



Message from Norbert Winkeljohann, Chairman of the Supervisory Board of Bayer AG

March 2024

Dear Shareholders,

Introduction

While 2023 was a challenging year for Bayer, importantly it was also one where we began to implement change to position Bayer for the future. Macroeconomic factors such as the geopolitical environment and inflation, coupled with company-specific factors such as normalization of glyphosate pricing and litigation costs have weighed on our cash flows. Since our new CEO, Bill Anderson, started on June 1, he has led an effort to evaluate our corporate strategy and introduce organizational changes to improve operational performance and address the disappointing stock price. As part of this process, the Supervisory Board and Board of Management have been listening to stakeholders closely, including the workers council, stockholders and bondholders, with a focus on our mission, driving innovation and strengthening performance. As we discussed at our Capital Markets Day in early March, we enter 2024 with renewed energy and a refreshed strategy.

In advance of the Annual Stockholders' Meeting on April 26, 2024, I would like to highlight some of the key focus areas of the Supervisory Board this past year.

Shareholder Engagement

Engaging with shareholders and other stakeholders is a top priority for Bayer and the Supervisory Board. Following the 2023 Annual Stockholders' Meeting, we prioritized engagement across many topics including CEO transition, corporate structure, Supervisory Board refreshment, dividend policy, compensation and sustainability. These topics were particularly important given lower vote support in 2023 for the Compensation Report, permitting virtual meetings for the next two years and my re-election due to the number of public and private Board commitments.

During the most recent Corporate Governance Roadshow, we engaged with shareholders representing 40% of shares outstanding (which is approximately 63% of shares held by institutional investors). As Supervisory Board Chair, I participated in many of these engagements and am grateful for the constructive dialogue with and comprehensive feedback shared by our shareholders. In addition to these governance-focused engagements, we met with more than 150 investors on IR-specific topics and in ESG-focused conversations.



As I share in this letter, we have been responsive to the feedback heard through both actions and increased transparency. In many instances, we previewed the potential changes we were contemplating with investors and considered the perspectives shared in our decision process. While these discussions focused on many topics, the following represent the most consistent themes:

- Performance of the business, go-forward strategy and approach to litigation under our new CEO Bill Anderson.
- Composition of the Supervisory Board, expectations for refreshment, and the skills and experience of new candidates aligned with our strategic priorities.
- Compensation decisions for 2023 demonstrating alignment with performance, and improvements to our Compensation System.
- Our sustainability strategy, progress towards 2030 targets, increased disclosure on mid- and long-term GHG emission reduction targets and the roles of the ESG Committee and Sustainability Council.

MAY – OCTOBER 2023

Analyze results from Annual Stockholders' Meeting; Review market and regulatory governance trends; Discussed potential changes for updated Compensation System

MARCH – APRIL 2024

Publish Annual Meeting-related materials; Offer engagement meetings to stockholders and proxy advisors; Hold 2024 Annual Stockholders' Meeting



NOVEMBER – DECEMBER 2023

New Head of Investor Relations holds introductory meetings with top investors; Consider feedback on business strategy, compensation, Supervisory Board, and sustainability

JANUARY – FEBRUARY 2024

Conduct Supervisory Board Chair-led Corporate Governance roadshow; Announce new Supervisory Board candidates; Publish Annual, Compensation, and Sustainability Reports

Business Strategy and Performance

As a global leader in health and nutrition, Bayer is well positioned across our three businesses to address major societal needs and ecological challenges with the power of innovation.

Despite challenges in 2023, our businesses remain resilient, and we have strong foundations to drive a prosperous future: Core Crop Science performed well, with positive contributions from pricing in our core and ongoing efficiency measures; Consumer Health generated strong growth and maintains a leading market position; and the Pharmaceutical business offset pressures through new launches and consistent innovation.

