



*Overview of the
Board of Management
compensation system*

Applicable since January 1, 2024

Context for compensation system update

Stockholder engagement...

- Stockholder engagement is a top priority for Bayer AG and the Supervisory Board. In addition to the normal-course, investor relations-driven discussions, we regularly meet with our largest stockholders and are grateful for the comprehensive feedback.
- Since the 2022 Annual Stockholders' Meeting, a primary focus for these discussions has been on Board of Management compensation. Against this backdrop, the Supervisory Board and the Human Resources and Compensation Committee comprehensively reviewed and updated the Board of Management compensation system.



Investor feedback on the compensation system...

- ! ... it should be aligned with Bayer's strategy
- ! ... it should be less complex
- ! ... free cash flow should not be adjusted for payments in connection with litigation
- ! ... targets should be ambitious and aligned with capital market communications
- ! ... stronger alignment to long-term stockholder interests
- ! ... sustainability should remain a focal point of the compensation system
- ! ... the target attainment curve for relative TSR should be more ambitious
- ! ... Supervisory Board should be able to adjust payouts in extraordinary circumstances



Supervisory Board acted to ensure that...

- ✓ ... it promotes long-term and sustainable performance
- ✓ ... the compensation system is simplified
- ✓ ... are aligned with the figures published in the Annual Report
- ✓ ... we set ambitious and measurable targets
- ✓ ... compensation is geared toward creating long-term value for shareholders
- ✓ ... it fully takes on board stakeholder concerns
- ✓ ... there is increased focus on the alignment of pay and performance

Overview of compensation system updates



Simplicity

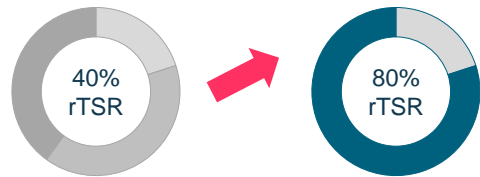
Short-Term Incentive (STI)

- Sales growth target replaces divisional matrix
- Individual performance factor has been replaced by the strategy development and execution factor, focuses on fewer goals

Sales growth				
EBITDA margin	0%	50%	150%	Sales growth at Group level
	50%	100%	200%	
	150%	200%	200%	

Long-Term Incentive (LTI)

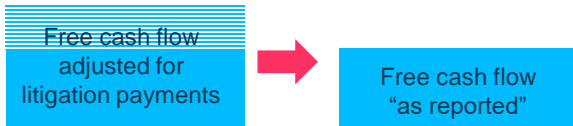
- ROCE removed from the performance criteria
- Relative total shareholder return (TSR) weighting increased to 80%
- Clearer focus on capital market performance



Pay for performance

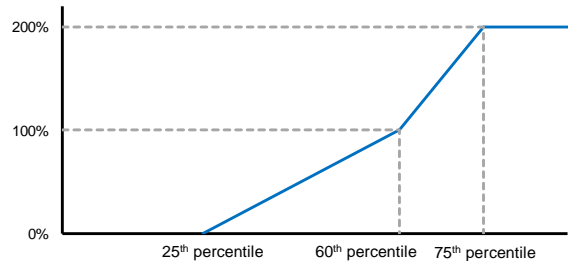
Short-Term Incentive (STI)

- Free Cash Flow metric will be the same as the value in the Annual Report and will not be adjusted for litigation expense
- Supervisory Board has a limited ability to adjust final payouts for extraordinary events; rationale for any adjustments will be disclosed



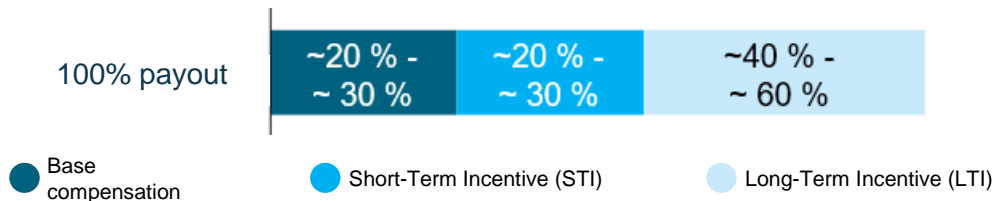
Long-Term Incentive (LTI)

