Compensation system

for the members of the Board of Management of Bayer Aktiengesellschaft in accordance with Section 87a of the German Stock Corporation Act

Health for all, Hunger for none

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Contents

1. Preamble

The compensation system currently in place for the members of the Board of Management of Bayer AG (hereinafter “Bayer” or “the company”) was presented to the Annual Stockholders’ Meeting on April 28, 2020, and achieved a 94.02% approval rating. Pursuant to Section 120a, Paragraph 1 of the German Stock Corporation Act (AktG), the annual stockholders’ meeting of a publicly listed company resolves on the approval of the compensation system for the board of management members, as presented by the supervisory board, whenever there is a material change to that system, or at least every four years. Against this backdrop, the Supervisory Board and, on a preparatory level, the Human Resources and Compensation Committee comprehensively reviewed and updated the Board of Management compensation system. The Supervisory Board of Bayer AG proposes to the Annual Stockholders’ Meeting that the new Board of Management compensation system be approved.

The new Board of Management compensation system shall apply retroactively from January 1, 2024, for current service contracts, the extension thereof and any new contracts to be concluded. While the compensation system is typically in place for four years, the Supervisory Board will review it mid-cycle to ensure it is working as intended.

2. Principles applied for the Board of Management compensation system

The compensation system plays a key role in promoting strategy execution and the sustainable, long-term development of the Bayer Group. It serves as a central steering tool for ensuring Board of Management compensation is aligned with the interests of stockholders and other stakeholders.

2.1 Our mission

A growing and aging world population and the increasing strain on nature’s ecosystems are among the major challenges facing humanity. As one of the world’s leading companies in the fields of health and nutrition, we are able to play a key role in devising solutions to tackle these challenges. In step with our mission “Health for all, Hunger for none,” we deliver groundbreaking innovations in healthcare, agriculture and self-care. We contribute to a world in which diseases are not only treated but effectively prevented or cured, in which people can take better care of their own health needs, and in which enough agricultural products are produced while conserving our planet’s natural resources. That’s because at Bayer, growth and sustainability go hand in hand.

2.2 Company strategy

As we look to further shape Bayer as a global leader in health and nutrition, and make a positive contribution to society and the environment, the operational focus of our mission is to drive long-term profitable growth, develop innovative products and solutions through cutting-edge research, strengthen cash flow and reduce debt to deliver enhanced operational efficiency, and take sustainability aspects into account in all our business activities.

2.3 Board of Management compensation

The compensation system for the members of the Board of Management of Bayer AG is specifically designed to support the execution of our strategy and the measurement of our success, particularly with respect to the financial and nonfinancial performance criteria selected.

1. We focus on growth, profitability and liquidity as financial performance indicators that serve as key incentivization factors in our Board of Management compensation system. In this way, we aim to continuously increase the Bayer Group's value for our stockholders and other stakeholders, and to ensure the continuity of the company for the long term.
2. We also promote growth in the company's value for our stockholders by taking targeted steps to ensure alignment between Board of Management and stockholder interests. Incentivizing the capital market performance of Bayer AG in both absolute and relative terms is therefore another important element of the Board of Management compensation system.
3. In line with our corporate strategy and mission, we have incorporated our sustainability targets into the Board of Management compensation system. We see it as our duty to support the implementation of the Paris Climate Agreement. We are looking to press ahead with reducing greenhouse gas emissions in our processes and in our value chain in line with our targets, which have been validated by the Science Based Target initiative. Through our strategic levers, we are also meeting growing demands for our business to be run on a sustainable footing, including from an ESG (environmental, social, governance) perspective.

The Supervisory Board has designed the compensation system based on the principles shown in the graphic below.

We ensure ...	We avoid ...
✓ ... that we promote long-term and sustainable performance	× ... prioritizing short-term success at the expense of long-term performance
✓ ... that we set ambitious and measurable targets	× ... offering guaranteed variable compensation levels
✓ ... that compensation is aligned toward performance and success	× ... paying special discretionary bonuses
✓ ... that compensation is geared toward creating long-term value for stockholders	× ... neglecting the interests of our stockholders
✓ ... that we take regulatory requirements fully into account	× ... incentivizing inappropriate risks
✓ ... that we fully take on board stakeholder concerns	× ... inappropriately high payouts and excessive severance payments
✓ ... that we offer appropriate compensation in line with market rates	× ... retrospectively adjusting targets
✓ ... that compensation is capped	× ... providing insufficient transparency in our compensation reporting
✓ ... that we are highly transparent in our compensation reporting	× ... overlapping STI and LTI targets

In this way, the compensation system clearly incentivizes the successful execution of the corporate strategy and the sustainable development of the company, and is strongly geared toward long-term value creation for our stockholders. At the same time, it satisfies the requirements of the German Stock Corporation Act in all respects, has a simple and clear structure, and complies with the latest recommendations of the German Corporate Governance Code and the Guidelines for Sustainable Management Board Remuneration Systems.

3. Changes compared with the previous compensation system

The design of the previous Board of Management compensation system met with a very positive response from our stockholders at the 2020 Annual Stockholders' Meeting. However, the voting results for the 2021 and 2022 compensation reports show that, in certain respects, the way the system was actually applied was not in line with stockholder expectations. Against this backdrop, the Supervisory Board has developed an improved Board of Management compensation system that reflects investor feedback. The proposed changes to the compensation system are therefore of a more evolutionary nature, with a focus on simplicity, pay for performance and long-term development as guiding principles.