We are optimistic that the right strategy is now in place to improve results. At our recent Capital Markets Day, our Board of Management identified the four major challenges that we need to address – the pharmaceutical loss of exclusivity (LOE)/pipeline structure, litigation, bureaucracy and debt – and shared the actions we are taking to overcome them. This includes improving profitable growth through innovation, a renewed focus on our litigation strategy, implementing Dynamic Shared Ownership to boost



performance, and repositioning our capital allocation strategies to focus on the health of our balance sheet. In this regard, we have proposed to shareholders to amend our dividend policy to pay out the legal minimum for three years. This decision was not taken lightly but it will allow us to focus on debt reduction, high-return growth investments and improve our overall free cash flow situation.

At Capital Markets Day, we also provided an update on the comprehensive strategic review led by our CEO Bill Anderson that considered all options for financial impact and feasibility. We have determined that structural change is not the current optimal course of action. We must first address the fundamental challenges of the business to create future optionality.

A key enabler to unlock value is the implementation of Dynamic Shared Ownership, which will change Bayer's total company operating model and yield improvements to growth, profitability, and cash generation. This will be staged over time, with the first phase resulting in significant sustainable organization savings. Ultimately, we are confident that both sales and profit growth will accelerate and improve value for our shareholders.

Board of Management Composition

Appointing a new CEO was a top priority of the Supervisory Board in 2023, and it was a task that we undertook acknowledging investor calls for a change in strategy and leadership. We are incredibly pleased to have Bill Anderson as our CEO leading us forward and we have already seen him have an immediate impact. His fresh perspective in the CEO role has allowed for an honest review of our current strengths and weaknesses, and he's led decisive action to identify and address several of the material challenges we face. We recognize that progress will take time - Bill's strategy will leverage the tremendous assets of Bayer to drive better performance and overcome our recent headwinds.

The Supervisory Board also appointed two new members to the Board of Management. In 2023, Heike Prinz was appointed Chief Talent Officer and Labor Director. Ms. Prinz has an almost 40-year history with Bayer and most recently was the Head of Commercial Operations EMEA for the Pharmaceuticals Division. And in early 2024, Julio Triana was appointed President of the Consumer Health Division. Mr. Triana joined Bayer in 2002, and has held roles of increasing responsibility in Finance, Strategy, Business Development and most recently served as the Head of Commercial Operations Region International for the Pharmaceuticals Division.

On behalf of the Supervisory Board, we thank former Board of Management members Werner Baumann, Heiko Schipper, and Sarena Lin for their years of service to Bayer.



We are excited to welcome the new members to the Board of Management, including our CEO Bill Anderson, who will lead the execution of our re-focused strategy that was announced at Capital Markets Day.

Supervisory Board Composition

Over the past year, we prioritized a review of the composition of the Supervisory Board with a focus on the right balance of skills, experiences and expertise to support effective oversight of Bayer aligned to our strategic priorities and challenges ahead.

At the 2024 Annual Stockholders' Meeting, the Supervisory Board has proposed for election five stockholder representatives including three new nominees aligned to the skills identified in our review process: navigating complex litigation, integrating science into business strategy, bringing relevant investor perspectives and leading transformations:

1. **Lori Schechter** is the former Chief Legal Officer and General Counsel of McKesson Corp. Ms. Schechter has significant experience in the healthcare industry, and in navigating complex, high-profile business and legal matters. Ms. Schechter was previously a partner at the law firm Morrison & Foerster where she chaired the global litigation department. Her experience with and leadership of teams responsible for government affairs and legal and risk management will be highly valuable to the Supervisory Board.
2. **Nancy Simonian** is the former CEO and current Board member of Syros Pharmaceuticals, Inc. Dr. Simonian has extensive experience in the biotechnology industry and with the development and commercialization of product candidates. Her experience with late-stage product development, and her understanding of patient perspectives as a medical doctor, will bring important insights to the Supervisory Board.
3. **Jeffrey Ubben** is the Founder, Portfolio Manager and Managing Partner of Inclusive Capital Partners and the former CEO and co-founder of ValueAct Capital. Mr. Ubben has more than 35 years of investing experience and has served on more than 20 public company Boards. Mr. Ubben's history of generating shareholder returns and promoting return driven environmental and social practices will be valuable to the Supervisory Board. He has also been a respected member of Bayer's independent external Sustainability Council since his appointment in February 2023.

