



Science For A Better Life

SUSTAINABLE DEVELOPMENT REPORT 2007



Sustainable Development Report 2007

Environmental and sustainability reporting has a longstanding tradition in the Bayer Group and is being continually developed. Our goal is to provide transparent and in-depth information for our stakeholders on the Group's essential activities in the area of sustainability.

In our Sustainable Development Report 2007 we demonstrate how in our Group we create a sustained balance between economy, ecology and social responsibility and what contribution we make to sustainable development worldwide, fully in keeping with our Mission Statement: "Bayer: Science For A Better Life."

To respond to the growing significance of sustainability reporting we have, for the first time, compiled a Performance Report on the year under review, 2007. This contains all essential quantitative data and qualitative information in the subject areas of economics, employees, human rights, social responsibility, ecology and product stewardship.

The report is aimed at stockholders, business partners, employees, non-governmental organizations, suppliers, authorities and the general public. With it we again express our commitment to the 10 principles of the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises. In the selection of topics and the structure of the report we have taken account of our ongoing dialogue with stakeholders and two recent stakeholder surveys.

In the portrayal of the information we have endeavored to ensure it is clearly laid out and easy to verify. The report contains features on four focus issues which give the reader extensive information on our objectives, strategies and activities in the fields of climate protection, access to medicines, compliance and

procurement management. These are followed by our Performance Report, which gives an overview of all other facts and figures relevant to the sustainability management of the Group, allowing the reader quick and easy access to data on our Group-wide sustainability performance.

The statements provided here apply to all sites and activities of the Bayer Group. Our environmental and safety data cover all companies in which we have a share of at least 51 percent. The data in the features and in the Performance Report were subjected to an assurance process by Ernst & Young (see page 94 f.).

The report is published in German and English. The editorial deadline was May 15, 2008. Our next Sustainable Development Report is due to be published in 2009.



An important orientation for our reporting is provided by the guidelines of the Global Reporting Initiative (GRI), with which, in this report, we have complied fully for the first time (level A+). The GRI has checked and confirmed that level A+, the highest reporting level, has been maintained. An index at the end of the report lists the pages in which information is provided on the individual GRI indicators.

WWW Further information on the Internet

The report is supplemented by further information given on our website. The report contains numbered references to enable easier access: Under www.sustainability2007.com you will find a page entitled "Additional Info Links." Here, all references are listed with a corresponding code number. By clicking on these you can access the desired information.

BAYER GROUP KEY DATA

	2006	2007	Change
	€ million	€ million	%
Bayer Group			
Net sales	28,956	32,385	+11.8
EBITDA ¹	4,675	5,866	+25.5
EBITDA before special items	5,584	6,777	+21.4
EBIT ²	2,762	3,154	+14.2
EBIT before special items	3,479	4,287	+23.2
Income before income taxes	1,980	2,234	+12.8
Net income	1,683	4,711	•
Earnings per share (€) ³	2.22	5.84	•
Gross cash flow ⁴	3,913	4,784	+22.3
Net cash flow ⁵	3,928	4,281	+9.0
Capital expenditures ⁶	1,739	1,891	+8.7
Research and development expenses	2,297	2,578	+12.2
Dividend per Bayer AG share (€)	1.00	1.35	+35.0
Bayer HealthCare			
Net external sales	11,724	14,807	+26.3
EBITDA ¹	1,947	3,065	+57.4
EBITDA before special items	2,613	3,792	+45.1
EBIT ²	1,313	1,564	+19.1
EBIT before special items	1,715	2,492	+45.3
Gross cash flow ⁴	1,720	2,389	+38.9
Net cash flow ⁵	1,526	2,010	+31.7
Capital expenditures ⁶	576	593	+3.0
Bayer CropScience			
Net external sales	5,700	5,826	+2.2
EBITDA ¹	1,166	1,204	+3.3
EBITDA before special items	1,204	1,324	+10.0
EBIT ²	584	656	+12.3
EBIT before special items	641	786	+22.6
Gross cash flow ⁴	900	961	+6.8
Net cash flow ⁵	898	1,040	+15.8
Capital expenditures ⁶	197	223	+13.2
Bayer MaterialScience			
Net external sales	10,161	10,435	+2.7
EBITDA ¹	1,499	1,542	+2.9
EBITDA before special items	1,677	1,606	-4.2
EBIT ²	992	1,042	+5.0
EBIT before special items	1,210	1,117	-7.7
Gross cash flow ⁴	1,166	1,228	+5.3
Net cash flow ⁵	1,281	1,147	-10.5
Capital expenditures ⁶	753	889	+18.1

¹ EBITDA = EBIT plus amortization of intangible assets and depreciation of property, plant and equipment. EBITDA, EBITDA before special items and EBITDA margin are not defined in the International Financial Reporting Standards and should therefore be regarded only as supplementary information. The company considers underlying EBITDA to be a more suitable indicator of operating performance since it is not affected by depreciation, amortization, write-downs/write-backs or special items. The company also believes that this indicator gives readers a clearer picture of the results of operations and ensures greater comparability of data over time. The underlying EBITDA margin is calculated by dividing underlying EBITDA by sales.

² EBIT as shown in the income statement

³ earnings per share as defined in IAS 33 = net income divided by the average number of shares

⁴ Gross cash flow = income from continuing operations after taxes, plus income taxes, plus/minus non-operating result, minus income taxes paid, plus depreciation, amortization and write-downs, minus write-backs, plus/minus changes in pension provisions, minus gains/plus losses on retirements of noncurrent assets, plus non-cash effects of the remeasurement of acquired assets. The change in pension provisions includes the elimination of non-cash components of the operating result. It also contains benefit payments during the year.

⁵ net cash flow = cash flow from operating activities according to IAS 7

⁶ as per segment table in the Annual Report 2007, page 102 f.