Significant changes to the compensation system

Guiding principle	Explanation

Simplicity	Emphasis was placed on reducing the complexity of the compensation system. For this purpose, the following changes in short-term variable cash compensation (STI) and long-term variable cash compensation (LTI) have been undertaken:
	STI:
	// The matrix for (clean) EBITDA margin vs. sales growth at divisional level has been replaced with a clear and simple sales growth target (Fx & portfolio adj.) at Group level.
	// The individual performance factor, which is applied as a multiplier, is now based on successful strategy development and execution. The factor is more focused on fewer goals relating to individual, team and divisional performance. Moving forward, the Supervisory Board will retain the ability to take individual divisional targets into account within the factor for strategy development and execution.
	LTI:
	// ROCE has been removed from the performance criteria. As such, the LTI is now based solely on two performance criteria: relative total shareholder return (TSR), which now has a considerably higher weighting of 80%, and the sustainability targets, which have an unchanged weighting of 20%. The LTI will be much more focused on Bayer's capital market performance and our priority to deliver value for stockholders.
	// The Supervisory Board understands that stockholders are not satisfied with how the Bayer stock has performed in recent years. The strong focus on capital market performance is designed to provide impetus and incentivize Bayer AG's successful turnaround on the capital market.

Pay for performance	In view of the investor feedback, the following changes have been made to the STI and LTI:
	STI:
	// Moving forward, target attainment for the STI performance criterion free cash flow will be measured based on the figures published in the Annual Report. Specifically, this means that the free cash flow figure used to determine Board of Management compensation will in future not be adjusted for payments in connection with litigation.
	// In line with Recommendation G.11 of the German Corporate Governance Code, the Supervisory Board has the possibility to account for extraordinary events or developments to an appropriate extent when determining variable compensation payouts so as to ensure pay for performance alignment can be maintained at all times. The Supervisory Board will transparently disclose the underlying reasoning in the Compensation Report.
	LTI:
	// The payout curve of the relative TSR has been revised to be much more ambitious. Previously, Bayer's performance only had to match that of the EURO STOXX 50 Total Return for 100% target attainment. In the future, Bayer's TSR must be at the 60th percentile of the EURO STOXX 50 Total Return. This means that Bayer's TSR must be higher than 60% of companies in the benchmark index for 100% target attainment to be achieved.

Long-term development	// In accordance with the requirements of the German Stock Corporation Act, the recommendations of the German Corporate Governance Code and the Guidelines for Sustainable Management Board Remuneration Systems, the variable portion of compensation at Bayer has a predominantly long-term focus. To ensure the compensation structure can potentially be given an even longer-term alignment in future and additionally provide flexibility in determining the compensation packages of individual Board of Management members, the compensation structure is now based on ranges for the relative shares of the individual components within total compensation. // Compared with the previous compensation structure, these ranges allow portions of the component weightings within target compensation to be reallocated from base compensation, STI and the pension installment to the LTI. This enables even greater focus to be placed on the company's sustainable, long-term development while also allowing compensation structures to be brought into line with international competitors.

4. Overview of the compensation system and compensation structure

The compensation system comprises fixed and variable components that, when added together, make up the total compensation of the Board of Management members. The compensation system also covers additional contractual provisions such as maximum compensation pursuant to Section 87a, Paragraph 1, Sentence 2, No. 1 of the German Stock Corporation Act, malus and clawback, and the Share Ownership Guidelines.

The following table provides an overview of the components of the new compensation system (significant changes compared with the previous compensation system are marked in green):

Comparison of the compensation systems

Previous compensation system (approved on April 28, 2020)	Compensation component	Updated compensation system (in effect from fiscal 2024)
Fixed compensation		
// Fixed, contractually agreed compensation // Generally paid out in 12 equal installments each year	Base compensation	// Fixed, contractually agreed compensation // Generally paid out in 12 equal installments each year

// Regular health screening
// Insurance policies
// Company car with driver
// Security installations at private residence
// Temporary relocation and rental costs
// Indemnity payments to new Board of Management members for variable compensation forfeited on termination of previous employment
	Fringe benefits	// Regular health screening
		// Insurance policies
		// Company car with driver
		// Security installations at private residence
		// Temporary relocation and rental costs
		// Indemnity payments to new Board of Management members for variable compensation forfeited on termination of previous employment

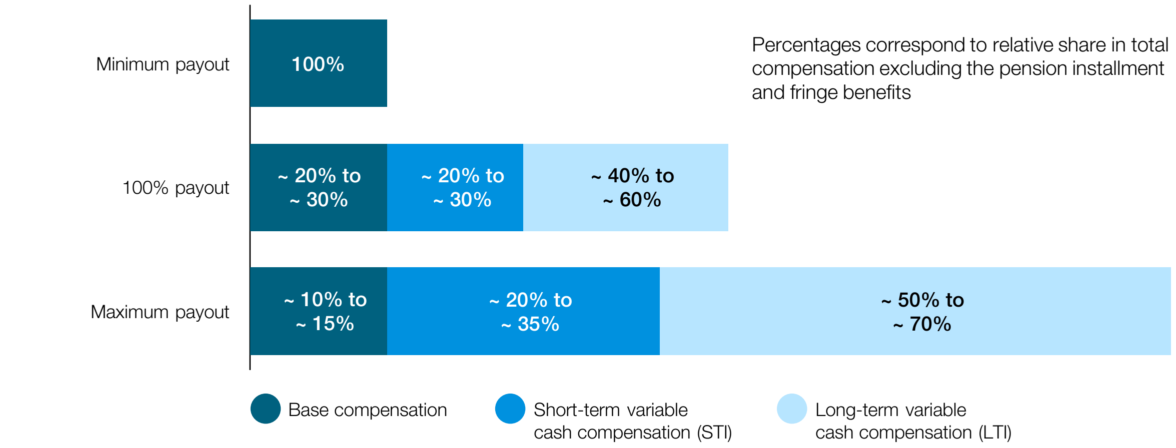
// Pension installment that is paid out directly as a lump sum	Pension installment	// Pension installment that is paid out directly as a lump sum
Variable compensation		

// Annual bonus based on a target amount, with payout after one year calculated as follows:
– 1/3 weighting: Matrix for clean EBITDA margin vs. sales growth at divisional level
– 1/3 weighting: Core EPS at Group level
– 1/3 weighting: Free cash flow at Group level
– Individual performance factor (0.8–1.2)
– Payout capped at 200% of individual target amount
	Short-term variable cash compensation (STI)	// Annual bonus based on a target amount, with payout after one year calculated as follows:
		– 1/3 weighting: **Sales growth at Group level (Fx & p adj.)**
		– 1/3 weighting: Core EPS at Group level “as reported”
		– 1/3 weighting: Free cash flow at Group level “**as reported**”
		– Factor for **strategy development and execution** (0.8–1.2)
		// Payout capped at 200% of individual target amount