- Change in relative TSR measurement method from outperformance to ranking
- Relative TSR must be at 60th percentile for 100% target attainment



Long-term development

- Flexible ranges for the relative shares of the individual compensation components to allow for a higher LTI weighting in future
- Increasing the LTI portion of total compensation places a stronger focus on the sustainable and long-term development of the company and helps align the compensation structure to international competitors



Design of the Board of Management compensation system



Non-performance-based elements

Base compensation	
// Non-performance-based and contractually agreed annual cash compensation paid out in 12 equal installments within a calendar year	DETAILS
Fringe benefits	
// Fringe benefits such as assumption of costs for health screening and a company car	DETAILS
Pension installment	
// Pension installment calculated as a % of base compensation and paid out as a lump sum	DETAILS

Performance-based elements

Short-term variable cash compensation (STI)			
One-year performance period (payout cap: 200%)			
Growth	Profitability	Liquidity	Strategy development & execution
Weighting: 1/3	Weighting: 1/3	Weighting: 1/3	Factor: 0.8–1.2
Sales growth at Group level	Core EPS at Group level	Free cash flow at Group level	Targets at Group and divisional level
			DETAILS

Long-term variable cash compensation (LTI)		
Four-year performance period (payout cap: 250%)		
80%	20%	Absolute share price development plus total dividend payments on earned shares
Relative capital market performance vs. EURO STOXX 50	Sustainability	
		DETAILS

Additional contractual provisions

Malus/clawback	Share Ownership Guidelines
DETAILS	DETAILS
Maximum compensation	Severance payments
DETAILS	DETAILS

Additional content

Compensation structure	
// The compensation structure defines the percentages of each compensation element.	DETAILS

Base compensation

- // Non-performance-based and contractually agreed annual compensation paid out in 12 equal installments within a calendar year
- // The base compensation guarantees the Board of Management members an appropriate income while avoiding undue risks for Bayer
- // The Board of Management members' base compensation is reviewed annually by the Supervisory Board to evaluate whether it is appropriate given the role and responsibilities and in line with market rates and then transparently disclosed in the Compensation Report

Fringe benefits

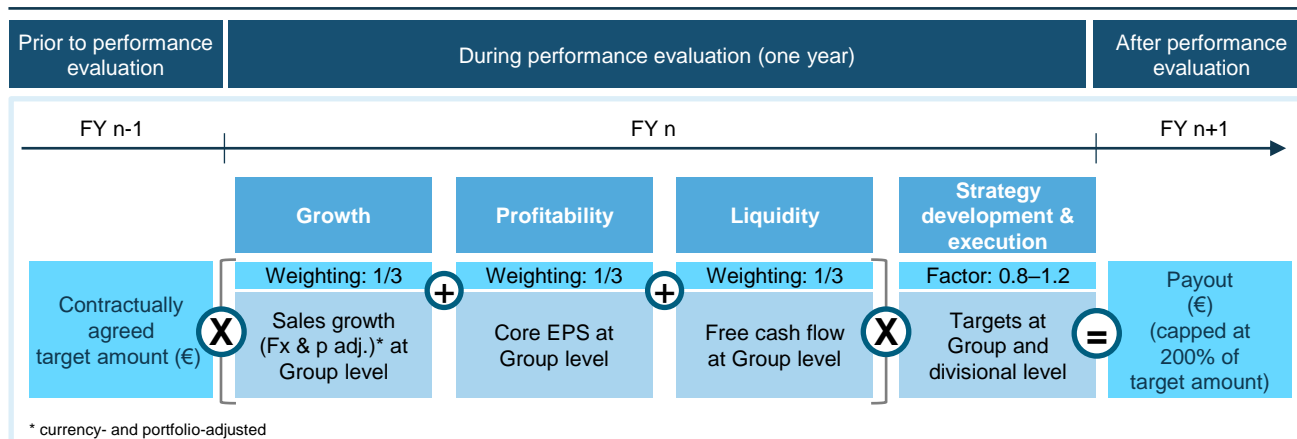
- // Fringe benefits comprise benefits in kind and other benefits that are related to or support Board of Management membership
- // These generally include:
 - Regular health screening
 - Insurance policies
 - Company car with driver
 - Security installations at private residence
- // [Only on a one-time basis for newly appointed Board of Management members]: Indemnity payments to newly appointed members of the Board of Management for variable compensation forfeited on termination of previous employment

