

Disclosure

California Transparency in Supply Chains Act

The California Transparency in Supply Chains Act of 2010 is designed to increase the amount of information made available by manufacturers and retailers regarding their efforts (if any) to address the issue of slavery and human trafficking, thereby allowing consumers to make better, more informed choices regarding the products they buy and the companies they choose to support. The following highlights Bayer's global efforts in this regard.

Bayer supports the United Nations' Universal Declaration of Human Rights and a number of globally recognized declarations for multinational enterprises. These include the OECD Guidelines for Multinational Enterprises and the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy of the [International Labour Organization \(ILO\)](#), as well as the latter's core labor standards. As a founding member of the [United Nations Global Compact \(UNGC\)](#) initiative, Bayer already committed itself in the year 2000 to the UNGC initiative's [10 universally recognized principles](#) covering the areas of human rights, labor standards, environmental protection and anti-corruption.

Bayer is committed to respecting and fostering human rights within our sphere of influence and to reporting transparently on the results of our activities in this area. Since 2017, Bayer has published a public statement based on the [UK Modern Slavery Act](#) to send a clear signal against slavery and servitude, forced or compulsory labor and human trafficking in its value chain.

We have established and put in place global policies relevant to Human Rights and Modern Slavery. This includes our Corporate Compliance policy, Human Rights policy and our Fairness and Respect at Work policy. These policies require all employees worldwide to conduct themselves fairly and in a compliant manner in dealings with colleagues, business partners and members of the community. In 2019, we combined our guiding principles and the bases for our activities in the new Bayer Societal Engagement (BASE) principles, which will guide our relationships and interactions with our internal and external stakeholders in the future. These principles provide guidance to treat others fairly and with respect and are grounded in our purpose "Science for a better life" and the Bayer LIFE values: leadership, integrity, flexibility and efficiency.

Sustainability and human rights are among the responsibilities of the Chairman of the Bayer Board of Management. The Chairman is supported in their role as Chief Sustainability Officer by the Public Affairs, Science & Sustainability enabling function.

The observance of human rights is an integral part of our sustainability management and our human resources strategy. Directives and processes as well as management and monitoring systems control the implementation of human rights standards in business operations.

The compliance organizations at the Group and country levels monitor compliance with our Corporate Compliance policies. Suspected compliance violations such as signs of violations of our Human Rights policy can be reported – anonymously if desired and if permitted by respective national law – to a central, worldwide compliance hotline that is also accessible to the general public and which is available in numerous national languages.

Additionally, Bayer has existing policies, directives, and procedures relating to grievances, disciplinary issues and whistleblowing. They are sufficient to allow and encourage any employee, contractor, or agency worker with relevant information about violations of our core principles to come forward without fear of retaliation and also to allow Bayer to take any necessary correction action immediately.

The core principles of our sustainability requirements, which we expect suppliers to adhere to, are established in [Bayer's Supplier Code of Conduct](#), which was updated in 2019 and is based on our Bayer Human Rights Policy, the principles of the U.N. Global Compact and the core labor criteria of the [International Labour Organization \(ILO\)](#). The code is available in 12 languages and covers the areas of ethics, people and labour which includes human rights, health, safety & environment, quality as well as governance and management systems.

We clearly state that we expect from our suppliers to respect the human rights of their employees and to treat them with dignity and respect. Supplier employees shall have the right to freely choose employment, the right to associate freely and join or be represented by worker councils or labor unions on a voluntary basis, and the right to bargain collectively as they choose. Workers also have the right to a workplace free of harassment and unlawful discrimination. Our position on child labor is clearly stated as well – it is not tolerated at Bayer. We obligate our suppliers to strictly refrain from employing children.

In our Supplier Code of Conduct, we refer to the system in place at Bayer through which employees and outside stakeholders can report complaints and (compliance) violations via a compliance hotline that can also be accessed

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anonymously. Additionally, we expect our suppliers to make an adequate complaint mechanism available to their stakeholders.

In order to successfully address the diverse challenges of a sustainable supply chain and to leverage synergies together with other companies, we collaborate with the [Pharmaceutical Supply Chain Initiative](#) (PSCI) as well as with [Together for Sustainability](#) (TfS), an initiative co-founded by Bayer. In both initiatives, we focus on the standardization of sustainability aspects in the pharmaceutical and chemical industries in order to establish corresponding social, ethical and environmental practices among our suppliers. The exchange of supplier assessments and audits among member companies enables access to additional sustainability evaluations of suppliers who also work for Bayer. This minimizes the administrative burden for both suppliers and the member companies.

The [Pharmaceutical Supply Chain Initiative](#) is a group of major pharmaceutical companies who share a vision of better social, economic, and environmental outcomes for all those involved in the pharmaceutical supply chain. This includes improved conditions for workers (including freely chosen employment, no involuntary prison labor, abolition of child labor, and no use of forced, bonded or indentured labor), economic development, and a cleaner environment for local communities.

The [Together for Sustainability initiative](#) is a group of multinational companies that aims at developing and implementing a global supplier engagement program that evaluates and improves sustainability sourcing practices, including ecological and social aspects. The initiative is based on good practices and builds on established principles – such as the [UNGC](#) and the [Responsible Care Global Charter](#) as well as standards developed by the [ILO](#), the [International Organization for Standardization](#) (ISO), [Social Accountability International](#) (SAI) and others.