// Performance shares based on absolute performance of Bayer stock. The number of performance shares is determined at the end of a four-year performance period on the basis of a target amount and the following performance criteria:
– 40% weighting: Relative total shareholder return compared to the EURO STOXX 50 (outperformance)
– 40% weighting: ROCE at Group level
– 20% weighting: Sustainability targets
// Payout capped at 250% of individual target amount
	Long-term variable cash compensation (LTI)	// Performance shares based on absolute performance of Bayer stock. The number of performance shares is determined at the end of a four-year performance period on the basis of a target amount and the following performance criteria:
		– **80%** weighting: Relative total shareholder return compared to the companies of the EURO STOXX 50 Total Return (**ranking**)
		– 20% weighting: Sustainability targets
		// Payout capped at 250% of individual target amount

Other contractual components		
// The maximum total annual compensation is €12 million for the Chairman of the Board of Management (CEO) and €7.5 million for the other members of the Board of Management.	Maximum total compensation	// The maximum total annual compensation is €12 million for the Chairman of the Board of Management (CEO) and €7.5 million for the other members of the Board of Management.
// In the event of gross misconduct or misrepresentation in financial reporting, the Supervisory Board may withhold all or part of the STI and LTI (malus) or require their repayment to the company (clawback)	Malus and clawback provisions	// In the event of gross misconduct or misrepresentation in financial reporting, the Supervisory Board may withhold all or part of the STI and LTI (malus) or require their repayment to the company (clawback)
// Pledge to build a certain position size in Bayer stock by the end of a four-year period // Obligation to retain the shares throughout the period of service on the Board of Management and for two years thereafter	Share Ownership Guidelines	// Pledge to build a certain position size in Bayer stock by the end of a four-year period // Obligation to retain the shares throughout the period of service on the Board of Management and for two years thereafter

At least 70% of contractually agreed target direct compensation is performance-based (assuming 100% target attainment for variable compensation and excluding fringe benefits and the pension installment). In accordance with the requirements of the German Stock Corporation Act, the recommendations of the German Corporate Governance Code and the Guidelines for Sustainable Management Board Remuneration Systems, the variable portion of compensation at Bayer has a predominantly long-term focus. Long-term variable target compensation is therefore higher than short-term variable target compensation. This places the focus on Bayer's sustainable development without losing sight of the operational targets. The compensation structure (excluding fringe benefits and the pension installment) is shown in the graphic below.



Scenario[2]	Explanation
Minimum payout	STI: 0% of target amount; LTI: 0% of target amount
100% payout	STI: 100% of target amount; LTI: 100% of target amount
Maximum payout	STI: 200% of target amount; LTI: 250% of target amount

The expense recognized for fringe benefits is inherently subject to annual fluctuations and usually accounts for about 5% to 10% of individual base compensation. The expense for fringe benefits may in certain cases be higher if newly appointed Board of Management members are granted one-off payments for a limited period of time (e.g., reimbursement of relocation or rental costs, and indemnity payments for variable compensation from former employers that has been forfeited).

The pension installment amounts to approximately 30% to 40% of individual base compensation, and is outlined in section 6.1 c). For Board of Management members appointed prior to January 1, 2020, who still receive contribution-based pension entitlements, the annual expense is approximately 20% to 40% of individual base compensation.

5. Caps on variable compensation components and total compensation

The performance evaluation for the variable components is based on growth, profitability, liquidity, sustainability and stock price performance. The Supervisory Board sets ambitious targets for the variable compensation while at the same time ensuring a balanced opportunity-and-risk profile. If targets are not attained, variable compensation can fall to as low as zero. If targets are clearly exceeded, the payout is capped at 200% (STI) or 250% (LTI) of the individual target amount.

The theoretical maximum total compensation is calculated by adding together the capped variable components, the base compensation, the expense for fringe benefits and the pension entitlement/installment. The Supervisory Board has set an absolute amount in euros for the maximum total compensation to be paid out for the components granted in a fiscal year pursuant to Section 87a, Paragraph 1, Sentence 2, No.1 of the German Stock Corporation Act. The maximum total annual compensation is €12 million for the Chairman of the Board of Management (CEO) and €7.5 million for the other members of the Board of Management.

The maximum total compensation includes all fixed and variable compensation components:

// Base compensation
// Fringe benefits
// Pension installment or service cost according to IFRS
// Short-term variable cash compensation (STI)
// Long-term variable cash compensation (LTI)

6. Compensation components in detail

6.1 Fixed compensation

The fixed compensation guarantees the Board of Management members an appropriate income while avoiding undue risks for Bayer. The level of fixed compensation reflects the member's role on the Board of Management, experience, area of responsibility and market conditions.

a) Base compensation

The base compensation is fixed, contractually agreed annual compensation that is generally paid out in cash in 12 equal installments within a calendar year.

b) Fringe benefits

Fringe benefits mainly include costs for health screening and various insurance policies. Each Board of Management member has also been allocated a budget for a company car, including a driver, for business and a reasonable amount of private use. In addition, the company covers the one-time cost of security installations at each member’s private residence or temporary relocation and rental costs. Any indemnity payments to new Board of Management members for variable compensation forfeited on termination of previous employment also constitute fringe benefits.

c) Pension entitlement/installment

Members of the Board of Management appointed after January 1, 2020, are not granted benefits under the company pension plan but instead receive an earmarked amount known as a pension installment, which is paid out directly in a lump sum. The pension installment can amount to between 30% and 40% of individual base compensation. This enables Bayer to avoid all the interest-rate and biometric risks involved in financing a pension entitlement. It also eliminates the complex actuarial calculations and administrative procedures involved. The Board of Management members are responsible for managing the financing of their pension arrangements. The pension installment is not included in the basis for calculating the variable compensation components.

