



# UN Global Compact Adherence Report

# 2021

# Bayer UN Global Compact Adherence Report 2021

## New approach following the OECD Due Diligence Guidance for Responsible Business Conduct

Bayer has supported the United Nations Global Compact (UN Global Compact) since its foundation in 2000. We want to make a positive contribution to the social and environmental side of globalization by raising standards in the fields of human rights, labor rights and environmental protection and in the fight against corruption.

At Bayer, the [Sustainability Report](#) serves as our annual Communication on Progress (COP) report in which we describe how we embed the 10 principles of the UN Global Compact within our strategies and processes, and what efforts we undertake to support societal priorities. It also meets the requirements of the Blueprint for Corporate Sustainability Leadership Criteria.

Over the past decade we have steadily expanded our commitment to the UN Global Compact. For example, we became a signatory to the CEO Water Mandate and the Caring for Climate initiative. And we have signed the Women's Empowerment Principles (WEPs), a set of seven principles governing gender equality that sum up how women can be strengthened in the workplace, on the employment market and in the community. In 2019, we joined the Science Based Target initiative (SBTi) and thus support ambitious goals with respect to the protection of the climate.

To ensure that the 10 principles of the UN Global Compact are anchored in our business operations, we have developed guidelines, policies, and management systems that are binding for all Bayer employees around the world. This applies equally to our suppliers, whom we obligate to observe the 10 principles worldwide.

This report serves as an additional document complementing our [Sustainability Report 2021](#) to underline how Bayer ensures adherence to the 10 principles of the UN Global Compact in detail. Using a new approach, we have structured this report based on the Organisation for Economic Co-operation and Development (OECD)'s "Due Diligence Guidance for Responsible Business Conduct" for each principle.

We thus want to increase transparency about our business and show the business transformation that we are actively driving.

In our discussions with investors, ESG rating agencies and other stakeholders we hear and address allegations on certain topics. However, the scientific evidence we provide to support our position on these topics is not always fully reflected in some ESG rating agencies' assessments. With this report, we want to promote further transparency with the public and our investors and include the following information to foster an objective evaluation.

## CEO statement

*"Bayer is committed to transparency and reliability. We continuously invest in research, and thus in tomorrow's innovations. That has always been the base of Bayer's success and we believe that it is one of the important keys to transitioning to a sustainable economy. We can make an important contribution to the UN Sustainable Development Goals with our businesses, guided by the principles of the UN Global Compact and in keeping with our vision 'Health for all, hunger for none.'"*



**Werner Baumann**  
CEO Bayer AG  
Chief Sustainability Officer

# UN Global Compact: Implementing the 10 Principles within Strategies and Operations

## Human rights

**Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights; and

**Principle 2:** make sure that they are not complicit in human rights abuses.

## Labour

**Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

**Principle 4:** the elimination of all forms of forced and compulsory labour;

**Principle 5:** the effective abolition of child labour; and

**Principle 6:** the elimination of discrimination in respect of employment and occupation.

## Environment

**Principle 7:** Businesses should support a precautionary approach to environmental challenges;

**Principle 8:** undertake initiatives to promote greater environmental responsibility; and

**Principle 9:** encourage the development and diffusion of environmentally friendly technologies.

## Anti-Corruption

**Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery.

### **The OECD DUE DILIGENCE PROCESS FOR RESPONSIBLE BUSINESS CONDUCT**

1. Embed responsible business conduct into policies and management systems
2. Identify and assess actual and potential adverse impacts associated with the enterprise's operations, products or services
3. Cease, prevent and mitigate adverse impacts
4. Track implementation and results
5. Communicate how impacts are addressed
6. Provide for or cooperate in remediation when appropriate

This **overview table** summarizes the report content and shows the policies, management systems, risk mitigation measures, programs, communication, and remedial measures that Bayer uses to adhere to the 10 principles of the UN Global Compact in day-to-day business. We have structured our new approach following the due diligence process of the OECD Due Diligence Guidance for Responsible Business Conduct. The 10 UN Global Compact principles are plotted vertically, and the 6 process steps of the OECD Due Diligence Guidance for Responsible Business Conduct are plotted horizontally. If a policy, management system etc. applies to more than one principle, these table cells were combined. For example, Bayer’s Enterprise Risk Management System applies to all 10 UN Global Compact Principles for OECD step 2 (Assess Adverse Impacts), therefore the table cells were merged.

OECD/ UNGC	1 Policies, Management Systems	2 Assess Adverse Impacts	3 Mitigate Adverse Impacts	4 Track Implementation & Results	5 Communicate	6 Remediation			
<b>1 Human Rights Support</b>	<ul style="list-style-type: none"> <li>Management Systems &amp; Policies (Human Rights, Bayer Societal Engagement (BASE) Principles, Sustainability, Data Privacy, Compliance, HSE, Contingent Workforce, Fairness &amp; Respect at Work, Crisis Management)</li> <li>Supplier Code of Conduct (SCoC), SCoC Guidance, Sustainability Contract Clauses</li> <li>Human Rights Strategy</li> </ul>	<ul style="list-style-type: none"> <li>Enterprise Risk Management System</li> </ul>	<ul style="list-style-type: none"> <li>Human Rights Risk Assessment including Supplier Risk Assessment</li> </ul>	<ul style="list-style-type: none"> <li>Enterprise Risk Management System</li> <li>Policies</li> <li>Engagements In Industry Initiatives/ Partnerships</li> <li>Supplier Management Process</li> </ul>	<ul style="list-style-type: none"> <li>Training</li> <li>Compliance Hotline</li> <li>Child Care Program</li> </ul>	<ul style="list-style-type: none"> <li>Internal Audits</li> <li>Supplier Audits &amp; Assessments, Corrective Action Plans</li> <li>Global Tracking (e.g. Child Care Program)</li> </ul>	<ul style="list-style-type: none"> <li>Sustainability &amp; Annual Report</li> <li>Transparency</li> <li>Positions &amp; Statements/ Website</li> <li>Stakeholder Dialogue</li> </ul>	<ul style="list-style-type: none"> <li>Management Systems (e.g. Compliance, Audit, HSE, Human Rights Governance)</li> <li>Compliance Grievance Mechanisms (e.g. Hotline)</li> <li>Supplier Management Process, Corrective Action Plans</li> </ul>	<ul style="list-style-type: none"> <li>Child Care Program</li> </ul>
<b>2 Human Rights Abuse</b>									
<b>3 Labour Freedom Of Association</b>									
<b>4 Labour Forced Labour</b>									
<b>5 Labour Child Labour</b>									
<b>6 Labour Discrimination</b>									
<b>7 Environment Precautionary</b>	<ul style="list-style-type: none"> <li>Management Systems &amp; Policies (Product Stewardship, International Code of Conduct On Pesticide Management), Partnerships, Commitment to Bioethics, SCoC, SCoC Guidance, Sustainability Contract Clauses</li> </ul>	<ul style="list-style-type: none"> <li>Product Stewardship Processes (Assessment)</li> </ul>	<ul style="list-style-type: none"> <li>Product Stewardship Processes</li> <li>Environmental Impact Reduction (EIR), Neonics Report</li> </ul>	<ul style="list-style-type: none"> <li>Product Stewardship Processes (e.g. Complaints &amp; Incidence Management), Supplier Audits &amp; Assessments, Corrective Action Plans</li> </ul>	<ul style="list-style-type: none"> <li>GMO Report</li> <li>Neonics Report</li> </ul>	<ul style="list-style-type: none"> <li>Product Stewardship Processes</li> </ul>			
<b>8 Environment Responsibility</b>							<ul style="list-style-type: none"> <li>Climate Risk Assessment</li> </ul>	<ul style="list-style-type: none"> <li>Carbon Farming, Environmental Impact Reduction (EIR)</li> </ul>	<ul style="list-style-type: none"> <li>KPI Tracking, Internal Audits, Supplier Audits &amp; Assessments, Corrective Action Plans</li> </ul>
<b>9 Environment Technologies</b>									
<b>10 Anti-Corruption</b>							<ul style="list-style-type: none"> <li>Compliance Risk Management</li> </ul>	<ul style="list-style-type: none"> <li>Training, Compliance Hotline</li> </ul>	<ul style="list-style-type: none"> <li>Internal Audits, Compliance Process, Supplier Audits &amp; Assessments, Corrective Action Plans</li> </ul>

**How to read the following report:** To increase readability, the actual report goes through each individual UN Global Compact principle separately (1 to 10) following the 6 process steps of the OECD Due Diligence Guidance for Responsible Business Conduct. If you are interested in a specific principle or process step, you can directly navigate to it by clicking on the horizontal or vertical navigation links. Since some management systems, policies, strategies, processes or means of communication can be used and are valid for several principles, their description is repeated in individual chapters.

# Human Rights

## Principle 1:

### Businesses should support and respect the protection of internationally proclaimed human rights

#### How Bayer implements Principle 1 within strategies and operations

- ▶ **OECD Step 1:**  
**Embed responsible business conduct into policies and management systems**

#### Human Rights Strategy

By 2030, we want to be industry-leading in our approach to human rights. With this goal in sight, we further developed our human rights strategy in 2021 and are in the process of updating our Human Rights Policy. Both are based on a status and risk analysis. The draft policy is currently being assessed for conformity with the requirements stemming from the German Supply Chain Due Diligence Act with which we align ourselves. It is intended for both the human rights strategy and the policy to become effective in 2022 once the assessment has been completed.

We are aware that human rights due diligence is a continuous process. The development of our strategy therefore comprises several interlocking phases intended to cover not just the addressing of human rights risks and impacts, but also our efforts to achieve our company vision and selected Sustainable Development Goals (SDGs):

1. Definition of the framework: derivation of the human rights strategy based on an analysis of the status and risks in accordance with the UNGPs, our vision “Health for all, hunger for none” and the future requirements stemming from the German Supply Chain Due Diligence Act
2. Operationalization and full integration: expansion of existing due diligence processes to address human rights risks
3. Strategic positive contribution: support for the protection of human rights in areas that concern our business.

#### Management Systems and Policies

Bayer is a founding member of the UN Global Compact 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. We support the UN Guiding Principles on Business and Human Rights (UNGPs), which are among the most important international standards for preventing and combating possible human rights violations in connection with business activities. We commit to respect human rights due diligence in our activities along the value chain as described in the UNGPs. We also support the OECD Guidelines for Multinational Enterprises, the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy of the International Labour Organization (ILO), and the latter’s core labor standards.

**Human Rights Due Diligence in Accordance with the UNGPs at Bayer**



Human rights are among the responsibilities of the Chairman of the Bayer Board of Management. In his role as Chief Sustainability Officer, he is supported as regards the topic of human rights by the Public Affairs, Science, Sustainability & HSE Enabling Function. The implementation of our human rights standards in business operations is regulated by Group regulations, processes and management and monitoring systems.

Bayer fully supports human rights and has documented its stance in a globally binding Bayer Human Rights Policy. We are committed to respecting and fostering human rights within our own business activities and in business relations. Our commitment extends to all Bayer employees worldwide and the entire value chain, comprising suppliers, business partners, customers, consumers and local communities. Guided

by our LIFE values and supplementary to our Human Rights Policy, we substantiate specific standards and responsibilities as regards respecting human rights in the following additional Group regulations: Bayer Societal Engagement (BASE) Principles, Data Privacy, Corporate Compliance, Management of Contingent Workforce, Fairness and Respect at Work, HSE Management and HSE Key Requirements, as well as Security & Crisis Management.

**Supplier Code of Conduct (SCoC), SCoC Guidance, sustainability contract clauses**

We also expect our business partners, and particularly our suppliers, to fully observe human rights. We expect our suppliers to comply with the requirements of our SCoC, which is based on our Bayer Human Rights Policy, the principles of the UN Global Compact and the core labor standards of the ILO.

The code is applied in the selection and evaluation of our suppliers and is integrated into electronic ordering systems throughout the Bayer Group. As a result, suppliers must already commit to our core principles upon registration. Furthermore, our standard supply contracts contain a clause that authorizes us to verify suppliers' compliance with our sustainability requirements. This clause will be successively integrated into all contracts that are up for renewal in 2022. Our Code of Conduct is supplemented by a global guidance document, which, like the Supplier Code of Conduct, is available on our website.

► **OECD Step 2: Identify and assess actual and potential adverse impacts associated with the enterprise's operations, products or services**

**Enterprise Risk Management System**

We have implemented a holistic and integrated risk management system designed to ensure the continued existence and future target attainment of the Group through the early identification, assessment and treatment of risks. Our risk management system

is aligned to internationally recognized standards and principles such as the ISO 31000 standard of the International Organization for Standardization.

The Board of Management of Bayer AG holds overall responsibility for an effective risk management system. The Audit Committee of the Supervisory Board oversees the appropriateness and effectiveness of the risk management system at least once a year, after which a report is made to the entire Supervisory Board.

The Bayer Assurance Committee, which is chaired by the CFO, is a committee of the Board of Management. As well as ensuring that appropriate action is taken to control any substantial risks, the Bayer Assurance Committee regularly discusses and reviews the risk portfolio and the status of the risk control measures.

Responsibility for the identification, assessment, treatment and reporting of risks lies with the operational business units in the divisions and enabling functions. The risk managers are responsible for identifying risks.

Where possible, the identified risks are evaluated with regard to their potential impact and likelihood of occurrence, while taking into account established risk control measures.

To help ensure we identify risks as comprehensively as possible, we maintain a risk universe that reflects the company's potential risk categories. The Bayer Risk Universe, which is regularly updated, also expressly accounts for risks of a nonfinancial nature that are linked to our business activity or to our business relationships, products and services.

Risks are assessed on a net basis, taking into account the risk control measures in place to mitigate the potential impact and likelihood of occurrence. Examples of such risk control measures can also be found the [Sustainability Report](#) in the descriptions of how various sustainability issues are managed. The extent of the impact is rated in quantitative and/or qualitative terms. The quantitative assessment reflects a potentially negative effect on cash flows. A qualitative assessment of the impact is based on criteria such as the effect on our strategy or reputation, the potential loss of stakeholder confidence, and potential incomplete compliance with sustainability principles (e.g. in the area of safety, environmental protection or human rights). The higher rating – qualitative or quantitative – determines the overall assessment.

Included are risks pursuant to the German Corporate Social Responsibility (CSR) Directive Implementation Act that relate to environmental, employee and social issues, human rights, corruption and bribery (compliance).

For detailed information on the basic elements of the risk management system, including the risk management process, and details on our risk status, please see Chapter 3.2 Opportunity and Risk Report of the [2021 Annual Report](#).

### Identifying human rights and labour rights risks and impacts

In 2021, together with external partners, we virtually completed the renewed Group-wide identification and assessment of our human rights risks in accordance with the UNGPs using our Bayer-wide risk management system. The first step in this process was to identify potential human rights risks with which we could be involved directly through our business activities, our products or services, or indirectly in our supply chain. These risks were then separately assessed with regard to their degree of severity, materiality and likelihood of occurrence.

This enabled us to identify 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). The results of the human rights risk analysis are intended to be published as the human rights strategy comes into force.

Plans are in place to incorporate the results of this human rights risk analysis into our Group-wide, integrated risk management process.

In the agriculture industry, seed producers are subject to particular risks, especially with regard to respecting human rights. We shall place greater emphasis on this aspect in the future as we develop our new human rights strategy and the sustainability risk classification.

### Human Rights Risk Assessment including Supplier Risk Assessment

As regards the topic of human rights, we are focusing especially on our supply chain because this connects us with several million rights holders – in other words people who are directly or indirectly impacted by our activities. For this purpose, Procurement

undertakes a classification of the sustainability risk of our suppliers. This risk classification encompasses all procurement countries and categories such as services and seed production, the latter also including seasonal workers. This enables us to identify and systematically address human rights risks by country and category. Aspects of human rights are also covered in the training offerings and the Supplier Code of Conduct guidance.

The risk of human rights violations poses a particular challenge for Bayer in the seed supply chain. The focus here is on the risk of child labour. Through our Child Care Program, Bayer for years has taken systematic action to prevent child labour in the seed supply chain. The program is established in India, Bangladesh and the Philippines – the countries in which we identified the potential for child labour infractions through our risk assessment.

### ► OECD Step 3: Cease, prevent and mitigate adverse impacts

#### Enterprise Risk Management System // Policies

As part of the Risk Management process, risk control measures are taken for risks in the Bayer risk universe. Risks are assessed on a net basis, taking into account the risk control measures in place to mitigate the potential impact and likelihood of occurrence.

Examples of such risk control measures in the area of human rights are policies such as our [Human Rights Policy](#), [BASE Principles](#), [Data Privacy](#), [Corporate Compliance](#), [Fairness and Respect at Work](#), [HSE Management and HSE Key Requirements](#), as well as [Security & Crisis Management](#) as well as our [Supplier Code of Conduct](#) and our Procurement process. Policies & processes are updated on a regular basis based on findings.

#### Training // Compliance Hotline

We offer numerous ongoing training programs to enhance employees' awareness of the importance of human rights in their day-to-day activities. In 2021, we also published a dedicated human rights basic training course in English for all employees. There are plans to make this course available in eight additional languages in 2022. In 2021, more than 85% of our employees received training on aspects of our Human Rights Policy in sessions totaling more than 215,000 hours. The issue of human rights has also been an integral element of training measures for the management of our country organizations since 2021.

If there are indications of violations of our Human Rights Policy, employees and members of the general public can contact the worldwide [compliance hotline](#), which is available in more than 300 languages. This can also be done anonymously if desired. Alternatively, employees can also report suspected violations to the respective compliance functions or to the Internal Audit unit, or submit information via an internal company email address or in the form of an incident request via a newly implemented platform.

#### Supplier Management Process

Bayer works continuously to strategically evolve sustainability topics in procurement. In the coming years, the company intends to place increasing importance on environmental and human rights requirements throughout the supply chain and on the Supplier Diversity Program. In 2021, we began developing indicators to monitor progress in the various sustainability focus areas and define suitable targets. In 2021, we continued to ensure that all strategically important suppliers had to present an EcoVadis rating of at least 45 of 100 points ("green" assessment) or a comparable audit result. Since 2021, furthermore, potential new suppliers with a high inherent sustainability risk and procurement spend of more than €250,000 have been examined in advance with regard to sustainability aspects.

Bayer verifies the observance of the code requirements by the suppliers selected for evaluation by means of EcoVadis online assessments or through on-site audits or, during the COVID-19 pandemic, virtual audits conducted by both external and Bayer auditors. The online assessments and on-site audits are analyzed and documented so that specific improvement measures can be defined. In 2021, suppliers who had



undergone online assessments by EcoVadis demonstrated the need for improvement in particular in the categories of ethics and sustainable procurement, while those who had been audited required improvement in occupational health and safety.

A supplier receives a critical result if one or more serious violations 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 2021, this applied to 22 suppliers (3% assessed and audited suppliers; 2020: 2% (13)). We monitor the implementation of these activities by way of reassessments or follow-up audits. Bayer retains the right to terminate a supplier relationship if no improvement is observed during a re-evaluation.

### Engagements In Industry Initiatives

We engage in dialogue with other stakeholders on the topic of human rights and actively participate in committees and initiatives established to ensure their observance, for example in corresponding working groups of econsense, the Business for Social Responsibility (BSR) initiative and, in the supply chain, via our industry initiatives Together for Sustainability (TfS) and the Pharmaceutical Supply Chain Initiative (PSCI). The member companies from various industries discuss best practices, challenges and experiences in implementing the UNGPs. At the Pre-Summit of the UN Food Systems Summit, we joined the Coalition of Action on Living Incomes and Decent Work, and are supporting this initiative.

### ► OECD Step 4: Track implementation and results

#### Internal Audits

We verify the observance of human rights at our sites partly by means of Bayer audits. Bayer Internal Audit regularly conducts audits following the International Internal Audit Standards (IIA). The annual audit planning follows a risk-based approach. These audits include a verification of our human resources processes, particularly

concerning labour contracts, compliance with hiring requirements (including a minimum age verification) of our permanent and temporary employees, and employees' working hours. It is also examined whether employees are paid a living wage. Our procurement processes are audited as well, for example work with contractors. A total of 89 audit reports were compiled in 2021, of which 12 were preventive compliance system audits or incident-related investigations.

### Supplier Audits & Assessments

Bayer verifies the observance of the code requirements by the suppliers selected by means of EcoVadis online assessments or through on-site audits or, during the COVID-19 pandemic, virtual audits conducted by both external and Bayer auditors.

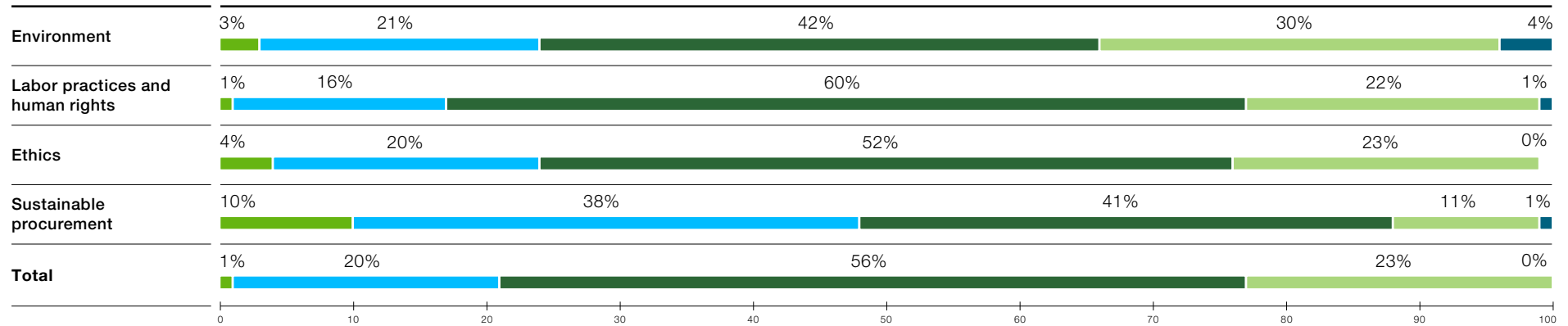
The online assessment criteria of EcoVadis – broken down into the areas of environment, ethics, labour practices and human rights, and sustainable procurement – correspond to the requirements of our code and also take into account country- and industry-specific conditions and supplier size. In total, our service provider EcoVadis assessed 802 (2020: 670) suppliers on our behalf in 2021.

In 2021, we also arranged for 67 (2020: 26) of our suppliers to be audited on site by external, independent auditors. In addition, 10 (2020: 5) suppliers were audited virtually due to the global COVID-19 pandemic. The audit criteria included both the specifications of our code and the industry-specific requirements of the TfS and PSCI industry initiatives.

Our monthly monitoring shows that 508 (2020: 357) of the 879 (2020: 701) Bayer suppliers evaluated in 2021 improved their sustainability performance.

Furthermore, internal and external auditors evaluate selected new and existing suppliers with a focus on HSE. These audits are performed for suppliers with significant risk potential as regards, for example, substances, production processes, occupational safety or environmental factors, as well as for toll or contract manufacturers with an increased country risk. In 2021, 200 (2020: 83) suppliers were evaluated by means of HSE audits.

### Evaluating the Sustainability Performance of Our Suppliers



Valuation according to EcoVadis (in points): 0-24 25-44 45-64 65-84 85-100  
 Number of suppliers assessed: 802 (as of December 31, 2021)

### Corrective Action Plans

The online assessments and on-site audits are analyzed and documented so that specific improvement measures can be defined. In 2021, suppliers who had undergone online assessments by EcoVadis demonstrated the need for improvement in particular in the categories of ethics and sustainable procurement, while those who had been audited required improvement in occupational health and safety. A supplier receives a critical result if one or more serious violations 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.

### ► OECD Step 5: Communicate how impacts are addressed

#### Sustainability & Annual Report

With its [Sustainability Report](#), Bayer aims to provide transparent and in-depth insights into both its sustainability strategy and its sustainability performance. The report supplements the nonfinancial statement pursuant to the German CSR Directive Implementation Act that is published in the combined management report of the 2021 [Annual Report](#).

The Bayer Group’s sustainability reporting has been aligned to the guidelines of the [Global Reporting Initiative \(GRI\)](#) and the 10 principles of the UN Global Compact since 2000. This report has been prepared in accordance with the GRI Standards: Core option. This report also serves as a Communication on Progress in line with the UN Global Compact. We also take into account the relevant requirements of the Sustainability Accounting Standards Board (SASB). A [summarized index](#) according

to the three SASB Industry Standards relevant to us – “Biotechnology & Pharmaceuticals,” “Chemicals” and “Agricultural Products” – can be found on our website. In our climate reporting we follow the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and publish a [separate index](#) in PDF format also on our website.

## Transparency

Transparency is a top priority for Bayer. We are committed to build up and strengthen trust by making information accessible from a whole range of areas. For our commitment and overview of activities, please see our [transparency website](#).

## Positions & Statements // Website

Bayer communicates on human rights and labour principles via our website and public statements: [human rights](#), [Human Rights Policy](#), and our [SCoC](#). In addition, we summarize our yearly progress in a statement adhering to the legal requirements of: [the California Transparency on Supply Chain Act](#), [the United Kingdom Modern Slavery Act](#) and [the Australia Modern Slavery Act](#).

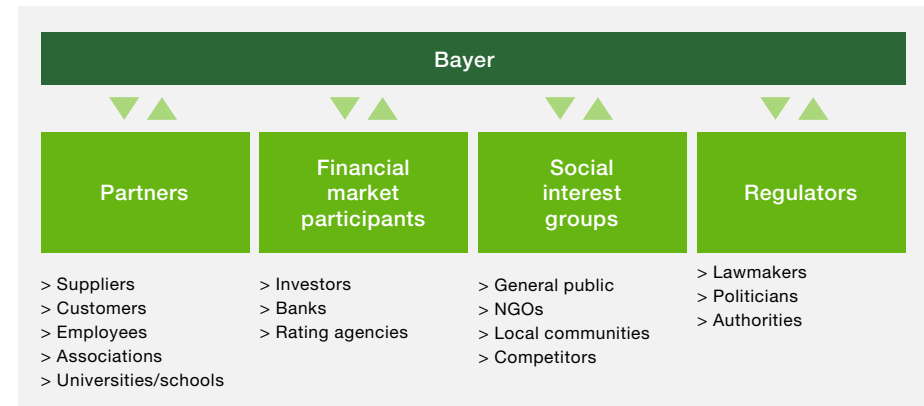
## Stakeholder Dialogue

As a company, Bayer is a part of society and public life. Ongoing dialogue with our stakeholders is therefore particularly important to us. After all, their expectations and viewpoints affect our public acceptance and thus our commercial success.

We fundamentally distinguish between four stakeholder groups with which we engage in discussions on different issues.

Stakeholder dialogue helps us to recognize important trends and developments in society and our markets at an early stage and take this information into account when shaping our business. Our [BASE principles](#) serve as the foundation for all dialogue.

## Stakeholder Groups



In strategic decision-making processes, regarding investment projects and product launches for example, Bayer proactively approaches key social and political players right from the start of a new project. Such open dialogue enables us to identify opportunities and risks early on. This process is in line with our Stakeholder Engagement Guideline and is supplemented by an internal information platform.

## Focus on a variety of stakeholders

Our regular stakeholder activities range from dialogues at the local, national and international level, and active involvement in committees and specialist workshops all the way through to comprehensive information programs, issue related multi-stakeholder events, and participation in international initiatives and collaborations.

## ► OECD Step 6: Provide for or cooperate in remediation when appropriate

### Management Systems

Any human or labor rights violations are remediated in accordance with local laws as well as international standards and internal guidelines. The type of remedy or combination of remedies that is appropriate will depend on the nature and extent of the adverse impact.

Bayer cooperates with all relevant stakeholders such as authorities, business partners and suppliers.

### Compliance Management System including Grievance Mechanisms (e.g. Hotline)

Suspected compliance violations can be reported – anonymously if desired and if permitted by respective national law – to a worldwide compliance hotline operated by an independent service provider. Suspected violations can be reported either via the internet or through a phone call made in the caller's preferred language and answered by independent specialists. The hotline is also accessible to the general public. In addition, an internal mailbox – the so-called “Speak-Up Inbox” – was introduced in 2020 for the submission of suspected compliance violations. Alternatively, suspected violations may also be reported to the respective compliance functions or to Internal Audit. Since 2021, furthermore, it has been possible to report suspected compliance violations through a newly implemented platform in the form of an incident request. Compliance violations include all possible types of infringements of internal and external requirements and are systematically sanctioned. The action taken depends on factors including the gravity of the violation and applicable law. All cases are recorded according to uniform criteria 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.

### Supplier Management Process, Corrective Action Plans

The online assessments and on-site audits are analyzed and documented so that specific improvement measures can be defined. In 2021, suppliers who had undergone online assessments by EcoVadis demonstrated the need for improvement in particular in the categories of ethics and sustainable procurement, while those who had been audited required improvement in occupational health and safety. A supplier receives a critical result if one or more serious violations 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 2021, this applied to 22 suppliers (3% assessed and audited suppliers; 2020: 2% (13)). We monitor the implementation of these activities by way of reassessments 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 508 (2020: 357) of the 879 (2020: 701) Bayer suppliers evaluated in 2021 improved their sustainability performance. A key factor in this collaboration is helping our suppliers to improve their sustainability performance. Here we focus both on remedying deficiencies and on collaborating on sustainability topics.

In 2021, audits of suppliers uncovered a very small number of serious violations against applicable wages, other benefits, working time, fair treatment as well as occupational health and safety. In each of these cases, we actively cooperated with our suppliers to improve the situation for employees in a timely fashion.

## Principle 2:

### Businesses should make sure that they are not complicit in human rights abuses.

#### How Bayer implements Principle 2 within strategies and operations

#### ► OECD Step 1: Embed responsible business conduct into policies and management systems

#### Human Rights Strategy

By 2030, we want to be industry-leading in our approach to human rights. With this goal in sight, we further developed our human rights strategy in 2021 and are in the process of updating our Human Rights Policy. Both are based on a status and risk analysis. The draft policy is currently being assessed for conformity with the requirements stemming from the German Supply Chain Due Diligence Act with which we align ourselves. It is intended for both the human rights strategy and the policy to become effective in 2022 once the assessment has been completed.

We are aware that human rights due diligence is a continuous process. The development of our strategy therefore comprises several interlocking phases intended to cover not just the addressing of human rights risks and impacts, but also our efforts to achieve our company vision and selected Sustainable Development Goals (SDGs):

1. Definition of the framework: derivation of the human rights strategy based on an analysis of the status and risks in accordance with the UNGPs, our vision "Health for all, hunger for none" and the future requirements stemming from the German Supply Chain Due Diligence Act
2. Operationalization and full integration: expansion of existing due diligence processes to address human rights risks

3. Strategic positive contribution: support for the protection of human rights in areas that concern our business.

#### Clinical trials

Clinical trials are an essential tool for determining the efficacy and safety of new drugs before they can be used to diagnose or treat diseases. The benefits and risks of new medicinal products must always be scientifically proven and well documented. Yet clinical trials are also necessary to examine already approved products for new indications or to confirm their safety profile.