Our efforts for more sustainability in the supply chain include:

Sustainability standards: Bayer regards adherence to sustainability standards within the supply chain as a crucial factor in the value chain. By acting responsibly in collaboration with our suppliers, we aim to minimize risks and create stable, long-term business relationships with our partners. For this reason, Bayer applies not just economic standards, but also environmental, social and governance (ESG) standards in choosing new suppliers or continuing its relationships with existing ones. These standards are defined in our Supplier Code of Conduct, which includes child labor avoidance and a prohibition of the utilization of slavery, forced, compulsory, bonded or indentured labor or involuntary prison labor as well as human trafficking in our supply chain. The code is applied in the selection and evaluation of our suppliers and is integrated into electronic ordering systems and contracts throughout the Bayer Group. As a result, and as a condition of doing business with Bayer, 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. Our code is supplemented by the global [Supplier Code of Conduct Guidance](#), which was also updated in 2019 and, like the Supplier Code of Conduct, is integrated into our registration portal for suppliers.

Supplier sustainability performance evaluation: The sustainability performance of our suppliers is monitored and verified through online assessments and on-site audits. Suppliers are selected for these evaluations based on a combination of country and category sustainability risks as well as strategic importance. The assessments are carried out on our behalf by a leading web-based service platform for sustainability performance monitoring (EcoVadis). They are based on a web-supported, modular questionnaire completed by the supplier, coupled with accompanying verification documents and 360° screening. We conduct on-site announced audits with external independent auditors. Here, too, we apply the standard of the respective industry initiatives in which we participate in order to benefit from synergies. In addition, internal auditors perform inspections focusing on health, safety, and environmental protection. These audits are performed on suppliers with significant risk potential as regards substances, production processes, occupational safety or environmental factors, for example, and on toll or contract manufacturers in countries at increased risk. The assessment and audit results are thoroughly analyzed and documented. Wherever the results are unsatisfactory, we develop improvement measures together with our suppliers to ensure that they fulfill social, ethical and environmental standards in the future. In 2019, 2% of the evaluations had a critical result. These suppliers were requested by Bayer to rectify the identified weaknesses with the help of corrective instructions or action plans. In 2019, Bayer did not have to end any supplier relationship due solely to sustainability performance. Additional verification processes were established for the fulfillment of further international regulations such as those requesting companies to disclose the origin of certain raw materials. This applies, for example, to conflict minerals. When surveying our 154 relevant suppliers, we use the internationally recognized Conflict Minerals Reporting Template to identify the use, sources and origin of certain minerals in our supply chain. In order to help our customers, meet their legal obligations to disclose the origin of certain raw materials in their supply chain, we increased the response rate of the suppliers identified by us in 2019.

Training for staff: Although our company doesn't provide employees specific training in slavery and human trafficking, Bayer's procurement employees are supported in the implementation of our sustainability requirements through targeted Group-wide training measures. In 2019, 89% of procurement employees in the acquired agriculture business received training in the area of sustainability in procurement. Furthermore, a worldwide network of local sustainability experts provides support in the communication and implementation of measures in countries where heightened sustainability risks predominate. These experts undergo regular training and then share the acquired knowledge in their teams and countries, as well as with suppliers.

Training for suppliers: A key factor in our program is helping our suppliers to improve their sustainability performance. Here we focus both on remedying deficiencies and on cooperating on sustainability issues, including slavery and human trafficking. In 2019, this was the focus of activities such as the global Supplier Day in Germany, during which Bayer's sustainability requirements were addressed in panel discussions and working groups and the revised Supplier Code of Conduct were presented. The industry initiatives TfS and PSCI also organized training courses and workshops for suppliers in India and China in 2019. Through the TfS Supplier Academy and the PSCI online resource library, the respective initiatives offer additional advanced training modules for our suppliers that are being expanded each year. In 2019, this included offers such as best-practice examples, brochures or new webinars. The TfS initiative is testing the introduction of a [collaboration platform](#) involving Bayer suppliers as another element of supplier development. It provides users with numerous best practice examples and dialogue opportunities, as well as activities, tips, case studies and expert suggestions on the topics of water, energy and waste. The supplier training measures launched in 2018 under the auspices of the German Business Initiative for Sustainable Value Chains were successfully completed in the spring of 2019. Selected Bayer suppliers received intensive training on environmental, social and human rights standards and subsequent support in practical application. The training program is being continued under the name [econchain](#).

For more details:

Internet website: <http://www.bayer.com/en/our-approach.aspx>

<p>2019 Bayer AG Annual Report: Procurement and Supplier Management (beginning at page 54 of PDF)</p>	<p>Read online at Bayer.com</p>
<p>2019 Bayer AG Sustainability Report: Procurement (beginning at page 32 of PDF)</p>	<p>Read online at Bayer.com</p>
<p>Additional Reference Documents:</p>	
<p>Globally recognized declarations for multinational enterprises include:</p> <ul style="list-style-type: none"> • Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy of the International Labor Organization (ILO) • Guidelines for Multinational Enterprises of the Organization for Economic Cooperation and Development (OECD) • United Nations' Universal Declaration of Human Rights • International Covenant on Civil and Political Rights • International Covenant on Economic, Social and Cultural Rights • International Labor Organization's (ILO) eight core labor standards 	