Bayer AG defines common values, goals and strategies for the entire Group. The subgroups and service companies operate independently, led by the management holding company. The Corporate Center supports the Group Management Board in its task of strategic leadership.



Bayer HealthCare is among the world's foremost innovators in the field of pharmaceutical and medical products. This subgroup's mission is to research, develop, manufacture and market innovative products that improve the health of people and animals throughout the world.



Bayer CropScience, with its highly effective products, pioneering innovations and keen customer focus, holds global leadership positions in crop protection and non-agricultural pest control. The company also has major activities in seeds and crop plants with genetically optimized properties.



Bayer MaterialScience is a renowned supplier of high-performance materials such as polycarbonates and polyurethanes, and innovative system solutions such as polyurethane, coating and adhesive raw materials, for a wide range of everyday uses. Products holding leading positions on the world market account for a large proportion of its sales.



Bayer Business Services is the Bayer Group's international competence center for IT-based services. The focus of this company's offering is on integrated services in the core areas of IT infrastructure and applications, procurement and logistics, human resources and management services, and finance and accounting.



Bayer Technology Services is engaged in process development and in process and plant engineering, construction and optimization. As the technological backbone and a major innovation driver for the Bayer Group, this service company offers integrated solutions throughout the life cycles of facilities, processes and products.



CURRENTA offers services for the chemical industry including utility supply, waste management, infrastructure, safety, security, analytics and vocational training. This service company – a joint venture between Bayer and LANXESS – operates the CHEMPARK sites in Leverkusen, Dormagen and Krefeld-Uerdingen, Germany.

Working to create value through innovation and growth

Bayer is a global enterprise with core competencies in the fields of health care, nutrition and high-tech materials. Our products and services are designed to benefit people and improve their quality of life. At the same time we want to create value through innovation, growth and high earning power.

We are firmly aligned to our Mission Statement “Bayer: Science For A Better Life” and continue to optimize our portfolio, concentrating our activities in three high-potential, efficient subgroups with largely independent operations: HealthCare, Crop-Science and MaterialScience. These provide us with access to major global growth markets and are supported by our service companies.

As an inventor company, we plan to continue setting trends in research-intensive areas. Innovation is the foundation for competitiveness and growth, and thus for our company’s success in the future.

Our knowledge and our products are helping to diagnose, alleviate or cure diseases, improving the quality and adequacy of the global food supply, and contributing significantly to an active, modern lifestyle. Our expertise and innovative capability also enable us to offer solutions for protecting the climate and addressing the consequences of climate change.

We are committed to the principles of sustainable development, and to our role as a socially and ethically responsible corporate citizen. For us, there is a clear link between technical and economic expertise and corporate social responsibility. This, in turn, we define as our responsibility to work for the benefit of humankind, become socially involved and make a lasting contribution to sustainable development. At Bayer, we regard economy, ecology and social commitment as objectives of equal rank.

We seek to retain society’s confidence through performance, flexibility and open communication as we work in pursuit of our overriding goals: to steadily create corporate value and generate high value-added for the benefit of our stockholders, our employees and the community in every country in which we operate.



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Climate change

In 2007 Bayer pooled its commitment to the climate in a Group-wide Climate Program. With its ambitious goals and climate-relevant research & development, Bayer is a pioneer in climate protection. Read more on page **28**



Procurement management

By setting up a sustainable procurement management system, Bayer is looking to exert a positive influence as a purchaser. Clear directives have been issued to employees and suppliers. Read more on page **34**

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Access to medicines

Making access to health care possible for all people – this is a goal that Bayer is working towards through a broad-based alliance of international bodies, governments, companies and non-governmental organizations. You can find out how Bayer is approaching this challenge on page **38**



Corporate compliance

Bayer takes the issue of compliance very seriously. A comprehensive corporate compliance system is in place requiring all employees of Group companies to act responsibly and fully observe applicable law. Read more on page **44**



Werner Wenning,
Chairman of the Board of Management
of Bayer AG

Sustainable growth benefiting both company and society

Dear readers,

Our company is looking back on the most successful year in its history. After what had already been a very good previous year, in 2007 we were once again able to achieve significantly increased sales and profitability, as well as to exceed our performance targets. We have also had an outstandingly successful start to 2008.

However, we do not want to measure ourselves solely in terms of our business figures, but also in terms of how we are meeting our corporate responsibilities. In our Mission Statement, we pledge our commitment to combining our technical and commercial expertise with a responsibility to work for the benefit of people and to contribute to improving the quality of life. To this end, our activities adhere to the principles of sustainable development, principles that we have implemented in corporate directives and management systems, building on our commitment to the 10 principles of the United Nations Global Compact.

We believe that growth and sustainability are inextricably linked, an approach that is also applicable for one of the dominant topics from the past year – tackling climate change. Bayer has been committed to climate protection for many years. In 2007, for the third time in a row, Bayer was once again the only European company in

its industry to be included in the Climate Disclosure Leadership Index. We will continue to expand our commitment to the climate in the future: In our Group-wide Bayer Climate Program, which we introduced in 2007, we set ourselves ambitious goals for the further reduction of CO₂ emissions through 2020. In accordance with our slogan "Bayer: Science For A Better Life," we intend to develop new solutions for protecting the climate and tackling climate change. Hence, this global challenge offers highly attractive opportunities for our products and technologies. In the first three years of the program alone, we are making €1 billion available for climate-related research and investment.

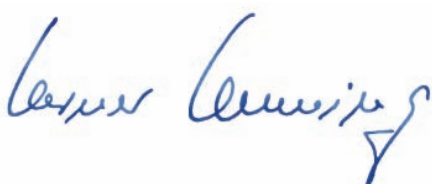
We have also continued our proven commitment in other areas. For example, the issue of legal compliance and corporate responsibility continues to be the highest priority for us. This is demonstrated not least by our Group-wide communications campaign regarding anti-corruption and compliance, which we launched in 2007. With our "Bayer Human Rights Position," which we communicated throughout the company in 2007, we are strengthening our commitment to compliance with internationally recognized principles in the areas of human rights and working conditions.