With respect to clinical trials, we strictly align ourselves to the Declaration of Helsinki, an ethical standard in place since 1964 that regulates research conducted on humans. This commitment is stipulated in our Bayer Human Rights Policy and also applies to all research institutes (clinical research organizations, CROs) tasked with conducting clinical trials on our behalf. Additional statutory regulations, directives and ethical codes supplementing the Declaration of Helsinki have been further developed and introduced worldwide to ensure that the health and safety of participants of clinical trials are the top priority.

#### Management Systems and Policies

Bayer is a founding member of the UN Global Compact 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. We support the UN Guiding Principles on Business and Human Rights (UNGPs), which are among the most important international standards for preventing and combating possible human rights violations in connection with business activities. We commit to respect human rights due diligence in our activities along the value chain as described in the UNGPs. We also support the OECD Guidelines for Multinational Enterprises, the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy of the International Labour Organization (ILO), and the latter's core labor standards.

Human rights are among the responsibilities of the Chairman of the Bayer Board of Management. In his role as Chief Sustainability Officer, he is supported as regards the topic of human rights by the Public Affairs, Science, Sustainability & HSE Enabling Function. The implementation of our human rights standards in business operations is regulated by Group regulations, processes and management and monitoring systems.

Bayer fully supports human rights and has documented its stance in a globally binding [Bayer Human Rights Policy](#). We are committed to respecting and fostering human rights within our own business activities and in business relations. Our commitment extends to all Bayer employees worldwide and the entire value chain, comprising suppliers, business partners, customers, consumers and local communities. Guided by our LIFE values and supplementary to our Human Rights Policy, we substantiate specific standards and responsibilities as regards respecting human rights in the following additional Group regulations: [Bayer Societal Engagement \(BASE\) Principles](#), [Data Privacy](#), [Corporate Compliance](#), [Management of Contingent Workforce Policy](#), [Fairness and Respect at Work](#), [HSE Management and HSE Key Requirements](#), as well as [Security & Crisis Management](#).

### Supplier Code of Conduct (ScoC), SCoC Guidance, sustainability contract clauses

We also expect our business partners, and particularly our suppliers, to fully observe human rights. We expect our suppliers to comply with the requirements of our [Supplier Code of Conduct](#), which is based on our Bayer Human Rights Policy, the principles of the UN Global Compact and the core labor standards of the ILO.

The code is applied in the selection and evaluation of our suppliers and is integrated into electronic ordering systems throughout the Bayer Group. As a result, suppliers must already commit to our core principles upon registration. Furthermore, our standard supply contracts contain a clause that authorizes us to verify suppliers' compliance with our sustainability requirements. This clause will be successively integrated into all contracts that are up for renewal in 2022. Our Code of Conduct is supplemented by a global guidance document, which, like the Supplier Code of Conduct, is available on our [website](#).

### ► OECD Step 2: Identify and assess actual and potential adverse impacts associated with the enterprise's operations, products or services

#### Enterprise Risk Management System

We have implemented a holistic and integrated risk management system designed to ensure the continued existence and future target attainment of the Group through the early identification, assessment and treatment of risks. Our risk management system is aligned to internationally recognized standards and principles such as the ISO 31000 standard of the International Organization for Standardization.

The Board of Management of Bayer AG holds overall responsibility for an effective risk management system. The Audit Committee of the Supervisory Board oversees the appropriateness and effectiveness of the risk management system at least once a year, after which a report is made to the entire Supervisory Board.

The Bayer Assurance Committee, which is chaired by the CFO, is a committee of the Board of Management. As well as ensuring that appropriate action is taken to control any substantial risks, the Bayer Assurance Committee regularly discusses and reviews the risk portfolio and the status of the risk control measures.

Responsibility for the identification, assessment, treatment and reporting of risks lies with the operational business units in the divisions and enabling functions. The risk managers are responsible for identifying risks.

Where possible, the identified risks are evaluated with regard to their potential impact and likelihood of occurrence, while taking into account established risk control measures.

To help ensure we identify risks as comprehensively as possible, we maintain a risk universe that reflects the company's potential risk categories. The Bayer Risk Universe, which is regularly updated, also expressly accounts for risks of a nonfinancial nature that are linked to our business activity or to our business relationships, products and services.

Risks are assessed on a net basis, taking into account the risk control measures in place to mitigate the potential impact and likelihood of occurrence. Examples of such risk control measures can also be found in the [Sustainability Report](#) in the descriptions of how various sustainability issues are managed. The extent of the impact is rated in quantitative and/or qualitative terms. The quantitative assessment reflects a potentially negative effect on cash flows. A qualitative assessment of the impact is based on criteria such as the effect on our strategy or reputation, the potential loss of stakeholder confidence, and potential incomplete compliance with sustainability principles (e.g. in the area of safety, environmental protection or human rights). The higher rating – qualitative or quantitative – determines the overall assessment.

Included are risks pursuant to the German Corporate Social Responsibility (CSR) Directive Implementation Act that relate to environmental, employee and social issues, human rights, corruption and bribery (compliance).

For detailed information on the basic elements of the risk management system, including the risk management process, and details on our risk status, please see Chapter 3.2 Opportunity and Risk Report of the [2021 Annual Report](#).

### Human Rights Risk Assessment including Supplier Risk Assessment

As regards the topic of human rights, we are focusing especially on our supply chain because this connects us with several million rights holders – in other words people who are directly or indirectly impacted by our activities. For this purpose, Procurement undertakes a classification of the sustainability risk of our suppliers. This risk classification encompasses all procurement countries and categories such as services and seed production, the latter also including seasonal workers. This enables us to identify and systematically address human rights risks by country and category. Aspects of human rights are also covered in the training offerings and the Supplier Code of Conduct guidance.

The risk of human rights violations poses a particular challenge for Bayer in the seed supply chain. The focus here is on the risk of child labour. Through our Child Care Program, Bayer for years has taken systematic action to prevent child labour in the seed supply chain. The program is established in India, Bangladesh and the Philippines – the countries in which we identified the potential for child labour infractions through our risk assessment.

### Identifying human rights and labour rights risks and impacts

In 2021, together with external partners, we virtually completed the renewed Group-wide identification and assessment of our human rights risks in accordance with the UNGPs using our Bayer-wide risk management system. The first step in this process was to identify potential human rights risks with which we could be involved directly through our business activities, our products or services, or indirectly in our supply chain. These risks were then separately assessed with regard to their degree of severity, materiality and likelihood of occurrence.

This enabled us to identify 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). The results of the human rights risk analysis are intended to be published as the human rights strategy comes into force.

Plans are in place to incorporate the results of this human rights risk analysis into our Group-wide, integrated risk management process.

In the agriculture industry, seed producers are subject to particular risks, especially with regard to respecting human rights. We shall place greater emphasis on this aspect in the future as we develop our new human rights strategy and the sustainability risk classification.

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#### ► OECD Step 3: Cease, prevent and mitigate adverse impacts

### Enterprise Risk Management System // Policies

As part of the Risk Management process, risk control measures are taken for risks in the Bayer risk universe. Risks are assessed on a net basis, taking into account the risk control measures in place to mitigate the potential impact and likelihood of occurrence.

Examples of such risk control measures in the area of human rights are policies such as our [Human Rights Policy](#), [BASE Principles](#), [Data Privacy](#), [Corporate Compliance](#), [Fairness and Respect at Work](#), [HSE Management and HSE Key Requirements](#), as well as [Security & Crisis Management](#) as well as our [Supplier Code of Conduct](#) and our Procurement process. Policies & processes are updated on a regular basis based on findings.

### Training // Compliance Hotline

We offer numerous ongoing training programs to enhance employees' awareness of the importance of human rights in their day-to-day activities. In 2021, we also published a dedicated human rights basic training course in English for all employees. There are plans to make this course available in eight additional languages in 2022. In 2021, more than 85% of our employees received training on aspects of our Human Rights Policy in sessions totaling more than 215,000 hours. The issue of human rights has also been an integral element of training measures for the management of our country organizations since 2021.

If there are indications of violations of our Human Rights Policy, employees and members of the general public can contact the worldwide [compliance hotline](#), which is available in more than 300 languages. This can also be done anonymously if desired. Alternatively, employees can also report suspected violations to the respective compliance functions or to the Internal Audit unit, or submit information via an internal company email address or in the form of an incident request via a newly implemented platform.

### Supplier Management Process

Bayer works continuously to strategically evolve sustainability topics in procurement. In the coming years, the company intends to place increasing importance on environmental and human rights requirements throughout the supply chain and on the Supplier Diversity Program. In 2021, we began developing indicators to monitor progress in the various sustainability focus areas and define suitable targets. In 2021, we continued to ensure that all strategically important suppliers had to present an EcoVadis rating of at least 45 of 100 points ("green" assessment) or a comparable audit result. Since 2021, furthermore, potential new suppliers with a high inherent

sustainability risk and procurement spend of more than €250,000 have been examined in advance with regard to sustainability aspects.

Bayer verifies the observance of the code requirements by the suppliers selected for evaluation by means of EcoVadis online assessments or through on-site audits or, during the COVID-19 pandemic, virtual audits conducted by both external and Bayer auditors. The online assessments and on-site audits are analyzed and documented so that specific improvement measures can be defined. In 2021, suppliers who had undergone online assessments by EcoVadis demonstrated the need for improvement in particular in the categories of ethics and sustainable procurement, while those who had been audited required improvement in occupational health and safety.

A supplier receives a critical result if one or more serious violations 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 2021, this applied to 22 suppliers (3% assessed and audited suppliers; 2020: 2% (13)). We monitor the implementation of these activities by way of reassessments or follow-up audits. Bayer retains the right to terminate a supplier relationship if no improvement is observed during a re-evaluation.

### Engagement in Industry Initiatives

We engage in dialogue with other stakeholders on the topic of human rights and actively participate in committees and initiatives established to ensure their observance, for example in corresponding working groups of [econsense](#), the [Business for Social Responsibility](#) (BSR) initiative and, in the supply chain, via our industry initiatives [Together for Sustainability](#) (TfS) and the [Pharmaceutical Supply Chain Initiative](#) (PSCI). The member companies from various industries discuss best practices, challenges and experiences in implementing the UNGPs. At the Pre-Summit of the UN Food Systems Summit, we joined the Coalition of Action on Living Incomes and Decent Work, and are supporting this initiative.



## ► OECD Step 4: Track implementation and results

### Internal Audits

We verify the observance of human rights at our sites partly by means of Bayer audits. Bayer Internal Audit regularly conducts audits following the International Internal Audit Standards (IIA). The annual audit planning follows a risk-based approach. These audits include a verification of our human resources processes, particularly concerning labour contracts, compliance with hiring requirements (including a minimum age verification) of our permanent and temporary employees, and employees' working hours. It is also examined whether employees are paid a living wage. Our procurement processes are audited as well, for example work with contractors. A total of 89 audit reports were compiled in 2021, of which 12 were preventive compliance system audits or incident-related investigations.

### Supplier Audits & Assessments

Bayer verifies the observance of the code requirements by the suppliers selected by means of EcoVadis online assessments or through on-site audits or, during the COVID-19 pandemic, virtual audits conducted by both external and Bayer auditors.

The online assessment criteria of EcoVadis – broken down into the areas of environment, ethics, labour practices and human rights, and sustainable procurement – correspond to the requirements of our code and also take into account country- and industry-specific conditions and supplier size. In total, our service provider EcoVadis assessed 802 (2020: 670) suppliers on our behalf in 2021.

In 2021, we also arranged for 67 (2020: 26) of our suppliers to be audited on site by external, independent auditors. In addition, 10 (2020: 5) suppliers were audited virtually due to the global COVID-19 pandemic. The audit criteria included both the specifications of our code and the industry-specific requirements of the TfS and PSCI industry initiatives.

Our monthly monitoring shows that 508 (2020: 357) of the 879 (2020: 701) Bayer suppliers evaluated in 2021 improved their sustainability performance.

Furthermore, internal and external auditors evaluate selected new and existing suppliers with a focus on HSE. These audits are performed for suppliers with significant risk potential as regards, for example, substances, production processes, occupational safety or environmental factors, as well as for toll or contract manufacturers with an increased country risk. In 2021, 200 (2020: 83) suppliers were evaluated by means of HSE audits.

### Corrective Action Plans

The online assessments and on-site audits are analyzed and documented so that specific improvement measures can be defined. In 2021, suppliers who had undergone online assessments by EcoVadis demonstrated the need for improvement in particular in the categories of ethics and sustainable procurement, while those who had been audited required improvement in occupational health and safety. A supplier receives a critical result if one or more serious violations 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.

## ► OECD Step 5: Communicate how impacts are addressed

### Sustainability & Annual Report

With its [Sustainability Report](#), Bayer aims to provide transparent and in-depth insights into both its sustainability strategy and its sustainability performance. The report supplements the nonfinancial statement pursuant to the CSR Directive Implementation Act (CSR-RUG) that is published in the combined management report of the 2021 [Annual Report](#).

The Bayer Group's sustainability reporting has been aligned to the guidelines of the [Global Reporting Initiative](#) (GRI) and the 10 principles of the UN Global Compact (UNGC) since 2000. This report has been prepared in accordance with the GRI Standards: Core option. This report also serves as a Communication on Progress in

line with the UN Global Compact. We also take into account the relevant requirements of the Sustainability Accounting Standards Board (SASB). A [summarized index](#) according to the three SASB Industry Standards relevant to us – “Biotechnology & Pharmaceuticals,” “Chemicals” and “Agricultural Products” – can be found on our website. In our climate reporting we follow the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and publish a [separate index](#) in PDF format also on our website.

## Transparency

Transparency is a top priority for Bayer. We are committed to build up and strengthen trust by making information accessible from a whole range of areas. For our commitment and overview of activities, please see our [transparency website](#).

## Positions & Statements // Website

Bayer communicates on human rights and labour principles via our website and public statements: [human rights](#), [Human Rights Policy](#), and our [SCoC](#). In addition, we summarize our yearly progress in a statement adhering to the legal requirements of: [the California Transparency on Supply Chain Act](#), [the United Kingdom Modern Slavery Act](#) and [the Australia Modern Slavery Act](#).

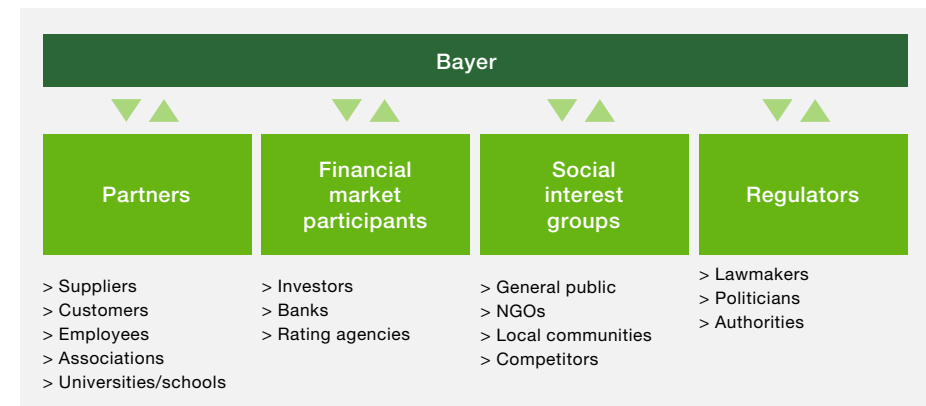
## Stakeholder Dialogue

As a company, Bayer is a part of society and public life. Ongoing dialogue with our stakeholders is therefore particularly important to us. After all, their expectations and viewpoints affect our public acceptance and thus our commercial success.

We fundamentally distinguish between four stakeholder groups with which we engage in discussions on different issues.

Stakeholder dialogue helps us to recognize important trends and developments in society and our markets at an early stage and take this information into account when shaping our business. Our [BASE principles](#) serve as the foundation for all dialogue.

## Stakeholder Groups



In strategic decision-making processes, regarding investment projects and product launches for example, Bayer proactively approaches key social and political players right from the start of a new project. Such open dialogue enables us to identify opportunities and risks early on. This process is in line with our Stakeholder Engagement Guideline and is supplemented by an internal information platform.

## Focus on a variety of stakeholders

Our regular stakeholder activities range from dialogues at the local, national and international level, and active involvement in comprehensive information programs, issue related multi-stakeholder events, and participation in international initiatives and collaborations.

## ► OECD Step 6: Provide for or cooperate in remediation when appropriate

### Management Systems

Any human or labor rights violations are remediated in accordance with local laws as well as international standards and internal guidelines. The type of remedy or combination of remedies that is appropriate will depend on the nature and extent of the adverse impact.

Bayer cooperates with all relevant stakeholders such as authorities, business partners and suppliers.

### Compliance Management System including Grievance Mechanisms (e.g. Hotline)

Suspected compliance violations can be reported – anonymously if desired and if permitted by respective national law – to a worldwide compliance hotline operated by an independent service provider. Suspected violations can be reported either via the internet or through a phone call made in the caller's preferred language and answered by independent specialists. The hotline is also accessible to the general public. In addition, an internal mailbox – the so-called “Speak-Up Inbox” – was introduced in 2020 for the submission of suspected compliance violations. Alternatively, suspected violations may also be reported to the respective compliance functions or to Internal Audit. Since 2021, furthermore, it has been possible to report suspected compliance violations through a newly implemented platform in the form of an incident request. Compliance violations include all possible types of infringements of internal and external requirements and are systematically sanctioned. The action taken depends on factors including the gravity of the violation and applicable law. All cases are recorded according to uniform criteria 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.

### Supplier Management Process, Corrective Action Plans

The online assessments and on-site audits are analyzed and documented so that specific improvement measures can be defined. In 2021, suppliers who had undergone online assessments by EcoVadis demonstrated the need for improvement in particular in the categories of ethics and sustainable procurement, while those who had been audited required improvement in occupational health and safety. A supplier receives a critical result if one or more serious violations 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 2021, this applied to 22 suppliers (3% assessed and audited suppliers; 2020: 2% (13)). We monitor the implementation of these activities by way of reassessments 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 508 (2020: 357) of the 879 (2020: 701) Bayer suppliers evaluated in 2021 improved their sustainability performance. A key factor in this collaboration is helping our suppliers to improve their sustainability performance. Here we focus both on remedying deficiencies and on collaborating on sustainability topics.

In 2021, audits of suppliers uncovered a very small number of serious violations against applicable wages, other benefits, working time, fair treatment as well as occupational health and safety. In each of these cases, we actively cooperated with our suppliers to improve the situation for employees in a timely fashion.

# Labour

## Principle 3:

### **Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining**

#### **How Bayer implements Principle 3 within strategies and operations**

#### ► **OECD Step 1: Embed responsible business conduct into policies and management systems**

The freedom of association and collective bargaining is anchored in our [Human Rights Policy](#). We are committed to an open and constructive dialogue with our employees and their representatives. Our employees are free to join organizations of their choice that represent them. These organizations may engage in collective bargaining according to the applicable legal regulations. At all Bayer sites worldwide, employees have the right to elect their own representatives. Employees who act as representatives are neither disadvantaged nor favored in any way.

#### **Human Rights Strategy**

By 2030, we want to be industry-leading in our approach to human rights. With this goal in sight, we further developed our human rights strategy in 2021 and are in the process of updating our Human Rights Policy. Both are based on a status and risk analysis. The draft policy is currently being assessed for conformity with the requirements stemming from the German Supply Chain Due Diligence Act with which we align ourselves. It is intended for both the human rights strategy and the policy to become effective in 2022 once the assessment has been completed.

We are aware that human rights due diligence is a continuous process. The development of our strategy therefore comprises several interlocking phases intended to cover not just the addressing of human rights risks and impacts, but also our efforts to achieve our company vision and selected Sustainable Development Goals (SDGs):

Definition of the framework: derivation of the human rights strategy based on an analysis of the status and risks in accordance with the UNGPs, our vision “Health for all, hunger for none” and the future requirements stemming from the German Supply Chain Due Diligence 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.

#### **Management Systems and Policies**

Bayer is a founding member of the UN Global Compact 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. We support the UN Guiding Principles on Business and Human Rights (UNGPs), which are among the most important international standards for preventing and combating possible human rights violations in connection with business activities. We commit to respect human rights due diligence in our activities along the value chain as described in the UNGPs. We also support the OECD Guidelines for Multinational Enterprises, the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy of the International Labour Organization (ILO), and the latter’s core labor standards.

Human rights are among the responsibilities of the Chairman of the Bayer Board of Management. In his role as Chief Sustainability Officer, he is supported as regards the topic of human rights by the Public Affairs, Science, Sustainability & HSE Enabling Function. The implementation of our human rights standards in business operations is regulated by Group regulations, processes and management and monitoring systems.

Bayer fully supports human rights and has documented its stance in a globally binding [Bayer Human Rights Policy](#). We are committed to respecting and fostering human rights within our own business activities and in business relations. Our commitment extends to all Bayer employees worldwide and the entire value chain, comprising suppliers, business partners, customers, consumers and local communities. Guided by our LIFE values and supplementary to our Human Rights Policy, we substantiate specific standards and responsibilities as regards respecting human rights in the following additional Group regulations: [Bayer Societal Engagement \(BASE\) Principles](#), [Data Privacy](#), [Corporate Compliance](#), [Management of Contingent Workforce Policy](#), [Fairness and Respect at Work](#), [HSE Management and HSE Key Requirements](#), as well as [Security & Crisis Management](#).

We also expect our business partners, and particularly our suppliers, to fully observe human rights. We expect our suppliers to comply with the requirements of our [Supplier Code of Conduct](#), which is based on our Bayer Human Rights Policy, the principles of the UN Global Compact and the core labor standards of the ILO.

### **Supplier Code of Conduct (ScoC), SCoC Guidance, sustainability contract clauses**

The freedom of association of our suppliers is anchored in our [Supplier Code of Conduct](#).

Suppliers shall commit to an open and constructive dialogue with their employees and workers' representatives. In accordance with local laws, suppliers must respect the rights of their employees to associate freely, form and join labor unions, seek representation, join works councils, and engage in collective bargaining. Suppliers shall not disadvantage employees who act as workers' representatives so that they can exercise their role without fear of reprisal or discrimination.

The code is applied in the selection and evaluation of our suppliers and is integrated into electronic ordering systems throughout the Bayer Group. As a result, suppliers must already commit to our core principles upon registration. Furthermore, our standard supply contracts contain a clause that authorizes us to verify suppliers' compliance with our sustainability requirements. This clause will be successively integrated into all contracts that are up for renewal in 2022. Our Code of Conduct is

supplemented by a global guidance document, which, like the Supplier Code of Conduct, is available on our [website](#).

### **► OECD Step 2: Identify and assess actual and potential adverse impacts associated with the enterprise's operations, products or services**

#### **Enterprise Risk Management System**

We have implemented a holistic and integrated risk management system designed to ensure the continued existence and future target attainment of the Group through the early identification, assessment and treatment of risks. Our risk management system is aligned to internationally recognized standards and principles such as the ISO 31000 standard of the International Organization for Standardization.

The Board of Management of Bayer AG holds overall responsibility for an effective risk management system. The Audit Committee of the Supervisory Board oversees the appropriateness and effectiveness of the risk management system at least once a year, after which a report is made to the entire Supervisory Board.

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Responsibility for the identification, assessment, treatment and reporting of risks lies with the operational business units in the divisions and enabling functions. The risk managers are responsible for identifying risks.

Where possible, the identified risks are evaluated with regard to their potential impact and likelihood of occurrence, while taking into account established risk control measures.

To help ensure we identify risks as comprehensively as possible, we maintain a risk universe that reflects the company's potential risk categories. The Bayer Risk Universe, which is regularly updated, also expressly accounts for risks of a nonfinancial nature that are linked to our business activity or to our business relationships, products and services.

Risks are assessed on a net basis, taking into account the risk control measures in place to mitigate the potential impact and likelihood of occurrence. Examples of such risk control measures can also be found the [Sustainability Report](#) in the descriptions of how various sustainability issues are managed. The extent of the impact is rated in quantitative and/or qualitative terms. The quantitative assessment reflects a potentially negative effect on cash flows. A qualitative assessment of the impact is based on criteria such as the effect on our strategy or reputation, the potential loss of stakeholder confidence, and potential incomplete compliance with sustainability principles (e.g. in the area of safety, environmental protection or human rights). The higher rating – qualitative or quantitative – determines the overall assessment.

Included are risks pursuant to the German Corporate Social Responsibility (CSR) Directive Implementation Act that relate to environmental, employee and social issues, human rights, corruption and bribery (compliance).

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This enabled us to identify 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). The results of the human rights risk analysis are intended to be published as the human rights strategy comes into force.

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### Human Rights Risk Assessment including Supplier Risk Assessment

As regards the topic of human rights, we are focusing especially on our supply chain because this connects us with several million rights holders – in other words people who are directly or indirectly impacted by our activities. For this purpose, Procurement undertakes a classification of the sustainability risk of our suppliers. This risk classification encompasses all procurement countries and categories such as services and seed production, the latter also including seasonal workers. This enables us to identify and systematically address human rights risks by country and category. Aspects of human rights are also covered in the training offerings and the Supplier Code of Conduct guidance.

The risk of human rights violations poses a particular challenge for Bayer in the seed supply chain. The focus here is on the risk of child labour. Through our Child Care Program, Bayer for years has taken systematic action to prevent child labour in the seed supply chain. The program is established in India, Bangladesh and the Philippines – the countries in which we identified the potential for child labour infractions through our risk assessment.

### ► OECD Step 3: Cease, prevent and mitigate adverse impacts

#### Enterprise Risk Management System // Policies

As part of the Risk Management process, risk control measures are taken for risks in the Bayer risk universe. Risks are assessed on a net basis, taking into account the risk control measures in place to mitigate the potential impact and likelihood of occurrence.

Examples of such risk control measures in the area of human rights are policies such as our [Human Rights Policy](#), [BASE Principles](#), Data Privacy, [Corporate Compliance](#), Fairness and Respect at Work, [HSE Management and HSE Key Requirements](#), as well as Security & Crisis Management as well as our [Supplier Code of Conduct](#) and our Procurement process. Policies & processes are updated on a regular basis based on findings.

#### Training // Compliance Hotline

We offer numerous ongoing training programs to enhance employees' awareness of the importance of human rights in their day-to-day activities. In 2021, we also published a dedicated human rights basic training course in English for all employees. There are plans to make this course available in eight additional languages in 2022. In 2021, more than 85% of our employees received training on aspects of our Human Rights Policy in sessions totaling more than 215,000 hours. The issue of human rights has also been an integral element of training measures for the management of our country organizations since 2021.

If there are indications of violations of our Human Rights Policy, employees and members of the general public can contact the worldwide [compliance hotline](#), which is available in more than 300 languages. This can also be done anonymously if desired. Alternatively, employees can also report suspected violations to the respective compliance functions or to the Internal Audit unit, or submit information via an internal company email address or in the form of an incident request via a newly implemented platform.

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Bayer works continuously to strategically evolve sustainability topics in procurement. In the coming years, the company intends to place increasing importance on environmental and human rights requirements throughout the supply chain and on the Supplier Diversity Program. In 2021, we began developing indicators to monitor progress in the various sustainability focus areas and define suitable targets. In 2021, we continued to ensure that all strategically important suppliers had to present an EcoVadis rating of at least 45 of 100 points ("green" assessment) or a comparable audit result. Since 2021, furthermore, potential new suppliers with a high inherent sustainability risk and procurement spend of more than €250,000 have been examined in advance with regard to sustainability aspects.

Bayer verifies the observance of the code requirements by the suppliers selected for evaluation by means of EcoVadis online assessments or through on-site audits or, during the COVID-19 pandemic, virtual audits conducted by both external and Bayer auditors. The online assessments and on-site audits are analyzed and documented so that specific improvement measures can be defined. In 2021, suppliers who had undergone online assessments by EcoVadis demonstrated the need for improvement in particular in the categories of ethics and sustainable procurement, while those who had been audited required improvement in occupational health and safety.

A supplier receives a critical result if one or more serious violations 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 2021, this applied to 22 suppliers (3% assessed and audited suppliers; 2020: 2% (13)). We monitor the implementation of these activities by way of reassessments or follow-up audits. Bayer retains the right to terminate a supplier relationship if no improvement is observed during a re-evaluation.

#### Engagement in Industry Initiatives

We engage in dialogue with other stakeholders on the topic of human rights and actively participate in committees and initiatives established to ensure their observance, for example in corresponding working groups of [econsense](#), the [Business for Social Responsibility](#) (BSR) initiative and, in the supply chain, via our

industry initiatives Together for Sustainability (TfS) and the Pharmaceutical Supply Chain Initiative (PSCI). The member companies from various industries discuss best practices, challenges and experiences in implementing the UNGPs. At the Pre-Summit of the UN Food Systems Summit, we joined the Coalition of Action on Living Incomes and Decent Work, and are supporting this initiative.

## ► OECD Step 4: Track implementation and results

### Internal Audits

We verify the observance of human rights at our sites partly by means of Bayer audits. Bayer Internal Audit regularly conducts audits following the International Internal Audit Standards (IIA). The annual audit planning follows a risk-based approach. These audits include a verification of our human resources processes, particularly concerning labour contracts, compliance with hiring requirements (including a minimum age verification) of our permanent and temporary employees, and employees' working hours. It is also examined whether employees are paid a living wage. Our procurement processes are audited as well, for example work with contractors. A total of 89 audit reports were compiled in 2021, of which 12 were preventive compliance system audits or incident-related investigations.

### Supplier Audits & Assessments

Bayer verifies the observance of the code requirements by the suppliers selected by means of EcoVadis online assessments or through on-site audits or, during the COVID-19 pandemic, virtual audits conducted by both external and Bayer auditors.

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In 2021, we also arranged for 67 (2020: 26) of our suppliers to be audited on site by external, independent auditors. In addition, 10 (2020: 5) suppliers were audited virtually due to the global COVID-19 pandemic. The audit criteria included both the specifications of our code and the industry-specific requirements of the TfS and PSCI industry initiatives.

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### Global Tracking (Proportion of Collective Agreements by Region)

Employees at all Bayer sites around the world have the right to elect their own representatives. In 2021, the working conditions for around 54% of our employees worldwide were governed by collective or company agreements. At various country companies, the interests of the workforce are represented by elected employee representatives who have a right to be consulted on certain personnel-related decisions.