Pension installment

- // Members of the Board of Management newly appointed after January 1, 2020, receive an earmarked “pension installment” calculated as a percentage of their base compensation and paid out monthly in a lump sum
- // Members of the Board of Management appointed prior to January 1, 2020, retain their contribution-based pension entitlements. For these Board of Management members, Bayer provides a hypothetical contribution based on their base compensation. The total annual contribution is converted into a pension component. The annual pension entitlement upon retirement is the total amount of the accumulated pension components including an investment bonus

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Short-term variable cash compensation (STI)



Why currency- and portfolio-adjusted sales growth?

Currency- and portfolio-adjusted (Fx & p adj.) sales growth incentivizes the **sustainable growth** of the Group and its individual divisions. Sales growth is adjusted for currency effects and portfolio changes (e.g. acquisitions or divestments) and is thus aligned to **organic growth**.

How does sales growth at Group level replace the divisional matrix used to date?

The **matrix** for EBITDA margin vs. sales growth at divisional **level is complex to use and challenging to report on**. Bayer's strategy is now focused on growth, profitability and liquidity. We incorporate these aspects in our updated STI program with currency- and portfolio-adjusted sales growth, core EPS and free cash flow metrics. **Considering sales growth at Group level** strengthens team mindset at Board of Management level. The Supervisory Board will retain the ability to take individual divisional targets into account within the factor for strategy development and execution.

Why core EPS?

Core EPS (cEPS) provides specific incentives to **raise profitability** in the Bayer Group. The cEPS is a direct input on shareholder returns.

Why free cash flow?

Using free cash flow to calculate this component incentivizes an **increase in the cash flow** available for paying dividends, reducing debt and making acquisitions, and **ensures the Bayer Group's liquidity**. Free Cash Flow metric will be the same as the value in the Annual Report and will not be adjusted for litigation expense.

What is meant by "strategy development and execution"?

The Supervisory Board uses this factor to assess the performance of the individual Board of Management members with respect to **strategy development and execution**. At the start of each year, it defines individual **targets** for each Board of Management member **based on the company's strategy**. The Supervisory Board then determines the respective attainment levels at the end of the fiscal year. The targets for the Board of Management members can be set at both **Group and divisional level** in order to align with the specific key demands that the individual Board of Management members face. To reflect the **collective responsibility of the members of the Board of Management** as a governance body, collective targets may also be set for the Board of Management as a whole.