In the area of worldwide medical care, we are engaging in a broad coalition consisting of international organizations, governments, companies and non-governmental organizations to work towards all people having access to medicines and to create the basic preconditions for sustainable health care in all countries.

Our cooperation in the development of such conditions is also an important concern for us in other areas. Bayer is committed to protecting the environment and consumers and participates actively at national and international level in the development of effective strategies and regulations. We are committed to product stewardship for our products and support the E.U. chemicals policy (REACH), the aim of which is to improve production and consumer safety, as well as environmental protection, throughout the entire product chain. To this end, the Group's Board of Management in 2007 adopted an internal Group Directive entitled "REACH Implementation. Implementation of the REACH Regulation in the Bayer Group."

With a number of additional projects in the areas of education and research, environment and nature, health and social affairs, and sports and culture, we once again demonstrated in 2007 that we take our role as a corporate citizen seriously. With our Bayer Foundations, our cooperation with international organizations such as the United Nations Environment Programme (UNEP) and our commitment to social affairs at our sites worldwide, we are presenting ourselves as a reliable community partner.

The Bayer Sustainable Development Report 2006 received recognition on a number of occasions, most recently when Bayer was a winner in 2007 of an award in the "Transparency and Credibility" category from the online service provider "CorporateRegister.com," the world's largest register of sustainable development reports. We are delighted to have received such recognition. It further strengthens our efforts to provide stockholders, employees, analysts and the public with transparent and comprehensive information regarding our sustainability activities.







Climate change – How children see the global challenge

People are standing chest-deep in water. Some have loaded their possessions on a wooden boat in an attempt to rescue them from the floodwaters. They can't return to their homes – they have been completely flooded. A scene painted by Zayaan Masood from Dhaka, the capital of Bangladesh, to shake up the people viewing it: Look here! This is what climate change can lead to.

Last year the 12-year-old entered his painting in the international painting competition held regularly by Bayer and the United Nations Environment Programme (UNEP): the 16th “International Children’s Painting Competition on the Environment.” Zayaan Masood is one of the winners.

A short time later the boy experienced a flood first hand. He sits on a teetering raft while beside him people hold up the enlargement of his prize-winning picture. Behind him is a village half-submerged in water. It is as if his drawing has come to life.

Photographer Peter Ginter visited some of the young artists in their home countries to take portraits of them together

with their paintings. He traveled with Zayaan to the village of Sherasgunge, about two hours by car from the capital, Dhaka, where he was able to capture the scene in Zayaan’s painting with his camera. Ginter wants to use his photographs to show that the children’s paintings are not simply products of their imaginations, but rather frighteningly close to reality.

A total of 13,450 paintings from 104 countries were entered in the 2007 children’s painting competition. The 2008 competition has even achieved a record level of 15,400 entries. The painting competition is one of the central projects of the successful partnership between Bayer and UNEP, and has since become a World Environment Day fixture. The motto for the 2008 competition is “Climate change: actions we can take now to reduce our negative impact.”

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You can read more about climate change on page 28 ff. More information on the children’s painting competition and accompanying photos can be found at www.bayer.com/en/seeing-the-world-through-childrens-eyes

Flood: Again and again the people in Bangladesh have to rescue their possessions from the surging waters. The painting by 12-year-old Zayaan Masood (yellow T-shirt) reflects this sad reality. The photo was taken in the flood plain of a tributary of the Ganges.

News 2007/2008

Innovative environmental technology presented

CURRENTA (formerly Bayer Industry Services) has developed an innovative process enabling up to 99.99 percent of the mercury in flue gases to be removed. The inexpensive and efficient technology was presented by the company in June 2007 at the third "Woche der Umwelt" (Environment Week) at Schloss Bellevue Park in Berlin at the invitation of German Federal President Horst Köhler.

TUNZA International Youth Conference at Bayer

In August 2007, as part of its partnership with the United Nations Environment Programme (UNEP), Bayer hosted the first TUNZA International Youth Environment Conference to be held in central Europe. 180 young environmentalists aged 15–24 from 85 countries exchanged ideas on the topic of "Technology in Service of the Environment" and gathered information first-hand at the Bayer sites and on trips to external environmental facilities. Bayer also supports the UNEP initiative "Plant for the Planet: Billion Tree Campaign" as one of the six official partners from the private sector. As a contribution to the fight against climate change, Bayer planted some 300,000 trees around the world in 2007. They will reduce the carbon dioxide content in the atmosphere by an estimated 7,500 metric tons per year. During the conference, UNEP and Bayer extended their cooperation agreement in the area of youth and the environment for a further three years.

Cooperation in the fight against malaria

Bayer CropScience and the Innovative Vector Control Consortium (IVCC) signed an agreement in September 2007 to collaborate on two projects aimed at finding new effective solutions in the fight against malaria and other vector-borne diseases. The first project sets out to find an indoor spray that affords improved and long-lasting protection against carriers of malaria and other diseases. The aim of the second project is to modify current active ingredients to solve the resistance problem.

Top performance in sustainability

In September 2007, the Carbon Disclosure Project included Bayer in the Climate Disclosure Leadership Index for the third time in succession after 2005 and 2006. It was the only European chemical company to receive this award. The ranking was undertaken by independent experts for the world's 500 largest stock-market-listed companies.

In September 2007, Bayer was again included in the European Dow Jones Sustainability Index stxx (DJSI stxx) and also the Dow Jones Sustainability Index World (DJSI World). On the basis of this independent evaluation, the company is thus considered to be one of the international leaders in sustainability.



TUNZA logo: The new logo, presented for the first time at the Youth Environment Conference, shows the four elements of fire, water, earth and air in a circle symbolizing the globe.