%	2020	2021
Europe/Middle East/Africa	80	80
North America	2	2
Asia/Pacific	48	49
Latin America	52	52
<b>Total</b>	<b>55</b>	<b>54</b>

### ► OECD Step 5: Communicate how impacts are addressed

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#### Positions & Statements // Website

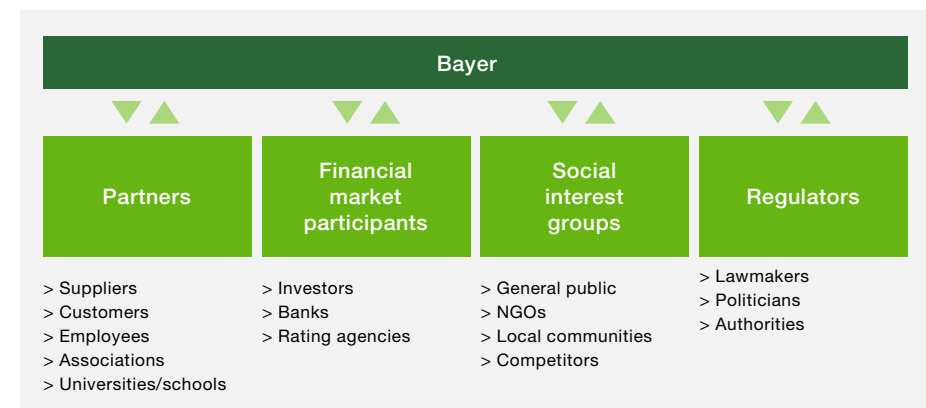
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Stakeholder dialogue helps us to recognize important trends and developments in society and our markets at an early stage and take this information into account when shaping our business. Our [BASE principles](#) serve as the foundation for all dialogue.

In strategic decision-making processes, regarding investment projects and product launches for example, Bayer proactively approaches key social and political players right from the start of a new project. Such open dialogue enables us to identify opportunities and risks early on. This process is in line with our Stakeholder Engagement Guideline and is supplemented by an internal information platform.

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Our regular stakeholder activities range from dialogues at the local, national and international level, and active involvement in committees and specialist workshops all the way through to comprehensive information programs, issue related multi-stakeholder events, and participation in international initiatives and collaborations.

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### ► OECD Step 6: Provide for or cooperate in remediation when appropriate

#### Management Systems

Any human or labor rights violations are remediated in accordance with local laws as well as international standards and internal guidelines. The type of remedy or combination of remedies that is appropriate will depend on the nature and extent of the adverse impact.

Bayer cooperates with all relevant stakeholders such as authorities, business partners and suppliers.

### Compliance Management System including Grievance Mechanisms (e.g. Hotline)

Suspected compliance violations can be reported – anonymously if desired and if permitted by respective national law – to a worldwide compliance hotline operated by an independent service provider. Suspected violations can be reported either via the internet or through a phone call made in the caller's preferred language and answered by independent specialists. The hotline is also accessible to the general public. In addition, an internal mailbox – the so-called "Speak-Up Inbox" – was introduced in 2020 for the submission of suspected compliance violations. Alternatively, suspected violations may also be reported to the respective compliance functions or to Internal Audit. Since 2021, furthermore, it has been possible to report suspected compliance violations through a newly implemented platform in the form of an incident request. Compliance violations include all possible types of infringements of internal and external requirements and are systematically sanctioned. The action taken depends on factors including the gravity of the violation and applicable law. All cases are recorded according to uniform criteria 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.

### Supplier Management Process, Corrective Action Plans

The online assessments and on-site audits are analyzed and documented so that specific improvement measures can be defined. In 2021, suppliers who had undergone online assessments by EcoVadis demonstrated the need for improvement

in particular in the categories of ethics and sustainable procurement, while those who had been audited required improvement in occupational health and safety. A supplier receives a critical result if one or more serious violations 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 2021, this applied to 22 suppliers (3% assessed and audited suppliers; 2020: 2% (13)). We monitor the implementation of these activities by way of reassessments 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 508 (2020: 357) of the 879 (2020: 701) Bayer suppliers evaluated in 2021 improved their sustainability performance. A key factor in this collaboration is helping our suppliers to improve their sustainability performance. Here we focus both on remedying deficiencies and on collaborating on sustainability topics.

In 2021, audits of suppliers uncovered a very small number of serious violations against applicable wages, other benefits, working time, fair treatment as well as occupational health and safety. In each of these cases, we actively cooperated with our suppliers to improve the situation for employees in a timely fashion.

## Principle 4:

### **Businesses should uphold the elimination of all forms of forced and compulsory labour**

#### **How Bayer implements Principle 4 within strategies and operations**

##### ► **OECD Step 1: Embed responsible business conduct into policies and management systems**

Child and forced labor are strictly prohibited at Bayer in accordance with the core labour standards of the ILO. The binding nature of this global ban is established in both our [Human Rights Policy](#) and our [Supplier Code of Conduct](#).

## **Modern Slavery Statement**

To set a sign against modern slavery, forced or compulsory labour and human trafficking we summarize and publish our efforts and yearly progress to combat violations of human rights in a [Modern Slavery Statement](#). It encompasses the human right of not to be subjected to slavery, servitude, or forced labour and serves to fulfill our legal reporting requirements.

We have summarized our yearly progress in a statement adhering to the legal requirements of: [The California Transparency on Supply Chain Act](#), [The United Kingdom Modern Slavery Act](#) and [The Australia Modern Slavery Act](#).

## **Human Rights Strategy**

By 2030, we want to be industry-leading in our approach to human rights. With this goal in sight, we further developed our human rights strategy in 2021 and are in the process of updating our Human Rights Policy. Both are based on a status and risk analysis. The draft policy is currently being assessed for conformity with the requirements stemming from the German Supply Chain Due Diligence Act with which we align ourselves. It is intended for both the human rights strategy and the policy to become effective in 2022 once the assessment has been completed.

We are aware that human rights due diligence is a continuous process. The development of our strategy therefore comprises several interlocking phases intended to cover not just the addressing of human rights risks and impacts, but also our efforts to achieve our company vision and selected Sustainable Development Goals (SDGs):

Definition of the framework: derivation of the human rights strategy based on an analysis of the status and risks in accordance with the UNGPs, our vision “Health for all, hunger for none” and the future requirements stemming from the German Supply Chain Due Diligence 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.

## Management Systems and Policies

Bayer is a founding member of the UN Global Compact 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. We support the UN Guiding Principles on Business and Human Rights (UNGPs), which are among the most important international standards for preventing and combating possible human rights violations in connection with business activities. We commit to respect human rights due diligence in our activities along the value chain as described in the UNGPs. We also support the OECD Guidelines for Multinational Enterprises, the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy of the International Labour Organization (ILO), and the latter's core labor standards.

Human rights are among the responsibilities of the Chairman of the Bayer Board of Management. In his role as Chief Sustainability Officer, he is supported as regards the topic of human rights by the Public Affairs, Science, Sustainability & HSE Enabling Function. The implementation of our human rights standards in business operations is regulated by Group regulations, processes and management and monitoring systems.

Bayer fully supports human rights and has documented its stance in a globally binding [Bayer Human Rights Policy](#). We are committed to respecting and fostering human rights within our own business activities and in business relations. Our commitment extends to all Bayer employees worldwide and the entire value chain, comprising suppliers, business partners, customers, consumers and local communities. Guided by our LIFE values and supplementary to our Human Rights Policy, we substantiate specific standards and responsibilities as regards respecting human rights in the following additional Group regulations: [Bayer Societal Engagement \(BASE\) Principles](#), [Data Privacy](#), [Corporate Compliance](#), [Management of Contingent Workforce Policy](#), [Fairness and Respect at Work](#), [HSE Management and HSE Key Requirements](#), as well as [Security & Crisis Management](#).

We also expect our business partners, and particularly our suppliers, to fully observe human rights. We expect our suppliers to comply with the requirements of our [Supplier Code of Conduct](#), which is based on our Bayer Human Rights Policy, the principles of the UN Global Compact and the core labor standards of the ILO.

## Supplier Code of Conduct (SCoC), SCoC Guidance, sustainability contract clauses

The elimination of all forms of forced and compulsory labour of our suppliers is anchored in our [Supplier Code of Conduct](#). We do not tolerate slavery, servitude and forced or compulsory labour and human trafficking in our supply chain. Bonded, indentured or involuntary prison labour also is not accepted. Practices such as withholding personal property, passports, wages, training certificates, work or any other document for inappropriate reasons are not acceptable.

The code is applied in the selection and evaluation of our suppliers and is integrated into electronic ordering systems throughout the Bayer Group. As a result, suppliers must already commit to our core principles upon registration. Furthermore, our standard supply contracts contain a clause that authorizes us to verify suppliers' compliance with our sustainability requirements. This clause will be successively integrated into all contracts that are up for renewal in 2022. Our Code of Conduct is supplemented by a global guidance document, which, like the Supplier Code of Conduct, is available on our [website](#).

### ► OECD Step 2: Identify and assess actual and potential adverse impacts associated with the enterprise's operations, products or services

## Enterprise Risk Management System

We have implemented a holistic and integrated risk management system designed to ensure the continued existence and future target attainment of the Group through the early identification, assessment and treatment of risks. Our risk management system is aligned to internationally recognized standards and principles such as the ISO 31000 standard of the International Organization for Standardization.

The Board of Management of Bayer AG holds overall responsibility for an effective risk management system. The Audit Committee of the Supervisory Board oversees the appropriateness and effectiveness of the risk management system at least once a year, after which a report is made to the entire Supervisory Board.

The Bayer Assurance Committee, which is chaired by the CFO, is a committee of the Board of Management. As well as ensuring that appropriate action is taken to control any substantial risks, the Bayer Assurance Committee regularly discusses and reviews the risk portfolio and the status of the risk control measures.

Responsibility for the identification, assessment, treatment and reporting of risks lies with the operational business units in the divisions and enabling functions. The risk managers are responsible for identifying risks.

Where possible, the identified risks are evaluated with regard to their potential impact and likelihood of occurrence, while taking into account established risk control measures.

To help ensure we identify risks as comprehensively as possible, we maintain a risk universe that reflects the company's potential risk categories. The Bayer Risk Universe, which is regularly updated, also expressly accounts for risks of a nonfinancial nature that are linked to our business activity or to our business relationships, products and services.

Risks are assessed on a net basis, taking into account the risk control measures in place to mitigate the potential impact and likelihood of occurrence. Examples of such risk control measures can also be found the [Sustainability Report](#) in the descriptions of how various sustainability issues are managed. The extent of the impact is rated in quantitative and/or qualitative terms. The quantitative assessment reflects a potentially negative effect on cash flows. A qualitative assessment of the impact is based on criteria such as the effect on our strategy or reputation, the potential loss of stakeholder confidence, and potential incomplete compliance with sustainability principles (e.g. in the area of safety, environmental protection or human rights). The higher rating – qualitative or quantitative – determines the overall assessment.

Included are risks pursuant to the German Corporate Social Responsibility (CSR) Directive Implementation Act that relate to environmental, employee and social issues, human rights, corruption and bribery (compliance).

For detailed information on the basic elements of the risk management system, including the risk management process, and details on our risk status, please see Chapter 3.2 Opportunity and Risk Report of the [2021 Annual Report](#).

### Identifying human rights and labour rights risks and impacts

In 2021, together with external partners, we virtually completed the renewed Group-wide identification and assessment of our human rights risks in accordance with the UNGPs using our Bayer-wide risk management system. The first step in this process was to identify potential human rights risks with which we could be involved directly through our business activities, our products or services, or indirectly in our supply chain. These risks were then separately assessed with regard to their degree of severity, materiality and likelihood of occurrence.

This enabled us to identify 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). The results of the human rights risk analysis are intended to be published as the human rights strategy comes into force.

Plans are in place to incorporate the results of this human rights risk analysis into our Group-wide, integrated risk management process.

In the agriculture industry, seed producers are subject to particular risks, especially with regard to respecting human rights. We shall place greater emphasis on this aspect in the future as we develop our new human rights strategy and the sustainability risk classification.

## Human Rights Risk Assessment including Supplier Risk Assessment

As regards the topic of human rights, we are focusing especially on our supply chain because this connects us with several million rights holders – in other words people who are directly or indirectly impacted by our activities. For this purpose, Procurement undertakes a classification of the sustainability risk of our suppliers. This risk classification encompasses all procurement countries and categories such as services and seed production, the latter also including seasonal workers. This enables us to identify and systematically address human rights risks by country and category. Aspects of human rights are also covered in the training offerings and the Supplier Code of Conduct guidance.

The risk of human rights violations poses a particular challenge for Bayer in the seed supply chain. The focus here is on the risk of child labour. Through our Child Care Program, Bayer for years has taken systematic action to prevent child labour in the seed supply chain. The program is established in India, Bangladesh and the Philippines – the countries in which we identified the potential for child labour infractions through our risk assessment.

### ► OECD Step 3: Cease, prevent and mitigate adverse impacts

#### Enterprise Risk Management System // Policies

As part of the Risk Management process, risk control measures are taken for risks in the Bayer risk universe. Risks are assessed on a net basis, taking into account the risk control measures in place to mitigate the potential impact and likelihood of occurrence.

Examples of such risk control measures in the area of human rights are policies such as our [Human Rights Policy](#), [BASE Principles](#), [Data Privacy](#), [Corporate Compliance](#), [Fairness and Respect at Work](#), [HSE Management and HSE Key Requirements](#), as well as [Security & Crisis Management](#) as well as our [Supplier Code of Conduct](#) and our Procurement process. Policies & processes are updated on a regular basis based on findings.

## Training // Compliance Hotline

We offer numerous ongoing training programs to enhance employees' awareness of the importance of human rights in their day-to-day activities. In 2021, we also published a dedicated human rights basic training course in English for all employees. There are plans to make this course available in eight additional languages in 2022. In 2021, more than 85% of our employees received training on aspects of our Human Rights Policy in sessions totaling more than 215,000 hours. The issue of human rights has also been an integral element of training measures for the management of our country organizations since 2021.

If there are indications of violations of our Human Rights Policy, employees and members of the general public can contact the worldwide [compliance hotline](#), which is available in more than 300 languages. This can also be done anonymously if desired. Alternatively, employees can also report suspected violations to the respective compliance functions or to the Internal Audit unit, or submit information via an internal company email address or in the form of an incident request via a newly implemented platform.

## Supplier Management Process

Bayer works continuously to strategically evolve sustainability topics in procurement. In the coming years, the company intends to place increasing importance on environmental and human rights requirements throughout the supply chain and on the Supplier Diversity Program. In 2021, we began developing indicators to monitor progress in the various sustainability focus areas and define suitable targets. In 2021, we continued to ensure that all strategically important suppliers had to present an EcoVadis rating of at least 45 of 100 points ("green" assessment) or a comparable audit result. Since 2021, furthermore, potential new suppliers with a high inherent sustainability risk and procurement spend of more than €250,000 have been examined in advance with regard to sustainability aspects.

Bayer verifies the observance of the code requirements by the suppliers selected for evaluation by means of EcoVadis online assessments or through on-site audits or, during the COVID-19 pandemic, virtual audits conducted by both external and Bayer auditors. The online assessments and on-site audits are analyzed and documented so that specific improvement measures can be defined. In 2021, suppliers who had

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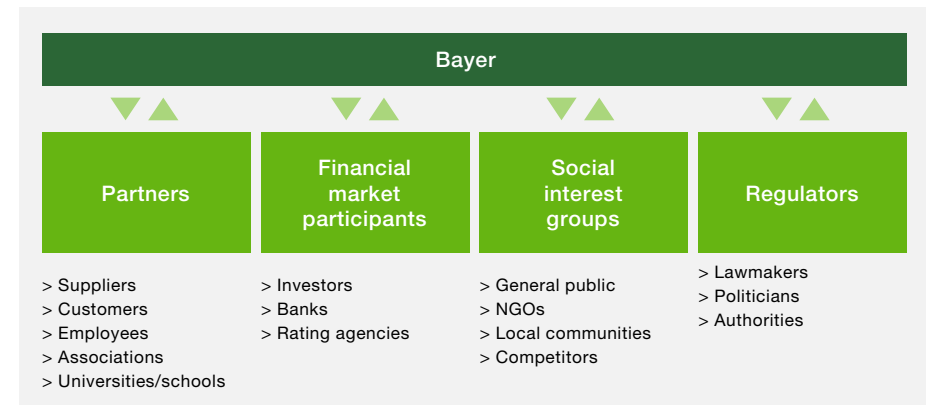
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## Principle 5:

### Businesses should uphold the effective abolition of child labour

#### How Bayer implements Principle 5 within strategies and operations

#### ► OECD Step 1: Embed responsible business conduct into policies and management systems

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#### Human Rights Strategy

By 2030, we want to be industry-leading in our approach to human rights. With this goal in sight, we further developed our human rights strategy in 2021 and are in the process of updating our Human Rights Policy. Both are based on a status and risk analysis. The draft policy is currently being assessed for conformity with the requirements stemming from the German Supply Chain Due Diligence Act with which we align ourselves. It is intended for both the human rights strategy and the policy to become effective in 2022 once the assessment has been completed.

We are aware that human rights due diligence is a continuous process. The development of our strategy therefore comprises several interlocking phases intended to cover not just the addressing of human rights risks and impacts, but also our efforts to achieve our company vision and selected Sustainable Development Goals (SDGs):

Definition of the framework: derivation of the human rights strategy based on an analysis of the status and risks in accordance with the UNGPs, our vision “Health for all, hunger for none” and the future requirements stemming from the German Supply Chain Due Diligence 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.

#### Management Systems and Policies

Bayer is a founding member of the UN Global Compact 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. We support the UN Guiding Principles on Business and Human Rights (UNGPs), which are among the most important international standards for preventing and combating possible human rights violations in connection with business activities. We commit to respect human rights due diligence in our activities along the value chain as described in the UNGPs. We also support the OECD Guidelines for Multinational Enterprises, the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy of the International Labour Organization (ILO), and the latter’s core labor standards.

Human rights are among the responsibilities of the Chairman of the Bayer Board of Management. In his role as Chief Sustainability Officer, he is supported as regards the topic of human rights by the Public Affairs, Science, Sustainability & HSE Enabling Function. The implementation of our human rights standards in business operations is regulated by Group regulations, processes and management and monitoring systems.

Bayer fully supports human rights and has documented its stance in a globally binding [Bayer Human Rights Policy](#). We are committed to respecting and fostering human rights within our own business activities and in business relations. Our commitment extends to all Bayer employees worldwide and the entire value chain, comprising

suppliers, business partners, customers, consumers and local communities. Guided by our LIFE values and supplementary to our Human Rights Policy, we substantiate specific standards and responsibilities as regards respecting human rights in the following additional Group regulations: [Bayer Societal Engagement \(BASE\) Principles](#), [Data Privacy](#), [Corporate Compliance](#), [Management of Contingent Workforce Policy](#), [Fairness and Respect at Work](#), [HSE Management and HSE Key Requirements](#), as well as [Security & Crisis Management](#).

We also expect our business partners, and particularly our suppliers, to fully observe human rights. We expect our suppliers to comply with the requirements of our [Supplier Code of Conduct](#), which is based on our Bayer Human Rights Policy, the principles of the UN Global Compact and the core labor standards of the ILO.

The code is applied in the selection and evaluation of our suppliers and is integrated into electronic ordering systems throughout the Bayer Group. As a result, suppliers must already commit to our core principles upon registration. Furthermore, our standard supply contracts contain a clause that authorizes us to verify suppliers' compliance with our sustainability requirements. This clause will be successively integrated into all contracts that are up for renewal in 2022. Our Code of Conduct is supplemented by a global guidance document, which, like the Supplier Code of Conduct, is available on our [website](#).

### **Supplier Code of Conduct (ScoC), SCoC Guidance, sustainability contract clauses**

The effective abolition of child labour; of our suppliers is anchored in our [Supplier Code of Conduct](#). We do not tolerate child labour in our supply chain. Suppliers must avoid any sort of child labour in their business operations consistent with the International Labour Organization's (ILO) core labour standards and the United Nations Global Compact principles. If local minimum age law stipulates a higher age for work or mandatory schooling, the higher age applies.

The code is applied in the selection and evaluation of our suppliers and is integrated into electronic ordering systems throughout the Bayer Group. As a result, suppliers must already commit to our core principles upon registration. Furthermore, our standard supply contracts contain a clause that authorizes us to verify suppliers' compliance with our sustainability requirements. This clause will be successively

integrated into all contracts that are up for renewal in 2022. Our Code of Conduct is supplemented by a global guidance document, which, like the Supplier Code of Conduct, is available on our [website](#).

### **► OECD Step 2: Identify and assess actual and potential adverse impacts associated with the enterprise's operations, products or services**

#### **Enterprise Risk Management System**

We have implemented a holistic and integrated risk management system designed to ensure the continued existence and future target attainment of the Group through the early identification, assessment and treatment of risks. Our risk management system is aligned to internationally recognized standards and principles such as the ISO 31000 standard of the International Organization for Standardization.

The Board of Management of Bayer AG holds overall responsibility for an effective risk management system. The Audit Committee of the Supervisory Board oversees the appropriateness and effectiveness of the risk management system at least once a year, after which a report is made to the entire Supervisory Board.

The Bayer Assurance Committee, which is chaired by the CFO, is a committee of the Board of Management. As well as ensuring that appropriate action is taken to control any substantial risks, the Bayer Assurance Committee regularly discusses and reviews the risk portfolio and the status of the risk control measures.

Responsibility for the identification, assessment, treatment and reporting of risks lies with the operational business units in the divisions and enabling functions. The risk managers are responsible for identifying risks.

Where possible, the identified risks are evaluated with regard to their potential impact and likelihood of occurrence, while taking into account established risk control measures.

To help ensure we identify risks as comprehensively as possible, we maintain a risk universe that reflects the company's potential risk categories. The Bayer Risk Universe, which is regularly updated, also expressly accounts for risks of a nonfinancial nature that are linked to our business activity or to our business relationships, products and services.

Risks are assessed on a net basis, taking into account the risk control measures in place to mitigate the potential impact and likelihood of occurrence. Examples of such risk control measures can also be found the [Sustainability Report](#) in the descriptions of how various sustainability issues are managed. The extent of the impact is rated in quantitative and/or qualitative terms. The quantitative assessment reflects a potentially negative effect on cash flows. A qualitative assessment of the impact is based on criteria such as the effect on our strategy or reputation, the potential loss of stakeholder confidence, and potential incomplete compliance with sustainability principles (e.g. in the area of safety, environmental protection or human rights). The higher rating – qualitative or quantitative – determines the overall assessment.

Included are risks pursuant to the German Corporate Social Responsibility (CSR) Directive Implementation Act that relate to environmental, employee and social issues, human rights, corruption and bribery (compliance).

For detailed information on the basic elements of the risk management system, including the risk management process, and details on our risk status, please see Chapter 3.2 Opportunity and Risk Report of the [2021 Annual Report](#).

### Identifying human rights and labour rights risks and impacts

In 2021, together with external partners, we virtually completed the renewed Group-wide identification and assessment of our human rights risks in accordance with the UNGPs using our Bayer-wide risk management system. The first step in this process was to identify potential human rights risks with which we could be involved directly through our business activities, our products or services, or indirectly in our supply chain. These risks were then separately assessed with regard to their degree of severity, materiality and likelihood of occurrence.

This enabled us to identify 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). The results of the human rights risk analysis are intended to be published as the human rights strategy comes into force.

Plans are in place to incorporate the results of this human rights risk analysis into our Group-wide, integrated risk management process.

In the agriculture industry, seed producers are subject to particular risks, especially with regard to respecting human rights. We shall place greater emphasis on this aspect in the future as we develop our new human rights strategy and the sustainability risk classification.

### Human Rights Risk Assessment including Supplier Risk Assessment

As regards the topic of human rights, we are focusing especially on our supply chain because this connects us with several million rights holders – in other words people who are directly or indirectly impacted by our activities. For this purpose, Procurement undertakes a classification of the sustainability risk of our suppliers. This risk classification encompasses all procurement countries and categories such as services and seed production, the latter also including seasonal workers. This enables us to identify and systematically address human rights risks by country and category. Aspects of human rights are also covered in the training offerings and the Supplier Code of Conduct guidance.

The risk of human rights violations poses a particular challenge for Bayer in the seed supply chain. The focus here is on the risk of child labour. Through our Child Care Program, Bayer for years has taken systematic action to prevent child labour in the seed supply chain. The program is established in India, Bangladesh and the Philippines – the countries in which we identified the potential for child labour infractions through our risk assessment.

### ► OECD Step 3: Cease, prevent and mitigate adverse impacts

#### Enterprise Risk Management System // Policies

As part of the Risk Management process, risk control measures are taken for risks in the Bayer risk universe. Risks are assessed on a net basis, taking into account the risk control measures in place to mitigate the potential impact and likelihood of occurrence.

Examples of such risk control measures in the area of human rights are policies such as our [Human Rights Policy](#), [BASE Principles](#), Data Privacy, [Corporate Compliance](#), Fairness and Respect at Work, [HSE Management and HSE Key Requirements](#), as well as Security & Crisis Management as well as our [Supplier Code of Conduct](#) and our Procurement process. Policies & processes are updated on a regular basis based on findings.

#### Training // Compliance Hotline

We offer numerous ongoing training programs to enhance employees' awareness of the importance of human rights in their day-to-day activities. In 2021, we also published a dedicated human rights basic training course in English for all employees. There are plans to make this course available in eight additional languages in 2022. In 2021, more than 85% of our employees received training on aspects of our Human Rights Policy in sessions totaling more than 215,000 hours. The issue of human rights has also been an integral element of training measures for the management of our country organizations since 2021.

If there are indications of violations of our Human Rights Policy, employees and members of the general public can contact the worldwide [compliance hotline](#), which is available in more than 300 languages. This can also be done anonymously if desired. Alternatively, employees can also report suspected violations to the respective compliance functions or to the Internal Audit unit, or submit information via an internal company email address or in the form of an incident request via a newly implemented platform.

#### Child Care Program

Through our Child Care Program, Bayer has for years taken systematic action to prevent child labour in the seed supply chain. The program is established in India, Bangladesh and the Philippines – the countries in which we identified the potential for child labour infractions through our risk assessment.

Continuously raising awareness about child labour in the agriculture sector requires extensive measures and the involvement of various stakeholders. Against this background, Bayer joined with other seed companies back in 2019 to establish the Enabling Child and Human Rights with Seed Organizations (ECHO) initiative. ECHO is one of the biggest multi-stakeholder forums for the promotion of children's rights and decent work – which includes fair wages as well as healthy and safe working conditions. Within this scope, we organized several events in 2021 dealing with themes such as decent work standards; health, safety and social protection; and abolition of child labour.

#### Learning for Life initiative

The Learning for Life initiative is an integral part of our Child Care Program in India. With advanced training measures in farming, we help disadvantaged young people gain the skills and knowledge needed for modern agricultural vocations and prepare themselves for advanced agricultural employment in villages or companies. The young people who have completed the training program serve as role models for other children to continue pursuing their school education. In combination with the Early Child Education Program implemented between 2005 and 2012/2013, we had reached 7,220 children and young people with our Learning for Life activities by the end of 2021. This number includes the more than 1,300 school students who successfully completed the career-oriented program between 2010 (the year of launch) and 2021.

#### Supplier Management Process

Bayer works continuously to strategically evolve sustainability topics in procurement. In the coming years, the company intends to place increasing importance on environmental and human rights requirements throughout the supply chain and on the Supplier Diversity Program. In 2021, we began developing indicators to monitor

progress in the various sustainability focus areas and define suitable targets. In 2021, we continued to ensure that all strategically important suppliers had to present an EcoVadis rating of at least 45 of 100 points (“green” assessment) or a comparable audit result. Since 2021, furthermore, potential new suppliers with a high inherent sustainability risk and procurement spend of more than €250,000 have been examined in advance with regard to sustainability aspects.

Bayer verifies the observance of the code requirements by the suppliers selected for evaluation by means of EcoVadis online assessments or through on-site audits or, during the COVID-19 pandemic, virtual audits conducted by both external and Bayer auditors. The online assessments and on-site audits are analyzed and documented so that specific improvement measures can be defined. In 2021, suppliers who had undergone online assessments by EcoVadis demonstrated the need for improvement in particular in the categories of ethics and sustainable procurement, while those who had been audited required improvement in occupational health and safety.

A supplier receives a critical result if one or more serious violations 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 2021, this applied to 22 suppliers (3% assessed and audited suppliers; 2020: 2% (13)). We monitor the implementation of these activities by way of reassessments or follow-up audits. Bayer retains the right to terminate a supplier relationship if no improvement is observed during a re-evaluation.

### Engagement in Industry Initiatives

We engage in dialogue with other stakeholders on the topic of human rights and actively participate in committees and initiatives established to ensure their observance, for example in corresponding working groups of [econsense](#), the [Business for Social Responsibility \(BSR\)](#) initiative and, in the supply chain, via our industry initiatives [Together for Sustainability \(TfS\)](#) and the [Pharmaceutical Supply Chain Initiative \(PSCI\)](#). The member companies from various industries discuss best practices, challenges and experiences in implementing the UNGPs. At the Pre-Summit of the UN Food Systems Summit, we joined the Coalition of Action on Living Incomes and Decent Work, and are supporting this initiative.

## ► OECD Step 4: Track implementation and results

### Internal Audits

We verify the observance of human rights at our sites partly by means of Bayer audits. Bayer Internal Audit regularly conducts audits following the International Internal Audit Standards (IIA). The annual audit planning follows a risk-based approach. These audits include a verification of our human resources processes, particularly concerning labour contracts, compliance with hiring requirements (including a minimum age verification) of our permanent and temporary employees, and employees' working hours. It is also examined whether employees are paid a living wage. Our procurement processes are audited as well, for example work with contractors. A total of 89 audit reports were compiled in 2021, of which 12 were preventive compliance system audits or incident-related investigations.

### Supplier Audits & Assessments

Bayer verifies the observance of the code requirements by the suppliers selected by means of EcoVadis online assessments or through on-site audits or, during the COVID-19 pandemic, virtual audits conducted by both external and Bayer auditors.

The online assessment criteria of EcoVadis – broken down into the areas of environment, ethics, labour practices and human rights, and sustainable procurement – correspond to the requirements of our code and also take into account country- and industry-specific conditions and supplier size. In total, our service provider EcoVadis assessed 802 (2020: 670) suppliers on our behalf in 2021.

In 2021, we also arranged for 67 (2020: 26) of our suppliers to be audited on site by external, independent auditors. In addition, 10 (2020: 5) suppliers were audited virtually due to the global COVID-19 pandemic. The audit criteria included both the specifications of our code and the industry-specific requirements of the TfS and PSCI industry initiatives.

Our monthly monitoring shows that 508 (2020: 357) of the 879 (2020: 701) Bayer suppliers evaluated in 2021 improved their sustainability performance.

Furthermore, internal and external auditors evaluate selected new and existing suppliers with a focus on HSE. These audits are performed for suppliers with significant risk potential as regards, for example, substances, production processes, occupational safety or environmental factors, as well as for toll or contract manufacturers with an increased country risk. In 2021, 200 (2020: 83) suppliers were evaluated by means of HSE audits.

### Corrective Action Plans

The online assessments and on-site audits are analyzed and documented so that specific improvement measures can be defined. In 2021, suppliers who had undergone online assessments by EcoVadis demonstrated the need for improvement in particular in the categories of ethics and sustainable procurement, while those who had been audited required improvement in occupational health and safety. A supplier receives a critical result if one or more serious violations 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.