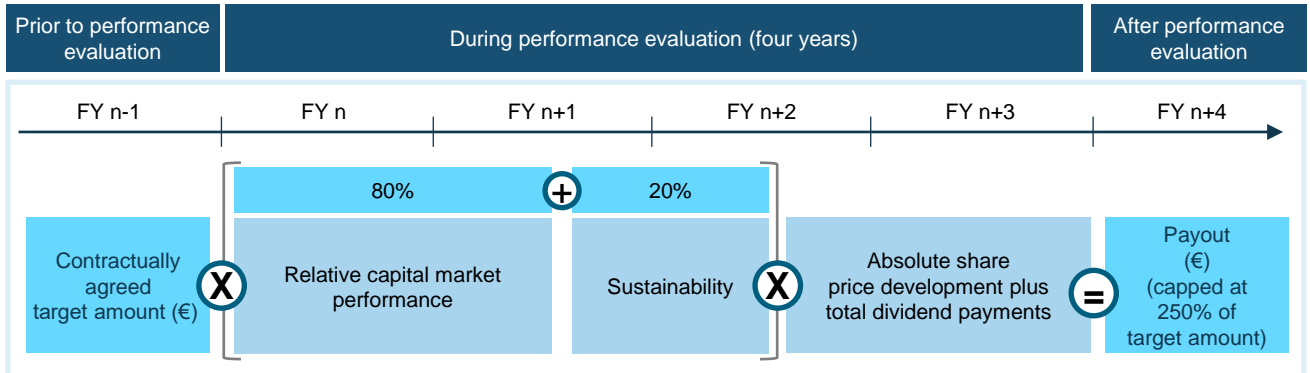
To what extent can the Supervisory Board adjust STI payouts?

In accordance with Recommendation G.11 of the German Corporate Governance Code, the Supervisory Board has the possibility to account for extraordinary events or developments (e.g. war, pandemics or other disasters) to an appropriate extent when establishing STI payouts. Generally unfavorable market developments are expressly not regarded as extraordinary developments in this context. This clause shall explicitly only be applied in exceptional circumstances to ensure pay-for-performance alignment is maintained in Board of Management compensation. The Supervisory Board will transparently disclose any payout adjustments and the underlying reasoning in the Compensation Report.

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Performance-based elements of Board of Management compensation

Long-term variable cash compensation (LTI)



Why does the performance period total four years?

A four-year performance period enables the Supervisory Board to take into account **long-term targets based on the strategy** while at the same time defining **valid performance targets**. A shorter performance cycle would lack a long-term alignment, while longer performance periods would not align with Bayer's planning cycle.

What does relative capital market performance mean?

Relative capital market performance is determined by comparing the development of Bayer's total shareholder return (TSR). TSR refers to the total return that a share generates, i.e., **share price development plus dividends**. The relative TSR compares **Bayer AG's shareholder return with that of its competitors** (the companies of the EURO STOXX 50 Total Return). Bayer's relative TSR metric is designed to require above-median performance to achieve target payouts.

Is the payout curve for relative TSR ambitious? Will there be payouts if Bayer's TSR is below the median?

If Bayer's **TSR is equal to the median of the benchmark index** (the EURO STOXX 50 Total Return), **target attainment according to the new compensation system will only be 71%**. There will also be payouts, albeit at a lower level, if Bayer's TSR is below the median, provided that it is at the 25th percentile or higher. The new payout curve is therefore significantly more ambitious than in the previous compensation system and goes further than the market standard in Germany. At the same time, the risk profile of the payout curve is not so steep that it would encourage inappropriate risk-taking on the part of the Board of Management.

Why was the ROCE metric removed from the LTI?

The Supervisory Board understands that stockholders are not satisfied with how the Bayer share price has performed in recent years. Against this backdrop, we have made value creation for stockholders our top priority going forward. And that's why we believe that the LTI, which comprises the largest share of Board of Management compensation, should primarily be based on our relative capital market performance. We understand that shareholders have differing perspectives on the LTI metrics and some preferred maintaining ROCE, but there was general support for emphasizing stock price performance. ROCE will continue to be a part of value creation and therefore will have an impact on share price performance.

Why is there a dividend equivalent?

The LTI is granted in the form of performance shares. The value of these performance shares changes **based on the development of the Bayer AG share price**. In addition, the participants receive a dividend equivalent based on the **dividends paid** on each fully vested performance share **during the performance period**. The combination of absolute share price development and dividend payments **replicates the way actual shares work**.

How is sustainability accounted for in the LTI?

