connection, we draw on established measurement systems such as integrated management system and supply chain monitoring.

In our operations

Internal Risk Controls

The Internal Audit department conducts independent, risk-based and objective audit activities, employing a targeted and systematic approach in order to assess and help improve the effectiveness of corporate governance, risk management and monitoring processes. Audits are conducted by Bayer auditors and take place after an announcement.

Hence, we verify the observance of human rights at our sites partly by means of internal audits. Bayer's Internal Audit function conducts regular audits following the International Internal Audit Standards (IIA). The annual audit planning follows a risk-based approach. These audits include among others the verification of our Human Resources processes, particularly concerning labor contracts, compliance with hiring requirements (including minimum age verification) of our permanent and temporary employees, and employees' working hours. Internal Audit also examined whether employees are paid a living wage (find more details on our continued approach to living wages in our [Sustainability Report 2022](#)). Audits also cover our procurement processes, for example work with contractors. A total of 89 audit reports were compiled in 2022, of which nine concerned preventive compliance system audits or incident-related investigations. For more details, please refer to our [Sustainability Report 2022](#).

In our supply chain

Evaluating supplier sustainability performance (Step 3: Supplier Performance Evaluation)⁴

We verify the respect of human rights by our suppliers, partly by means of online assessments (through EcoVadis) and on-site audits that also include interviews with the suppliers' management and employees. Hereby, we follow a risk-based approach and also consider suppliers with a strategic relevance (further details see chapter IV of this Statement). Our online assessments and on-site audits are carried out through qualified third-parties or Bayer auditors and take place after an announcement to the supplier. The online assessment criteria of EcoVadis – broken down into the areas of environment, ethics, labor practices and human rights including child and forced labor and human trafficking, and sustainable procurement – correspond to the requirements of our [Supplier Code of Conduct](#) and also take into account country- and industry-specific conditions and supplier size. In total, our service provider EcoVadis assessed 1,145 suppliers on our behalf in 2022.

In 2022, 113 sustainability audits were conducted at our suppliers by external and Bayer auditors. The audit criteria included both the specifications of our [Supplier Code of Conduct](#) including forced and child labor and the industry-specific requirements of industry initiatives such as [TfS](#) and [PSCI](#).

⁴ Third step of the four-step management process improve sustainability practices in the supply chain

Assessment and audits of our suppliers

	2021	2022
Sustainability assessments ¹ via the EcoVadis platform	802	1,145
Sustainability audits ² by external or internal auditors	77	113

1 Initial and re-assessments of suppliers

2 Initial and follow-up audits of suppliers

Developing suppliers and further remedial measures (Step 4: Supplier Development)⁵

The online assessments and on-site audits are analyzed and documented so that specific improvement measures can be defined as needed. In 2022, suppliers who had undergone online assessments by EcoVadis demonstrated the need for improvement, particularly in the categories of ethics and sustainable procurement, while those who had been audited required improvement in health and safety.

A supplier receives an insufficient result if one or more critical findings or several major findings in the implementation of sustainability aspects are identified. In these cases, Bayer requests that the suppliers remedy the identified weaknesses within an appropriate timeframe based on specific action plans. In 2022, this applied to 26 suppliers (2% of assessed and audited suppliers; 2021: 3% (22 suppliers)).

A key factor in this collaboration is helping our suppliers to improve their sustainability performance, including their performance in the area of labor practices and human rights. Here we focus both on remedying deficiencies and on collaborating on sustainability topics (further details see chapter IV of this Statement).

In 2022, we actively worked together with the suppliers in whose operations we had identified critical findings regarding human rights in 2021. As required, the suppliers were either included in our Sustainability Supplier Development Program, or follow-up audits were either conducted in 2022 or in planned further audits. In this way, we attempt to improve the situation for suppliers' employees not just in the short term, but also in the long term. In 2022, audits of suppliers uncovered a very small number of critical findings regarding applicable wages, other worker benefits, working hours, occupational health and safety as well as indicators of modern slavery in the form of withholding graduation certificates for a certain period of time and payment of recruitment fees. In each of these cases, we also actively cooperated with our suppliers by agreeing on a time-bound corrective action plan to improve the situation for employees in a timely fashion.