Members of the Board of Management appointed prior to January 1, 2020, retain their contribution-based pension entitlements. For these Board of Management members, Bayer provides a hypothetical annual contribution that comprises a basic contribution as well as an additional contribution that is several times the member’s personal contribution. The total annual contribution is converted into a pension component according to the annuity table for the applicable tariff of the Rheinische Pensionskasse VVaG pension fund. The annual pension entitlement upon retirement is the total amount of the accumulated pension components including an investment bonus, the amount of which is determined annually based on the net return on the assets of the Rheinische Pensionskasse VVaG minus the minimum return on the contributions that is guaranteed under the tariff and approved by the German Financial Supervisory Authority (BaFin). The individual pension entitlements agreed upon prior to January 1, 2020, are detailed in the Compensation Report.

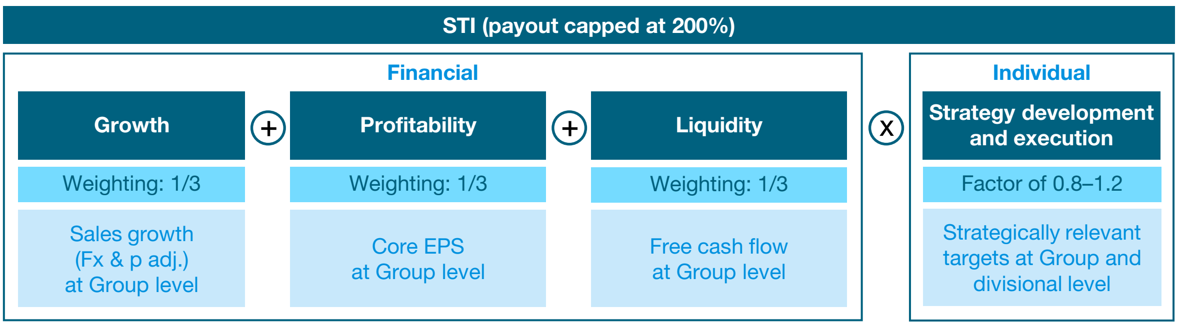
6.2 Variable compensation

The variable compensation for the members of the Board of Management of Bayer AG is designed to provide the right incentives for them to act in accordance with the company's strategic alignment and in the interests of stockholders and other stakeholders, as well as to sustainably achieve operational and long-term goals. The level of variable compensation is primarily determined by the economic development of the Bayer Group and takes the performance of the Board of Management members into account. In this respect the Supervisory Board follows a consistent "pay for performance" approach. The short- and long-term variable compensation differ in terms of the performance periods and the performance criteria on which the payouts are based. In selecting the performance criteria, the Supervisory Board has taken care to ensure that they are clearly measurable and strategically relevant. The financial performance criteria are entirely based on performance indicators that are regularly used to steer Bayer's business. Taking into account a number of different performance indicators, and the interplay between them, enables us to comprehensively track the company's financial success.

a) Short-term variable cash compensation (STI)

The STI depends on the success of the business in the respective year. Our compensation system incentivizes operational success in the form of profitable growth, with a focus on increasing cash flow and, in turn, the dividend potential. In addition, strategy development and execution are evaluated as part of a multiplicative factor that allows additional financial and, in particular, nonfinancial targets (e.g., ESG) to be set. The level of the STI payout is based on each member's contractually agreed target amount, the target attainment for the three financial components, and the factor for strategy development and execution. Depending on how well the company performs, target attainment for the three equally weighted financial components may vary between 0% and 200%. The factor for strategy development and execution ranges from 0.8 to 1.2. The graphic below shows the components of the STI and how it functions.

Components of Short-Term Variable Cash Compensation (STI)



Financial components

The aspects of growth, profitability and liquidity reflected in the STI are measured using the financial performance criteria explained in the table below. The Supervisory Board may replace any of the financial performance criteria, and the measurement thereof, with other financial performance criteria provided that the new criteria are more suitable for company steering and Bayer's long-term development, particularly in terms of growth, profitability and liquidity. In the event of such a substitution, the Supervisory Board will transparently disclose the reasoning in the Compensation Report. The replacement may only be decided on before the beginning of the respective fiscal year for which the variable compensation is granted.

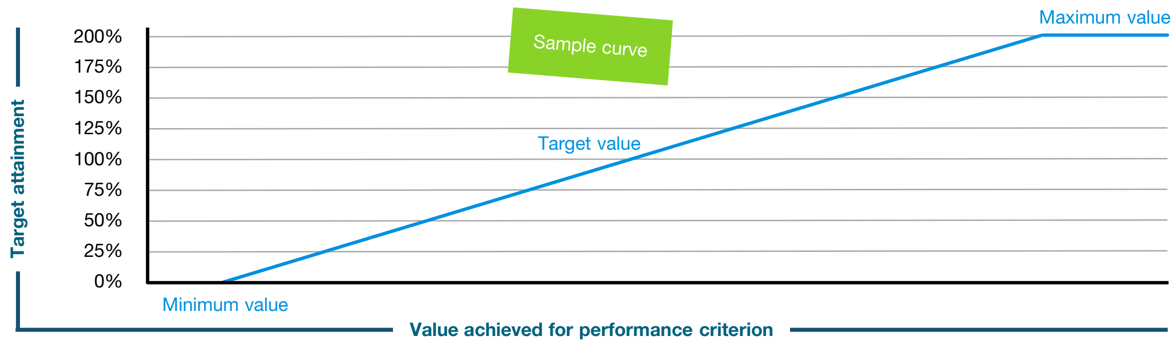
Financial Performance Criteria for Short-Term Variable Cash Compensation