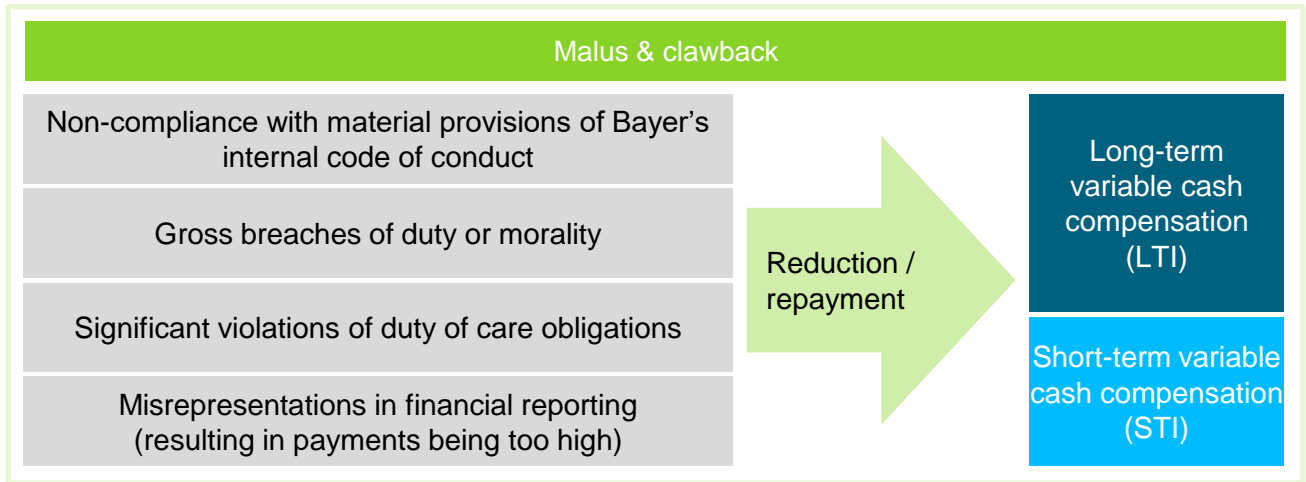
Sustainability is an integral part of our **business strategy** and our growth plans. We have therefore incorporated our Group-wide sustainability targets into the LTI in the form of **measurable target agreements** and **clear commitments**. The sustainability targets include delivering on our mission of "Health for all, Hunger for none," reducing our ecological footprint along the value chain and becoming carbon-neutral in our own operations by 2030.

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Additional contractual provisions

Malus/clawback

// The malus/clawback provision involves reducing variable compensation that has yet to be paid out or reclaiming variable compensation that has already been paid out.



Who decides the scope of the reduction or repayment of variable compensation?