The Supervisory Board also recommends for re-election the following two stockholder representatives who have provided valuable expertise and significant contributions to the Supervisory Board:

1. **Horst Baier** was first elected in 2020 and brings finance and risk management experience, particularly relevant for his role as Chairman of the Audit Committee.



2. **Ertharin Cousin** was first elected in 2019 and brings agriculture and sustainability experience, particularly relevant for her role as Chair of the ESG Committee.

Dr. Simone Bagel-Trah and Prof. Dr. Otmar Wiestler will not stand for re-election and Dr. Norbert Bischofberger has resigned due to other professional commitments. On behalf of the Supervisory Board, I would like to thank them for their service during their tenures.

The Nomination Committee of the Supervisory Board led the process to identify the new candidates, which was supported by an independent search firm and informed by investor recommendations. Each candidate was screened for their qualifications, independence and diversity, with their skills/experience reviewed against our competency matrix. Suitable candidates were recommended to the Supervisory Board which conducted a robust interview process.

The proposed appointments were informed by investor feedback and will strengthen the collective experience of the Supervisory Board. As the Supervisory Board considers new members, it prioritizes diverse representation so that the combined oversight is informed by different perspectives. Assuming election of the nominees at the 2024 Annual Stockholders' Meeting, Stockholder Representatives of the Supervisory Board will be balanced in age between 51-69, 50% will be female, 70% will be citizens of a country other than Germany and numerous members will have many years of international business experience.

The Supervisory Board has also instituted a new tenure restriction of twelve years (including incumbent members when their current term expires) to further encourage ongoing refreshment.

Board of Management Compensation for 2023

The Compensation System ensures the alignment of incentive payouts with overall company and business unit performance and the investor experience. Bayer did not meet the ambitious goals set by the Supervisory Board at the beginning of the respective performance periods, which resulted in payouts well below target for 2023.

- Short-term incentive (STI) average target attainment was 13% (2022: 130%). This is based on the below target attainment levels for all three equally weighted components: core earnings per share came in at €6.39 and resulted in below target attainment of 0%; free cashflow was €1,311m, in line with our updated guidance, but missed the stretched incentive goal and resulted in attainment of 0%; and the Crop Science, Pharmaceutical and Consumer Health divisional components, based on EBITDA margin and sales growth, resulted in attainment levels of 0%, 35% and 102% respectively.



- Primarily as a result of our stock price performance, the first tranche of the long-term incentive (LTI) granted in 2020 was earned substantially below target at 13% (2022: 62%).

Average direct compensation awarded to the Board of Management in 2023 amounted to 13% (2022: 87%) demonstrating strong alignment between company performance and pay outcomes.

Compensation in Connection with a Change in the CEO

When approving Mr. Anderson's compensation package, the Supervisory Board considered the highly competitive global talent environment, the need for competitive compensation that at least reflected what he received at his previous employer, and a structure that incentivizes performance and aligns to the investor experience. While this resulted in compensation higher than our former CEO, his total maximum compensation has not changed and is capped at €12m annually. In connection with his hire, Mr. Anderson was granted a one-time payment as reimbursement for a portion of the compensation entitlements he was required to forfeit from his previous employer and participated in our incentive programs for 2023 under the performance requirements set at the beginning of the year (resulting in below target STI payout). He was not granted any other one-time incentives.

We thank our former CEO, Werner Baumann, for his many years of service with Bayer. While the reported value in the Compensation Report is high, the context for Mr. Baumann's compensation in 2023 reflects that he is being compensated for the remaining term of his contract (until April 2024) and the full value of his pension (which reflects his 35-year career with the company). No additional severance was paid and his outstanding LTI tranches are not subject to accelerated vesting or early payment and only earned if the original performance criteria are met. Regardless of whether the three outstanding LTI tranches ultimately pay out, the fair value of the outstanding tranches must be reported as a lump sum in this year's tables based on accounting rules.