Vehicle for viruses: The yellow fever mosquito transmits viruses to man.



Celebrations to open the 100th season of the Bayer Cultural Affairs Department: Supervisory Board Chairman Dr. Manfred Schneider, CEO Werner Wenning, German President Horst Köhler, Leverkusen's Mayor Ernst Kuchler and North Rhine-Westphalia State Premier Jürgen Rüttgers

Award for a century of culture at Bayer

In the presence of German Federal President Horst Köhler and North Rhine-Westphalia State Premier Jürgen Rüttgers, the 100th season of the Bayer Cultural Affairs Department was opened at the beginning of September 2007 at the "Erholungshaus" in Leverkusen. For its program "A century of culture at Bayer," Bayer was awarded first prize by the "Freedom and Responsibility" initiative in the "large companies" category. The initiative, of which President Köhler is patron, thus honored the long tradition of cultural and social activities organized by the Bayer Cultural Affairs Department.

Donations for school projects

Through its "Bayer Science & Education Foundation" established in October 2007, Bayer will support 21 school projects in the German State of North Rhine-Westphalia with a donation of €400,000. Focused on local schools, the Foundation will grant financial subsidies to improve conditions in the teaching of natural sciences as well as for specific projects. The aim is to help improve the level of education at schools near the Bayer sites on a sustained basis. By doing this, the company wants to stress the fundamental importance of training and education for young people, both for the future of society as a whole and for the future of Bayer as an employer.

Use of renewable raw materials in polyurethanes

Bayer MaterialScience has developed polyols – one of the basic components of polyurethanes – containing up to 70 percent by weight renewable raw materials. As such, they can make an additional contribution to cutting down emissions. Recently, many promising products have been developed with a high proportion of vegetable oils, which allow the use of natural resources to supplement fossil raw materials. The company showcased some of the potential applications, which range from refrigerator insulation to imitation forest floors, on its stand at the κ 2007 Plastics Fair in Düsseldorf in October 2007.

Rivaroxaban submitted for approval

At the end of 2007, Bayer HealthCare submitted a Marketing Authorization Application to the European Agency for the Evaluation of Medicinal Products (EMA) for rivaroxaban (planned commercial name: Xarelto®) in the prevention of venous thromboembolism (VTE) after major orthopedic surgery of the lower limbs. Upon regulatory approval, Xarelto® will be marketed in Europe by Bayer Schering Pharma. The company plans to file for approval of the product by the U.S. Food and Drug Administration (FDA) in 2008 for the same indications. Rivaroxaban is a once-daily direct Factor Xa inhibitor in tablet form.



Hands-on science: Young researchers can perform more experiments through Bayer's school sponsorship.



Protection from thrombosis: Dr. Susanne Röhrig prepares starting materials for the production of the Bayer product rivaroxaban.

Marketing of Trasylol® temporarily suspended

In November 2007, Bayer temporarily suspended the global marketing of Trasylol® after interim results from an independent clinical study in Canada indicated the possibility of a higher mortality risk of Trasylol® patients. Trasylol® is a drug for controlling blood loss in coronary bypass operations. Up until May 15, 2008, a total of 89 actions had been brought against Bayer in the United States. The plaintiffs maintain that Trasylol® led to health impairment such as kidney failure or death (see also pages 90 and 106).

Carbon monoxide pipeline between Dormagen and Krefeld

Bayer MaterialScience (BMS) is building a pipeline to link up the Dormagen and Krefeld-Uerdingen sites and supplement the existing CO network system between Dormagen and Leverkusen. BMS has always proceeded in strict accordance with the law at the time and has done everything it possibly can to inform the public as extensively as possible. The Parliament of North Rhine-Westphalia and the District Government of Düsseldorf as approving authority have agreed to the project. BMS has many decades of experience in the safe handling of CO, and this has gone into the planning of the pipeline, which is now under construction. Nevertheless, the Higher Administrative Court of Münster arrived at two decisions, in December 2007 and January 2008, to allow the construction of the pipeline but to provisionally ban putting it into operation. BMS regrets the second part of these decisions and will subject them to thorough scrutiny.

New high-potential biofuel crop

Archer Daniels Midland Company (ADM), Bayer CropScience AG and Daimler AG plan to jointly explore the potential application of jatropha in the biodiesel industry. An agreement to this effect was signed by the companies in January 2008. The three cooperating partners regard jatropha – a tropical plant from the Euphorbia family that grows even in poor soil – as a promising alternative energy feedstock for the production of biodiesel. Biodiesel derived from jatropha nut kernels has properties similar to those of biofuels obtained from oilseed. It is also characterized by a positive CO₂ balance and can thus contribute to climate protection. The companies are seeking to develop clearly defined production and quality standards for jatropha-based biofuel.



Climate protection: The jatropha nut is used for the production of biodiesel.

Nexavar® approved in Japan

In January 2008, Bayer received marketing authorization in Japan for Nexavar® for the treatment of advanced renal cell carcinoma (RCC), the most common form of kidney cancer. Nexavar® is an oral multi-kinase inhibitor jointly developed by Bayer HealthCare and Onyx Pharmaceuticals, Inc., which targets both the tumor cell and tumor vasculature. In Japan, Nexavar® is the first approved oral targeted therapy for metastatic RCC. Bayer submitted an application for approval for the liver cancer indication in September 2007 and received the promise of a priority review from the Japanese health authorities.



Cancer drug: Bayer HealthCare employees Dirk Unterberg (left) and Ömür Capar inspect Nexavar® tablets.

Antitrust proceedings with polymers

All the proceedings reported in the past concerning rubber, polyester polyols, polyether polyols, urethanes, urethane chemicals and other feedstocks for urethane end products in which penalties were expected have since been wound up. Most recently, in January 2008, the European Commission imposed a fine of €28.87 million against Bayer for breaching the antitrust legislation in the field of acrylonitrile-butadiene rubber. It is expected that additional civil antitrust lawsuits will be filed against Bayer in Europe (see also the March 31, 2008 issue of the Bayer Stockholders' Newsletter and page 106 of this report).