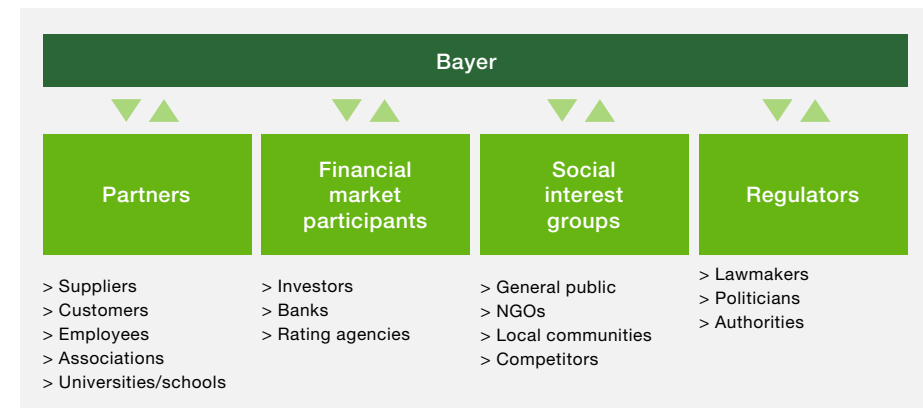
### Global Tracking (Child Care Program)

Through our Child Care Program, we raise awareness about this problem 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. As a supplementary quality control measure, a special team from Bayer India carries out sample inspections in the fields in India, Bangladesh and the Philippines, in addition to a general process and documentation review.

Despite the restrictions associated with COVID-19, local Bayer employees continued their field inspections wherever possible, while observing safety precautions. In this context, it was determined that the incidence of child labour in India had increased due to return migration of the rural population and the enormous challenges associated with the pandemic. It was once again not possible to have sample inspections conducted by Bayer India's special team in the Philippines and Bangladesh in 2021 due to travel restrictions. In 2020/2021, we uncovered a total of 40 cases of child labour among our seed suppliers in India (see table below). No

cases of child labour were identified in Bangladesh or the Philippines over the same period.

### Stakeholder Groups



We measure the success of our comprehensive program in India using the indicator “Child Labour Incidence in Relation to the Total Number of Labourers Monitored in Seed Production for Bayer.” Bayer sold its cotton business following the 2020/2021 harvesting season. As of 2022, monitoring in India therefore will only take place for rice, vegetables and corn.

### Child Labor Incidence in Relation to the Total Number of Laborers Monitored in Seed Production for Bayer Taking India as an Example<sup>1</sup>

	Child labor incidence	Total laborers monitored	Child labor incidence in relation to total laborers monitored	
	2020/21	2020/21	2019/20	2020/21
Cotton <sup>2</sup>	38	48,292	0.02%	0.0787%
Rice <sup>2</sup>	2	80,832	0.01%	0.0025%
Vegetables <sup>3</sup>	0	39,832	0%	0%
Corn <sup>3</sup>	0	93,724	0%	0%

<sup>1</sup> The figures cover several growing cycles in the cultivation year 2020/21. In India, the growing year under review lasts from the middle of one year until the middle of the subsequent year. Cumulated depiction on the basis of control inspections performed (at least one per growing season for rice and up to six per season for cotton)

### Child Labor Incidence in Relation to the Total Number of Laborers Monitored in Seed Production for Bayer Taking India as an Example<sup>1</sup>

Child labor incidence	Total laborers monitored	Child labor incidence in relation to total laborers monitored	
2020/21	2020/21	2019/20	2020/21

<sup>2</sup> Bayer Child Care Program

<sup>3</sup> Child care program of the acquired agricultural business. Harmonization with the Bayer Child Care Program began in 2021. This program is being advanced in 2022 in consideration of the requirements stemming from the German Supply Chain Due Diligence Act.

In the Global Child Forum (GCF) Benchmark 2021, which regularly evaluates companies as regards their handling of children's rights, we received a leading rating for our efforts to fight child labour and are the top-rated company in our industry.

### ► OECD Step 5: Communicate how impacts are addressed

#### Sustainability & Annual Report

With its [Sustainability Report](#), Bayer aims to provide transparent and in-depth insights into both its sustainability strategy and its sustainability performance. The report supplements the nonfinancial statement pursuant to the CSR Directive Implementation Act (CSR-RUG) that is published in the combined management report of the 2021 [Annual Report](#).

The Bayer Group's sustainability reporting has been aligned to the guidelines of the [Global Reporting Initiative](#) (GRI) and the 10 principles of the UN Global Compact (UNGC) since 2000. This report has been prepared in accordance with the GRI Standards: Core option. This report also serves as a Communication on Progress in line with the UN Global Compact. We also take into account the relevant requirements of the Sustainability Accounting Standards Board (SASB). A [summarized index](#) according to the three SASB Industry Standards relevant to us – "Biotechnology & Pharmaceuticals," "Chemicals" and "Agricultural Products" – can be found on our website. In our climate reporting we follow the recommendations of the Task Force on

Climate-related Financial Disclosures (TCFD) and publish a [separate index](#) in PDF format also on our website.

#### Transparency

Transparency is a top priority for Bayer. We are committed to build up and strengthen trust by making information accessible from a whole range of areas. For our commitment and overview of activities, please see our [transparency website](#).

#### Positions & Statements // Website

Bayer communicates on human rights and labour principles via our website and public statements: [human rights](#), [Human Rights Policy](#), and our [SCoC](#). In addition, we summarize our yearly progress in a statement adhering to the legal requirements of: [the California Transparency on Supply Chain Act](#), [the United Kingdom Modern Slavery Act](#) and [the Australia Modern Slavery Act](#).

#### Stakeholder Dialogue

As a company, Bayer is a part of society and public life. Ongoing dialogue with our stakeholders is therefore particularly important to us. After all, their expectations and viewpoints affect our public acceptance and thus our commercial success.

We fundamentally distinguish between four stakeholder groups with which we engage in discussions on different issues.

Stakeholder dialogue helps us to recognize important trends and developments in society and our markets at an early stage and take this information into account when shaping our business. Our [BASE principles](#) serve as the foundation for all dialogue.

In strategic decision-making processes, regarding investment projects and product launches for example, Bayer proactively approaches key social and political players right from the start of a new project. Such open dialogue enables us to identify opportunities and risks early on. This process is in line with our Stakeholder Engagement Guideline and is supplemented by an internal information platform.



## Focus on a variety of stakeholders

Our regular stakeholder activities range from dialogues at the local, national and international level, and active involvement in committees and specialist workshops all the way through to comprehensive information programs, issue related multi-stakeholder events, and participation in international initiatives and collaborations.

### ► OECD Step 6: Provide for or cooperate in remediation when appropriate

#### Management Systems

Any human or labor rights violations are remediated in accordance with local laws as well as international standards and internal guidelines. The type of remedy or combination of remedies that is appropriate will depend on the nature and extent of the adverse impact.

Bayer cooperates with all relevant stakeholders such as authorities, business partners and suppliers.

#### Compliance Management System including Grievance Mechanisms (e.g. Hotline)

Suspected compliance violations can be reported – anonymously if desired and if permitted by respective national law – to a worldwide compliance hotline operated by an independent service provider. Suspected violations can be reported either via the internet or through a phone call made in the caller's preferred language and answered by independent specialists. The hotline is also accessible to the general public. In addition, an internal mailbox – the so-called "Speak-Up Inbox" – was introduced in 2020 for the submission of suspected compliance violations. Alternatively, suspected violations may also be reported to the respective compliance functions or to Internal Audit. Since 2021, furthermore, it has been possible to report suspected compliance violations through a newly implemented platform in the form of an incident request. Compliance violations include all possible types of infringements of internal and external requirements and are systematically sanctioned. The action taken depends

on factors including the gravity of the violation and applicable law. All cases are recorded according to uniform criteria 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.

#### Child Care Program

We immediately put a stop to instances of child labour among our seed producers and closely track them through the measures related to our Child Care Program. We visit the parents of children we find working in the fields to specifically convince them of the advantages of school education. Graduated sanctions are also applied for noncompliance by our suppliers. These range from written warnings to termination of the contract in the case of repeated noncompliance. By contrast, suppliers who can verify that they strictly observe our ban on child labour receive bonuses such as incentive payments. Thanks to a stringent monitoring system and the support of local information and educational initiatives, there are very few instances of child labour among seed producers.

#### Supplier Management Process, Corrective Action Plans

The online assessments and on-site audits are analyzed and documented so that specific improvement measures can be defined. In 2021, suppliers who had undergone online assessments by EcoVadis demonstrated the need for improvement in particular in the categories of ethics and sustainable procurement, while those who had been audited required improvement in occupational health and safety. A supplier receives a critical result if one or more serious violations 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 2021, this applied to 22 suppliers (3% assessed and audited suppliers; 2020: 2% (13)). We monitor the implementation of

these activities by way of reassessments 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 508 (2020: 357) of the 879 (2020: 701) Bayer suppliers evaluated in 2021 improved their sustainability performance. A key factor in this collaboration is helping our suppliers to improve their sustainability performance. Here we focus both on remedying deficiencies and on collaborating on sustainability topics.

## Principle 6:

### **Businesses should uphold the elimination of discrimination in respect of employment and occupation**

#### **How Bayer implements Principle 6 within strategies and operations**

#### ► **OECD Step 1: Embed responsible business conduct into policies and management systems**

The elimination of discrimination in respect of employment and occupation is anchored in our [Human Rights Policy](#). Equal treatment of all employees is a fundamental principle of our corporate policy. No person is to be unfairly disadvantaged, favored or ostracized because of irrelevant characteristics such as race, national origin, gender, age, physical characteristics, social origin, disability, union membership, religion, family status, pregnancy, sexual orientation, gender identity, gender expression or any unlawful criterion under applicable law. Harassment of any kind is forbidden. We expect our employees to be respectful, professional, and fair in their dealings with colleagues and third parties, including customers, suppliers and officials. Under comparable prerequisites, we provide equal pay for equal work.

## **Human Rights Strategy**

By 2030, we want to be industry-leading in our approach to human rights. With this goal in sight, we further developed our human rights strategy in 2021 and are in the process of updating our Human Rights Policy. Both are based on a status and risk analysis. The draft policy is currently being assessed for conformity with the requirements stemming from the German Supply Chain Due Diligence Act with which we align ourselves. It is intended for both the human rights strategy and the policy to become effective in 2022 once the assessment has been completed.

We are aware that human rights due diligence is a continuous process. The development of our strategy therefore comprises several interlocking phases intended to cover not just the addressing of human rights risks and impacts, but also our efforts to achieve our company vision and selected Sustainable Development Goals (SDGs):

Definition of the framework: derivation of the human rights strategy based on an analysis of the status and risks in accordance with the UNGPs, our vision “Health for all, hunger for none” and the future requirements stemming from the German Supply Chain Due Diligence 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.

## **Management Systems and Policies**

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The code is applied in the selection and evaluation of our suppliers and is integrated into electronic ordering systems throughout the Bayer Group. As a result, suppliers must already commit to our core principles upon registration. Furthermore, our standard supply contracts contain a clause that authorizes us to verify suppliers' compliance with our sustainability requirements. This clause will be successively integrated into all contracts that are up for renewal in 2022. Our Code of Conduct is supplemented by a global guidance document, which, like the Supplier Code of Conduct, is available on our [website](#).

### **Supplier Code of Conduct (ScoC), SCoC Guidance, sustainability contract clauses**

The elimination of discrimination in respect of employment and occupation of our suppliers is anchored in our [Supplier Code of Conduct](#). Equal treatment of all

employees must be a fundamental principle of the supplier's corporate policy. Typical discriminatory treatment takes into consideration – consciously or unconsciously – irrelevant characteristics of an employee such as age, disability, ethnicity, family status, gender, gender expression, gender identity, genetic information, national origin, physical characteristics, political affiliation, pregnancy, religion, social origin, sexual orientation, union membership or any unlawful criterion under applicable law. Suppliers shall ensure that their employees are not harassed in any way. Bayer encourages suppliers to provide an inclusive and supportive working environment by exercising diversity when it comes to their employees. Likewise, Bayer encourages suppliers to have an active Supplier Diversity Program by engaging with diverse-owned businesses.

### ► **OECD Step 2: Identify and assess actual and potential adverse impacts associated with the enterprise's operations, products or services**

#### **Enterprise Risk Management System**

We have implemented a holistic and integrated risk management system designed to ensure the continued existence and future target attainment of the Group through the early identification, assessment and treatment of risks. Our risk management system is aligned to internationally recognized standards and principles such as the ISO 31000 standard of the International Organization for Standardization.

The Board of Management of Bayer AG holds overall responsibility for an effective risk management system. The Audit Committee of the Supervisory Board oversees the appropriateness and effectiveness of the risk management system at least once a year, after which a report is made to the entire Supervisory Board.

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Where possible, the identified risks are evaluated with regard to their potential impact and likelihood of occurrence, while taking into account established risk control measures.

To help ensure we identify risks as comprehensively as possible, we maintain a risk universe that reflects the company's potential risk categories. The Bayer Risk Universe, which is regularly updated, also expressly accounts for risks of a nonfinancial nature that are linked to our business activity or to our business relationships, products and services.

Risks are assessed on a net basis, taking into account the risk control measures in place to mitigate the potential impact and likelihood of occurrence. Examples of such risk control measures can also be found in the [Sustainability Report](#) in the descriptions of how various sustainability issues are managed. The extent of the impact is rated in quantitative and/or qualitative terms. The quantitative assessment reflects a potentially negative effect on cash flows. A qualitative assessment of the impact is based on criteria such as the effect on our strategy or reputation, the potential loss of stakeholder confidence, and potential incomplete compliance with sustainability principles (e.g. in the area of safety, environmental protection or human rights). The higher rating – qualitative or quantitative – determines the overall assessment.

Included are risks pursuant to the German Corporate Social Responsibility (CSR) Directive Implementation Act that relate to environmental, employee and social issues, human rights, corruption and bribery (compliance).

For detailed information on the basic elements of the risk management system, including the risk management process, and details on our risk status, please see Chapter 3.2 Opportunity and Risk Report of the [2021 Annual Report](#).

### Identifying human rights and labour rights risks and impacts

In 2021, together with external partners, we virtually completed the renewed Group-wide identification and assessment of our human rights risks in accordance with the UNGPs using our Bayer-wide risk management system. The first step in this process

was to identify potential human rights risks with which we could be involved directly through our business activities, our products or services, or indirectly in our supply chain. These risks were then separately assessed with regard to their degree of severity, materiality and likelihood of occurrence.

This enabled us to identify 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). The results of the human rights risk analysis are intended to be published as the human rights strategy comes into force.

Plans are in place to incorporate the results of this human rights risk analysis into our Group-wide, integrated risk management process.

In the agriculture industry, seed producers are subject to particular risks, especially with regard to respecting human rights. We shall place greater emphasis on this aspect in the future as we develop our new human rights strategy and the sustainability risk classification.

### Human Rights Risk Assessment including Supplier Risk Assessment

As regards the topic of human rights, we are focusing especially on our supply chain because this connects us with several million rights holders – in other words people who are directly or indirectly impacted by our activities. For this purpose, Procurement undertakes a classification of the sustainability risk of our suppliers. This risk classification encompasses all procurement countries and categories such as services and seed production, the latter also including seasonal workers. This enables us to identify and systematically address human rights risks by country and category. Aspects of human rights are also covered in the training offerings and the Supplier Code of Conduct guidance.

The risk of human rights violations poses a particular challenge for Bayer in the seed supply chain. The focus here is on the risk of child labour. Through our Child Care Program, Bayer for years has taken systematic action to prevent child labour in the seed supply chain. The program is established in India, Bangladesh and the Philippines – the countries in which we identified the potential for child labour infractions through our risk assessment.

### ► OECD Step 3: Cease, prevent and mitigate adverse impacts

#### Enterprise Risk Management System // Policies

As part of the Risk Management process, risk control measures are taken for risks in the Bayer risk universe. Risks are assessed on a net basis, taking into account the risk control measures in place to mitigate the potential impact and likelihood of occurrence.

Examples of such risk control measures in the area of human rights are policies such as our [Human Rights Policy](#), [BASE Principles](#), Data Privacy, [Corporate Compliance](#), Fairness and Respect at Work, [HSE Management and HSE Key Requirements](#), as well as Security & Crisis Management as well as our [Supplier Code of Conduct](#) and our Procurement process. Policies & processes are updated on a regular basis based on findings.

#### Training // Compliance Hotline

We offer numerous ongoing training programs to enhance employees' awareness of the importance of human rights in their day-to-day activities. In 2021, we also published a dedicated human rights basic training course in English for all employees. There are plans to make this course available in eight additional languages in 2022. In 2021, more than 85% of our employees received training on aspects of our Human Rights Policy in sessions totaling more than 215,000 hours. The issue of human rights has also been an integral element of training measures for the management of our country organizations since 2021.

If there are indications of violations of our Human Rights Policy, employees and members of the general public can contact the worldwide [compliance hotline](#), which is available in more than 300 languages. This can also be done anonymously if desired. Alternatively, employees can also report suspected violations to the respective compliance functions or to the Internal Audit unit, or submit information via an internal company email address or in the form of an incident request via a newly implemented platform.

#### Supplier Management Process

Bayer works continuously to strategically evolve sustainability topics in procurement. In the coming years, the company intends to place increasing importance on environmental and human rights requirements throughout the supply chain and on the Supplier Diversity Program. In 2021, we began developing indicators to monitor progress in the various sustainability focus areas and define suitable targets. In 2021, we continued to ensure that all strategically important suppliers had to present an EcoVadis rating of at least 45 of 100 points ("green" assessment) or a comparable audit result. Since 2021, furthermore, potential new suppliers with a high inherent sustainability risk and procurement spend of more than €250,000 have been examined in advance with regard to sustainability aspects.

Bayer verifies the observance of the code requirements by the suppliers selected for evaluation by means of EcoVadis online assessments or through on-site audits or, during the COVID-19 pandemic, virtual audits conducted by both external and Bayer auditors. The online assessments and on-site audits are analyzed and documented so that specific improvement measures can be defined. In 2021, suppliers who had undergone online assessments by EcoVadis demonstrated the need for improvement in particular in the categories of ethics and sustainable procurement, while those who had been audited required improvement in occupational health and safety.

A supplier receives a critical result if one or more serious violations 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 2021, this applied to 22 suppliers (3% assessed and audited suppliers; 2020: 2% (13)). We monitor the implementation of these activities by way of reassessments or follow-up audits. Bayer retains the right to terminate a supplier relationship if no improvement is observed during a re-evaluation.

#### Engagement in Industry Initiatives

We engage in dialogue with other stakeholders on the topic of human rights and actively participate in committees and initiatives established to ensure their observance, for example in corresponding working groups of [econsense](#), the [Business for Social Responsibility](#) (BSR) initiative and, in the supply chain, via our

industry initiatives Together for Sustainability (TfS) and the Pharmaceutical Supply Chain Initiative (PSCI). The member companies from various industries discuss best practices, challenges and experiences in implementing the UNGPs. At the Pre-Summit of the UN Food Systems Summit, we joined the Coalition of Action on Living Incomes and Decent Work, and are supporting this initiative.

### ► OECD Step 4: Track implementation and results

#### Internal Audits

We verify the observance of human rights at our sites partly by means of Bayer audits. Bayer Internal Audit regularly conducts audits following the International Internal Audit Standards (IIA). The annual audit planning follows a risk-based approach. These audits include a verification of our human resources processes, particularly concerning labour contracts,

compliance with hiring requirements (including a minimum age verification) of our permanent and temporary employees, and employees' working hours. It is also examined whether employees are paid a living wage. Our procurement processes are audited as well, for example work with contractors. A total of 89 audit reports were compiled in 2021, of which 12 were preventive compliance system audits or incident-related investigations.

#### Supplier Audits & Assessments

Bayer verifies the observance of the code requirements by the suppliers selected by means of EcoVadis online assessments or through on-site audits or, during the COVID-19 pandemic, virtual audits conducted by both external and Bayer auditors.

The online assessment criteria of EcoVadis – broken down into the areas of environment, ethics, labour practices and human rights, and sustainable procurement – correspond to the requirements of our code and also take into account country- and

industry-specific conditions and supplier size. In total, our service provider EcoVadis assessed 802 (2020: 670) suppliers on our behalf in 2021.

In 2021, we also arranged for 67 (2020: 26) of our suppliers to be audited on site by external, independent auditors. In addition, 10 (2020: 5) suppliers were audited virtually due to the global COVID-19 pandemic. The audit criteria included both the specifications of our code and the industry-specific requirements of the TfS and PSCI industry initiatives.

Our monthly monitoring shows that 508 (2020: 357) of the 879 (2020: 701) Bayer suppliers evaluated in 2021 improved their sustainability performance.

Furthermore, internal and external auditors evaluate selected new and existing suppliers with a focus on HSE. These audits are performed for suppliers with significant risk potential as regards, for example, substances, production processes, occupational safety or environmental factors, as well as for toll or contract manufacturers with an increased country risk. In 2021, 200 (2020: 83) suppliers were evaluated by means of HSE audits.

#### Corrective Action Plans

The online assessments and on-site audits are analyzed and documented so that specific improvement measures can be defined. In 2021, suppliers who had undergone online assessments by EcoVadis demonstrated the need for improvement in particular in the categories of ethics and sustainable procurement, while those who had been audited required improvement in occupational health and safety. A supplier receives a critical result if one or more serious violations 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.

## ► OECD Step 5: Communicate how impacts are addressed

### Sustainability & Annual Report

With its [Sustainability Report](#), Bayer aims to provide transparent and in-depth insights into both its sustainability strategy and its sustainability performance. The report supplements the nonfinancial statement pursuant to the CSR Directive Implementation Act (CSR-RUG) that is published in the combined management report of the 2021 [Annual Report](#).

The Bayer Group's sustainability reporting has been aligned to the guidelines of the [Global Reporting Initiative](#) (GRI) and the 10 principles of the UN Global Compact (UNGC) since 2000. This report has been prepared in accordance with the GRI Standards: Core option. This report also serves as a Communication on Progress in line with the UN Global Compact. We also take into account the relevant requirements of the Sustainability Accounting Standards Board (SASB). A [summarized index](#) according to the three SASB Industry Standards relevant to us – “Biotechnology & Pharmaceuticals,” “Chemicals” and “Agricultural Products” – can be found on our website. In our climate reporting we follow the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and publish a [separate index](#) in PDF format also on our website.

### Transparency

Transparency is a top priority for Bayer. We are committed to build up and strengthen trust by making information accessible from a whole range of areas. For our commitment and overview of activities, please see our [transparency website](#).

### Positions & Statements // Website

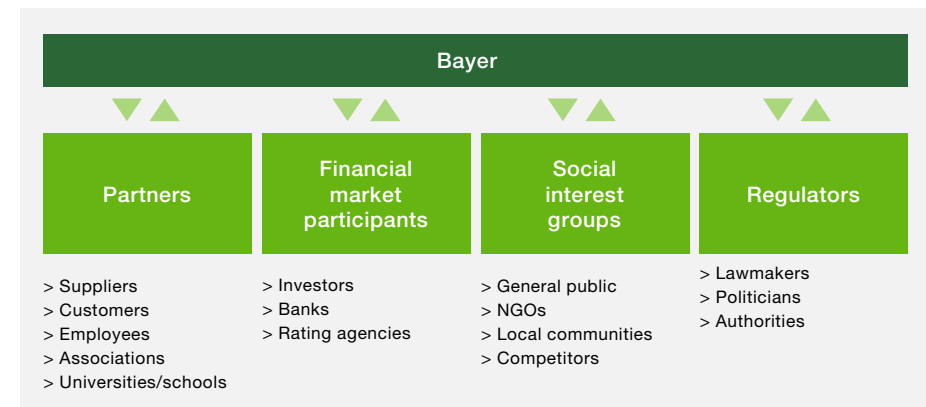
Bayer communicates on human rights and labour principles via our website and public statements: [human rights](#), [Human Rights Policy](#), and our [SCoC](#). In addition, we summarize our yearly progress in a statement adhering to the legal requirements of: [the California Transparency on Supply Chain Act](#), [the United Kingdom Modern Slavery Act](#) and [the Australia Modern Slavery Act](#).

### Stakeholder Dialogue

As a company, Bayer is a part of society and public life. Ongoing dialogue with our stakeholders is therefore particularly important to us. After all, their expectations and viewpoints affect our public acceptance and thus our commercial success.

We fundamentally distinguish between four stakeholder groups with which we engage in discussions on different issues.

#### Stakeholder Groups



Stakeholder dialogue helps us to recognize important trends and developments in society and our markets at an early stage and take this information into account when shaping our business. Our [BASE principles](#) serve as the foundation for all dialogue.

In strategic decision-making processes, regarding investment projects and product launches for example, Bayer proactively approaches key social and political players right from the start of a new project. Such open dialogue enables us to identify opportunities and risks early on. This process is in line with our Stakeholder Engagement Guideline and is supplemented by an internal information platform.

## Focus on a variety of stakeholders

Our regular stakeholder activities range from dialogues at the local, national and international level, and active involvement in committees and specialist workshops all the way through to comprehensive information programs, issue related multi-stakeholder events, and participation in international initiatives and collaborations.

### ► OECD Step 6: Provide for or cooperate in remediation when appropriate

Any human or labor rights violations are remediated in accordance with local laws as well as international standards and internal guidelines. The type of remedy or combination of remedies that is appropriate will depend on the nature and extent of the adverse impact.

Bayer cooperates with all relevant stakeholders such as authorities, business partners and suppliers.

### Grievance mechanism // Handling of suspected and actual compliance violations

Suspected compliance violations can be reported – anonymously if desired and if permitted by respective national law – to a worldwide compliance hotline operated by an independent service provider. Suspected violations can be reported either via the internet or through a phone call made in the caller's preferred language and answered by independent specialists. The hotline is also accessible to the general public. In addition, an internal mailbox – the so-called "Speak-Up Inbox" – was introduced in 2020 for the submission of suspected compliance violations. Alternatively, suspected violations may also be reported to the respective compliance functions or to Internal Audit. Since 2021, furthermore, it has been possible to report suspected compliance violations through a newly implemented platform in the form of an incident request. Compliance violations include all possible types of infringements of internal and external requirements and are systematically sanctioned. The action taken depends on factors including the gravity of the violation and applicable law. All cases are recorded according to uniform criteria 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.

### Supplier Management Process, Corrective Action Plans

The online assessments and on-site audits are analyzed and documented so that specific improvement measures can be defined. In 2021, suppliers who had undergone online assessments by EcoVadis demonstrated the need for improvement in particular in the categories of ethics and sustainable procurement, while those who had been audited required improvement in occupational health and safety. A supplier receives a critical result if one or more serious violations 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 2021, this applied to 22 suppliers (3% assessed and audited suppliers; 2020: 2% (13)). We monitor the implementation of these activities by way of reassessments 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 508 (2020: 357) of the 879 (2020: 701) Bayer suppliers evaluated in 2021 improved their sustainability performance. A key factor in this collaboration is helping our suppliers to improve their sustainability performance. Here we focus both on remedying deficiencies and on collaborating on sustainability topics.

In 2021, audits of suppliers uncovered a very small number of serious violations against applicable wages, other benefits, working time, fair treatment as well as occupational health and safety. In each of these cases, we actively cooperated with our suppliers to improve the situation for employees in a timely fashion.



# Environment

## Principle 7:

### Businesses should support a precautionary approach to environmental challenges

#### How Bayer implements Principle 7 within strategies and operations

Note: In the discussions Bayer has with stakeholders like ESG rating agencies, we hear and address allegations on various topics. However, the scientific evidence we provide that supports Bayer's positions on these areas is not always fully reflected in some ESG rating agencies' assessments. With this report, we want to promote further transparency with the public and investors and support an objective evaluation.

Of the many products Bayer provides, there are in particular two that are criticized for their environmental impact by ESG rating agencies: GMO (Genetically Modified Organism) crops and the neonicotinoid insecticides.

The ESG rating agency MSCI ESG Research has claimed that GMO crops are harmful to the environment and has classified this as a very severe controversy and as an UN Global Compact breach. By publishing our report "[Genetically Modified Crops: Bayer's contribution to a fact-based public disclosure](#)" we intend to provide information about the role of GMOs in modern agriculture and the global food system and shed light on our efforts towards ensuring the safe use of this technology. For detailed information, please see "[Genetically Modified Crops: Bayer's contribution to a fact-based public disclosure](#)".

After the EU restricted the use of neonicotinoid insecticides, some rating agencies have classified their concerns about the compatibility of Bayer's continued production and marketing of neonicotinoid insecticides with the environmental principles of the UN Global Compact as serious controversy. The [Report "Neonicotinoid Insecticides @ Bayer – Systematic Risk Mitigation & Portfolio Evolution Towards Minimized Risk for the](#)

[Environment](#)" intends to reflect our responsible business action towards risk mitigation and tracking systems to guarantee the safe use of our neonicotinoid-based products.

For detailed information please read the [Report "Neonicotinoid Insecticides @ Bayer – Systematic Risk Mitigation & Portfolio Evolution Towards Minimized Risk for the Environment"](#).

For the description of how we embed Principle 7 within our strategies and processes in general, and what efforts we undertake to support societal priorities, please read the following pages.

#### ► OECD Step 1: Embed responsible business conduct into policies and management systems

#### Management System & Policies – in our operations

Responsibility for steering and monitoring health, safety and environmental protection (HSE) aspects across the Group lies with the Public Affairs, Science, Sustainability & HSE Enabling Function. As of February 2022, HSE has been assigned to the Chairman of the Board of Management, who also serves as Chief Sustainability Officer at Bayer. The Public Affairs, Science, Sustainability & HSE Enabling Function establishes responsibilities, targets, key performance indicators and framework conditions for the entire Group. These include the Group Regulation on [HSE Management and HSE Key Requirements](#), which forms an integral part of the global HSE management system. This Group regulation describes the basic approach for monitoring HSE processes at Bayer and defines core HSE requirements that need to be implemented worldwide. Detailed requirements for individual environmental protection and safety aspects are established in further-reaching Group regulations that are also binding.

The continuous review and revision of Group regulations by the Public Affairs, Science, Sustainability & HSE Enabling Function, regular mandatory internal audits and external certification processes ensure that the systems at all sites meet the relevant requirements.

Management systems for environmental protection and safety issues are in place that are integrated into the business processes throughout the Group. Operational responsibility for health, safety and environmental protection lies with the individual divisions, which steer HSE via management systems, committees and working groups at our sites.

Environmental management at the sites also involves the development and implementation of site-related targets and programs to reduce our environmental impact. The following priorities apply:

- // Avoiding waste/emissions
- // Recycling in all cases where it is practicable to do so by reasonable means
- // Minimizing waste/emissions that cannot be avoided or recycled

Based on the Group Regulation on HSE Management and HSE Key Requirements, all environmentally relevant Bayer sites must have in place an HSE management system that complies with recognized international standards (e.g. ISO 14001 or ISO 45001).