We monitor the implementation of these activities by way of re-assessments or follow-up audits. Bayer retains the right to terminate a supplier relationship if no improvement is observed during a re-evaluation.

Our monthly monitoring shows that 676 (2021: 508) of the 1,258 (2021: 879) Bayer suppliers evaluated in 2022 improved their sustainability performance.

In 2022, Bayer was not prompted to end any supplier relationship due solely to sustainability performance. However, we implemented measures to reduce business with suppliers who were not able to improve their sustainability performance.

VI. Grievance Mechanisms

We support all our employees in acting with integrity as framed by our company's LIFE values. Therefore, we launch communication campaigns and offer ongoing training programs that cover compliance and human rights. For example, our annual, company-wide "speak up" campaign, aims to foster an open reporting culture communicates the various options for reporting compliance violations. This campaign involves regular information and communication at the global level to create an environment in which our employees can address compliance violations without reservations and thus put Bayer's value concepts into practice.

⁵ Fourth step of the four-step management process to improve sustainability practices in the supply chain

Also, the Fairness & Respect at Work Training raises awareness and guidance on when and how to speak up in case of observing non-complaint behavior at the workplace.

Bayer manages its businesses responsibly and in compliance with the statutory requirements and regulations of the countries in which it operates. What we mean by compliance is the legally impeccable behavior of our employees in their daily work and expect this as well from our suppliers. We do not tolerate any violation of applicable laws, codes of conduct or internal regulations. Suspected compliance violations, including violations of human rights, can be reported – anonymously if desired and if permitted by respective national law – through different channels. For the general public, for our employees and the employees of our suppliers, we offer a [web-form and a worldwide compliance hotline](#) operated by an independent service provider. Suspected violations can be reported by anyone either via the internet or through a phone call made in the caller’s preferred language and answered by independent specialists.

The provider enables a complainant to check the status of the report submitted. This hotline is also mentioned in our [Supplier Code of Conduct](#), where, additionally, we expect our suppliers to make an adequate complaint mechanism available to their stakeholders. Our employees can also report suspected compliance violations directly to the respective compliance functions, Internal Audit, or an internal mailbox - the so-called “Speak-Up Inbox”. A report can be submitted anonymously if allowed by national law.

All cases are recorded according to uniform criteria and throughout the Bayer Group and dealt with under the rules set forth in Bayer’s Group Regulation on Management of Compliance Incidents. Where an investigation confirms that a compliance violation has occurred, the company has a graduated set of measures at its disposal. These include a verbal warning or written reprimand, transfer to a different unit, cancellation of a planned promotion, a reduction in the short-term incentive payment, downgrading to a lower collectively agreed pay rate or managerial contract level, and ordinary or extraordinary termination. Bayer also reserves the right to assert further claims against the employee for cost reimbursement or damages and/or to initiate criminal proceedings.

In 2022, Bayer’s compliance organization received a total of 372 reports in this way (including 254 anonymous reports).

Geographical distribution of compliance reports received in 2022

	2021	2022
Africa	11	9
Asia Pacific	50	58
Europe	60	47
Greater Middle East	10	5
Latin America	88	136
North America	80	117
Number of compliance reports received	299	372

In 2021, we started to review our grievance mechanisms with a special focus on human rights. To further increase transparency and accessibility, we published an [infographic](#) that explains how complaints were managed. It clearly states that our grievance mechanism is suitable and able to address human rights issues, including child and forced labor, and all other forms of slavery.