Court decision against Bayer's Yasmin® patent

In April 2005, Bayer Schering Pharma filed a suit against Barr Pharmaceuticals Inc. and Barr Laboratories Inc. in the U.S. federal court alleging patent infringement by Barr for the intended generic version of Bayer Schering Pharma's Yasmin® oral contraceptive product in the United States. In June 2005, Barr filed its counterclaim seeking to invalidate Bayer Schering Pharma's patent. In early March 2008, the U.S. federal court invalidated Bayer Schering Pharma AG's '531 patent for Yasmin®. Bayer has appealed against this ruling (see also the March 31, 2008 issue of the Bayer Stockholders' Newsletter and page 106 of this report).

Award for Bayer Sustainable Development Report

A study published in January 2008 by the prestigious Roberts Environmental Center at McKenna College in Claremont, California, United States, found the Bayer Sustainable Development Report 2006 the best in the world in its sector out of a total of 29 sustainability reports from chemical companies. In an international online vote by the online service provider "CorporateRegister.com," the Bayer publication was also voted the sustainable development report with the greatest credibility from 156 sustainability reports from companies worldwide.

Support for hemophilia patients

To celebrate World Hemophilia Day on April 17, 2008, Bayer HealthCare donated €250,000 to the World Federation of Hemophilia (WFH) and more than 950,000 international units of Kogenate® FS, an anti-hemophilic factor (recombinant) for the treatment of hemophilia. With these donations, Bayer renewed its commitment to the hemophilia community. In the last four years, Bayer has contributed more than €1 million to the WFH. Through its annual World Hemophilia Day, the WFH aims to increase awareness of the needs of patients with hemophilia and improve their care. The activities for hemophilia patients are an expression of the company's social commitment. Together with various partners, Bayer HealthCare has for many years been championing better health care around the world.



Hemophilia: Marcela Ortega (left) and Alex Condon at the Kogenate® filling station in Berkeley, United States

Foundation laid for zero-emission building in India

In May 2008, Bayer laid the foundation for the first office building to be built in line with the new "EcoCommercial Building" concept. An administration and exhibition building for Bayer is currently being built near New Delhi in India and is scheduled for completion mid-2009. The new building is designed for zero emissions and will consume 70 percent less electricity than other local business complexes. This innovative climate concept for commercial buildings is being developed and implemented by Bayer MaterialScience and partners (see also page 28 ff.).

Creating value for the future

Health care, nutrition and high-tech materials are our core competencies. In all three areas Bayer pursues a clear goal: to help people through innovative products, to provide society with high value-added and to create corporate value – for the benefit of our stockholders, our employees and the community in every country in which we operate.

Our commercial success

2007 was Bayer's most successful year yet: we generated sales of €32.4 billion with our roughly 5,000 products, and Group net income (the after-tax income attributable to the stockholders of Bayer AG) increased from €1.7 billion in 2006 to €4.7 billion (see also page 52 ff.).

Our stock

Bayer stock again developed very well in 2007, its price gaining 53.8 percent on the year. Including the dividend of €1.00 per share for fiscal 2006, paid in May 2007, the overall performance of our stock was 56.8 percent, putting Bayer in fourth place among the DAX

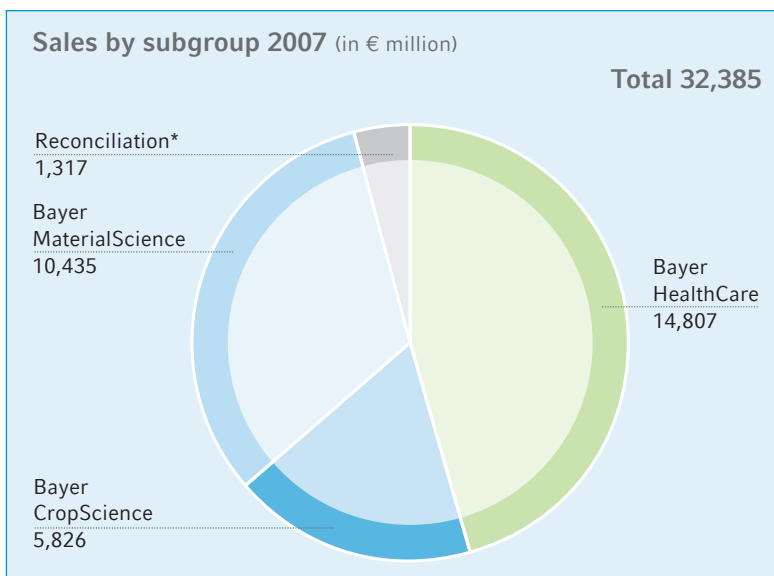
30 companies. The stockholders' equity of the Bayer Group as of December 31, 2007 was €16.8 billion, of which €16.7 billion was attributable to Bayer AG stockholders.

Our stockholder structure reflects Bayer's importance in international financial centers. According to a recent survey of the Bayer stock held by institutional investors, those based outside Germany hold 78 percent of the identified capital, including U.S.-based institutions with 47 percent and U.K. institutional investors with 11 percent. German institutions own 22 percent of the stock. Last year, our Board of Management and experts from the Investor Relations Department spoke with investors at more than 20 financial centers in the course of over 60 roadshows and investor meetings. In addition, we conduct a regular dialogue with our stockholders at the Annual Stockholders' Meetings.

Bayer shares were delisted from the New York Stock Exchange (NYSE) on September 27, 2007. Although we are therefore no longer required to comply with U.S. capital market laws and regulations, our current Annual Report still contains some information that we were previously obligated to provide under U.S. regulations.