Our HSE commitment extends beyond the scope of legal requirements. We perform a voluntary ecological assessment for capital expenditure projects exceeding €10 million.

This includes an evaluation of direct and indirect greenhouse gas emissions. The goal is to involve stakeholders at an early stage and adequately assess environmental impact and other sustainability dimensions.

This ecological assessment ensures uniform environmental and sustainability standards worldwide, taking into account Bayer's internal standards and the best available technologies. One example of this approach in 2021 was the planning of a new production site in Costa Rica, where Bayer aims to reduce greenhouse gas emissions to such an extent that this positively supports our pathway toward climate neutrality. We will also succeed in reducing greenhouse gas emissions in Leverkusen on the basis of an ecological assessment.

## Behavioral Principles (BASE)

As a leading healthcare and agriculture company, we bear a great responsibility. To ensure that we meet current societal expectations, we introduced the Bayer Societal Engagement (BASE) principles in 2019. Set out in a publicly available Group regulation, these principles establish how we interact worldwide not just with our employees, but also with patients, customers, consumers, business partners, political stakeholders, scientists, critics and our stockholders. In this way, we want to live up to our social responsibility as a sustainably acting and transparent company that is respected for its contribution to progress in healthcare and agriculture. We want to listen, understand, take concerns seriously and engage in respectful dialogue – especially where this is difficult or uncomfortable.

The BASE principles are grounded in our purpose “Science for a better life,” our vision “Health for all, hunger for none” and the Bayer LIFE values of leadership, integrity, flexibility and efficiency. The principles describe our actions in eight areas:

- // Our engagement with society
- // Our guiding principles and core values
- // How we drive innovation
- // How we act in the workplace
- // How we conduct our business
- // How we interact with our customers, patients and the consumers of our products
- // How we interact with media, legislators, regulators and civil society organizations
- // How we interact with stockholders

## Supplier Code of Conduct (ScCoC), ScCoC Guidance, sustainability contract clauses

Encouraging the development and diffusion of environmentally friendly technologies of our suppliers is anchored in our [Supplier Code of Conduct](#). Suppliers shall use natural resources (e.g. water, sources of energy, raw materials) in an economical way and preserve them. To ensure the conservation of renewable natural resources, suppliers shall promote the application of broadly recognized sustainability standards and certifications that have been developed by multiple stakeholders. Negative impacts on the environment and climate caused by the suppliers or in their supply chain shall be minimized or eliminated at their source. Practices are encouraged to be in line with

circular economy principles such as material reduction, substitution, collection, sharing, maintenance, reuse, redistribution, refurbishment, remanufacturing and recycling. Suppliers shall engage in the development and use of environmentally and climate-friendly products, processes and technologies. Suppliers shall ensure and demonstrate continuous environmental improvements, including a reduction in raw materials, energy, emissions, discharges, noise, waste, hazardous substances and reliance on natural resources, by means of clear targets and improvement policies.

The code is applied in the selection and evaluation of our suppliers and is integrated into electronic ordering systems throughout the Bayer Group. As a result, suppliers must already commit to our core principles upon registration. Furthermore, our standard supply contracts contain a clause that authorizes us to verify suppliers' compliance with our sustainability requirements. This clause will be successively integrated into all contracts that are up for renewal in 2022. Our Code of Conduct is supplemented by a global guidance document, which, like the Supplier Code of Conduct, is available on our [website](#).

### Management Systems and Policies – relating to our products

Assuming responsibility for our products, from medicines to complex solutions for agriculture, is always at the core of what we do. They should be of the highest quality and contribute to a better life. This means that neither their development and manufacture nor their disposal should cause damage to people and the environment. For this reason, we conform strictly to regulations and laws all over the world.

For us, product stewardship means that our products meet the highest quality standards and are safe for people and the environment when properly used. Not only do the desired properties of substances and products need to be taken into consideration but so do the possible risks for people and the environment. We respect legal requirements, and our voluntary commitment and internal standards go beyond these in a variety of areas. Bayer has put in place suitable directives and management systems to implement regulatory and voluntary product stewardship requirements. These are steered by our Public Affairs, Science, Sustainability & HSE Enabling Function and the quality functions of the divisions. The overall responsibility lies with the CEO. The [ESG committee](#) of the Bayer Supervisory Board advises and monitors management and prepares potential Supervisory Board resolutions.

Bayer's finished products, such as pharmaceuticals, crop protection products, seeds and biocides, are subject to very stringent regulations prescribing specific and detailed approval and authorization procedures.

As a result, our products cannot be sold on the market until they have been approved by a competent authority or an official registration has been granted. The prescribed efficacy and safety of the individual products must always be demonstrated as proven as a condition of their approval. An approval therefore only applies for a particular product with the formulation registered in the marketing authorization. Changes in the product composition (such as new formulations for crop protection products) require an additional authorization or registration.

Wherever there is no dedicated crop protection legislation in a given country, Bayer has made a voluntary commitment to distribute there only those crop protection products whose active ingredients are approved or registered in at least one OECD country to ensure that their safety has been adequately verified.

In addition to the regulation of finished products, extensive statutory regulations also apply to the chemical substances handled by Bayer during product manufacture. Chemical substances are subject to the respective regional chemical regulations. These include [REACH](#) in the European Union, [the Lautenberg Chemical Safety Act](#) (formerly TSCA) in the United States and the Measures for Environmental Management of New Chemical Substances (Order No. 7) of the Ministry of Environmental Protection (MEP) in China. To fulfill these requirements, we have approved Group-wide and division-specific policies.

Authorities, in the European Union for example, review the implementation of obligations resulting from chemicals legislation through regular inspections. To meet these obligations, we require our suppliers to acknowledge conformity with REACH for all substances they supply to us. Besides the regular registration obligation, REACH can also entail an additional authorization procedure that can lead to the replacement of, or a ban on the use of, particularly hazardous substances (Substances of Very High Concern, SVHC). Already registered substances are also regularly evaluated by the authorities. For Bayer substances this can result in additional testing requirements, new risk management measures or inclusion in the REACH authorization procedure. To date, only one Bayer substance has been affected, for which authorization has already been granted.

The classification and labeling of chemicals enables users to become informed about the risks associated with chemicals. Bayer implements the Globally Harmonized System (GHS) for the classification and labeling of chemicals worldwide.

Strict international and national laws and regulations also control the official approval and therefore development of crop varieties and plant traits and the recognition and commercialization of seeds and planting material. This also encompasses genetically modified seeds. We meet all regulatory requirements of the countries in which we distribute our crops. Extensive and intensive safety reviews of the environmental and health risks for people and animals are conducted at all stages of the development of genetically modified crops from early development onward. The results of these are incorporated into the approval/authorization procedures. Our Group regulations on the responsible use of genetic engineering and biosafety, together with processes stipulated at Crop Science in the Group Regulation on Product Stewardship Commitment, Principles and Key Requirements, supplement the legal and regulatory requirements.

Processes are established throughout the company to address inquiries about product safety or problems with products of ours that are already available on the market. This feedback is also integrated into our risk assessment.

### Commitment to Bioethics

Innovation is at the core of our purpose “Science for a better life.” Emerging life science technologies are advancing rapidly and deliver the opportunity for significant positive impact on society, people and the environment. We are committed to using emerging technologies in an ethically responsible way within our business and R&D activities across all our divisions.

We seek to actively take part in the development of bioethical standards, to engage with society and relevant stakeholders, and to address potential concerns.

We are therefore establishing an external advisory body – the Bioethics Council – to ensure a broad independent perspective and guidance on complex ethical questions related to emerging life science technologies. The Bioethics Council will consist of a diverse group of leading experts in the field of bioethics who will engage in regular dialogue with Bayer executives.

### Crop Science Products and Technologies

Before crop protection products and technologies can be introduced to the market, it must be demonstrated that they can be used without exposing people or the environment to an unjustifiable risk. They therefore require official approval, which is governed by numerous international and national laws and regulations. We test products in compliance with the applicable official regulations and perform extensive risk assessments. We also observe the import regulations for the importing countries and acquire product approvals in countries in which the products are due to be marketed.

Bayer works continuously to improve its products and develop solutions for sustainable agricultural practices. The focus is on optimizing product benefits and safe use for our customers and applying the findings from product monitoring. For us, product stewardship begins at the research and development stage of a new product, continues through its production, marketing and safe use and ends with disposal, for example of product packaging.

We have specified our principles of responsible product management in our Group Regulation on [Product Stewardship Commitment, Principles and Key Requirements](#). This is based on established and internationally recognized standards such as the International [Code of Conduct on Pesticide Management](#) issued by the Food and Agriculture Organization of the United Nations (FAO) and the World Health Organization (WHO), the guidelines of the crop protection association [CropLife International](#), and the guidelines of the industry initiative [Excellence Through Stewardship](#) (ETS) for seeds and traits. This initiative promotes, for example, the introduction of product stewardship programs and quality management systems for seeds throughout the entire life cycle and entrusts independent outside experts with the performance of audits to verify that member companies are complying with its guidelines. Our plant biotechnology sites in the United States were recertified for the product stewardship programs in 2021.

### Partnerships

In our partnerships and scientific coalitions, we support the science of soil management, decarbonizing food systems and technical, digital and financial solutions that help farmers to implement climate-smart practices.

We are actively engaged in product stewardship activities through our work in relevant associations and initiatives. Since 1994, Bayer has supported the Responsible Care™ initiative of the chemical industry and the associated Responsible Care™ Global Charter. We participate in the further development of scientific risk assessment and are involved in several associations – such as the European (CEFIC), U.S. (ACC) and international (ICCA) chemical industry associations and the OECD – and in initiatives such as the European Centre for Ecotoxicology and Toxicology of Chemicals (ECETOC).

In addition, Stakeholder dialogue helps us to recognize important trends and developments in society and our markets at an early stage and take this information into account when shaping our business (for details – see OECD step 5 of this principle).

One way in which Crop Science achieves customer centricity is through our Food Chain Partnership, which includes several hundred initiatives throughout the entire value chain.

These strategic alliances and cooperation models are aimed at driving improvements in food security, sustainability and economic opportunities for farmers. The programs center on innovative crop solutions and services for sustainable agriculture.

In our Bayer Forward Farming programs, we work together directly with a network of independent farmers who demonstrate sustainable agricultural practices in various crops and countries around the world. Our goal is to create ecosystems that reduce business risks for our customers.

We have further broadened our collaboration in the area of sustainability by for example joining the Lowering Emissions by Accelerating Forest finance (LEAF) coalition with its goal of halting deforestation by financing large scale tropical forest protection. In addition, Bayer, the International Food Policy Research Institute (IFPRI) and the Swiss Federal Institute of Technology in Zürich announced a research collaboration to address how agriculture can develop and implement new solutions to reduce its impact on biodiversity.

## ► OECD Step 2: Identify and assess actual and potential adverse impacts associated with the enterprise's operations, products or services

### Enterprise Risk Management System

We have implemented a holistic and integrated risk management system designed to ensure the continued existence and future target attainment of the Group through the early identification, assessment and treatment of risks. Our risk management system is aligned to internationally recognized standards and principles such as the ISO 31000 standard of the International Organization for Standardization.

The Board of Management of Bayer AG holds overall responsibility for an effective risk management system. The Audit Committee of the Supervisory Board oversees the appropriateness and effectiveness of the risk management system at least once a year, after which a report is made to the entire Supervisory Board.

The Bayer Assurance Committee, which is chaired by the CFO, is a committee of the Board of Management. As well as ensuring that appropriate action is taken to control any substantial risks, the Bayer Assurance Committee regularly discusses and reviews the risk portfolio and the status of the risk control measures.

Responsibility for the identification, assessment, treatment and reporting of risks lies with the operational business units in the divisions and enabling functions. The risk managers are responsible for identifying risks.

Where possible, the identified risks are evaluated with regard to their potential impact and likelihood of occurrence, while taking into account established risk control measures.

To help ensure we identify risks as comprehensively as possible, we maintain a risk universe that reflects the company's potential risk categories. The Bayer Risk Universe, which is regularly updated, also expressly accounts for risks of a nonfinancial nature that are linked to our business activity or to our business relationships, products and services.

Risks are assessed on a net basis, taking into account the risk control measures in place to mitigate the potential impact and likelihood of occurrence. Examples of such risk control measures can also be found in the [Sustainability Report](#) in the descriptions of how various sustainability issues are managed. The extent of the impact is rated in quantitative and/or qualitative terms. The quantitative assessment reflects a potentially negative effect on cash flows. A qualitative assessment of the impact is based on criteria such as the effect on our strategy or reputation, the potential loss of stakeholder confidence, and potential incomplete compliance with sustainability principles (e.g. in the area of safety, environmental protection or human rights). The higher rating – qualitative or quantitative – determines the overall assessment.

Included are risks pursuant to the German Corporate Social Responsibility (CSR) Directive Implementation Act that relate to environmental, employee and social issues, human rights, corruption and bribery (compliance).

For detailed information on the basic elements of the risk management system, including the risk management process, and details on our risk status, please see Chapter 3.2 Opportunity and Risk Report of the [2021 Annual Report](#).

### Product Stewardship Processes (Assessment)

Our substances and finished products undergo extensive assessment and testing to ensure product efficacy and safety. We examine possible health and environmental risks along the entire value chain and use this to derive appropriate measures to mitigate risks.

The safety of our products is the top priority. As early as the research and development stage, we assess the properties of our active ingredients and all other substances that are contained in a product and could thus impact the properties of a finished product (e.g. additives that support the actual active ingredients). We discontinue the development of active ingredients with undesirable properties in application of the precautionary principle as defined in Principle 15 of the Rio Declaration of the United Nations and Communication [COM \(2000\) 1](#) of the European Commission. There should not be a unilateral focus on hazard potential, but rather on a balanced benefit–risk evaluation.

All active ingredients emerging from research are subjected to further extensive testing and assessments at the development stage that include (legally prescribed) animal studies.

We also conduct environmental risk assessments or implement risk management measures for our active ingredients subsequent to their registration. Moreover, we help to raise questions about the impact of active ingredients in the environment and to have them addressed through sound risk assessments and analyses.

We carry out the risk assessments for our substances according to recognized scientific methods such as those described in the Guidance on Information Requirements and Chemical Safety Assessment of the European Chemicals Agency (ECHA). Should the analysis reveal that the use of a certain substance is not safe, we take steps to mitigate risk.

These can vary from revised application recommendations to substitution of a substance. In this case, a replacement that is economically and technically viable needs to be sought. The substitution of chemicals is basically a continuous task for the chemical and pharmaceutical industry in order to generate new or substantially improved products and processes. This is integral to our commitment to [Responsible Care™](#). The applicable assessment steps are established in a corresponding Group regulation.

### Pharmaceutical products

Our Pharmaceuticals and Consumer Health divisions carry out ecotoxicological investigations on active ingredients. These investigations serve as the basis for environmental risk assessments required in connection with the approval process for human pharmaceuticals in Europe and the United States. In this way, we evaluate possible environmental risks that could result from the proper use of human pharmaceuticals. The results of these environmental risk assessments are outlined in the specialized information for physicians in general terms. This information includes details on how to properly dispose of expired or unused pharmaceuticals so that users are able to avoid unnecessary environmental emissions. These details are also included in the packaging inserts.

We take additional action in our production facilities to minimize discharges of active ingredients into the environment based on risk-oriented assessment parameters.

### Crop Science products

We use the latest knowledge and technologies to develop products and services so that we can continuously optimize their efficacy, productivity and safety for people and the environment.

As part of the testing process, chemical and biological crop protection products are examined early in the development phase with regard to their mode of action, their (eco)toxicological properties and the extent of potential residues in plants and the environment to ensure that we only continue to develop those products with the best safety profile. To determine risks more precisely, we perform extensive safety testing as defined by law.

The development of genetically modified seeds is also subject to extensive international guidelines and stringent national laws and regulations. We have specified internal processes in a Group regulation to ensure a responsible approach to biotech-based manufactured products throughout their life cycle.

### ► OECD Step 3: Cease, prevent and mitigate adverse impacts

#### Enterprise Risk Management System // Policies

As part of the Risk Management process, risk control measures are taken for risks in the Bayer risk universe. Risks are assessed on a net basis, taking into account the risk control measures in place to mitigate the potential impact and likelihood of occurrence.

Examples of such risk control measures in the area of environment are policies such as HSE Management and HSE Key Requirements, Access & Use of Genetic Resources, Guidelines for the responsible use of genetic engineering at Bayer, our

Corporate Compliance Policy and our Product Stewardship Commitment, Principles and Key Requirements. This is based on established and internationally recognized standards such as the International Code of Conduct on Pesticide Management issued by the Food and Agriculture Organization of the United Nations (FAO) and the World Health Organization (WHO), the guidelines of the crop protection association CropLife International, and the guidelines of the industry initiative Excellence Through Stewardship (ETS) for seeds and traits. Policies & processes are updated on a regular basis based on findings.

### Crop Science Product Stewardship Processes: Assessment and Testing

We use the latest knowledge and technologies to develop products and services so that we can continuously optimize their efficacy, productivity and safety for people and the environment. As part of the testing process, chemical and biological crop protection products are examined early in the development phase with regard to their mode of action, their (eco)toxicological properties and the extent of potential residues in plants and the environment to ensure that we only continue to develop those products with the best safety profile. To determine risks more precisely, we perform extensive safety testing as defined by law.

Extensive and intensive safety reviews of the environmental and health risks for people and animals are conducted at all stages of the development of genetically modified crops from early development onward. The results of these are incorporated into the approval/authorization procedures. Our Group regulations on the responsible use of genetic engineering and biosafety, together with processes stipulated at Crop Science in the Group Regulation on Product Stewardship Commitment, Principles and Key Requirements, supplement the legal and regulatory requirements.

Processes are established throughout the company to address inquiries about product safety or problems with products of ours that are already available on the market. This feedback is also integrated into our risk assessment.

### Crop Science Product Stewardship Processes: Responsible Use of Crop Protection Products

Through targeted training courses, we show farmers, seed treatment professionals, distributors and other users how to use our products both effectively and safely to maintain healthy plants and thereby increase the yield and quality of their harvested goods. Our objective is to continuously increase the outreach of our training activities, in part through more widespread use of digital media in the future.

In 2021, we continued to offer virtual training activities due to the COVID-19 pandemic, but also resumed on-site training wherever possible. The flexible approach and use of digital tools enabled us to reach more than 2.7 million external contacts (i.e. farmers, field workers, distributors, retailers and other stakeholders in the agriculture industry). We focused our training activities on countries where there are no statutory certification requirements for farmers concerning the safe handling of crop protection products. For this reason, training participation was highest in Asia, followed by African countries and Latin America. Our partnerships allow us to increase the reach of the activities and conduct joint events, for example with universities, information centers or local, regional and international associations.

### Crop Science Product Stewardship Processes: Water Protection

Avoiding discharges of crop protection products into water bodies is an important aspect of sustainable agriculture. To avoid point source discharges, Bayer recommends the use of biological remediation systems such as Phytobac™. This is designed to prevent water contamination with residues of crop protection chemicals generated during the filling and cleaning of spraying devices or the disposal of residual liquids. The system is already used in many EU countries and offered commercially by various third-party manufacturers. More than 5,000 Phytobac™ systems are currently in operation in Europe. Demonstration farms have also been implemented in Australia, Canada, China, Thailand, Argentina, Brazil and Colombia.

In collaboration with external partners, we have developed a digital geoinformation system (GIS) for agriculture in order to protect neighboring water bodies from diffuse substance discharges caused by runoff and erosion. Site-specific runoff risks are visualized by means of high-resolution maps supplemented with risk mitigation

proposals. With this initiative, we are offering our agricultural customers a digital decision-making tool that facilitates both compliance with high environmental standards and optimal flexibility in productivity-oriented issues. Scale-up of the digital system is possible up to the country level, with the following countries already being mapped: Germany, the Netherlands and Belgium.

### Environmental Impact Reduction (EIR)

By 2030, we want to reduce the environmental impact from the use of crop protection products by 30%. Changes in agricultural practices and the application of crop protection products, as well as the use of digital solutions, help to apply the required crop protection products as precisely and sparingly as possible to the area requiring treatment.

In 2021, an initial assessment was performed on the environmental impact of Bayer's crop protection products as well as all other globally applied crop protection products in 2018 in the market. One of the conclusions of the analysis was that the impact of Bayer's crop protection products represents around 2% of the global environmental impact of all crop protection products, despite Bayer's market share in terms of sales being significantly higher (around 18% of the global crop protection market). For more information, please see our [website](#).

### Partnerships

We are actively engaged in product stewardship activities through our work in relevant associations and initiatives. Since 1994, Bayer has supported the [Responsible Care™](#) initiative of the chemical industry and the associated Responsible Care™ Global Charter. We participate in the further development of scientific risk assessment and are involved in several associations – such as the European (CEFIC), U.S. (ACC) and international (ICCA) chemical industry associations and the OECD – and in initiatives such as the European Centre for Ecotoxicology and Toxicology of Chemicals (ECETOC).

In addition, Stakeholder dialogue helps us to recognize important trends and developments in society and our markets at an early stage and take this information into account when shaping our business (for details – see OECD step 5 of this principle).



## Neonics Report: Example of risk mitigation measures taken based on scientific research:

### Neonicotinoid Insecticides @ Bayer: Systematic Risk Mitigation & Portfolio Evolution Towards Minimized Risk for the Environment

Some years after the introduction of neonicotinoid class of insecticides in the 1990s, there were some reports of incidents where the use of neonicotinoid products was associated with negative effects on non-target insects, like bees. The most severe example was when dust from treated seeds was accidentally released during planting in Germany in 2008, which resulted in significant intoxication of bees nearby. The incidents triggered a period of internal review/research into suitable risk mitigation measures or product replacements. It also changed the risk assessment and profiling of existing and new products in Research and Development (e.g., taking toxicity to pollinators systematically into account already in the early compound candidate selection process in Research). Several initiatives and processes were introduced at Bayer to minimize any further risk through the exposure of bees to neonicotinoid insecticides.

- // Mitigating the Risk for Bees Through Exposure to Neonicotinoids After Seed Treatment
- // Seed Treatment Site Certification Schemes
- // Mitigating the Risk for Bees Through Exposure to Neonicotinoids After Spray Application
- // Fostering Bee Health Through Pollinator Research
- // Mitigating the Risk to Bees Through Portfolio Innovation
- // Adverse Incident Reporting
- // Transparent Engagement

For details, see Neonicotinoid Insecticides @ Bayer report that is publicly available [here](#).

### Supplier Management Process

Bayer works continuously to strategically evolve sustainability topics in procurement. In the coming years, the company intends to place increasing importance on environmental and human rights requirements throughout the supply chain and on the Supplier Diversity Program. In 2021, we began developing indicators to monitor

progress in the various sustainability focus areas and define suitable targets. In 2021, we continued to ensure that all strategically important suppliers had to present an EcoVadis rating of at least 45 of 100 points (“green” assessment) or a comparable audit result. Since 2021, furthermore, potential new suppliers with a high inherent sustainability risk and procurement spend of more than €250,000 have been examined in advance with regard to sustainability aspects.

Bayer verifies the observance of the code requirements by the suppliers selected for evaluation by means of EcoVadis online assessments or through on-site audits or, during the COVID-19 pandemic, virtual audits conducted by both external and Bayer auditors. The online assessments and on-site audits are analyzed and documented so that specific improvement measures can be defined. In 2021, suppliers who had undergone online assessments by EcoVadis demonstrated the need for improvement in particular in the categories of ethics and sustainable procurement, while those who had been audited required improvement in occupational health and safety.

A supplier receives a critical result if one or more serious violations 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 2021, this applied to 22 suppliers (3% assessed and audited suppliers; 2020: 2% (13)). We monitor the implementation of these activities by way of reassessments or follow-up audits. Bayer retains the right to terminate a supplier relationship if no improvement is observed during a re-evaluation.

### ► OECD Step 4: Track implementation and results

### Product Stewardship Processes

Processes are established throughout the company to address inquiries about product safety or problems with products of ours that are already available on the market. This feedback is also integrated into our risk assessment.

Additional tracking measures include:

**External Incident Management:** An external incident is an unintended event or occurrence that (potentially) disrupts operations, commerce, health and safety, the environment, and/or results in non-compliance with relevant regulations or standards for the industry or products. To support safe use and prevent re-occurrence we follow up any incidents related to our crop protection and seed products reported through local authorities and we process the incidents with the aid of a dedicated management system. If necessary, we undertake measures ranging from labeling changes to product recalls in line with our Group Regulation “Product Stewardship Commitment, Principles and Key Requirements”.

**Maximum Residue Level (MRL) Monitoring:** MRL exceedances in crops can be caused by improper use of Crop Protection products (CPPs), improper timing of application, as well as lack of awareness or misalignment of MRLs. Bayer has taken an active approach to MRL monitoring by developing a tracking tool to identify hotspot countries and crops for MRL exceedances that trigger stewardship activities towards the definition of risk mitigation measures.

**Water Quality Monitoring:** Bayer has taken a proactive approach to monitoring and improving water quality by developing a Water Monitoring Cockpit tool to map official monitoring activities and the detection of Bayer CPP and their metabolites in water bodies.

### Supplier Audits & Assessments

Bayer verifies the observance of the code requirements by the suppliers selected by means of EcoVadis online assessments or through on-site audits or, during the COVID-19 pandemic, virtual audits conducted by both external and Bayer auditors.

The online assessment criteria of EcoVadis – broken down into the areas of environment, ethics, labour practices and human rights, and sustainable procurement – correspond to the requirements of our code and also take into account country- and industry-specific conditions and supplier size. In total, our service provider EcoVadis assessed 802 (2020: 670) suppliers on our behalf in 2021.

In 2021, we also arranged for 67 (2020: 26) of our suppliers to be audited on site by external, independent auditors. In addition, 10 (2020: 5) suppliers were audited virtually due to the global COVID-19 pandemic. The audit criteria included both the specifications of our code and the industry-specific requirements of the TfS and PSCI industry initiatives.

Our monthly monitoring shows that 508 (2020: 357) of the 879 (2020: 701) Bayer suppliers evaluated in 2021 improved their sustainability performance.

Furthermore, internal and external auditors evaluate selected new and existing suppliers with a focus on HSE. These audits are performed for suppliers with significant risk potential as regards, for example, substances, production processes, occupational safety or environmental factors, as well as for toll or contract manufacturers with an increased country risk. In 2021, 200 (2020: 83) suppliers were evaluated by means of HSE audits.

### Corrective Action Plans

The online assessments and on-site audits are analyzed and documented so that specific improvement measures can be defined. In 2021, suppliers who had undergone online assessments by EcoVadis demonstrated the need for improvement in particular in the categories of ethics and sustainable procurement, while those who had been audited required improvement in occupational health and safety. A supplier receives a critical result if one or more serious violations 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.

## ► OECD Step 5: Communicate how impacts are addressed

### Sustainability & Annual Report

With its [Sustainability Report](#), Bayer aims to provide transparent and in-depth insights into both its sustainability strategy and its sustainability performance. The report supplements the nonfinancial statement pursuant to the CSR Directive Implementation Act (CSR-RUG) that is published in the combined management report of the 2021 [Annual Report](#).

The Bayer Group's sustainability reporting has been aligned to the guidelines of the [Global Reporting Initiative](#) (GRI) and the 10 principles of the UN Global Compact (UNGC) since 2000. This report has been prepared in accordance with the GRI Standards: Core option. This report also serves as a Communication on Progress in line with the UN Global Compact. We also take into account the relevant requirements of the Sustainability Accounting Standards Board (SASB). A [summarized index](#) according to the three SASB Industry Standards relevant to us – “Biotechnology & Pharmaceuticals,” “Chemicals” and “Agricultural Products” – can be found on our website. In our climate reporting we follow the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and publish a [separate index](#) in PDF format also on our website.

### Transparency

Transparency is a top priority for Bayer. We are committed to build up and strengthen trust by making information accessible from a whole range of areas. For our commitment and overview of activities, please see our [transparency website](#), including [transparency on science collaboration](#).

### Our Commitments on Transparency, Sustainability and Engagement

In the year following our acquisition of Monsanto, we have heard from journalists and politicians, scientists and regulators, consumers and shareholders, farmers and neighbors. We have been engaged in discussions about agriculture and nutrition,

sustainability and biodiversity, and also about the new size and significance of our company.

We heard questions and concerns about us. These concerns matter to us and we want to address them. Farming is too important to limit its progress. To ensure future advancements, we need to change.

As the new market leader, we are setting off on a journey to elevate our efforts in transparency, sustainability and the way we engage with our stakeholders. We invite other industry partners to join us. And we are committed to providing regular updates on the progress of our measures in these areas [here](#).

When GMOs (genetically modified organisms) in agriculture were launched commercially, there was no blueprint for bringing such a disruptive food technology to market. Based on market realities at the time, Monsanto, which was acquired by Bayer in 2018, focused on marketing GM (genetically modified) crops to farmers and engaging primarily with agriculture organizations and regulatory authorities. Over time, it became clear that this was not sufficient to foster technology acceptance and it would be beneficial to engage in broader discussions about GMOs among various societal stakeholders. The intent of this report is to provide information about the role and benefits of GMOs in sustainable agriculture and the global food system and shed light on our efforts toward minimizing the impact on the environment.

In 2018, the rating agency MSCI ESG Research added a red flag to Bayer over concerns about the compatibility of Bayer's continued production and marketing of GMOs with the environmental principles of the United Nations Global Compact. We take this as an opportunity to revise our way of explaining GM crops in our portfolio, while recognizing that GM technology still carries acceptance issues and that disruptive technologies require additional engagement with critical voices. We also have provided access to full in-depth study reports evaluated by regulators for the authorization of our products, alongside informational materials to help put regulatory science into context. You can learn more about our transparency platform and commitments in our report "[Genetically Modified Crops: Bayer's contribution to a fact-based public disclosure](#)" or by visiting our [transparency website](#).

## Positions & Statements // Website

In addition, Bayer communicates on environmental topics via our [website](#) that has sub-sites on [climate protection](#) and [environmental protection](#) including an [industry association climate review 2021](#) and public statements such as our group position on [biodiversity](#), position on [global product strategy](#), [responsible care](#), [water](#), [deforestation and forest degradation](#), [insect decline](#), [raising the bar on crop protection safety standards](#), [UN sustainable development goals](#), and [sustainable beef production](#) and our [Supplier Code of Conduct](#). Key policies such as [HSE Key Requirements](#) and our [Product Stewardship Policy](#) are also made public.

## Stakeholder Dialogue

As a company, Bayer is a part of society and public life. Ongoing dialogue with our stakeholders is therefore particularly important to us. After all, their expectations and viewpoints affect our public acceptance and thus our commercial success.

We fundamentally distinguish between four stakeholder groups with which we engage in discussions on different issues.

Stakeholder dialogue helps us to recognize important trends and developments in society and our markets at an early stage and take this information into account when shaping our business. Our [BASE principles](#) serve as the foundation for all dialogue.