Aspect	Explanation
Growth	// Growth is normally measured in terms of currency- and portfolio-adjusted sales growth at Group level, a metric that is used in the audited and approved consolidated financial statements. // Where necessary, sales growth is adjusted for currency effects and portfolio changes (e.g., acquisitions or divestments), and is thus aligned to organic sales growth. Achieving sustainable sales growth at Group level and in the individual divisions is one of the Bayer Group's overarching objectives.
Profitability	// Profitability is determined on the basis of core earnings per share (core EPS) at Group level. Using core EPS for this component therefore provides specific incentives to raise profitability in the Bayer Group while also encouraging value creation for our stockholders. It is a key metric for Bayer's company steering and capital market communications, and is also reported in the audited and approved consolidated financial statements. // If there is a change in the number of shares on which core EPS is based due to a capital increase or decrease, the Supervisory Board assesses the impact this would have on the STI payout and resolves separately on any adjustments to be made. It is intended that any share buybacks, in particular, shall not affect the core EPS component of target attainment.
Liquidity	// Liquidity is determined by the free cash flow at Group level. Free cash flow is a performance measure based on the operating cash flow from continuing operations according to IAS 7, and is a metric that is used in the audited and approved consolidated financial statements. // Using free cash flow for this component incentivizes an increase in the cash flow available for paying the dividend and reducing debt as well as for capital expenditures and acquisitions, and ensures the Bayer Group's liquidity.

At the start of each fiscal year, the Supervisory Board sets a minimum value, a target value and a maximum value for each of the three financial performance criteria (referred to as benchmarks). The target value is based on Bayer's operational planning and capital market communication for the respective fiscal year. However, the Supervisory Board determines whether it is sufficiently ambitious and adjusts it if necessary. At the end of each year, the value achieved for the respective performance criterion is compared to the target value previously set for that year. If the target value has been achieved, target attainment is 100%. If the value achieved is equal to or below the minimum value, target attainment is 0%. If the maximum value is achieved, target attainment is 200%. If the maximum value is exceeded, there is no further increase in target attainment.

A sample payout curve is given in the graphic below.

Payout Curve for Financial Performance Criteria



The actual target values, payout curves and target attainment levels for the respective performance criteria are published in our annual Compensation Report.

Strategy development and execution

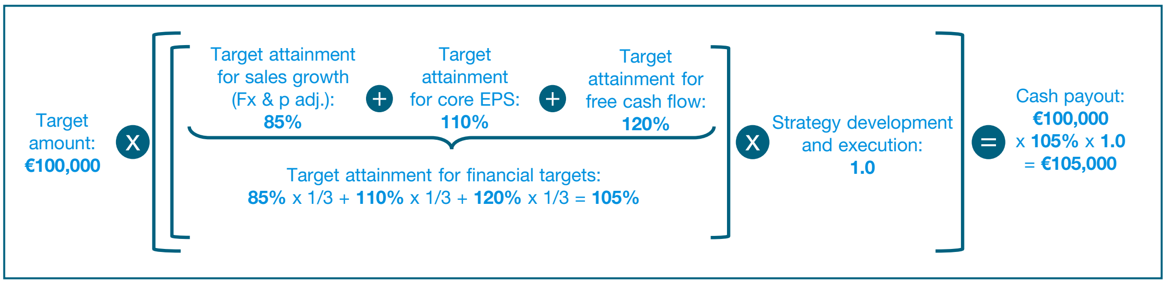
Successful strategy development and execution are measured as part of a multiplicative factor that may also be used to account for the individual performance of the Board of Management members. It involves evaluating the attainment of the targets that were individually agreed with the Board of Management members at the beginning of the year. The target attainment levels for the financial performance criteria are multiplied by the respective factor for each Board of Management member. The factor ranges from 0.8 to 1.2 (i.e., +/–20%).

The strategy development and execution targets set for each Board of Management member, and the respective target attainment levels, are subsequently disclosed in our annual Compensation Report.

Payment of the short-term variable compensation (STI):

The STI is paid out in cash in April of the following year and is capped at 200% of the individual target amount. A sample calculation based on hypothetical numbers is given in the graphic below.

Sample Calculation Based on Hypothetical Numbers



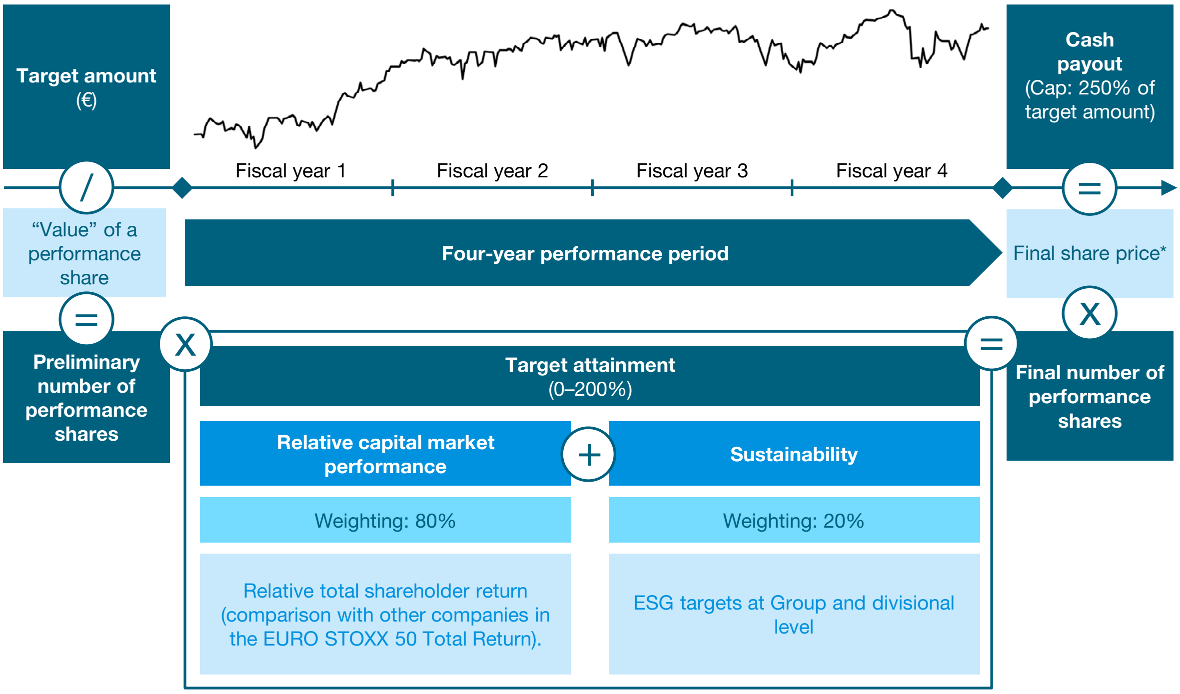
The performance criteria, targets and payout curves do not change over the course of a fiscal year. In accordance with Recommendation G.11 of the German Corporate Governance Code, the Supervisory Board has the possibility to account for extraordinary events or developments to an appropriate extent when establishing STI payouts. Extraordinary developments encompass major, rarely occurring events (such as war, pandemics or other disasters) or material changes within the business (such as corporate acquisitions or divestments) that were not foreseeable at the time the respective targets were established and that materially impact STI payout levels. Generally unfavorable market developments are expressly not regarded as extraordinary developments in this context. The Supervisory Board will transparently disclose any payout adjustments and the underlying reasoning in the Compensation Report.