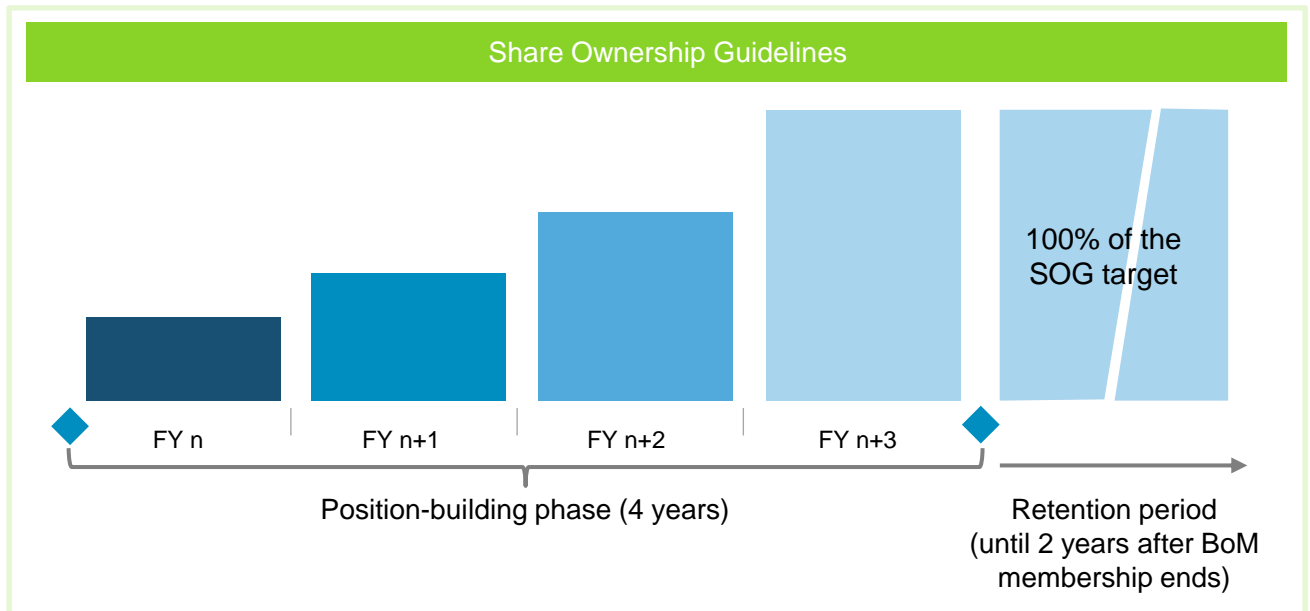
In the case of compliance violations, the Supervisory Board decides, in the **proper exercise of its discretion**, on the scope of the reduction and/or repayment of variable compensation. In the case of defective financial reporting, the **corrected amount** is applied to determine variable compensation.

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Additional contractual provisions

Share Ownership Guidelines

// Under the Share Ownership Guidelines (SOGs), members of the Board of Management are required to retain significant shareholdings in the company until two years after their membership of the Board of Management ends.



What is considered a significant shareholding?

The **CEO** must purchase shares to the value of **200% of base compensation**, while the other Board of Management members must purchase shares to the value of **100% of their respective base compensation**.

What happens if a Board of Management member does not purchase this volume of shares within four years?

If they are unable to provide evidence of the required share ownership at the given time, **they will not be entitled to payment of long-term variable compensation**.

Do the performance shares allocated as part of the LTI count toward the SOG target?

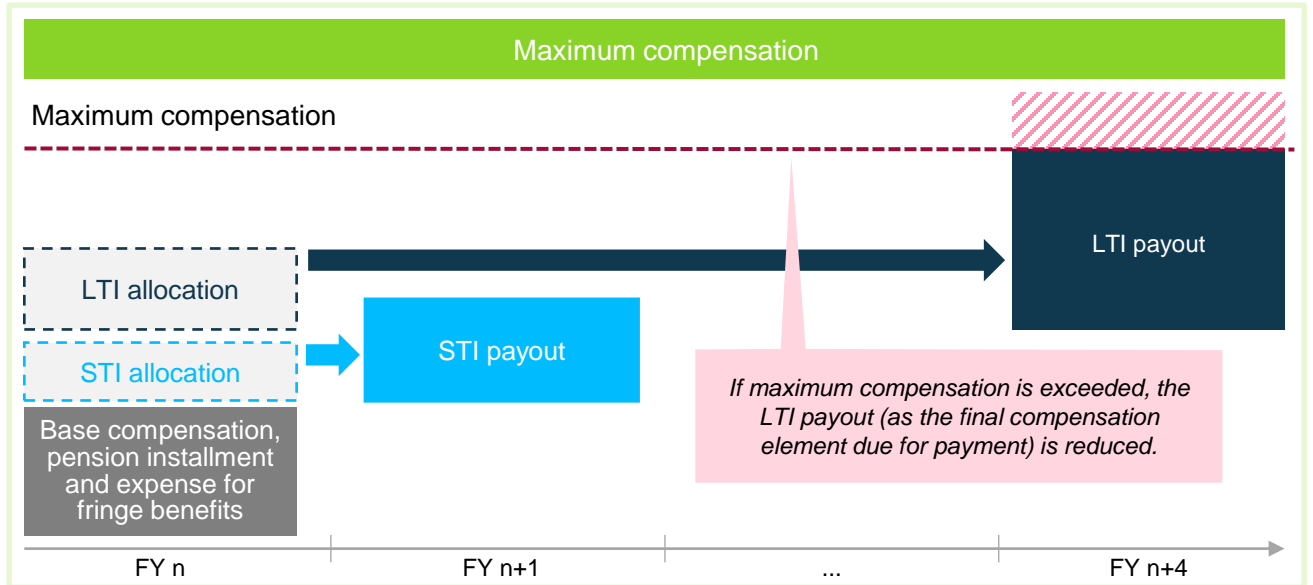
No, only **actual Bayer AG shares** owned by the member of the Board of Management count toward the SOG target.