Our acquisitions in 2007

In 2007 Bayer HealthCare acquired a production facility for biotechnological products in Emeryville, California, United States, from Novartis for €137 million. Schering has been a fully consolidated subsidiary since June 23, 2006. As of December 31, 2007, Bayer Schering GmbH held 96.3 percent of the shares of Bayer Schering Pharma AG



* not directly allocable to the subgroups, e.g. sales of the service companies

Bayer CropScience acquired the u.s. cotton seed producer Stoneville Pedigreed Seed Company, which was fully consolidated effective June 1, 2007. The provisional purchase price including ancillary acquisition costs was €232 million.

On July 1, 2007, Bayer MaterialScience completed the acquisition of the Ure-Tech Group of Taiwan, a major producer of thermoplastic polyurethanes.

Our corporate structure

Bayer was founded in Wuppertal in 1863 and has been headquartered in Leverkusen since 1912. Today, the Group comprises around 320 companies on five continents. The Bayer Group is led by a management holding company. This sets the strategic framework for the subgroups and service companies, which operate as separate legal entities. The operational business is divided among the three subgroups: Bayer HealthCare AG, Bayer CropScience AG and Bayer MaterialScience AG. Our three service companies – Bayer Business Services GmbH, Bayer Technology Services GmbH and CURRENTA GmbH & Co. OHG (formerly Bayer Industry Services) – provide services for both internal and external customers.

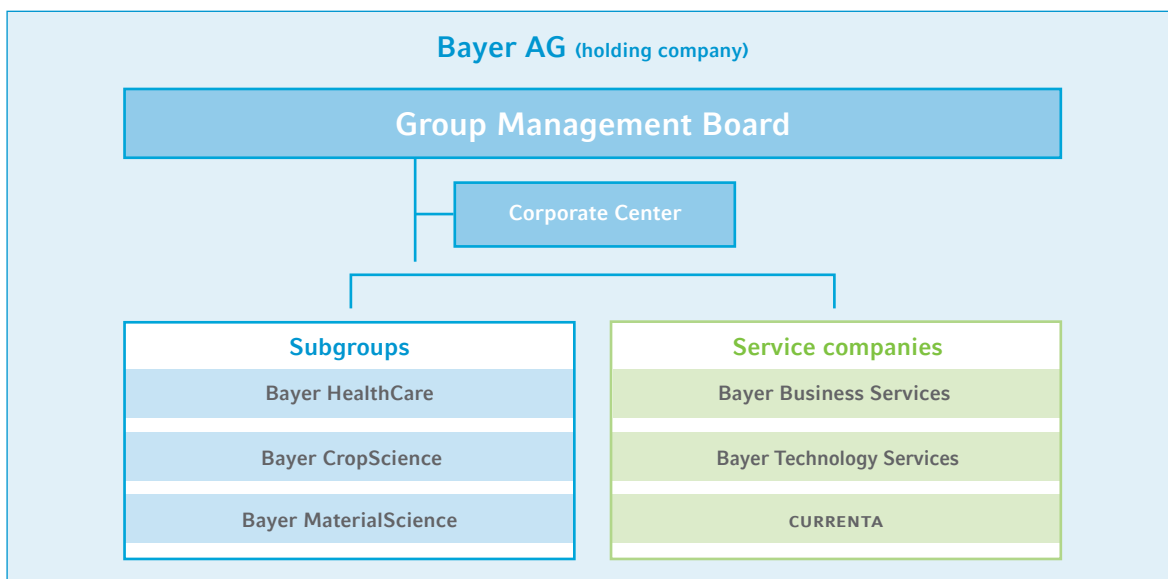
Our corporate governance

Under the German Co-Determination Act, the Supervisory Board of the holding company Bayer AG comprises 10 representatives of the stockholders and 10 representatives of the workforce. In compliance with its statutory obligations, in 2007 the Supervisory Board fulfilled its role of advising and overseeing the Board of Management. Elections to the Supervisory Board were held in 2007. Three stockholder representatives and two employee representatives did not stand for reelection and new members were therefore elected to replace them.

The ongoing development of corporate governance at Bayer and the changes enacted to the German Corporate Governance Code in June 2007 were among the central issues discussed by the Supervisory Board in 2007. In December the Board of Management and Supervisory Board renewed their declaration that Bayer AG fully complies with the recommendations of the German Corporate Governance Code.

Our principles of compensation

The compensation of the Board of Management basically comprises four components: a fixed annual sal-



ary, a short-term incentive award on a yearly basis in relation to a target amount, a long-term incentive award for a three-year period in relation to a target amount, and a company pension plan conferring pension entitlements that increase with years of service. Remuneration in kind and other benefits are also provided, such as the use of a company car for private purposes or reimbursement of the cost of health screening examinations. The fixed salary consists of two parts: a base salary and a fixed supplement. The variable bonus for 2007 is calculated partly according to the Group's EBITDA margin before special items, and partly according to the weighted average target attainment of the HealthCare, CropScience and MaterialScience subgroups. The latter is based mainly on the subgroups' target attainment measured by EBITDA before special items as well as on a qualitative appraisal in relation to the market and competitors. In addition, the variable bonus for 2007 includes a special one-time individual bonus linked to outstanding achievements in connection with the restructuring of the Bayer Group.

The compensation of the Supervisory Board is based on the provisions of the Articles of Incorporation, the current version of which was adopted by the stockholders at the Annual Stockholders' Meeting on April 29, 2005. This provides that, in addition to reimbursement of their expenses, the members of the Supervisory Board receive fixed annual remuneration of €60,000 and a variable annual remuneration component. The variable remuneration component is based on corporate performance in terms of the gross cash flow reported in the Group financial statements for the fiscal year. The members of the Supervisory Board receive €2,000 for every €50,000,000 or part thereof by which the gross cash flow exceeds €3,100,000,000, but the variable component for each member may not exceed €30,000.