b) Long-term variable cash compensation (LTI):

Members of the Board of Management are eligible to participate in the annual tranches of the LTI provided that they purchase an individually determined number of Bayer shares as a personal investment and hold them for a specified period of time (see “Share Ownership Guidelines”). The annual tranches are provisionally allocated in the form of performance shares at the beginning of each fiscal year, with a performance period of four years for each tranche. To establish the provisional number of performance shares, a contractually agreed target amount is divided by the value (e.g., fair value according to IFRS 2 or the average price) of a performance share at the time of allocation. The final number of performance shares is determined by multiplying the provisional number of performance shares by total target attainment, which is derived from weighted target attainment in the two performance criteria relative capital market performance (80% weighting) and sustainability (20% weighting) and is capped at 200%. Depending on how well the company performs, the target attainment levels for the two performance criteria may vary between 0% and 200%. Total target attainment of 0% results in zero performance shares and an LTI payout of zero.

The payout is based on the arithmetic mean of the XETRA closing prices for Bayer stock on the 30 stock exchange trading days immediately preceding the end of the performance period plus the total dividends paid over the four-year performance period (dividend equivalent), multiplied by the final number of performance shares. The dividend equivalent renders the Board of Management “dividend-neutral,” with no financial incentive to keep dividends low. The payout is capped at 250% of the contractually agreed target amount. The graphic below shows the components of the LTI and how it functions.

Components of Long-Term Variable Cash Compensation (LTI)

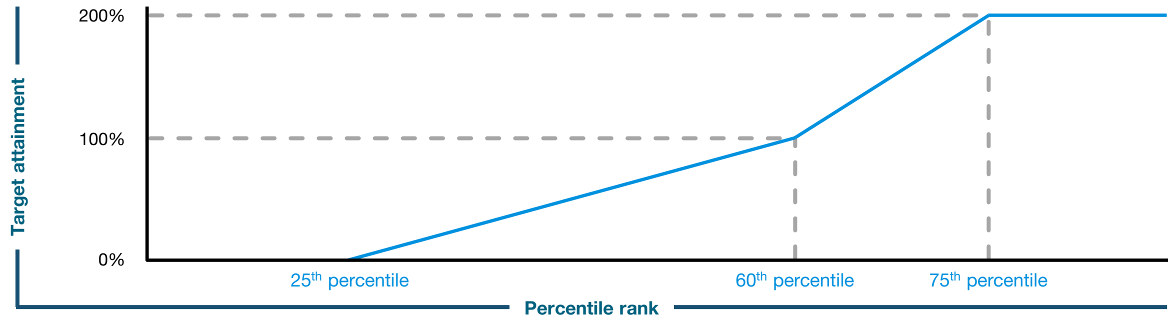


* Arithmetic mean of the XETRA closing prices for Bayer stock on the 30 stock exchange trading days immediately preceding the start of the respective four-year performance period, plus accumulated dividend payments

Relative capital market performance

Relative capital market performance is determined by comparing the development of Bayer’s total shareholder return (TSR) with companies of a benchmark index (usually the EURO STOXX 50 Total Return). The TSR shows how Bayer shares performed over the four-year performance period, and includes the hypothetically reinvested gross dividends during that time. Bayer aims to be an attractive investment target and therefore incentivizes above-average capital market performance, both in absolute terms and relative to the market. The initial and final values for calculating the TSR are based on the arithmetic mean of the XETRA closing prices on the 30 stock exchange trading days immediately preceding the start and the end of the respective four-year performance period. The final value also includes the hypothetically reinvested gross dividends during that time. Target attainment is determined by calculating the TSR values of Bayer and of the individual benchmark companies, sorting them by order of amount, and then expressing their respective positioning as a percentile rank from 0 to 100. If Bayer is below or at the 25th percentile, target attainment is 0%. If Bayer is ranked at the 60th percentile, meaning the company’s TSR is higher than 60% of companies in the benchmark index, target attainment is 100%. If Bayer’s TSR lies at the 75th percentile, target attainment is 200%. Percentile ranks above this level do not result in higher target attainment (cap). Target attainment values between these points are determined through linear interpolation. The payout curve is shown in the graphic below.

Payout Curve for Relative TSR



The target attainment for each tranche is published subsequently in our annual Compensation Report.

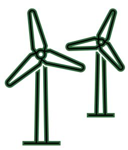
Sustainability

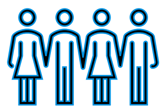
We embrace sustainability in our activities, helping to safeguard our future social and economic viability. As a leader in nutrition and health, we aim to play our part in overcoming some of the world's biggest challenges by leveraging our innovative products and services. These include combating hunger and improving healthcare, as well as taking measures to reduce our carbon footprint. Our sustainability targets take into account the impact of our business activities on social and environmental issues. At the beginning of each tranche, the Supervisory Board defines sustainability targets for the respective four-year performance period that are measurable and in line with our strategy. In setting the sustainability targets, the Supervisory Board takes care to ensure that they are aligned with the Sustainable Development Goals (SDGs) of the United Nations, and are also in step with international best practice, such as the Science Based Targets initiative, with respect to how they are determined, measured and reviewed. Furthermore, they are an integral part of the business strategy, providing access to new customer groups and contributing to greater supply security, for example.