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Additional contractual provisions

Maximum compensation

// Payments for a fiscal year, including fringe benefits and pension installments, are capped at €12 million for the Chairman (CEO) and €7.5 million for the other members of the Board of Management.



What is the reason behind maximum compensation?

Setting maximum compensation levels is a legal requirement pursuant to **Section 87a, Paragraph 1, Number 1 of the German Stock Corporation Act (AktG)** and prevents the **payment of inappropriate levels of compensation.**

Has the maximum compensation of €12 million and €7.5 million, respectively, ever been reached?

No, **actual payouts have been well below** the established maximum compensation levels in recent years. We also **cap** the potential payouts from both **short-term variable cash compensation (STI)** and **long-term variable cash compensation (LTI)** to help ensure maximum compensation levels are not exceeded.

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Additional contractual provisions

Severance payments

// Severance payments are limited to the compensation for the remaining term of the respective contract, capped at twice the annual compensation.

Do all Board of Management members receive a severance payment when they leave?

No, this generally only occurs if the service contract is terminated early – other than for cause – **at the company's instigation**. However, to ensure their independence, members of the Board of Management are also entitled to a severance payment in the event of a **change of control** as defined in the German Securities Acquisition and Takeover Act. The entitlement to a severance payment only arises if the service contract is terminated by mutual agreement at the company's instigation or if the position of the Board of Management member **is significantly affected by the change of control** and he or she gives notice of termination within 12 months of the date of the change of control.

Why is there a severance payment on top of the other compensation elements?

The severance payment does not constitute any additional compensation that goes beyond the commitments specified in the Board of Management service contracts. Instead, it **covers the compensation** the Board of Management member would have been entitled to **had his or her service contract not been terminated early**. The severance payment is therefore always limited to the remaining term of the service contract.

What happens to the LTI when a member leaves the Board of Management?

If a member leaves the Board of Management, payments of variable compensation are made **on the dates and at the conditions originally agreed**, and are not brought forward. As such, the LTI is **not paid out until the respective four-year performance period has ended**. Note that German disclosure rules require us to report the current value of outstanding LTI tranches as a “lump sum” in the year in which the Board member leaves Bayer. However, these tranches will continue to be subject to the original time- and performance-based requirements in order to be earned.