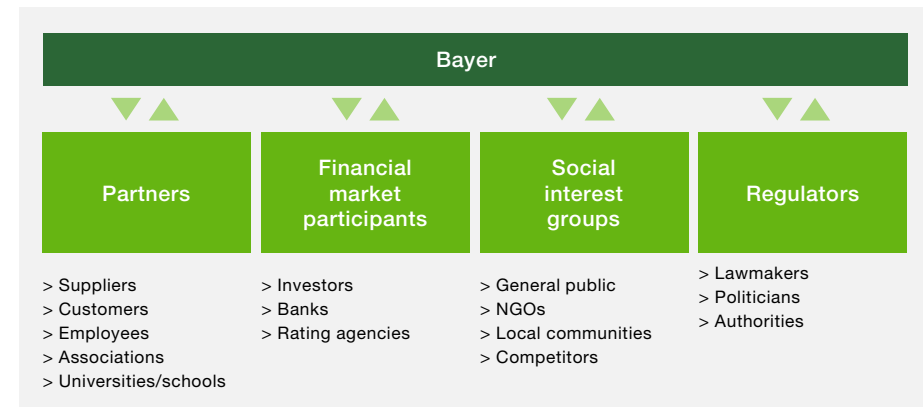
In strategic decision-making processes, regarding investment projects and product launches for example, Bayer proactively approaches key social and political players right from the start of a new project. Such open dialogue enables us to identify opportunities and risks early on. This process is in line with our Stakeholder Engagement Guideline and is supplemented by an internal information platform.

## Focus on a variety of stakeholders

Our regular stakeholder activities range from dialogues at the local, national and international level, and active involvement in committees and specialist workshops all the way through to comprehensive information programs, issue related multi-stakeholder events, and participation in international initiatives and collaborations.

The selected topics described below provide insight into our engagement with our most important stakeholder groups.

### Stakeholder Groups



Last year, we engaged in intensive discussions with stakeholder groups (see graphic) that focused on topics such as sustainable agriculture, healthcare, nutrition, climate change, biodiversity and water, as well as poverty alleviation and family planning.

Examples include our virtual event series “Future of Farming Dialogue,” our stewardship role in the Council for Inclusive Capitalism and our participation in Ecosperity Week 2021, Economist Sustainability Week, the United Nations Food System Summit and the Politico Agriculture & Food Summit. At the UN Climate Change Conference (COP26) in Glasgow, we intensively discussed solutions for addressing climate change. Other examples included dialogues on food security at the Munich Security Conference and on innovation at the annual meeting of the World Economic Forum, as well as stakeholder dialogues on sustainability during the UN General Assembly.

Through a multi-stakeholder dialogue and the coalition Bayer formed in 2021 with organizations such as the World Bank, the Global Economic Forum and Grow Asia, we significantly raised awareness about the challenges faced by smallholder farmers. For example, we conveyed to governmental organizations the need to enable access by these smallholder farmers to technology and innovations to improve their living conditions.

Various live discussions on socially relevant issues were held on LinkedIn – including in areas where Bayer is viewed critically. These discussions focused on themes such as climate change, biodiversity, water and sustainable economic activity.

One way in which Crop Science achieves customer centricity is through our Food Chain Partnership, which includes several hundred initiatives throughout the entire value chain.

These strategic alliances and cooperation models are aimed at driving improvements in food security, sustainability and economic opportunities for farmers. The programs center on innovative crop solutions and services for sustainable agriculture.

In our Bayer Forward Farming programs, we work together directly with a network of independent farmers who demonstrate sustainable agricultural practices in various crops and countries around the world. Our goal is to create ecosystems that reduce business risks for our customers. With this goal in mind, we form partnerships with NGOs, value chain partners and the public sector, and jointly develop new solutions such as the Global Alliance Against TR4 to prevent the spread of pathogens such as TR4 (Tropical Race 4) in banana plants; the MidWest Row Crop Collaborative Platform; the Living Soils for Americas Initiative to improve soil health and food security; and Better Life Farming (BLF), IFC (International Finance Corporation, part of the World Bank), Netafim and other local partners to empower smallholder farmers.

## ► OECD Step 6: Provide for or cooperate in remediation when appropriate

### Management Systems

Any human or labor rights violations are remediated in accordance with local laws as well as international standards and internal guidelines. The type of remedy or combination of remedies that is appropriate will depend on the nature and extent of the adverse impact.

Bayer cooperates with all relevant stakeholders such as authorities, business partners and suppliers.

### Crop Science Product Stewardship Processes

#### Marketing, Sale and Distribution

In its distribution of crop protection products and technologies, Bayer observes the [International Code of Conduct on Pesticide Management](#) of the Food and Agriculture Organization (FAO) of the United Nations and the World Health Organization (WHO). Our principles are defined in our Group Regulation on [Product Stewardship Commitment, Principles and Key Requirements](#). In addition, since 2012, we have no longer sold WHO Class 1a or 1b agricultural crop protection products despite continued formal authorization to do so. Not all our crop protection products are registered in Europe. There are various reasons for this, e.g. different customer needs and agricultural practices outside Europe. These crop protection products are registered in accordance with national regulations outside Europe. Bayer complies with international regulations, e.g. the UN Rotterdam Convention concerning the export of such products that could be produced in Europe but are not registered in Europe, and are registered in the importing country instead. In this context, Bayer committed itself to only selling crop protection products that are registered in at least one OECD (Organization for Economic Cooperation and Development) country.

We regularly review the products we offer in emerging markets and developing countries with respect to the applicable specifications for ensuring the safety of our products and reducing the risks associated with their use. We voluntarily withdraw such products from the market if identified risks cannot be sufficiently limited. For more information on crop protection products and safety, please see our [website](#).

To ensure the safe use of our crop protection products based on adequate research, we made an important voluntary commitment in 2016: we market only those crop protection products whose active ingredients are registered in at least one OECD country, or, in the case of new active ingredients, for which an OECD data package has been compiled. [OECD data packages](#) require the preparation of complete dossiers for crop protection products and their active ingredients in support of regulatory decisions in OECD countries. This includes the results of all test and study reports and other relevant information submitted by the company and other interested parties. The data needs to be made available to facilitate checking by regulatory authorities as a basis for decision-making with respect to the approval of individual active ingredients, the registration of crop protection products, the establishment of a maximum residue limit, or the determination of an import tolerance, as appropriate. The guidance contained in the OECD package can be used by regulatory authorities, where the evaluation of extensive data submissions is necessary. As part of our internal processes established to comply with this voluntary commitment, quarterly checks on all our crop protection sales are conducted.

Since 2021, we have shared our internal product safety standards on our [website](#) to shed light on how we determine how products can be used safely. These standards reflect the guidelines and standards of international organizations such as FAO, WHO and the OECD, as well as those of reference regulatory authorities around the world. They evolve continuously based on the latest scientific knowledge and help us to contribute to high safety standards also in less regulated markets.

#### **Stop / Recall procedures / Corrective actions**

Sales will be stopped and products recalled, if handling or use according to label is found to pose an unacceptable risk to human health, the environment or product quality, and these risks cannot be mitigated through stewardship or other appropriate measures. Recall procedures will be in place for all businesses/products at global and

local level, so that any recalls that become necessary are run efficiently and in a timely manner. Corrective actions will be implemented where improvements to systems and processes are identified.

#### **Disposal of containers and old inventories, Discontinuation policy**

Processes are in place at Bayer to ensure the safe sell-off of products, including the disposal of obsolete inventories or waste. The crop protection product industry has set up voluntary initiatives in various countries for the proper disposal of obsolete stocks. As part of its activities in the international CropLife association, Crop Science is additionally working with the Food and Agriculture Organization (FAO) of the United Nations and the World Bank to support the proper collection and disposal of obsolete crop protection products in Africa. Empty crop protection product containers must be safely disposed of to ensure that the product residues that possibly remain are not released into the environment and that empty containers are not improperly reused. As the proper disposal of crop protection product containers is handled differently in many countries, the crop protection industry works together with authorities, distributors and farmers to establish or maintain suitable disposal systems.

#### **Compliance Management System including Grievance Mechanisms (e.g. Hotline)**

Suspected compliance violations can be reported – anonymously if desired and if permitted by respective national law – to a worldwide compliance hotline operated by an independent service provider. Suspected violations can be reported either via the internet or through a phone call made in the caller's preferred language and answered by independent specialists. The hotline is also accessible to the general public. In addition, an internal mailbox – the so-called "Speak-Up Inbox" – was introduced in 2020 for the submission of suspected compliance violations. Alternatively, suspected violations may also be reported to the respective compliance functions or to Internal Audit. Since 2021, furthermore, it has been possible to report suspected compliance violations through a newly implemented platform in the form of an incident request. Compliance violations include all possible types of infringements of internal and external requirements and are systematically sanctioned. The action taken depends on factors including the gravity of the violation and applicable law. All cases are recorded according to uniform criteria 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.

### Remediation and safeguarding of soil and groundwater contamination

In line with the Group Regulation on HSE Management and HSE Key Requirements, Bayer ensures the implementation of measures to prevent the contamination of soil and groundwater. This includes inspecting facilities for leaks, implementing effective secondary retention measures for storage tanks, and maintenance and inspection programs. The measures also encompass applying suitable leak identification devices for tanks, containers and pipes containing hazardous materials as well as the installation of sealed surfaces with a sufficient retention volume, for example in tank loading and unloading areas.

Bayer also actively performs remediation activities to mitigate environmental damage resulting from noncompliant waste management or accidents in the past. Dedicated processes have been established for this purpose that stipulate comprehensive investigation of sites and, where necessary, one or several of the following measures: remediation activities to clean up the impacted environment, safeguarding of contaminated sites so that they do not constitute a danger, and monitoring of the conducted remediation and safeguarding activities.

These are implemented based on statutory requirements and the latest technological standards. Such activities are also designed to avert possible financial or reputational damage to the company.

To manage contamination, we have established uniform standards in our Group regulation for the investigation and remediation of such sites. Our specialized teams work systematically together with external experts to support all affect-ed sites in the

planning, implementation and monitoring of remediation processes and measures, measure their progress, and execute and conclude these cases with a positive effect for people and nature.

To enable the implementation of environmental protection measures and the mitigation of contamination, provisions are established for the expected costs of the remediation of contaminated sites, the recultivation of landfills, the clean-up of environmental pollution at existing production or storage sites and similar measures. For more information on provisions, please see the 2021 Annual Report.

### Supplier Management Process, Corrective Action Plans

The online assessments and on-site audits are analyzed and documented so that specific improvement measures can be defined. In 2021, suppliers who had undergone online assessments by EcoVadis demonstrated the need for improvement in particular in the categories of ethics and sustainable procurement, while those who had been audited required improvement in occupational health and safety. A supplier receives a critical result if one or more serious violations 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 2021, this applied to 22 suppliers (3% assessed and audited suppliers; 2020: 2% (13)). We monitor the implementation of these activities by way of reassessments 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 508 (2020: 357) of the 879 (2020: 701) Bayer suppliers evaluated in 2021 improved their sustainability performance. A key factor in this collaboration is helping our suppliers to improve their sustainability performance. Here we focus both on remedying deficiencies and on collaborating on sustainability topics.

## Principle 8:

### Businesses should undertake initiatives to promote greater environmental responsibility

#### How Bayer implements Principle 8 within strategies and operations

#### ► OECD Step 1: Embed responsible business conduct into policies and management systems

#### Management Systems

Sustainability is one of our strategic focuses, manifesting itself in the consistent alignment of our business activities to positive contributions for people and the environment. Clearly defined roles and responsibilities ensure effective sustainability management throughout the organization. The top level of responsibility is held by the Chairman of the Board of Management in his role as Chief Sustainability Officer (CSO) together with the entire Board of Management. An external Sustainability Council provides the Board of Management with constructive criticism in all sustainability matters.

At the beginning of 2022, the Supervisory Board deployed a separate ESG Committee. Within the responsibility of the Supervisory Board, this focuses on Bayer's sustainable governance and business activities in the areas of environmental protection, social affairs and good corporate governance (ESG).

The Public Affairs, Science, Sustainability & HSE Enabling Function helps the CSO and the Board of Management to identify risks and opportunities, develop strategies and define targets and guidelines for sustainability management, and also ensures the governance of all sustainability issues. Sustainability management is embedded in the existing management and governance structures as well as the core processes of the organization.

Operational implementation takes place in the divisions and along the value chain. Each of our divisions has an established sustainability organization, with sustainability aspects also being integrated into the processes of the enabling functions.

Our Group Regulation on Sustainability will be updated and published in 2022. Also in 2022, our new Sustainability Decision Committee, composed of managerial employees from the divisions and enabling functions, will come together for the first time to coordinate sustainability measures throughout the Group.

The attainment of sustainability targets is also integrated as an additional parameter into the long-term variable compensation (LTI) of upper management, similar to the compensation of the Board of Management.

#### Sustainability Vision & Strategy

For us, sustainability means more than just corporate responsibility – it safeguards Bayer's future growth. Sustainability is therefore an essential component of our corporate strategy, our business activities, our corporate values and the way in which we operate our businesses. Sustainability is at the center of our corporate vision "Health for all, hunger for none" and comprises the following three core elements for all divisions:

- // Inclusive growth and value added for society
- // Reduction of our ecological footprint
- // Responsible business practices along our value chain

We deploy our innovation power to develop sustainable solutions for the pressing problems of our time. For example, we have established sustainability criteria in our own research and development. Furthermore, we invest in disruptive life science technologies with our [Leaps by Bayer](#) unit and promote social innovations with our foundations.

Our strategy is aligned to the global Sustainable Development Goals (SDGs) of the United Nations, the attainment of which is targeted for 2030.



## Sustainability Targets (Environmental part)

### Agriculture

In the area of agriculture and nutrition, our innovative products and services help to better feed a growing world population and end hunger (SDG 2). We are targeting inclusive growth in low- and middle-income countries (LMICs). As farming is often the only source of income in LMICs, we also help fight poverty through our engagement with smallholder farmers (SDG 1). Through innovative solutions that promote sustainable, low-emission and resilient farming, we help to protect the climate, the environment and biodiversity (SDGs 13, 15). We also want to reduce the consumption of water resources (SDG 6) in agriculture in the future.

### Climate protection and improved resilience

Our decarbonization goals are in line with the Paris Climate Agreement. To achieve them, we implement extensive measures to fight climate change and its effects (SDG 13). For example, we are reducing our own greenhouse gas emissions (Scope 1 & 2) and greenhouse gas emissions along our value chain (Scope 3). Our reduction goals were confirmed by the Science Based Targets initiative (SBTi). Furthermore, we endeavor to achieve a net zero greenhouse gas emissions target throughout our value chain by 2050. Our climate strategy comprises far-reaching measures. We also help to increase Bayer's own resilience and that of our customers against the effects of climate change. In addition, we develop transformative solutions that enable agriculture to emit fewer greenhouse gases and instead help to capture CO<sub>2</sub>. This makes agriculture an important enabler in the fight against climate change.

We have set ourselves ambitious targets and regularly evaluate our progress. Group-wide goals for inclusive growth and decarbonization are accounted for in the long-term variable compensation of our Board of Management and our managerial employees. For more information, please see the Compensation Report in the 2021 [Annual Report](#).

We work toward achieving sustainable agriculture that addresses the biggest challenges with innovation – an agriculture that is capable of feeding a growing world population while conserving natural resources (SDG 2); an agriculture that emits fewer greenhouse gases and instead contributes to binding CO<sub>2</sub>; and an agriculture that protects biodiversity and helps farmers worldwide to deal with the effects of climate change and become more resilient. The focus here is on increasing yields through

innovative seeds, products and services, as well as on disseminating agricultural practices and cultivation forms with ever-reduced environmental impact.

We aim to reduce greenhouse gas emissions from our highest-emitting crops by 30% in our sales regions by 2030. Key levers in this endeavor include climate-friendly cultivation practices such as plowless soil tillage or the sowing of cover crops. These enable CO<sub>2</sub> to be captured in the soil, making the agricultural industry a key player in the fight against climate change. The dry seeding method of rice cultivation also offers tremendous potential to reduce the greenhouse gas emissions associated with this crop.

We work to ensure that farmers also benefit financially from such solutions, as that is the only way to enable their rapid implementation. Our Carbon Farming Initiative launched in 2020 already offers farmers in Brazil, the United States, Europe and Asia financial incentives to apply climate-friendly methods and capture greenhouse gases in the soil.

By 2030, we want to reduce the environmental impact from the use of crop protection products by 30%. Changes in agricultural practices and the application of crop protection products, as well as the use of digital solutions, help to apply the required crop protection products as precisely and sparingly as possible to the area requiring treatment.

In 2021, an initial assessment was performed on the environmental impact of Bayer's crop protection products as well as all other globally applied crop protection products in 2018 in the market. One of the conclusions of the analysis was that the impact of Bayer's crop protection products represents around 2% of the global environmental impact of all crop protection products, despite Bayer's market share in terms of sales being significantly higher (around 18% of the global crop protection market). For more information, please see our [website](#).

We will invest €100 million in the coming years to enable sustainable innovation, production and consumption of our Consumer Health products. By 2030, we will make 100% of our Consumer Health products' packaging reusable or recyclable. Furthermore, the packaging will include an average of 50% recycled content. We are signatories to the Environmental Charter of the Global Self-Care Federation to achieve industry-wide environmental progress focused on delivering carbon emission reductions and more sustainable packaging.

## Biodiversity Commitment

Biodiversity is an interdisciplinary topic that affects several areas of Bayer as well as our entire value chain. Therefore activities at Bayer focus on the responsible use of natural resources to conserve and protect ecosystems, species and genetic biodiversity. Active ingredients for pharmaceutical development and the agriculture sector benefit especially from biodiversity conservation and enhancement. We have spelled out this stance in [our Position on Conservation and Restoration of Biodiversity in Agriculture and Forestry](#).

Bayer is committed to the objectives of the United Nations' Convention on Biological Diversity (CBD), including the fair and equitable sharing of benefits arising from the utilization of genetic resources, as well as the International Treaty on Plant Genetic Resources for Food and Agriculture of the FAO, which prescribes the balanced and fair division of use of genetic resources. Our Group Regulation on the Access and Use of Genetic Resources defines the principles of how to manage access to and the use and transfer of genetic resources and/or traditional knowledge throughout the company.

## Management System & Policies

Responsibility for steering and monitoring health, safety and environmental protection (HSE) aspects across the Group lies with the Public Affairs, Science, Sustainability & HSE Enabling Function. As of February 2022, HSE has been assigned to the Chairman of the Board of Management, who also serves as Chief Sustainability Officer at Bayer. The Public Affairs, Science, Sustainability & HSE Enabling Function establishes responsibilities, targets, key performance indicators and framework conditions for the entire Group. These include the Group Regulation on [HSE Management and HSE Key Requirements](#), which forms an integral part of the global HSE management system. This Group regulation describes the basic approach for monitoring HSE processes at Bayer and defines core HSE requirements that need to be implemented worldwide. Detailed requirements for individual environmental protection and safety aspects are established in further-reaching Group regulations that are also binding.

The continuous review and revision of Group regulations by the Public Affairs, Science, Sustainability & HSE Enabling Function, regular mandatory internal audits and external certification processes ensure that the systems at all sites meet the relevant requirements.

Management systems for environmental protection and safety issues are in place that are integrated into the business processes throughout the Group. Operational responsibility for health, safety and environmental protection lies with the individual divisions, which steer HSE via management systems, committees and working groups at our sites.

Environmental management at the sites also involves the development and implementation of site-related targets and programs to reduce our environmental impact. The following priorities apply:

- // Avoiding waste/emissions
- // Recycling in all cases where it is practicable to do so by reasonable means
- // Minimizing waste/emissions that cannot be avoided or recycled

Based on the Group Regulation on HSE Management and HSE Key Requirements, all environmentally relevant Bayer sites must have in place an HSE management system that complies with recognized international standards (e.g. ISO 14001 or ISO 45001).

Our HSE commitment extends beyond the scope of legal requirements. We perform a voluntary ecological assessment for capital expenditure projects exceeding €10 million.

This includes an evaluation of direct and indirect greenhouse gas emissions. The goal is to involve stakeholders at an early stage and adequately assess environmental impact and other sustainability dimensions.

This ecological assessment ensures uniform environmental and sustainability standards worldwide, taking into account Bayer's internal standards and the best available technologies. One example of this approach in 2021 was the planning of a new production site in Costa Rica, where Bayer aims to reduce greenhouse gas emissions to such an extent that this positively supports our pathway toward climate neutrality. We will also succeed in reducing greenhouse gas emissions in Leverkusen on the basis of an ecological assessment.

## Behavioral Principles (BASE)

As a leading healthcare and agriculture company, we bear a great responsibility. To ensure that we meet current societal expectations, we introduced the Bayer Societal Engagement (BASE) principles in 2019. Set out in a publicly available Group regulation, these principles establish how we interact worldwide not just with our employees, but also with patients, customers, consumers, business partners, political stakeholders, scientists, critics and our stockholders. In this way, we want to live up to our social responsibility as a sustainably acting and transparent company that is respected for its contribution to progress in healthcare and agriculture. We want to listen, understand, take concerns seriously and engage in respectful dialogue – especially where this is difficult or uncomfortable.

The BASE principles are grounded in our purpose “Science for a better life,” our vision “Health for all, hunger for none” and the Bayer LIFE values of leadership, integrity, flexibility and efficiency. The principles describe our actions in eight areas:

- // Our engagement with society
- // Our guiding principles and core values
- // How we drive innovation
- // How we act in the workplace
- // How we conduct our business
- // How we interact with our customers, patients and the consumers of our products
- // How we interact with media, legislators, regulators and civil society organizations
- // How we interact with stockholders

## Transparency

As our activities concern the sensitive areas of health and nutrition, they lead to inquiries and the desire to understand even better what we do. Against this background, we endeavor to strengthen trust further – for which transparent conduct is essential. For example, we disclose information from various areas of our work and openly communicate how the safety of our products is rated.

We supply information about our transparency efforts in the following areas, for instance:

- // We make detailed disclosures on, for example, material and project expenses and headcount of the essential political liaison offices in the transparency registers of the European institutions and the U.S. Congress, for instance. We also report data for countries in which there is no legal disclosure obligation. For more information, please see Chapter 2.6 Compliance and our website.
- // Through our website, we grant public access to safety relevant studies that regulatory authorities use to approve crop protection product registrations.
- // We publish information on planned and ongoing clinical patient trials on our Clinical Trials website.
- // For many years, Bayer has shared patient-based clinical trial data with qualified researchers. In 2021, we received the annual Data Pioneer Award from the NGO C-Path (Critical Path Institute) for a package of data containing valuable lab results that we made available in record time. This project was supported by the U.S. Food and Drug Administration (FDA). In relations between the pharmaceutical industry and physicians, other healing professions and healthcare organizations, Bayer ensures compliance with the EFPIA (European Federation of Pharmaceutical Industries and Associations) Disclosure Code, and for example in the United States, the U.S. Physician Payments Sunshine Act.
- // In a bid to generate more transparency around our scientific collaborations, we launched the [Bayer Science Collaboration Explorer](#) in 2021. In this publicly accessible database, we disclose information on new contract based scientific collaborations with universities, public institutions and individuals. After introduction in Germany, we shall also include the data on collaborations in the United States in the Bayer Science Collaboration Explorer in 2022. Further countries will follow.

For more information on our transparency initiative, please see our [website](#).

We transparently shape our corporate governance in accordance with the German Corporate Governance Code. For more information, please see the [2021 Annual Report](#).

## Supplier Code of Conduct (SCoC), SCoC Guidance, sustainability contract clauses

Encouraging the development and diffusion of environmentally friendly technologies of our suppliers is anchored in our Supplier Code of Conduct. Suppliers shall use natural resources (e.g. water, sources of energy, raw materials) in an economical way and preserve them. To ensure the conservation of renewable natural resources, suppliers shall promote the application of broadly recognized sustainability standards and certifications that have been developed by multiple stakeholders. Negative impacts on the environment and climate caused by the suppliers or in their supply chain shall be minimized or eliminated at their source. Practices are encouraged to be in line with circular economy principles such as material reduction, substitution, collection, sharing, maintenance, reuse, redistribution, refurbishment, remanufacturing and recycling. Suppliers shall engage in the development and use of environmentally and climate-friendly products, processes and technologies. Suppliers shall ensure and demonstrate continuous environmental improvements, including a reduction in raw materials, energy, emissions, discharges, noise, waste, hazardous substances and reliance on natural resources, by means of clear targets and improvement policies.

The code is applied in the selection and evaluation of our suppliers and is integrated into electronic ordering systems throughout the Bayer Group. As a result, suppliers must already commit to our core principles upon registration. Furthermore, our standard supply contracts contain a clause that authorizes us to verify suppliers' compliance with our sustainability requirements. This clause will be successively integrated into all contracts that are up for renewal in 2022. Our Code of Conduct is supplemented by a global guidance document, which, like the Supplier Code of Conduct, is available on our website.

## Partnerships

We are actively engaged in product stewardship activities through our work in relevant associations and initiatives. Since 1994, Bayer has supported the Responsible Care<sup>TM</sup> initiative of the chemical industry and the associated Responsible Care<sup>TM</sup> Global Charter. We participate in the further development of scientific risk assessment and are involved in several associations – such as the European (CEFIC), U.S. (ACC) and international (ICCA) chemical industry associations and the OECD – and in initiatives such as the European Centre for Ecotoxicology and Toxicology of Chemicals (ECETOC).

We have further broadened our collaboration in the area of sustainability by for example joining the Lowering Emissions by Accelerating Forest finance (LEAF) coalition with its goal of halting deforestation by financing large scale tropical forest protection. In addition, Bayer, the International Food Policy Research Institute (IFPRI) and the Swiss Federal Institute of Technology in Zürich announced a research collaboration to address how agriculture can develop and implement new solutions to reduce its impact on biodiversity.

### ► OECD Step 2: Identify and assess actual and potential adverse impacts associated with the enterprise's operations, products or services

## Enterprise Risk Management System

We have implemented a holistic and integrated risk management system designed to ensure the continued existence and future target attainment of the Group through the early identification, assessment and treatment of risks. Our risk management system is aligned to internationally recognized standards and principles such as the ISO 31000 standard of the International Organization for Standardization.

The Board of Management of Bayer AG holds overall responsibility for an effective risk management system. The Audit Committee of the Supervisory Board oversees the appropriateness and effectiveness of the risk management system at least once a year, after which a report is made to the entire Supervisory Board.

The Bayer Assurance Committee, which is chaired by the CFO, is a committee of the Board of Management. As well as ensuring that appropriate action is taken to control any substantial risks, the Bayer Assurance Committee regularly discusses and reviews the risk portfolio and the status of the risk control measures.

Responsibility for the identification, assessment, treatment and reporting of risks lies with the operational business units in the divisions and enabling functions. The risk managers are responsible for identifying risks.

Where possible, the identified risks are evaluated with regard to their potential impact and likelihood of occurrence, while taking into account established risk control measures.

To help ensure we identify risks as comprehensively as possible, we maintain a risk universe that reflects the company's potential risk categories. The Bayer Risk Universe, which is regularly updated, also expressly accounts for risks of a nonfinancial nature that are linked to our business activity or to our business relationships, products and services.

Risks are assessed on a net basis, taking into account the risk control measures in place to mitigate the potential impact and likelihood of occurrence. Examples of such risk control measures can also be found in the [Sustainability Report](#) in the descriptions of how various sustainability issues are managed. The extent of the impact is rated in quantitative and/or qualitative terms. The quantitative assessment reflects a potentially negative effect on cash flows. A qualitative assessment of the impact is based on criteria such as the effect on our strategy or reputation, the potential loss of stakeholder confidence, and potential incomplete compliance with sustainability principles (e.g. in the area of safety, environmental protection or human rights). The higher rating – qualitative or quantitative – determines the overall assessment.

Included are risks pursuant to the German Corporate Social Responsibility (CSR) Directive Implementation Act that relate to environmental, employee and social issues, human rights, corruption and bribery (compliance).

For detailed information on the basic elements of the risk management system, including the risk management process, and details on our risk status, please see Chapter 3.2 Opportunity and Risk Report of the [2021 Annual Report](#).

### Climate Risk Assessment

In 2021, we looked at the risks and opportunities stemming from the effects of climate change from various perspectives to better evaluate them as regards our company and integrate them into our strategy and measures. Climate-related risks are already accounted for in our Group-wide Enterprise Risk Management (ERM) system.

We analyze the possible effects of climate change across two different scenarios. We use these scenarios to understand the impact of this factor on our business and to identify measures for mitigating risks and exploiting opportunities. With a cross-functional and -divisional team we have identified relevant opportunities and risks for our business in both scenarios.

### ► OECD Step 3: Cease, prevent and mitigate adverse impacts

#### Enterprise Risk Management System // Policies

As part of the Risk Management process, risk control measures are taken for risks in the Bayer risk universe. Risks are assessed on a net basis, taking into account the risk control measures in place to mitigate the potential impact and likelihood of occurrence.

Examples of such risk control measures in the area of environment are policies such as [HSE Management and HSE Key Requirements](#), Access & Use of Genetic Resources, Guidelines for the responsible use of genetic engineering at Bayer, our Corporate Compliance Policy and our [Product Stewardship Commitment, Principles and Key Requirements](#). This is based on established and internationally recognized standards such as the International [Code of Conduct on Pesticide Management](#) issued by the Food and Agriculture Organization of the United Nations (FAO) and the World Health Organization (WHO), the guidelines of the crop protection association [CropLife International](#), and the guidelines of the industry initiative [Excellence Through Stewardship](#) (ETS) for seeds and traits. Policies & processes are updated on a regular basis based on findings.

#### Carbon Farming & Environmental Impact Reduction (EIR)

We aim to reduce greenhouse gas emissions from our highest-emitting crops by 30% in our sales regions by 2030. Key levers in this endeavor include climate-friendly cultivation practices such as plowless soil tillage or the sowing of cover crops. These

enable CO<sub>2</sub> to be captured in the soil, making the agricultural industry a key player in the fight against climate change. The dry seeding method of rice cultivation also offers tremendous potential to reduce the greenhouse gas emissions associated with this crop.

We work to ensure that farmers also benefit financially from such solutions, as that is the only way to enable their rapid implementation. Our Carbon Farming Initiative launched in 2020 already offers farmers in Brazil, the United States, Europe and Asia financial incentives to apply climate-friendly methods and capture greenhouse gases in the soil.

By 2030, we want to reduce the environmental impact from the use of crop protection products by 30%. Changes in agricultural practices and the application of crop protection products, as well as the use of digital solutions, help to apply the required crop protection products as precisely and sparingly as possible to the area requiring treatment.

In 2021, an initial assessment was performed on the environmental impact of Bayer's crop protection products as well as all other globally applied crop protection products in 2018 in the market. One of the conclusions of the analysis was that the impact of Bayer's crop protection products represents around 2% of the global environmental impact of all crop protection products, despite Bayer's market share in terms of sales being significantly higher (around 18% of the global crop protection market). For more information, please see our [website](#).