At the start of each tranche, the Supervisory Board sets a minimum value, a target value and a maximum value for the individual sustainability targets. If the target value is achieved, target attainment is 100%. If the value achieved is below the minimum value, target attainment is 0%. If the maximum value is reached or exceeded, target attainment is 200%.

The sustainability targets for the 2024 to 2027 LTI tranche are shown in the graphic below:

Sustainability Targets for 2024–2027 Tranche





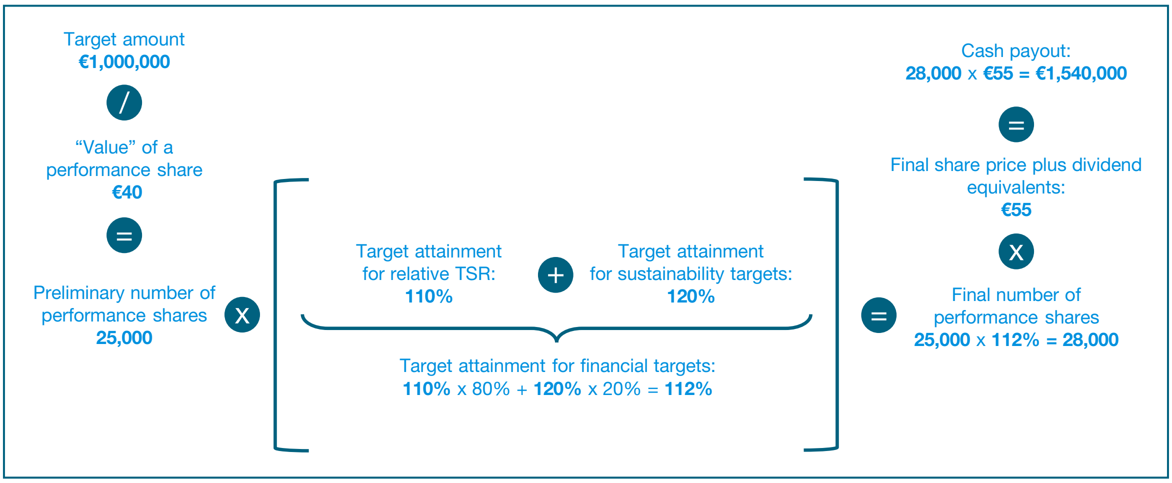
Reduction in ...	Number of ...
Scope 1 and 2 greenhouse gas emissions	... smallholder farmers supported in low- and middle-income countries
Scope 3 greenhouse gas emissions from relevant categories	... people supported with self-care in underserved communities
	... women in low- and middle-income countries with access to modern contraception

The actual sustainability targets, the respective targets and the target attainment levels are published subsequently in our annual Compensation Report.

Payment of the long-term variable cash compensation (LTI)

Payment is made in cash on the earliest possible date after the end of the four-year performance period and is capped at 250% of the individual target amount. A sample calculation based on hypothetical numbers is given in the graphic below.

Sample Calculation Using Hypothetical Figures



6.3 Malus and clawback provisions for variable compensation

In the event of gross misconduct and misrepresentation in reporting, the Supervisory Board may withhold STI and LTI payments (malus) or – if they have already been effected – require their repayment to the company (clawback). In the event that a Board of Management member violates a substantial duty of care, significant obligations under his or her service contract, or other important operating principles such as those prescribed by the Code of Conduct for Members of the Board of Management or the Corporate Compliance Policy, the Supervisory Board may, in the proper exercise of its discretion, withhold all or part of the variable compensation that has not yet been paid out (malus). In addition, the Supervisory Board may, in the proper exercise of its discretion, require that all or part of any gross amount that has already been paid out be repaid to the company (clawback).

Moreover, the members of the Board of Management are required to repay any variable compensation already paid out if it is subsequently established that the audited and approved consolidated financial statements on which the calculation of the payout was based were defective. This applies even if the defectiveness of the consolidated financial statements is not attributable to any fault on the part of the members of the Board of Management.

Irrespective of the above, a legal basis also exists for payment reductions or regress in the event of a damaging breach of duty by members of the Board of Management.

6.4 Share Ownership Guidelines

The Bayer Share Ownership Guidelines form an integral part of the compensation system, serving to ensure alignment between Board of Management and stockholder interests as well as to promote sustainable development. Under the Bayer Share Ownership Guidelines, members of the Board of Management are required to build substantial positions in Bayer shares within four years of joining the Board. The Chairman (CEO) must purchase shares to the value of 200% of base compensation, while the other Board of Management members must purchase shares to the value of 100% of their respective base compensation. They must retain these shares for the remainder of their service on the Board of Management, and for two years thereafter. If they cannot provide evidence of this share ownership, they will not be entitled to payment of the LTI. The performance shares allocated as part of the LTI do not count toward the number of Bayer shares to be purchased under the Share Ownership Guidelines.

6.5 Contract durations and entitlements upon termination of service on the Board of Management

In appointing members to the Board of Management and determining the durations of their service contracts, the Supervisory Board observes the requirements of Section 84 of the German Stock Corporation Act and the recommendations of the German Corporate Governance Code. Members of the Board of Management are generally appointed for an initial term of office of three years under a three-year service contract. Subsequent reappointments/contract extensions are for maximum further terms of five years each, although Bayer generally only extends appointments and contracts by a maximum of four years at a time.