In accordance with the provisions of the German Corporate Governance Code, additional remuneration is paid to the Chairman and Vice Chairman of the Supervisory Board and for chairing and membership of committees. The Chairman of the Supervisory Board receives three times the basic remuneration, while the Vice Chairman receives one-and-a-half times the basic remuneration. Members of the Supervisory Board who are also members of a committee receive an additional one quarter of the amount, with those chairing a committee receiving a further quarter. However, no member of the Supervisory Board may receive total remuneration exceeding three times the basic remuneration. Details of the remuneration received by individual members of the Board of Management and Supervisory Board are disclosed in our Annual Report.

In order to link the variable remuneration of Bayer executives directly to success in the sustainability arena, we have also started to include sustainability criteria in their annual personal performance targets. Our aim is to ensure a close link between sustainability targets and variable compensation components throughout the Group.

Our global workforce

Bayer's success is based on the daily commitment of our 106,200 employees around the world, 36.8 percent of whom work at our sites in Germany. Globally, 76.5 percent of our employees are in countries that belong to the Organisation for Economic Co-operation and Development (OECD). Some 23.5 percent (24,874 employees) work in a total of 43 non-OECD countries. The largest of these is China, where we have 5,582 employees, followed by Brazil (3,072) and India (3,000).

www	2 Bayer stock
	3 Indices in which Bayer is listed
	4 Supervisory Board
	5 Corporate governance
	6 Board of Management
	7 Compensation
	8 Bayer sites
	9 Certification and memberships in associations

The Bayer Group

Bayer is a global enterprise with companies all over the world. The map shows some of our most important locations.



The Bayer Group in figures

	North America	Latin America/ Africa/ Middle East	Europe	Asia-Pacific	Total
Sales (in € million)	8,161	4,660	14,353	5,211	32,385
Employees	16,800	14,300	56,200	18,900	106,200
R&D spending (in € million)	581	35	1,836	126	2,578
Number of consolidated companies	47	51	168	60	326

Bayer HealthCare

Medical products for patients worldwide



Arthur Higgins,
Chairman of the
Executive
Committee of Bayer
HealthCare AG

As a company in the health care industry, we invest in medical innovations for the benefit of patients. We firmly believe that our products should be available to all people who need them. That is why we are engaged in various partnerships with social initiatives, state institutions and other companies devoted to improving global access to medicines. Our research is also focused on forthcoming challenges in the provision of health care, such as new therapeutic needs resulting from an aging society. Our business conduct is at all times governed by our responsibility to mankind, animals and the environment throughout the entire life cycle of our products. As such, we tackle environmental issues that are specific to the health care business, are involved in climate protection and have introduced ethical marketing standards.

Headquarters: Leverkusen (Germany)

Headcount: 51,500 (2007),
51,400 (2006)

Sites: in over 120 countries

Sales: €14.8 billion (2007),
€11.7 billion (2006)

Specific directives: Voluntary commitment to health, safety, environment and quality, 2004

Management systems: Management systems for health, safety and environmental matters are in place in all sites worldwide. Our drug products are manufactured and monitored in accordance with the quality norms of GMP (Good Manufacturing Practice). Our research and development work is conducted in accordance with the principles of GLP (Good Laboratory Practice) and GCP (Good Clinical Practice). Internal implementation of codes of ethical conduct which have been accepted by pharmaceutical industry associations.
Website: www.bayerhealthcare.com

Bayer CropScience

Innovation for sustainable agriculture



Prof. Friedrich
Berschauer,
Chairman of the
Board of Manage-
ment of Bayer
CropScience AG

In view of the growing global population and climate change, sustainable agriculture can only be achieved by using the available land with maximum efficiency. Our crop protection products and processes make a contribution to this, as does our work in seed and crop biotechnology. We are also active in the field of pest control agents for non-agricultural applications.

Modern, efficient agriculture needs innovations. As a future-oriented technology provider, we are meeting the challenge of searching for new solutions – a process that is frequently preceded by a research and development phase that can take up to 10 years.

We actively seek an open dialogue with our stakeholders to ensure that we can jointly shape the path to sustainable agriculture. Our conduct is governed by our principle of acting in the interest of the environment, social justice and healthy economic growth at all times.

Headquarters: Monheim (Germany)

Headcount: 17,800 (2007),
17,900 (2006)

Sites: in over 120 countries

Sales: €5.8 billion (2007),
€5.7 billion (2006)

Specific directives: Voluntary commitment to quality, health, safety and environmental protection (QHSE), 2002; policy guidelines and key requirements for responsible product stewardship, 2004

Management systems: All sites worldwide have in place an integrated management system for quality, health protection, safety and the environment that is subject to continual further development.

Website: www.bayercropscience.com

Bayer MaterialScience

High-quality materials for climate protection



Patrick Thomas,
Chairman of the
Board of Manage-
ment of Bayer
MaterialScience AG

Bayer MaterialScience has a tremendous potential to reconcile growth and sustainable development. Our energy-saving products offer innovative solutions for climate protection, for example rigid polyurethane foams for the thermal insulation of buildings, district heating systems and heating pipes. Our materials also help to save valuable energy when used to insulate refrigerators and freezers and in the construction of lightweight vehicles. Bayer MaterialScience also makes important contributions to environmental protection in the form of polycarbonate and thermoplastic polyurethane components for photovoltaic modules and raw materials for low-solvent and solvent-free coatings and adhesives. Bayer MaterialScience is constantly looking for innovative solutions and ecologically compatible applications for existing products. In addition, we want to increase the energy efficiency of our own production processes, which we have already improved considerably during recent years, still further – and we have made a commitment to this in the Bayer Climate Program.