In addition, Stakeholder dialogue helps us to recognize important trends and developments in society and our markets at an early stage and take this information into account when shaping our business (for details – see OECD step 5 of this principle).

### Supplier Management Process

Bayer works continuously to strategically evolve sustainability topics in procurement. In the coming years, the company intends to place increasing importance on environmental and human rights requirements throughout the supply chain and on the Supplier Diversity Program. In 2021, we began developing indicators to monitor

progress in the various sustainability focus areas and define suitable targets. In 2021, we continued to ensure that all strategically important suppliers had to present an EcoVadis rating of at least 45 of 100 points ("green" assessment) or a comparable audit result. Since 2021, furthermore, potential new suppliers with a high inherent sustainability risk and procurement spend of more than €250,000 have been examined in advance with regard to sustainability aspects.

Bayer verifies the observance of the code requirements by the suppliers selected for evaluation by means of EcoVadis online assessments or through on-site audits or, during the COVID-19 pandemic, virtual audits conducted by both external and Bayer auditors. The online assessments and on-site audits are analyzed and documented so that specific improvement measures can be defined. In 2021, suppliers who had undergone online assessments by EcoVadis demonstrated the need for improvement in particular in the categories of ethics and sustainable procurement, while those who had been audited required improvement in occupational health and safety.

A supplier receives a critical result if one or more serious violations 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 2021, this applied to 22 suppliers (3% assessed and audited suppliers; 2020: 2% (13)). We monitor the implementation of these activities by way of reassessments or follow-up audits. Bayer retains the right to terminate a supplier relationship if no improvement is observed during a re-evaluation.

### Partnerships

We are actively engaged in product stewardship activities through our work in relevant associations and initiatives. Since 1994, Bayer has supported the [Responsible Care™](#) initiative of the chemical industry and the associated Responsible Care™ Global Charter. We participate in the further development of scientific risk assessment and are involved in several associations – such as the European (CEFIC), U.S. (ACC) and international (ICCA) chemical industry associations and the OECD – and in initiatives such as the European Centre for Ecotoxicology and Toxicology of Chemicals (ECETOC).

## ► OECD Step 4: Track implementation and results

### KPI Tracking (2030 Targets linked to Compensation)

Bayer's [sustainability targets](#) are measured via Key Performance Indicators (KPIs). The targets and their progress measurements are assured by an external auditor and published on our external website. Beginning in 2021, quantitative targets will account for 20% of the long-term variable compensation of the Board of Management and entitled managerial employees.

### Further Environmental KPI Tracking & Reporting

Bayer tracks and reports on environmental KPIs closely and rigorously. For example, coverage of Standards and Certifications as % of business activities based on energy consumption of environmentally relevant sites, CO<sub>2</sub> and other direct air emissions, water use, waste water, waste and recycling, environmental incidents. For details, see our [sustainability report](#), chapter 8 "Environmental Protection". All data in the sustainability report is audited by an external auditor.

### Internal Audits

Audits are an integral component of our global HSE management system. They help to ensure compliance with applicable regulations and to improve our performance worldwide through the management and mitigation of possible HSE risks. Bayer's global HSE audit program comprises both general HSE audits and process and plant safety audits. The Group Regulation on Health, Safety and Environmental Audits defines the basic principles and methodology for selection, planning, implementation and post-processing using a risk-based decision-making process. Bayer's audit approach is based on the international standard ISO 19011 "Guidelines for Auditing Management Systems" and provides the framework for carrying out audits.

Through the overarching HSE audit approach, we include all units and apply the same concepts worldwide. When selecting sites for audit, the focus is particularly on production sites, relevant Bayer warehouses, sites with research and development units, and relevant seed treatment and processing units.

### Supplier Audits & Assessments

Bayer verifies the observance of the code requirements by the suppliers selected by means of EcoVadis online assessments or through on-site audits or, during the COVID-19 pandemic, virtual audits conducted by both external and Bayer auditors.

The online assessment criteria of EcoVadis – broken down into the areas of environment, ethics, labor practices and human rights, and sustainable procurement – correspond to the requirements of our code and also take into account country- and industry-specific conditions and supplier size. In total, our service provider EcoVadis assessed 802 (2020: 670) suppliers on our behalf in 2021.

In 2021, we also arranged for 67 (2020: 26) of our suppliers to be audited on site by external, independent auditors. In addition, 10 (2020: 5) suppliers were audited virtually due to the global COVID-19 pandemic. The audit criteria included both the specifications of our code and the industry-specific requirements of the TfS and PSCI industry initiatives.

Our monthly monitoring shows that 508 (2020: 357) of the 879 (2020: 701) Bayer suppliers evaluated in 2021 improved their sustainability performance.

Furthermore, internal and external auditors evaluate selected new and existing suppliers with a focus on HSE. These audits are performed for suppliers with significant risk potential as regards, for example, substances, production processes, occupational safety or environmental factors, as well as for toll or contract manufacturers with an increased country risk. In 2021, 200 (2020: 83) suppliers were evaluated by means of HSE audits.

### Supplier Corrective Action Plans

The online assessments and on-site audits are analyzed and documented so that specific improvement measures can be defined. In 2021, suppliers who had undergone online assessments by EcoVadis demonstrated the need for improvement in particular in the categories of ethics and sustainable procurement, while those who had been audited required improvement in occupational health and safety. A supplier receives a critical result if one or more serious violations 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.

### ► OECD Step 5: Communicate how impacts are addressed

#### Sustainability & Annual Report

With its [Sustainability Report](#), Bayer aims to provide transparent and in-depth insights into both its sustainability strategy and its sustainability performance. The report supplements the nonfinancial statement pursuant to the CSR Directive Implementation Act (CSR-RUG) that is published in the combined management report of the 2021 [Annual Report](#).

The Bayer Group's sustainability reporting has been aligned to the guidelines of the [Global Reporting Initiative](#) (GRI) and the 10 principles of the UN Global Compact (UNGC) since 2000. This report has been prepared in accordance with the GRI Standards: Core option. This report also serves as a Communication on Progress in line with the UN Global Compact. We also take into account the relevant requirements of the Sustainability Accounting Standards Board (SASB). A [summarized index](#) according to the three SASB Industry Standards relevant to us – “Biotechnology & Pharmaceuticals,” “Chemicals” and “Agricultural Products” – can be found on our website. In our climate reporting we follow the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and publish a [separate index](#) in PDF format also on our website.

The Bayer Group's sustainability reporting is aligned to the guidelines of the Global Reporting Initiative (GRI) and the 10 principles of the UN Global Compact (UNGC). A comprehensive overview of the GRI disclosures and an outline of our progress in implementing the 10 UNGC principles are available in the GRI/UNGC Index of the report. Our reporting is also aligned to international guidelines and recommendations, including those on the definition and selection of non-financial indicators and on reporting. In this connection, we observe the OECD guidelines for multinational companies and the ISO 26000 standard. Our selection of indicators and

measurement of key data also takes into account the recommendations of the European Federation of Financial Analysts Societies (EFFAS) for the reporting of non-financial indicators, the Greenhouse Gas Protocol for the field of greenhouse gas emissions, the World Business Council for Sustainable Development (WBCSD) and the European Chemical Industry Council (CEFIC).

#### Transparency

Transparency is a top priority for Bayer. We are committed to build up and strengthen trust by making information accessible from a whole range of areas. For our commitment and overview of activities, please see our [transparency website](#), including [transparency on science collaboration](#).

#### Our Commitments on Transparency, Sustainability and Engagement

In the year following our acquisition of Monsanto, we have heard from journalists and politicians, scientists and regulators, consumers and shareholders, farmers and neighbors. We have been engaged in discussions about agriculture and nutrition, sustainability and biodiversity, and also about the new size and significance of our company.

We heard questions and concerns about us. These concerns matter to us and we want to address them. Farming is too important to limit its progress. To ensure future advancements, we need to change.

As the new market leader, we are setting off on a journey to elevate our efforts in transparency, sustainability and the way we engage with our stakeholders. We invite other industry partners to join us. And we are committed to providing regular updates on the progress of our measures in these areas [here](#).

#### Positions & Statements // Website

In addition, Bayer communicates on environmental topics via our [website](#) that has sub-sites on [climate protection](#) and [environmental protection](#) including an [industry association climate review 2021](#) and public statements such as our group position on [biodiversity](#), position on [global product strategy](#), [responsible care](#), [water](#), [deforestation and forest degradation](#), [insect decline](#), [raising the bar on crop protection safety](#)



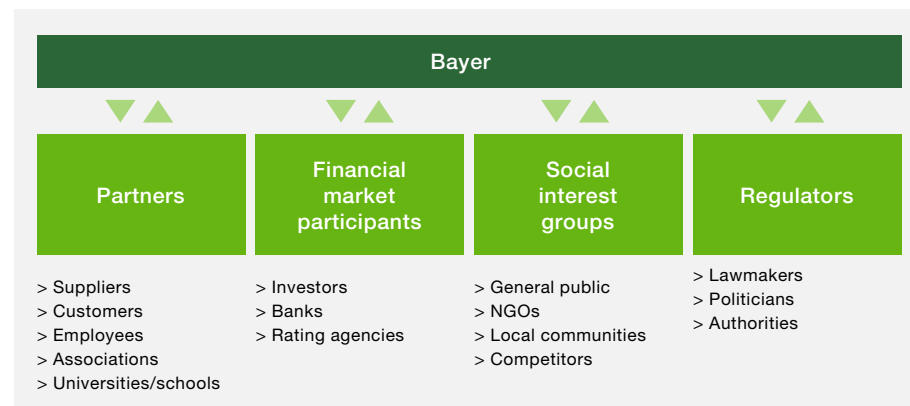
standards, [UN sustainable development goals](#), and [sustainable beef production](#) and our [SCoC](#). Key policies such as [HSE Key Requirements](#) and our [Product Stewardship Policy](#) are also made public.

## Stakeholder Dialogue

As a company, Bayer is a part of society and public life. Ongoing dialogue with our stakeholders is therefore particularly important to us. After all, their expectations and viewpoints affect our public acceptance and thus our commercial success.

We fundamentally distinguish between four stakeholder groups with which we engage in discussions on different issues.

### Stakeholder Groups



Stakeholder dialogue helps us to recognize important trends and developments in society and our markets at an early stage and take this information into account when shaping our business. Our [BASE principles](#) serve as the foundation for all dialogue.

In strategic decision-making processes, regarding investment projects and product launches for example, Bayer proactively approaches key social and political players

right from the start of a new project. Such open dialogue enables us to identify opportunities and risks early on. This process is in line with our Stakeholder Engagement Guideline and is supplemented by an internal information platform.

## Focus on a variety of stakeholders

Our regular stakeholder activities range from dialogues at the local, national and international level, and active involvement in committees and specialist workshops all the way through to comprehensive information programs, issue related multi-stakeholder events, and participation in international initiatives and collaborations.

The selected topics described below provide insight into our engagement with our most important stakeholder groups.

Last year, we engaged in intensive discussions with stakeholder groups (see graphic) that focused on topics such as sustainable agriculture, healthcare, nutrition, climate change, biodiversity and water, as well as poverty alleviation and family planning.

Examples include our virtual event series “Future of Farming Dialogue,” our stewardship role in the Council for Inclusive Capitalism and our participation in Ecosperity Week 2021, Economist Sustainability Week, the United Nations Food System Summit and the Politico Agriculture & Food Summit. At the UN Climate Change Conference (COP26) in Glasgow,

we intensively discussed solutions for addressing climate change. Other examples included dialogues on food security at the Munich Security Conference and on innovation at the annual meeting of the World Economic Forum, as well as stakeholder dialogues on sustainability during the UN General Assembly.

Through a multi-stakeholder dialogue and the coalition Bayer formed in 2021 with organizations such as the World Bank, the Global Economic Forum and Grow Asia, we significantly raised awareness about the challenges faced by smallholder farmers. For example, we conveyed to governmental organizations the need to enable access by these smallholder farmers to technology and innovations to improve their living conditions.

Various live discussions on socially relevant issues were held on LinkedIn – including in areas where Bayer is viewed critically. These discussions focused on themes such as climate change, biodiversity, water and sustainable economic activity.

One way in which Crop Science achieves customer centricity is through our Food Chain Partnership, which includes several hundred initiatives throughout the entire value chain.

These strategic alliances and cooperation models are aimed at driving improvements in food security, sustainability and economic opportunities for farmers. The programs center on innovative crop solutions and services for sustainable agriculture.

In our Bayer Forward Farming programs, we work together directly with a network of independent farmers who demonstrate sustainable agricultural practices in various crops and countries around the world. Our goal is to create ecosystems that reduce business risks for our customers. With this goal in mind, we form partnerships with NGOs, value chain partners and the public sector, and jointly develop new solutions such as the Global Alliance Against TR4 to prevent the spread of pathogens such as TR4 (Tropical Race 4) in banana plants; the MidWest Row Crop Collaborative Platform; the Living Soils for Americas Initiative to improve soil health and food security; and Better Life Farming (BLF), IFC (International Finance Corporation, part of the World Bank), Netafim and other local partners to empower smallholder farmers.

► **OECD Step 6:  
Provide for or cooperate in remediation when appropriate**

### Management Systems

Any human or labor rights violations are remediated in accordance with local laws as well as international standards and internal guidelines. The type of remedy or combination of remedies that is appropriate will depend on the nature and extent of the adverse impact.

Bayer cooperates with all relevant stakeholders such as authorities, business partners and suppliers.

### Compliance Management System including Grievance Mechanisms (e.g. Hotline)

Suspected compliance violations can be reported – anonymously if desired and if permitted by respective national law – to a worldwide compliance hotline operated by an independent service provider. Suspected violations can be reported either via the internet or through a phone call made in the caller's preferred language and answered by independent specialists. The hotline is also accessible to the general public. In addition, an internal mailbox – the so-called "Speak-Up Inbox" – was introduced in 2020 for the submission of suspected compliance violations. Alternatively, suspected violations may also be reported to the respective compliance functions or to Internal Audit. Since 2021, furthermore, it has been possible to report suspected compliance violations through a newly implemented platform in the form of an incident request. Compliance violations include all possible types of infringements of internal and external requirements and are systematically sanctioned. The action taken depends on factors including the gravity of the violation and applicable law. All cases are recorded according to uniform criteria 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.

### Supplier Management Process, Corrective Action Plans

The online assessments and on-site audits are analyzed and documented so that specific improvement measures can be defined. In 2021, suppliers who had undergone online assessments by EcoVadis demonstrated the need for improvement in particular in the categories of ethics and sustainable procurement, while those who had been audited required improvement in occupational health and safety. A supplier receives a critical result if one or more serious violations 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 2021, this applied to 22 suppliers (3% assessed and audited suppliers; 2020: 2% (13)). We monitor the implementation of these activities by way of reassessments 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 508 (2020: 357) of the 879 (2020: 701) Bayer suppliers evaluated in 2021 improved their sustainability performance. A key factor in this collaboration is helping our suppliers to improve their sustainability performance. Here we focus both on remedying deficiencies and on collaborating on sustainability topics.

## Principle 9:

### Businesses should encourage the development and diffusion of environmentally friendly technologies.

#### How Bayer implements Principle 9 within strategies and operations

#### ► OECD Step 1: Embed responsible business conduct into policies and management systems

#### Sustainability Targets part of Business Strategy

To achieve Bayer's 2030 sustainability targets in the environmental area such as achieving climate neutrality at own sites, reducing emissions in our supply chain to ultimately reach net zero emission target until 2050, reducing Greenhouse Gas emissions by 30% in key agricultural crops in main regions, reducing environmental impact of crop protection in agriculture by 30% and transitioning all Consumer Health products to 100% recyclable or reusable packaging all by 2030, the development of

diffusion of environmentally friendly technologies and methods are paramount. They are part of our business strategy and operations.

As the world's leading company in the field of crop science, we will support a total of 100 million smallholder farmers in LMICs by 2030 by improving their access to agricultural products and services – also together with our partners. To achieve this, we are increasing the range of our commercial efforts and strategic initiatives tailored to the needs of smallholder farmers. Our strategy to strengthen smallholder farmers is embedded in our regional commercial strategies.

We are successively expanding our product and service portfolio for smallholder farmers, including innovative business models and digital solutions across the entire crop system. This includes solutions from the areas of digital farming and market access, a differentiated product portfolio, biotechnological solutions and the formation of partnerships along the value chain.

We aim to create market models that generate benefit and reduce business risks for all partners in the value chain, including smallholder farmers. This is implemented by helping smallholder farmers gain access to the agricultural value chain and increase productivity and income, as well as by creating resilience to ensure the long-term food security of smallholder farmers, their families and rural regions in the LMICs.

We help farmers to increase their resilience against the effects of climate change, for example through our innovative seeds for plants that can better withstand extreme weather conditions, as well as through improved agricultural practices.

We also invest in new technologies and conduct research into questions such as how plants could use nitrogen from the air for their growth with the help of soil microorganisms.

This would enable the use of nitrogen fertilizer to be greatly reduced in the future. Currently, this substance is essential for plant growth, yet its production and use produces significant greenhouse gas emissions. Through our joint venture Unfold, we continue to invest in the development of seeds to fulfill the requirements of so called vertical farming. Vertical farms are particularly interesting for urban areas, where fresh vegetables can be grown in a space-saving and resource-efficient way. Such vertical farms are also supported by digital solutions. At the same time, through our Leaps by

Bayer participation in Fork & Goode, we are investing in research into animal protein produced from cell cultures to cover the growing demand for protein without stockbreeding.

### Use of digital technologies

For Bayer, digital farming is an important tool for creating a better balance between productivity and environmental conservation. The goal of digital farming is to use resources such as water, fertilizer and crop protection products more efficiently and sustainably.

The utilization of these new technologies enables a reduction of the resources needed for plant production and also promotes the safe and responsible use of crop protection products. For example, the use of satellite and drone data already allows slight differences in the field to be accounted for and crop protection products to be individually and precisely applied in the required amount only where they are needed (zone/spot spraying plus Variable Rate Application).

In 2021, Bayer continued its strategic partnership with major drone-producing companies. Through our Leaps by Bayer unit, we also invest in two companies with their own drone application development. The existing guidelines on the safe use of drones were refined further. We worked together with regional CropLife organizations, such as CropLife Asia, to frame guidance documents for the application of crop protection products through unmanned aircraft systems (UAS). In various countries, we carry out corresponding training courses for our employees and those of our research partners, often virtually.

Our HSE commitment extends beyond the scope of legal requirements. We perform a voluntary ecological assessment for capital expenditure projects exceeding €10 million.

This includes an evaluation of direct and indirect greenhouse gas emissions. The goal is to involve stakeholders at an early stage and adequately assess environmental impact and other sustainability dimensions.

### LEAPS by Bayer

LEAPS by Bayer is the venture capital arm of our company that invests in paradigm-shifting advances in the life sciences – breakthroughs that could change the world for the better. Since 2015, Leaps by Bayer has invested over \$1.5 billion in ventures that tackle fundamental breakthroughs and shift core paradigms in our industries – Health and agriculture. In agriculture, from data science and sensors to synthetic biology; emerging technologies are poised to fundamentally transform modern agriculture. We invest in companies pursuing breakthroughs that could decrease the intensive inputs of farming—energy, land, chemicals—while increasing productivity, nutrition, and quality. Nitrogen fixation, truly sustainable crop protection, and disruptive digital business models. The scale of agriculture is massive and our planet is diverse. Change will not happen overnight. The companies in our portfolio are a lighthouse. Through technology, science, and collaboration, we believe we can both nourish our expanding population and preserve our global ecosystem.

### Management System & Policies

Responsibility for steering and monitoring health, safety and environmental protection (HSE) aspects across the Group lies with the Public Affairs, Science, Sustainability & HSE Enabling Function. As of February 2022, HSE has been assigned to the Chairman of the Board of Management, who also serves as Chief Sustainability Officer at Bayer. The Public Affairs, Science, Sustainability & HSE Enabling Function establishes responsibilities, targets, key performance indicators and framework conditions for the entire Group. These include the Group Regulation on HSE Management and HSE Key Requirements, which forms an integral part of the global HSE management system. This Group regulation describes the basic approach for monitoring HSE processes at Bayer and defines core HSE requirements that need to be implemented worldwide. Detailed requirements for individual environmental protection and safety aspects are established in further-reaching Group regulations that are also binding.

The continuous review and revision of Group regulations by the Public Affairs, Science, Sustainability & HSE Enabling Function, regular mandatory internal audits and external certification processes ensure that the systems at all sites meet the relevant requirements.

Management systems for environmental protection and safety issues are in place that are integrated into the business processes throughout the Group. Operational responsibility for health, safety and environmental protection lies with the individual divisions, which steer HSE via management systems, committees and working groups at our sites.

Environmental management at the sites also involves the development and implementation of site-related targets and programs to reduce our environmental impact. The following priorities apply:

- // Avoiding waste/emissions
- // Recycling in all cases where it is practicable to do so by
- // reasonable means
- // Minimizing waste/emissions that cannot be avoided or recycled

Based on the Group Regulation on HSE Management and HSE Key Requirements, all environmentally relevant Bayer sites must have in place an HSE management system that complies with recognized international standards (e.g. ISO 14001 or ISO 45001).

Our HSE commitment extends beyond the scope of legal requirements. We perform a voluntary ecological assessment for capital expenditure projects exceeding €10 million.

This includes an evaluation of direct and indirect greenhouse gas emissions. The goal is to involve stakeholders at an early stage and adequately assess environmental impact and other sustainability dimensions.

This ecological assessment ensures uniform environmental and sustainability standards worldwide, taking into account Bayer's internal standards and the best available technologies. One example of this approach in 2021 was the planning of a new production site in Costa Rica, where Bayer aims to reduce greenhouse gas emissions to such an extent that this positively supports our pathway toward climate neutrality. We will also succeed in reducing greenhouse gas emissions in Leverkusen on the basis of an ecological assessment.

### Supplier Code of Conduct (SCoC), SCoC Guidance, sustainability contract clauses

Encouraging the development and diffusion of environmentally friendly technologies of our suppliers is anchored in our Supplier Code of Conduct. Suppliers shall use natural resources (e.g. water, sources of energy, raw materials) in an economical way and preserve them. To ensure the conservation of renewable natural resources, suppliers shall promote the application of broadly recognized sustainability standards and certifications that have been developed by multiple stakeholders. Negative impacts on the environment and climate caused by the suppliers or in their supply chain shall be minimized or eliminated at their source. Practices are encouraged to be in line with circular economy principles such as material reduction, substitution, collection, sharing, maintenance, reuse, redistribution, refurbishment, remanufacturing and recycling. Suppliers shall engage in the development and use of environmentally and climate-friendly products, processes and technologies. Suppliers shall ensure and demonstrate continuous environmental improvements, including a reduction in raw materials, energy, emissions, discharges, noise, waste, hazardous substances and reliance on natural resources, by means of clear targets and improvement policies.

The code is applied in the selection and evaluation of our suppliers and is integrated into electronic ordering systems throughout the Bayer Group. As a result, suppliers must already commit to our core principles upon registration. Furthermore, our standard supply contracts contain a clause that authorizes us to verify suppliers' compliance with our sustainability requirements. This clause will be successively integrated into all contracts that are up for renewal in 2022. Our Code of Conduct is supplemented by a global guidance document, which, like the Supplier Code of Conduct, is available on our website.

► **OECD Step 2:**  
**Identify and assess actual and potential adverse impacts associated with the enterprise's operations, products or services**

### Enterprise Risk Management System

We have implemented a holistic and integrated risk management system designed to ensure the continued existence and future target attainment of the Group through the early identification, assessment and treatment of risks. Our risk management system is aligned to internationally recognized standards and principles such as the ISO 31000 standard of the International Organization for Standardization.

The Board of Management of Bayer AG holds overall responsibility for an effective risk management system. The Audit Committee of the Supervisory Board oversees the appropriateness and effectiveness of the risk management system at least once a year, after which a report is made to the entire Supervisory Board.

The Bayer Assurance Committee, which is chaired by the CFO, is a committee of the Board of Management. As well as ensuring that appropriate action is taken to control any substantial risks, the Bayer Assurance Committee regularly discusses and reviews the risk portfolio and the status of the risk control measures.

Responsibility for the identification, assessment, treatment and reporting of risks lies with the operational business units in the divisions and enabling functions. The risk managers are responsible for identifying risks.

Where possible, the identified risks are evaluated with regard to their potential impact and likelihood of occurrence, while taking into account established risk control measures.

To help ensure we identify risks as comprehensively as possible, we maintain a risk universe that reflects the company's potential risk categories. The Bayer Risk Universe, which is regularly updated, also expressly accounts for risks of a nonfinancial nature that are linked to our business activity or to our business relationships, products and services.

Risks are assessed on a net basis, taking into account the risk control measures in place to mitigate the potential impact and likelihood of occurrence. Examples of such risk control measures can also be found in the [Sustainability Report](#) in the descriptions of how various sustainability issues are managed. The extent of the impact is rated in quantitative and/or qualitative terms. The quantitative assessment reflects a potentially negative effect on cash flows. A qualitative assessment of the impact is based on criteria such as the effect on our strategy or reputation, the potential loss of stakeholder confidence, and potential incomplete compliance with sustainability principles (e.g. in the area of safety, environmental protection or human rights). The higher rating – qualitative or quantitative – determines the overall assessment.

Included are risks pursuant to the German Corporate Social Responsibility (CSR) Directive Implementation Act that relate to environmental, employee and social issues, human rights, corruption and bribery (compliance).

For detailed information on the basic elements of the risk management system, including the risk management process, and details on our risk status, please see Chapter 3.2 Opportunity and Risk Report of the [2021 Annual Report](#).

### Product Stewardship Processes

Assuming responsibility for our products, from medicines to complex solutions for agriculture, is always at the core of what we do. They should be of the highest quality and contribute to a better life. This means that neither their development and manufacture nor their disposal should cause damage to people and the environment. For this reason, we conform strictly to regulations and laws all over the world.

Our substances and finished products undergo extensive assessment and testing to ensure product efficacy and safety. We examine possible health and environmental risks along the entire value chain and use this to derive appropriate measures to mitigate risks.

The safety of our products is the top priority. As early as the research and development stage, we assess the properties of our active ingredients and all other substances that are contained in a product and could thus impact the properties of a finished product (e.g. additives that support the actual active ingredients). We discontinue the development of active ingredients with undesirable properties in

application of the precautionary principle as defined in Principle 15 of the Rio Declaration of the United Nations and Communication COM (2000) 1 of the European Commission. There should not be a unilateral focus on hazard potential, but rather on a balanced benefit–risk evaluation.

All active ingredients emerging from research are subjected to further extensive testing and assessments at the development stage that include (legally prescribed) animal studies. For more information, please see Chapter 3.4 Animal Welfare of our [Sustainability Report](#).

We also conduct environmental risk assessments or implement risk management measures for our active ingredients subsequent to their registration. Moreover, we help to raise questions about the impact of active ingredients in the environment and to have them addressed through sound risk assessments and analyses. We carry out the risk assessments for our substances according to recognized scientific methods such as those described in the Guidance on Information Requirements and Chemical Safety Assessment of the European Chemicals Agency (ECHA). Should the analysis reveal that the use of a certain substance is not safe, we take steps to mitigate risk. These can vary from revised application recommendations to substitution of a substance. In this case, a replacement that is economically and technically viable needs to be sought. The substitution of chemicals is basically a continuous task for the chemical and pharmaceutical industry in order to generate new or substantially improved products and processes. This is integral to our commitment to Responsible Care™. The applicable assessment steps are established in a corresponding Group regulation.

### ► OECD Step 3: Cease, prevent and mitigate adverse impacts

#### Enterprise Risk Management System // Policies

As part of the Risk Management process, risk control measures are taken for risks in the Bayer risk universe. Risks are assessed on a net basis, taking into account the risk control measures in place to mitigate the potential impact and likelihood of occurrence.

Examples of such risk control measures in the area of environment are policies such as [HSE Management and HSE Key Requirements](#), [Access & Use of Genetic Resources](#), [Guidelines for the responsible use of genetic engineering at Bayer](#), our [Corporate Compliance Policy](#) and our [Product Stewardship Commitment, Principles and Key Requirements](#). This is based on established and internationally recognized standards such as the International [Code of Conduct on Pesticide Management](#) issued by the Food and Agriculture Organization of the United Nations (FAO) and the World Health Organization (WHO), the guidelines of the crop protection association [CropLife International](#), and the guidelines of the industry

initiative [Excellence Through Stewardship](#) (ETS) for seeds and traits. Policies & processes are updated on a regular basis based on findings.

#### Supplier Management Process

Bayer works continuously to strategically evolve sustainability topics in procurement. In the coming years, the company intends to place increasing importance on environmental and human rights requirements throughout the supply chain and on the Supplier Diversity Program. In 2021, we began developing indicators to monitor progress in the various sustainability focus areas and define suitable targets. In 2021, we continued to ensure that all strategically important suppliers had to present an EcoVadis rating of at least 45 of 100 points (“green” assessment) or a comparable audit result. Since 2021, furthermore, potential new suppliers with a high inherent sustainability risk and procurement spend of more than €250,000 have been examined in advance with regard to sustainability aspects.

Bayer verifies the observance of the code requirements by the suppliers selected for evaluation by means of EcoVadis online assessments or through on-site audits or, during the COVID-19 pandemic, virtual audits conducted by both external and Bayer auditors. The online assessments and on-site audits are analyzed and documented so that specific improvement measures can be defined. In 2021, suppliers who had undergone online assessments by EcoVadis demonstrated the need for improvement in particular in the categories of ethics and sustainable procurement, while those who had been audited required improvement in occupational health and safety.

A supplier receives a critical result if one or more serious violations 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 2021, this applied to 22 suppliers (3% assessed and audited suppliers; 2020: 2% (13)). We monitor the implementation of these activities by way of reassessments or follow-up audits. Bayer retains the right to terminate a supplier relationship if no improvement is observed during a re-evaluation.

### Carbon Farming & Environmental Impact Reduction (EIR)

We aim to reduce greenhouse gas emissions from our highest-emitting crops by 30% in our sales regions by 2030. Key levers in this endeavor include climate-friendly cultivation practices such as plowless soil tillage or the sowing of cover crops. These enable CO<sub>2</sub> to be captured in the soil, making the agricultural industry a key player in the fight against climate change. The dry seeding method of rice cultivation also offers tremendous potential to reduce the greenhouse gas emissions associated with this crop.

We work to ensure that farmers also benefit financially from such solutions, as that is the only way to enable their rapid implementation. Our Carbon Farming Initiative launched in 2020 already offers farmers in Brazil, the United States, Europe and Asia financial incentives to apply climate-friendly methods and capture greenhouse gases in the soil.

By 2030, we want to reduce the environmental impact from the use of crop protection products by 30%. Changes in agricultural practices and the application of crop protection products, as well as the use of digital solutions, help to apply the required crop protection products as precisely and sparingly as possible to the area requiring treatment.