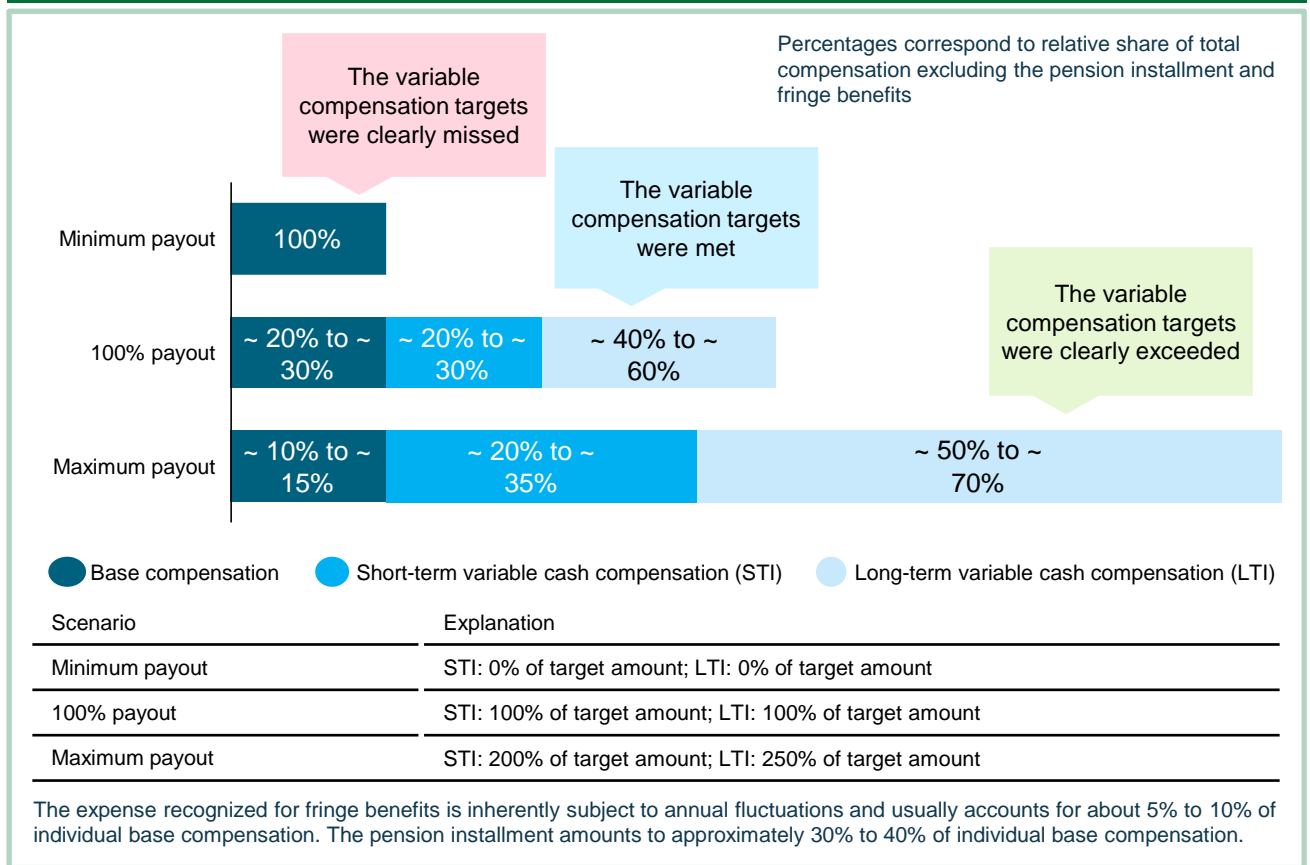
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Additional information

Compensation structure

- // The compensation structure defines the percentages of each compensation element.
- // The Supervisory Board takes care to ensure that the compensation structure promotes the sustainable and long-term development of the Bayer Group. To reflect this, the LTI has a much stronger weighting
- // Furthermore, over 70% of the contractually agreed target compensation is performance-based. This means that the variable components can even account for a considerably greater share of total compensation in the case of above-target attainment
- // The structure allows flexibility for the Supervisory Board to place even greater focus on the company's sustainable, long-term development while also allowing compensation structures to be brought into line with international competitors

Compensation structure



The ranges for the compensation structure seem very broad. What type of structure can we expect?

The ranges for the relative shares of the individual components within total compensation are designed to reflect the current compensation structure while allowing for portions of the component weightings within target compensation to be reallocated from base compensation, STI and the pension installment to the LTI. This allows flexibility for the Supervisory Board to increase the long-term emphasis of the program should that be deemed appropriate for Bayer's strategy.

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