VII. Partnerships to foster dialogue on human rights

We engage in dialogue with stakeholders and actively participate in committees, initiatives, and partnerships to foster human rights:

Our Partnerships

Initiative or Committee	
Business for Social Responsibility (BSR)	In 2020, we joined the Business for Social Responsibility (BSR) initiative and its working group for human rights. The member companies from various industries discuss best practices, challenges, and experiences in implementing the UNGPs.
Coalition of Action on Living Incomes and Decent Work	At the Pre-Summit of the UN Food Systems Summit 2021, we joined the Coalition of Action on Living Incomes and Decent Work . This coalition promotes human and labour rights in the agri-food sector, aiming for equitable livelihoods and decent employment.
econsense	econsense is an exchange-platform for globally operating companies with a focus on sustainability topics - from environmental protection to human rights. We participate in this forum to learn on and share our best practices. In 2022, we assumed sponsorship of the issue of business and human rights.
Enabling Child and Human Rights with Seed Organizations (ECHO)	Established by Bayer and other seed companies in 2019, ECHO is one of the biggest multi-stakeholder forums for the promotion of children's rights and decent work. In 2022, we organized several events in the scope of this forum dealing with topics on "fighting child labour" and "minimum wages in agriculture".
Pharmaceutical Supply Chain Initiative (PSCI)	The Pharmaceutical Supply Chain Initiative (PSCI) is a non-profit membership organization with the aim to implement sustainable practices along the supply chains. It therefore offers i.a. learning platforms for suppliers and shares audit results through its platform with members.
Together for Sustainability (TfS)	Together for Sustainability (TfS) is an initiative of chemical companies with a focus on assessing, auditing, and improving sustainability practices in the supply chains.

Bayer is also an active participant in the current discussion on due diligence with respect to human rights at the EU level and on the implementation of the requirements stemming from the SCDDA at the national level.

VIII. Past Achievements and Future Key Points of Action

We know that the size of our business alone signifies that we must and can make a significant contribution to sustainable development. In the area of human rights, including modern slavery, human trafficking, forced and child labor, we continue to learn and continuously improve and adjust our processes.

Year	Planned	Achieved
2020 - 2022	Renewal of identification and assessment of our human rights risks	We identified the human rights that could be most significantly negatively impacted through our activities and business relations in the upstream and downstream value chains (salient human rights) or that are of particular importance for our company (material human rights), see chapter III Risk Identification and Assessment .
2022 - ongoing	Incorporation of relevant human rights risks into the Bayer risk management process and addressing of human rights priorities	The results of the human rights risk analysis will be incorporated into the Bayer Risk Portfolio of our Group-wide, integrated risk management process. In the coming months and years, we will put a particular focus on addressing these priority issues, see chapter III Risk Identification and Assessment .
2021 - ongoing	Development of a new human rights strategy	We have strengthened our human rights strategy and governance, see chapter II Human Rights Management Approach . We will further drive its improvement and implementation.
2021 - ongoing	Update of our Human Rights Policy	We have updated our Human Rights Policy. The updated policy will be published in due course of 2023 to also respond to the demands of the SCDDA.
2021 - 2022	Dedicated online training on human rights	We prepared a dedicated human rights basic training course, which includes the topics of modern slavery, forced labor, and child labor. End of 2021, the English version of this e-learning program was published. In 2022, the training had been published in eight additional languages, see chapter IV Measures to address risks .
2021 - ongoing	Review of our grievance mechanisms	We started to review our grievance mechanisms with a special focus on human rights.
2021 - ongoing	Strengthening sustainability supplier development	We started to conceptualize our supplier development, which we continue in 2023, see chapter IV Measures to address risks and V Tracking and Reviewing of measures .
2022 - ongoing	Update of our Supplier Code of Conduct	In 2022, following the enactment of the SCDDA in January 2023, which sets out the legal requirements in the supply chain for various environmental and human rights topics, including child labor avoidance and freely chosen employment, we updated the Bayer Supplier Code of Conduct to include the new legal requirements, see chapter IV Measures to address risks . The update had been published in English. In 2023, we plan to provide further translations.
2022 - ongoing	Strengthening our Human Rights Governance	In 2022, We have established an ESG Committee within Bayer's Supervisory Board to deal, among others, with social responsibility matters that include human Rights. In 2022, the Board of Management introduced the position of a Human Rights Officer, who will oversee risk management as regards human rights and inform the Board of Management of the ongoing work, see chapter II Human Rights Management Approach . In 2023, we plan to strengthen our external Sustainability Council by a business and human rights expert.