In 2021, an initial assessment was performed on the environmental impact of Bayer's crop protection products as well as all other globally applied crop protection products in 2018 in the market. One of the conclusions of the analysis was that the impact of Bayer's crop protection products represents around 2% of the global environmental impact of all crop protection products, despite Bayer's market share in terms of sales being significantly higher (around 18% of the global crop protection market). For more information, please see our [website](#).

### Partnerships

We are actively engaged in product stewardship activities through our work in relevant associations and initiatives. Since 1994, Bayer has supported the [Responsible Care™](#) initiative of the chemical industry and the associated Responsible Care™ Global Charter. We participate in the further development of scientific risk assessment and are involved in several associations – such as the European (CEFIC), U.S. (ACC) and international (ICCA) chemical industry associations and the OECD – and in initiatives such as the European Centre for Ecotoxicology and Toxicology of Chemicals (ECETOC).

In addition, Stakeholder dialogue helps us to recognize important trends and developments in society and our markets at an early stage and take this information into account when shaping our business (for details – see OECD step 5 of this principle).

#### ► OECD Step 4: Track implementation and results

### KPI Tracking (2030 Targets linked to Compensation)

Bayer's [sustainability targets](#) are measured via Key Performance Indicators (KPIs). The targets and their progress measurements are assured by an external auditor and published on our external website. Beginning in 2021, quantitative targets will account for 20% of the long-term variable compensation of the Board of Management and entitled managerial employees.

### Further Environmental KPI Tracking & Reporting

Bayer tracks and reports on environmental KPIs closely and rigorously. For example, coverage of Standards and Certifications in relation to of business activities based on energy consumption of environmentally relevant sites, CO<sub>2</sub> and other direct air emissions, water use, waste water, waste and recycling, environmental incidents. For details, see our [Sustainability Report](#), chapter 8 "Environmental Protection".



## Supplier Audits & Assessments

Bayer verifies the observance of the code requirements by the suppliers selected by means of EcoVadis online assessments or through on-site audits or, during the COVID-19 pandemic, virtual audits conducted by both external and Bayer auditors.

The online assessment criteria of EcoVadis – broken down into the areas of environment, ethics, labour practices and human rights, and sustainable procurement – correspond to the requirements of our code and also take into account country- and industry-specific conditions and supplier size. In total, our service provider EcoVadis assessed 802 (2020: 670) suppliers on our behalf in 2021.

In 2021, we also arranged for 67 (2020: 26) of our suppliers to be audited on site by external, independent auditors. In addition, 10 (2020: 5) suppliers were audited virtually due to the global COVID-19 pandemic. The audit criteria included both the specifications of our code and the industry-specific requirements of the TfS and PSCI industry initiatives.

Our monthly monitoring shows that 508 (2020: 357) of the 879 (2020: 701) Bayer suppliers evaluated in 2021 improved their sustainability performance.

Furthermore, internal and external auditors evaluate selected new and existing suppliers with a focus on HSE. These audits are performed for suppliers with significant risk potential as regards, for example, substances, production processes, occupational safety or environmental factors, as well as for toll or contract manufacturers with an increased country risk. In 2021, 200 (2020: 83) suppliers were evaluated by means of HSE audits.

## Corrective Action Plans

The online assessments and on-site audits are analyzed and documented so that specific improvement measures can be defined. In 2021, suppliers who had undergone online assessments by EcoVadis demonstrated the need for improvement in particular in the categories of ethics and sustainable procurement, while those who had been audited required improvement in occupational health and safety. A supplier receives a critical result if one or more serious violations 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.

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### ► OECD Step 5: Communicate how impacts are addressed

## Sustainability & Annual Report

With its [Sustainability Report](#), Bayer aims to provide transparent and in-depth insights into both its sustainability strategy and its sustainability performance. The report supplements the nonfinancial statement pursuant to the CSR Directive Implementation Act (CSR-RUG) that is published in the combined management report of the 2021 [Annual Report](#).

The Bayer Group's sustainability reporting has been aligned to the guidelines of the [Global Reporting Initiative](#) (GRI) and the 10 principles of the UN Global Compact (UNGC) since

2000. This report has been prepared in accordance with the GRI Standards: Core option. This report also serves as a Communication on Progress in line with the UN Global Compact. We also take into account the relevant requirements of the Sustainability Accounting Standards Board (SASB). A [summarized index](#) according to the three SASB Industry Standards relevant to us – “Biotechnology & Pharmaceuticals,” “Chemicals” and “Agricultural Products” – can be found on our website. In our climate reporting we follow the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and publish a [separate index](#) in PDF format also on our website.

The Bayer Group's sustainability reporting is aligned to the guidelines of the Global Reporting Initiative (GRI) and the 10 principles of the UN Global Compact (UNGC). A comprehensive overview of the GRI disclosures and an outline of our progress in implementing the 10 UNGC principles are available in the GRI/UNGC Index of the report. Our reporting is also aligned to international guidelines and recommendations, including those on the definition and selection of non-financial indicators and on reporting. In this connection, we observe the OECD guidelines for multinational companies and the ISO 26000 standard. Our selection of indicators and measurement of key data also takes into account the recommendations of the European Federation of Financial Analysts Societies (EFFAS) for the reporting of non-financial indicators, the Greenhouse Gas Protocol for the field of greenhouse gas emissions, the World Business Council for Sustainable Development (WBCSD) and the European Chemical Industry Council (CEFIC).

### Transparency

Transparency is a top priority for Bayer. We are committed to build up and strengthen trust by making information accessible from a whole range of areas. For our commitment and overview of activities, please see our [transparency website](#), including [transparency on science collaboration](#).

### Positions & Statements // Website

In addition, Bayer communicates on environmental topics via our website and public statements such as our group position on [biodiversity](#), position on [global product strategy](#), [responsible care](#), [water](#), [deforestation and forest degradation](#), [insect decline](#), [raising the bar on crop protection safety standards](#), [UN sustainable development goals](#), and [sustainable beef production](#) and our [Supplier Code of Conduct](#). Key policies such as [HSE Key Requirements](#) and our [Product Stewardship Policy](#) are also made public.

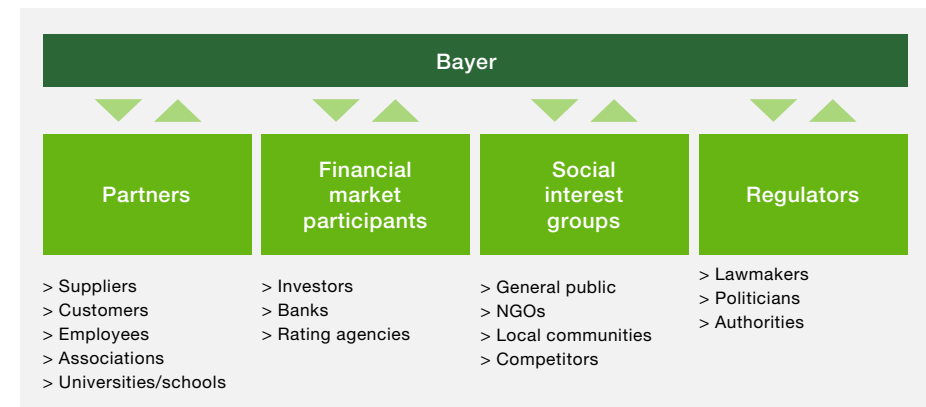
Updates and news on LEAPS by Bayer can be found on the website of [LEAPS by Bayer](#).

### Stakeholder Dialogue

As a company, Bayer is a part of society and public life. Ongoing dialogue with our stakeholders is therefore particularly important to us. After all, their expectations and viewpoints affect our public acceptance and thus our commercial success.

We fundamentally distinguish between four stakeholder groups with which we engage in discussions on different issues.

#### Stakeholder Groups



Stakeholder dialogue helps us to recognize important trends and developments in society and our markets at an early stage and take this information into account when shaping our business. Our [BASE principles](#) serve as the foundation for all dialogue.

In strategic decision-making processes, regarding investment projects and product launches for example, Bayer proactively approaches key social and political players right from the start of a new project. Such open dialogue enables us to identify opportunities and risks early on. This process is in line with our Stakeholder Engagement Guideline and is supplemented by an internal information platform.

## Focus on a variety of stakeholders

Our regular stakeholder activities range from dialogues at the local, national and international level, and active involvement in committees and specialist workshops all the way through to comprehensive information programs, issue related multi-stakeholder events, and participation in international initiatives and collaborations.

The selected topics described below provide insight into our engagement with our most important stakeholder groups.

Last year, we engaged in intensive discussions with stakeholder groups (see graphic) that focused on topics such as sustainable agriculture, healthcare, nutrition, climate change, biodiversity and water, as well as poverty alleviation and family planning.

Examples include our virtual event series “Future of Farming Dialogue,” our stewardship role in the Council for Inclusive Capitalism and our participation in Ecosperity Week 2021, Economist Sustainability Week, the United Nations Food System Summit and the Politico Agriculture & Food Summit. At the UN Climate Change Conference (COP26) in Glasgow, we intensively discussed solutions for addressing climate change. Other examples included dialogues on food security at the Munich Security Conference and on innovation at the annual meeting of the World Economic Forum, as well as stakeholder dialogues on sustainability during the UN General Assembly.

Through a multi-stakeholder dialogue and the coalition Bayer formed in 2021 with organizations such as the World Bank, the Global Economic Forum and Grow Asia, we significantly raised awareness about the challenges faced by smallholder farmers. For example, we conveyed to governmental organizations the need to enable access by these smallholder farmers to technology and innovations to improve their living conditions.

Various live discussions on socially relevant issues were held on LinkedIn – including in areas where Bayer is viewed critically. These discussions focused on themes such as climate change, biodiversity, water and sustainable economic activity.

One way in which Crop Science achieves customer centricity is through our Food Chain Partnership, which includes several hundred initiatives throughout the entire value chain.

These strategic alliances and cooperation models are aimed at driving improvements in food security, sustainability and economic opportunities for farmers. The programs center on innovative crop solutions and services for sustainable agriculture.

In our Bayer Forward Farming programs, we work together directly with a network of independent farmers who demonstrate sustainable agricultural practices in various crops and countries around the world. Our goal is to create ecosystems that reduce business risks for our customers. With this goal in mind, we form partnerships with NGOs, value chain partners and the public sector, and jointly develop new solutions such as the Global Alliance Against TR4 to prevent the spread of pathogens such as TR4 (Tropical Race 4) in banana plants; the MidWest Row Crop Collaborative Platform; the Living Soils for Americas Initiative to improve soil health and food security; and Better Life Farming (BLF), IFC (International Finance Corporation, part of the World Bank), Netafim and other local partners to empower smallholder farmers.

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### ► OECD Step 6: Provide for or cooperate in remediation when appropriate

#### Management Systems

Any human or labor rights violations are remediated in accordance with local laws as well as international standards and internal guidelines. The type of remedy or combination of remedies that is appropriate will depend on the nature and extent of the adverse impact.

Bayer cooperates with all relevant stakeholders such as authorities, business partners and suppliers.

## Compliance Management System including Grievance Mechanisms (e.g. Hotline)

Suspected compliance violations can be reported – anonymously if desired and if permitted by respective national law – to a worldwide compliance hotline operated by an independent service provider. Suspected violations can be reported either via the internet or through a phone call made in the caller’s preferred language and answered by independent specialists. The hotline is also accessible to the general public. In addition, an internal mailbox – the so-called “Speak-Up Inbox” – was introduced in 2020 for the submission of suspected compliance violations. Alternatively, suspected violations may also be reported to the respective compliance functions or to Internal Audit. Since 2021, furthermore, it has been possible to report suspected compliance violations through a newly implemented platform in the form of an incident request. Compliance violations include all possible types of infringements of internal and external requirements and are systematically sanctioned. The action taken depends on factors including the gravity of the violation and applicable law. All cases are recorded according to uniform criteria 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.

## Supplier Management Process, Corrective Action Plans

The online assessments and on-site audits are analyzed and documented so that specific improvement measures can be defined. In 2021, suppliers who had undergone online assessments by EcoVadis demonstrated the need for improvement in particular in the categories of ethics and sustainable procurement, while those who had been audited required improvement in occupational health and safety. A supplier receives a critical result if one or more serious violations 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 2021, this applied to 22 suppliers (3% assessed and audited suppliers; 2020: 2% (13)). We monitor the implementation of these activities by way of reassessments 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 508 (2020: 357) of the 879 (2020: 701) Bayer suppliers evaluated in 2021 improved their sustainability performance. A key factor in this collaboration is helping our suppliers to improve their sustainability performance. Here we focus both on remedying deficiencies and on collaborating on sustainability topics.

# Anti-Corruption

## Principle 10:

**Businesses should work against corruption in all its forms, including extortion and bribery.**

### How Bayer implements Principle 10 within strategies and operations

#### ► OECD Step 1: Embed responsible business conduct into policies and management systems

#### Management System & Policies

Bayer does not tolerate corruption and will refuse any business opportunity that involves any form of bribery. We never offer or give a benefit to try – or even give the appearance of trying – to wrongfully influence someone else's decision, action or point of view.

Anti-corruption is managed under the umbrella of [Corporate Compliance](#).

Bayer manages its businesses responsibly and in compliance with the statutory requirements and regulations of the countries in which it operates. We define compliance as legally and ethically impeccable conduct by all employees in their daily work, because the way they each carry out their duties affects our company's reputation. We do not tolerate any violation of applicable laws, codes of conduct or internal regulations. Compliance is essential for our long-term commercial success.

The Board of Management is unreservedly committed to compliance, and Bayer will forgo any business transaction that would violate any of the 10 principles in our Corporate Compliance Policy observed throughout the Bayer Group.

All employees are required to observe the compliance principles and immediately report any violation of the Corporate Compliance Policy. Infringements are sanctioned. This applies in particular to managerial employees, who, as role models, may, for example, lose their entitlement to variable compensation components and be subject to further disciplinary measures if violations that they could have prevented have occurred in their sphere of responsibility. Compliant and lawful conduct is also factored into the performance evaluations of all managerial employees.

The global compliance management system is steered by a central compliance organization within the Bayer Group. This organization is headed by the Group Compliance Officer, who, in this capacity, reports directly to the Chief Financial Officer (CFO) and to the Audit Committee of the Supervisory Board. The CFO is responsible for the compliance organization, while the Audit Committee of the Supervisory Board oversees the effectiveness and further development of compliance within the Group. Within the compliance organization, specialized compliance managers are responsible for establishing business-, industry- and country-specific standards.

#### Marketing compliance and the validity of recognized standards:

We do not tolerate any improper exertion of influence on our business partners. As part of our compliance management system, we record and investigate any suspected violation of our responsible marketing principles, irrespective of whether the complaints come from internal or external sources.

The most important Bayer Group regulation in this context is our Group Regulation on Anti-Corruption, which is supplemented by the rules of conduct for responsible marketing.

Furthermore, we are committed to ethical advertising and communication for all our products and services.

Directives and Group regulations are also in place at Bayer to prevent price fixing and ensure data privacy. Where several regulations are applicable, we fundamentally comply with the more stringent standards. The respective Group regulations and training programs are implemented in the divisions and enabling functions.

Industry codes for pharmaceutical products and medical devices that have been adopted by major national and international associations and organizations also apply to marketing and distribution at Bayer. In many countries, these standards are further underpinned by local codes – all of which apply to prescription pharmaceuticals and some of which also apply to nonprescription medicines, dietary supplements, medical devices and medicated skincare products.

All codes of the International Federation of Pharmaceutical Manufacturers & Associations (IFPMA) serve as a binding minimum global standard for all of Bayer's human pharmaceutical products in their area of application. In addition, Bayer observes the codes of the [European Federation of Pharmaceutical Industries and Associations](#) (EFPIA) in its interaction with healthcare professionals and patient organizations. Regarding the advertising of human pharmaceutical products, Bayer complies with the regulations set out in the IFPMA Code of Practice as the minimum global standard along with those set forth in regional and national codes.

### **Supplier Code of Conduct (ScoC), SCoC Guidance, sustainability contract clauses**

Work against corruption in all its forms, including extortion and bribery is also anchored in our [Supplier Code of Conduct](#). Suppliers shall not practice or tolerate any form of corruption, extortion, embezzlement or money laundering. Suppliers shall not offer or accept bribes or other unlawful incentives (e.g., 'facilitation payments') to or from their business partners or government officials. Suppliers shall not offer to Bayer employees any kind of gifts or personal benefit which could be perceived as a bribe. In all cases, gifts or entertainment shall not be offered to improperly influence a business relationship and must not violate applicable laws or ethical standards.

The code is applied in the selection and evaluation of our suppliers and is integrated into electronic ordering systems throughout the Bayer Group. As a result, suppliers must already commit to our core principles upon registration. Furthermore, our standard supply contracts contain a clause that authorizes us to verify suppliers' compliance with our sustainability requirements. This clause will be successively integrated into all contracts that are up for renewal in 2022. Our Code of Conduct is supplemented by a global guidance document, which, like the Supplier Code of Conduct, is available on our [website](#).

### ► **OECD Step 2: Identify and assess actual and potential adverse impacts associated with the enterprise's operations, products or services**

#### **Enterprise Risk Management System**

We have implemented a holistic and integrated risk management system designed to ensure the continued existence and future target attainment of the Group through the early identification, assessment and treatment of risks. Our risk management system is aligned to internationally recognized standards and principles such as the ISO 31000 standard of the International Organization for Standardization.

The Board of Management of Bayer AG holds overall responsibility for an effective risk management system. The Audit Committee of the Supervisory Board oversees the appropriateness and effectiveness of the risk management system at least once a year, after which a report is made to the entire Supervisory Board.

The Bayer Assurance Committee, which is chaired by the CFO, is a committee of the Board of Management. As well as ensuring that appropriate action is taken to control any substantial risks, the Bayer Assurance Committee regularly discusses and reviews the risk portfolio and the status of the risk control measures.

Responsibility for the identification, assessment, treatment and reporting of risks lies with the operational business units in the divisions and enabling functions. The risk managers are responsible for identifying risks.

Where possible, the identified risks are evaluated with regard to their potential impact and likelihood of occurrence, while taking into account established risk control measures.

To help ensure we identify risks as comprehensively as possible, we maintain a risk universe that reflects the company's potential risk categories. The Bayer Risk Universe, which is regularly updated, also expressly accounts for risks of a nonfinancial nature that are linked to our business activity or to our business relationships, products and services.

Risks are assessed on a net basis, taking into account the risk control measures in place to mitigate the potential impact and likelihood of occurrence. Examples of such risk control measures can also be found in the [Sustainability Report](#) in the descriptions of how various sustainability issues are managed. The extent of the impact is rated in quantitative and/or qualitative terms. The quantitative assessment reflects a potentially negative effect on cash flows. A qualitative assessment of the impact is based on criteria such as the effect on our strategy or reputation, the potential loss of stakeholder confidence, and potential incomplete compliance with sustainability principles (e.g. in the area of safety, environmental protection or human rights). The higher rating – qualitative or quantitative – determines the overall assessment.

Included are risks pursuant to the German Corporate Social Responsibility (CSR) Directive Implementation Act that relate to environmental, employee and social issues, human rights, corruption and bribery (compliance).

For detailed information on the basic elements of the risk management system, including the risk management process, and details on our risk status, please see Chapter 3.2 Opportunity and Risk Report of the [2021 Annual Report](#).

### Compliance Risk Management

Potential compliance risks (such as corruption) are identified together with the operational units to ensure the systematic and preventive detection and assessment

of risks. Potential risks are then entered into global databases that we use to develop suitable measures for specific processes, business activities or countries, for example. In addition, we assess our business partners according to risk criteria as we look to identify potential compliance risks.

### ► OECD Step 3: Cease, prevent and mitigate adverse impacts

#### Enterprise Risk Management System // Policies

As part of the Risk Management process, risk control measures are taken for risks in the Bayer risk universe. Risks are assessed on a net basis, taking into account the risk control measures in place to mitigate the potential impact and likelihood of occurrence.

Examples of such risk control measures in the area of human rights are policies such as our [Human Rights Policy](#), [BASE Principles](#), [Data Privacy](#), [Corporate Compliance](#), [Fairness and Respect at Work](#), [HSE Management and HSE Key Requirements](#), as well as [Security & Crisis Management](#) as well as our [Supplier Code of Conduct](#) and our Procurement process. Policies & processes are updated on a regular basis based on findings.

#### Training

We support all employees in acting with integrity and proactively avoiding potential violations by implementing Bayerwide training measures and communication campaigns that are tailored to target groups and based on identified needs. The Corporate Compliance Policy forms the basis of our compliance communication and training activities. Both supervisors and compliance managers are available to answer employees' questions about lawful and ethical behavior.

Each year, the company publishes a new, obligatory training course for all Bayer employees.

In 2021, around 95.0% (39,853) of Bayer's managerial employees worldwide completed at least one compliance training program. We launched a new web-based training program in 94 countries dealing with the topic of data privacy, which is also addressed in our Corporate Compliance Policy. The web-based training program is available in 20 languages and had been completed by around 90.2% (92,597) of our employees as of December 31, 2021.

Our annual, company-wide "Speak Up" campaign to foster an open reporting culture communicates the various options for reporting compliance violations. This is designed to create an environment in which compliance violations can be addressed without reservations.

### Hotline

If there are indications of violations of our Compliance Policy, employees and members of the general public can contact the worldwide [compliance hotline](#), which is available in more than 300 languages. This can also be done anonymously if desired. Alternatively, employees can also report suspected violations to the respective compliance functions or to the Internal Audit unit, or submit information via an internal company email address or in the form of an incident request via a newly implemented platform.

### Supplier Management Process

Bayer works continuously to strategically evolve sustainability topics in procurement. In the coming years, the company intends to place increasing importance on environmental and human rights requirements throughout the supply chain and on the Supplier Diversity Program. In 2021, we began developing indicators to monitor progress in the various sustainability focus areas and define suitable targets. In 2021, we continued to ensure that all strategically important suppliers had to present an EcoVadis rating of at least 45 of 100 points ("green" assessment) or a comparable audit result. Since 2021, furthermore, potential new suppliers with a high inherent sustainability risk and procurement spend of more than €250,000 have been examined in advance with regard to sustainability aspects.

Bayer verifies the observance of the code requirements by the suppliers selected for evaluation by means of EcoVadis online assessments or through on-site audits or, during the COVID-19 pandemic, virtual audits conducted by both external and Bayer auditors. The online assessments and on-site audits are analyzed and documented so that specific improvement measures can be defined. In 2021, suppliers who had undergone online assessments by EcoVadis demonstrated the need for improvement in particular in the categories of ethics and sustainable procurement, while those who had been audited required improvement in occupational health and safety.

A supplier receives a critical result if one or more serious violations 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 2021, this applied to 22 suppliers (3% assessed and audited suppliers; 2020: 2% (13)). We monitor the implementation of these activities by way of reassessments or follow-up audits. Bayer retains the right to terminate a supplier relationship if no improvement is observed during a re-evaluation.

### ► OECD Step 4: Track implementation and results

#### Internal Audits // Compliance Process

Adherence to the corporate compliance principles is among the subjects covered in audits conducted by Bayer's Internal Audit and in the analyses and investigations by the legal and compliance organization. The heads of these organizations provide regular reports on the findings of the audits and analyses to the Audit Committee of the Supervisory Board, while summary reports are presented at least once a year.

The planning of these audits by Internal Audit follows a function- and risk-based approach that also takes the Corruption Perceptions Index of Transparency International into account. Function-specific audits are conducted worldwide across



all important corporate units, such as for marketing and distribution. The larger businesses and units are audited at shorter intervals, and the smaller units at longer intervals.

A total of 89 audit reports were compiled in 2021, of which 12 concerned preventive compliance system audits or incident-related investigations. As audit activities in 2021 were once again impacted by travel restrictions attributable to the COVID-19 pandemic, remote audits and digital audit concepts were applied and further developed.

### Supplier Audits & Assessments

Bayer verifies the observance of the code requirements by the suppliers selected by means of EcoVadis online assessments or through on-site audits or, during the COVID-19 pandemic, virtual audits conducted by both external and Bayer auditors.

The online assessment criteria of EcoVadis – broken down into the areas of environment, ethics, labor practices and human rights, and sustainable procurement – correspond to the requirements of our code and also take into account country- and industry-specific conditions and supplier size. In total, our service provider EcoVadis assessed 802 (2020: 670) suppliers on our behalf in 2021.

In 2021, we also arranged for 67 (2020: 26) of our suppliers to be audited on site by external, independent auditors. In addition, 10 (2020: 5) suppliers were audited virtually due to the global COVID-19 pandemic. The audit criteria included both the specifications of our code and the industry-specific requirements of the TfS and PSCI industry initiatives.

Our monthly monitoring shows that 508 (2020: 357) of the 879 (2020: 701) Bayer suppliers evaluated in 2021 improved their sustainability performance.

### Corrective Action Plans

The online assessments and on-site audits are analyzed and documented so that specific improvement measures can be defined. In 2021, suppliers who had undergone online assessments by EcoVadis demonstrated the need for improvement in particular in the categories of ethics and sustainable procurement, while those who

had been audited required improvement in occupational health and safety. A supplier receives a critical result if one or more serious violations 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.

### ► OECD Step 5: Communicate how impacts are addressed

#### Sustainability & Annual Report

With its [Sustainability Report](#), Bayer aims to provide transparent and in-depth insights into both its sustainability strategy and its sustainability performance. The report supplements the nonfinancial statement pursuant to the CSR Directive Implementation Act (CSR-RUG) that is published in the combined management report of the 2021 [Annual Report](#).

The Bayer Group's sustainability reporting has been aligned to the guidelines of the [Global Reporting Initiative](#) (GRI) and the 10 principles of the UN Global Compact (UNGC) since 2000. This report has been prepared in accordance with the GRI Standards: Core option. This report also serves as a Communication on Progress in line with the UN Global Compact. We also take into account the relevant requirements of the Sustainability Accounting Standards Board (SASB). A [summarized index](#) according to the three SASB Industry Standards relevant to us – “Biotechnology & Pharmaceuticals,” “Chemicals” and “Agricultural Products” – can be found on our website. In our climate reporting we follow the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and publish a [separate index](#) in PDF format also on our website.

The Bayer Group's sustainability reporting is aligned to the guidelines of the Global Reporting Initiative (GRI) and the 10 principles of the UN Global Compact (UNGC). A comprehensive overview of the GRI disclosures and an outline of our progress in implementing the 10 UNGC principles are available in the GRI/UNGC Index of the report. Our reporting is also aligned to international guidelines and recommendations, including those on the definition and selection of non-financial indicators and on reporting. In this connection, we observe the OECD guidelines for multinational companies and the ISO 26000 standard. Our selection of indicators and measurement of key data also takes into account the recommendations of the European Federation of Financial Analysts Societies (EFFAS) for the reporting of non-financial indicators, the Greenhouse Gas Protocol for the field of greenhouse gas emissions, the World Business Council for Sustainable Development (WBCSD) and the European Chemical Industry Council (CEFIC).

## Transparency

Transparency is a top priority for Bayer. We are committed to build up and strengthen trust by making information accessible from a whole range of areas. For our commitment and overview of activities, please see our [transparency website](#).

## Positions & Statements // Website

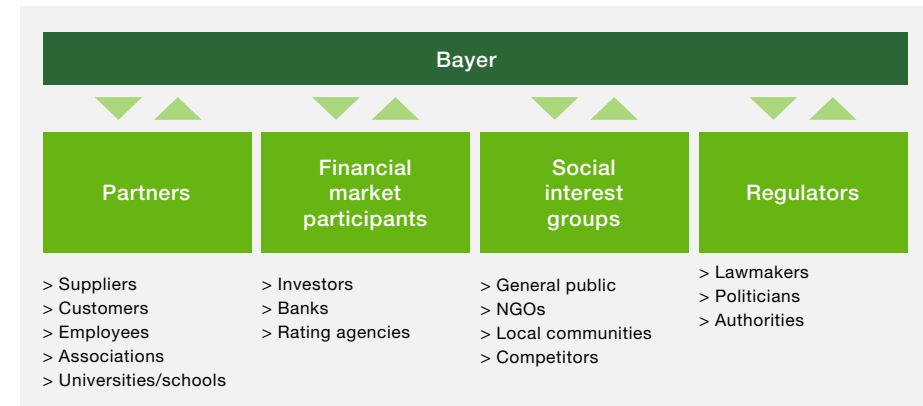
Bayer communicates on [Corporate Compliance \(including anti-corruption\) via our website](#).

## Stakeholder Dialogue

As a company, Bayer is a part of society and public life. Ongoing dialogue with our stakeholders is therefore particularly important to us. After all, their expectations and viewpoints affect our public acceptance and thus our commercial success.

We fundamentally distinguish between four stakeholder groups with which we engage in discussions on different issues.

### Stakeholder Groups



Stakeholder dialogue helps us to recognize important trends and developments in society and our markets at an early stage and take this information into account when shaping our business. Our [BASE principles](#) serve as the foundation for all dialogue.

In strategic decision-making processes, regarding investment projects and product launches for example, Bayer proactively approaches key social and political players right from the start of a new project. Such open dialogue enables us to identify opportunities and risks early on. This process is in line with our Stakeholder Engagement Guideline and is supplemented by an internal information platform.

## Focus on a variety of stakeholders

Our regular stakeholder activities range from dialogues at the local, national and international level, and active involvement in committees and specialist workshops all the way through to comprehensive information programs, issue related multi-stakeholder events, and participation in international initiatives and collaborations.

## ► OECD Step 6: Provide for or cooperate in remediation when appropriate

### Compliance Management System including Grievance Mechanisms (e.g. Hotline)

Compliance violations include all possible types of infringements of internal and external requirements and are systematically sanctioned. The action taken depends on factors including the gravity of the violation and applicable law. All cases are recorded according to uniform criteria 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.

Bayer cooperates with all relevant stakeholders such as authorities, business partners and suppliers.

Suspected compliance violations can be reported – anonymously if desired and if permitted by respective national law – to a worldwide compliance hotline operated by an independent service provider. Suspected violations can be reported either via the internet or through a phone call made in the caller's preferred language and answered by independent specialists. The hotline is also accessible to the general public. In addition, an internal mailbox – the so-called "Speak-Up Inbox" – was introduced in 2020 for the submission of suspected compliance violations. Alternatively, suspected violations may also be reported to the respective compliance functions or to Internal Audit. Since 2021, furthermore, it has been possible to report suspected compliance violations through a newly implemented platform in the form of an incident request. Compliance violations include all possible types of infringements of internal and external requirements and are systematically sanctioned. The action taken depends

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Our monthly monitoring shows that 508 (2020: 357) of the 879 (2020: 701) Bayer suppliers evaluated in 2021 improved their sustainability performance. A key factor in this collaboration is helping our suppliers to improve their sustainability performance. Here we focus both on remedying deficiencies and on collaborating on sustainability topics.



# Masthead

**Published by**

Bayer AG, 51368 Leverkusen, Germany

**Date of publication**

Friday, June 24, 2022

**Public Affairs, Science, Sustainability & HSE**

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