Payments of variable compensation for active Board of Management service are made on the dates and at the conditions originally agreed, including when a Board of Management contract is terminated early. Payments are not brought forward. In line with the recommendations of the German Corporate Governance Code, the service contracts of the members of the Board of Management contain the provision that payments upon termination of service shall not exceed twice the annual compensation or the compensation amount for the remaining term of the contract if this is lower (severance cap).

a) Change of control

To ensure their independence, members of the Board of Management are also entitled to a severance payment in the event of a change of control as defined in the German Securities Acquisition and Takeover Act. This payment must not exceed the above-mentioned severance cap or the compensation for the remaining term of the respective contract. The entitlement to a severance payment only arises if the service contract is terminated by mutual agreement at the company's instigation or if the position of the Board of Management member is significantly affected by the change of control and he or she gives notice of termination within 12 months of the date of the change of control.

In these cases, members of the Board of Management are entitled to a severance payment of 250% of annual base compensation, though this must not exceed the compensation for the remaining term of the respective contract. This entitlement does not exist if termination takes place for cause as defined in Section 626 of the German Civil Code.

b) Post-contractual noncompete agreements

Post-contractual noncompete agreements are in place with the members of the Board of Management, providing for indemnity payments to be made by the company for the two-year noncompete period. The indemnity payment for each of the two years amounts to 100% of a member's average base compensation for the 12 months preceding his or her departure. Any severance payments are deducted from the indemnity payment. Upon contract termination, the company may waive the post-contractual noncompete agreement, in which case no indemnity is paid.

c) Unfitness for work

In the event of temporary unfitness for work, members of the Board of Management continue to receive their contractually agreed compensation. If a Board of Management member has been continuously unfit for work for at least 18 months and is likely to be permanently incapable of fully performing his or her duties (permanent incapacity to work), Bayer may terminate his or her service contract early.

6.6 Payment for service on governance bodies

Any compensation a member of the Board of Management receives for service on the supervisory board of a Bayer Group company is deducted from his or her base compensation. Where a member of the Board of Management serves on the supervisory board of a company outside the Bayer Group, the Supervisory Board of Bayer AG decides whether and to what extent a deduction is made.

7. Procedure for setting, implementing and reviewing Board of Management compensation

The Supervisory Board sets the Board of Management's compensation pursuant to Section 87, Paragraph 1 of the German Stock Corporation Act (AktG). In doing so, the Supervisory Board is supported by its Human Resources and Compensation Committee, which develops recommendations for the Board of Management compensation system that are discussed and resolved upon by the full Supervisory Board. The Supervisory Board may seek advice from external consultants, with care being taken to ensure their independence.

To avoid potential conflicts of interest, the members of the Supervisory Board and of all committees are required to declare any conflict of interest to the Supervisory Board. In the event of a conflict of interest, the member concerned does not participate in the resolutions on the relevant agenda items at the meetings of the Supervisory Board or the respective committees. Where a conflict of interest is significant and not only temporary, membership of the Supervisory Board will be terminated.

7.1 Review of the compensation system

The Human Resources and Compensation Committee prepares the Supervisory Board's regular review of the Board of Management compensation system. Where necessary, it provides recommendations to the Supervisory Board on changes to be made. The compensation system is submitted to the Annual Stockholders' Meeting for approval whenever significant changes are made or at least every four years. If the Annual Stockholders' Meeting does not approve the proposed system, a revised compensation system shall be presented for approval at the subsequent Annual Stockholders' Meeting at the latest.

7.2 Setting compensation levels

The Supervisory Board sets the target compensation levels for the members of the Board of Management at the beginning of each year. The Supervisory Board places importance on ensuring that Board of Management members receive an appropriate level of compensation overall. Appropriateness in this context involves taking into account the levels of management board compensation at comparable companies in terms of size, industry and country. Furthermore, the compensation levels of the individual Board of Management members reflect their areas of responsibility and the required range of experience, as well as their tasks and performance.

The Supervisory Board reviews the appropriateness of Board of Management compensation levels on an annual basis. For this purpose, the Human Resources and Compensation Committee conducts external benchmarking and, where adjustments are required, drafts a resolution to be voted on by the full Supervisory Board. The development of compensation compared with the workforce is also taken into consideration.

a) External comparison of compensation

The DAX companies serve as a benchmark when setting compensation levels. Based on the size of the Bayer Group in terms of sales, employee numbers and market capitalization, the aim is to position Bayer among the top third of DAX companies with respect to total compensation. Selected international competitors are also taken into account as an additional market benchmark, the composition of which is published in the Compensation Report. Reviewing compensation levels annually and taking into account the size of our company over time ensures that the compensation our Board of Management members receive is in line with market rates and appropriately reflects the company's positioning. The Supervisory Board aims to offer Board of Management members a competitive compensation package that is in line with market rates while remaining within the regulatory framework.

b) Development of compensation vs. workforce

In setting Board of Management compensation, the Supervisory Board also undertakes a vertical comparison against the company's internal compensation structure and looks at the relation between Board of Management compensation and that of senior managers and other employees in Germany over time.

7.3 Temporary deviations from the compensation system

In the event of extraordinary developments and in accordance with Section 87a, Paragraph 2, Sentence 2 of the German Stock Corporation Act, there may in certain cases be temporary deviations from individual elements of the compensation system described above if this is necessary for the long-term good of the company. Unfavorable market developments are expressly not regarded as extraordinary developments that would permit a temporary deviation from the compensation system. In the event of a deviation, compensation must continue to be aligned to Bayer's long-term, sustainable development.

Temporary deviations from the compensation system require a corresponding proposal by the Human Resources and Compensation Committee and a corresponding resolution by the Supervisory Board.

A temporary deviation from the compensation system is possible with respect to the composition of the individual compensation components and compensation structure. If the incentive effect of compensation cannot be adequately restored by adjusting existing compensation components, the Supervisory Board is authorized to temporarily grant additional compensation components or replace individual compensation components with other compensation components. Moreover, the position-building phase under the Share Ownership Guidelines may be temporarily suspended if there is a potential risk of insider trading.

We shall provide information on any temporary deviations from the compensation system in the Compensation Report for the fiscal year in question. This will include an explanation of why the deviations were necessary and the specific components of the compensation system they concerned.

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