Improved Compensation System for the Board of Management

The Supervisory Board and Human Resources and Compensation Committee have developed an improved Board of Management Compensation System that incorporates the feedback we heard from shareholders during our engagement, including structural changes to simplify the program and ensure that the implementation of compensation decisions more closely align to company performance and the investor experience. A summary of the specific feedback we heard from investors and the actions taken in response is included in the 2023 Compensation Report. While the views of shareholders varied and were not consistent in all areas, we believe we have addressed the consensus feedback in our actions along with a commitment to transparency around our decision process. Key changes include:



Within the STI

- The Free Cash Flow metric will not be adjusted for litigation expense and will be the same as the value published in the Annual Report
- Metrics align to our go-forward strategic priorities to ensure we're incentivizing the right levers to drive performance
- Targets set at the beginning of each performance period will align to or be higher than our capital market guidance (where applicable)
- Added formal mechanism for the Supervisory Board to have a limited ability to adjust final payouts for extraordinary events

Within the LTI

- Greater alignment to long-term shareholder value creation by doubling the proportion of LTI opportunity linked to relative TSR from 40% to 80%
- The relative TSR metric will now require meaningful outperformance at the 60th percentile of the benchmark index to achieve target payout
- Sustainability goals will continue to be weighted at 20% of the LTI
- Cumulative dividend will be paid based on final shares earned rather than shares granted

Investors had differing perspectives on the metrics and weightings in the LTI. While a few investors preferred maintaining the ROCE metric, there was general support that in the near-term, greater emphasis should be placed on improving stock price performance. This was particularly appreciated when combined with the new outperformance requirement (60th percentile) to achieve target payout.

The updated Compensation System will be presented for approval at the 2024 Annual Stockholders' Meeting. A detailed description of the system, including the changes compared with the current system, are included in the Notice of the Annual Stockholders' Meeting. While the Compensation System is typically in place for four years, the Supervisory Board has committed to review it mid-cycle to ensure it is working as intended.

Sustainability

Building on our mission "Health for all, Hunger for none", Bayer considers sustainability to be at the core of our corporate responsibility – and it also safeguards our future growth. Sustainability is therefore an essential component of our corporate strategy, our business activities, our corporate values, and the way in which we conduct our business.



The ESG Committee of the Supervisory Board oversees management on matters related to ecological and social responsibility topics and sustainable corporate governance. This includes the incorporation of sustainability into business strategy, the establishment of sustainability targets, ESG reporting and auditing, opportunities and risks and the organizational structures and processes in ESG areas. Complementing the ESG Committee is the Sustainability Council, which is composed of 9 independent international experts. This body brings together expertise and experience in the areas of biodiversity, digitalization, health systems, the food and agriculture industries, fair trade strategies, women's rights, sustainable technologies, sustainable finance and transformation strategies to advise the Board of Management, oversee the implementation of the sustainability strategy and support our progress.

Our ambitious social and ecological targets for 2030 and 2050 are aligned to the UN SDGs and are in line with the requirements of the Paris Climate Agreement. We have set goals to help more people thrive by supporting 100m smallholder farmers in Low- and Middle-Income Countries (LMIC), provide 100m women in LMIC with access to modern contraception and expand access to self-care for 100m people in underserved communities. Our climate goals, which now include additional detail on our mid- and long-term targets, have been confirmed by the independent Science Based Targets initiative (SBTi). In 2023 we added a new target to improve water use in rice by 2030. We are on track to meet these targets. Bayer also received public recognition for its ESG efforts in particular seeing an upgrade from MSCI to "A", driven by improvements in the environmental risk classification and Bayer's ESG performance disclosures.

Conclusion

Thank you for considering the areas we have focused on this past year. The Supervisory Board believes our strategic and responsive actions in 2023 build a strong foundation to unlock significant long-term shareholder value.

We value your constructive feedback and support, which allows us to continue our mission "Health for All, Hunger for None."

Leverkusen, March 2024
For the Supervisory Board:

A handwritten signature in blue ink, appearing to read "Norbert Winkeljohann".

Norbert Winkeljohann
Chairman