Headquarters: Leverkusen (Germany)

Headcount: 15,400 (2007),
14,900 (2006)

Sites: in over 55 countries

Sales: €10.4 billion (2007),
€10.2 billion (2006)

Specific directives: Voluntary commitment to health, safety, environment and quality, 2004

Management systems: Building on the principles of the Responsible Care Global Charter, Bayer MaterialScience has established an integrated management system for all aspects of health, safety, environment and quality (HSEQ).

Website: www.bayermaterialscience.com

Bayer Business Services

Competence center for IT-based services



Dr. Andreas Resch,
Chairman of the
Executive Board
of Bayer Business
Services GmbH

Bayer Business Services is the Bayer Group's international competence center for the provision of IT-based services. With our IT services, integrated solutions for business processes and specialist services for research, administration and corporate management, we make a key contribution to climate protection and sustainable development both at Bayer and at our customers' companies. When it comes to IT, Bayer Business Services focuses on "green IT" to save energy and cut emissions. For example, we reduce the power consumption of data centers and IT equipment, establish video conference systems to cut the number of business trips that have to be made by air, rail and road, and apply climate-friendly criteria in configuring Bayer's fleet of vehicles.

Headquarters: Leverkusen (Germany)

Headcount: 4,588 (2007), 4,400 (2006) (both figures exclude local services and trainee pool)

Sites: in over 50 countries

Specific directives: Voluntary commitment to Responsible Care by Bayer Business Services, 2003

Management systems: HSEQ management system for health, safety, environment and quality

Website: www.bayerbbs.com

Bayer Technology Services

Technological backbone of the Group



Achim Noack, Man-
aging Director of
Bayer Technology
Services GmbH

Bayer Technology Services is the Bayer Group's global technological backbone and innovation motor for the development, planning, construction and optimization of processes and plants. Bayer Technology Services is involved in ensuring that Group-wide ecological and social responsibilities are met globally. This includes implementing international standards at all sites, as well as developing processes, and planning and constructing plants in line with the latest technology.

Working in cooperation with Bayer MaterialScience, we are currently designing the first "EcoCommercial Building," a ground-breaking zero-emissions office building in India. In 2007, we developed the Bayer Climate Check. This analysis instrument provides detailed information about all emissions caused by individual production processes and enables a prioritization of measures to exploit all reduction potentials. This instrument has been certified by the German inspection agency TÜV Süd and is implemented throughout the Group as part of the Bayer Climate Program. It is also offered externally.

Headquarters: Leverkusen (Germany)

Headcount: 2,400 (2007), 2,200 (2006)

Sites: Belgium, Germany, India, Mexico, P.R. China, Switzerland, United States

Specific directives: Health, safety, environment and quality policy in BTS

Management systems: HSEQ management system for health, safety, environment and quality

Website: www.bayertechnology.com

CURRENTA

Chemical park operator with three sites



Dr. Klaus Schäfer,
Chairman of the
Executive Board
of CURRENTA GmbH
& Co. OHG

CURRENTA offers services in the chemical and technical sector. These include utilities, waste management, infrastructural services, safety and security, analytics and training. This service company, a joint venture between Bayer and LANXESS, is the operator of CHEMPARK with sites in Leverkusen, Dormagen and Krefeld-Uerdingen, Germany. CURRENTA is both the service provider and manager of CHEMPARK. Our mission is to combine commercial success with Responsible Care. We optimize our processes with the goal of maintaining the highest degree of safety and conserving natural resources, in so doing backing the expertise and know-how of our employees, for example through the CURRENTA Climate Protection Program A+++. By increasing efficiency in the generation of energy and by reducing our energy consumption we not only protect the climate. Our use of efficient technologies and processes also offers considerable potential for making savings. We thereby make a contribution to improving environmental protection and competitiveness in Germany as a whole.

Headquarters: Leverkusen (Germany)

Headcount: 6,000 (2007), 6,600 (2006) (both figures excluding trainees)

Sites: Leverkusen, Dormagen, Krefeld-Uerdingen (all Germany)

Specific directives: Policy on health protection, safety, environmental protection and quality, 2004; voluntary commitment to Responsible Care of Bayer Industry Services, 2003

Management systems: An integrated management system for health protection, safety, environmental protection and quality has been introduced. This system is continually optimized.

Website: www.currenta.com

Our sustainability management

We have steadily established and expanded our sustainability management in recent years, accounting for major portfolio changes, rapid economic growth and the further internationalization of our business activities. Through a clear strategic perspective and a detailed sustainability program, we aim to prepare ourselves in good time to meet current and future challenges and to operate in a goal-oriented way.

Our values and policies

We make a firm commitment to our corporate responsibility in our Mission Statement “Bayer: Science For A Better Life.” Sustainability is a key element not just of the Bayer Mission Statement, but also of our values and leadership principles [see graphic “Our Values”] – which are supplemented by the Bayer Sustainable Development Policy, our positions on human rights and working conditions, our commitment to the global Responsible Care initiative of the chemical industry and our membership in the United Nations’ Global Compact.

The Bayer sustainability concept

Successful sustainable development in balance with social needs and goals – this is the overriding objective of our sustainability concept. The development

and implementation of our concept and the measures derived from it involve a constant interaction process between the company, our stakeholders and society. The key in this connection is always our innovation

The Bayer sustainability concept

Successful sustainable development in balance with social needs and goals



On one hand, Bayer is a member of society that makes important contributions through products, business activities and a voluntary social commitment. On the other hand, social trends, needs and objectives influence our activities on these three levels.

Our Values

A will to succeed

A passion for our stakeholders

Integrity, openness and honesty

Respect for people and nature

Sustainability of our actions

Common values are the basis of our daily actions. They are of critical importance as regards a common identity – particularly in view of the diversity of the markets and cultures in which our Group operates.

capability. Whether it is protecting the climate, fighting disease or improving global food supplies – we constantly strive to balance economic, ecological and social perspectives through innovations at the product level. Parallel to this process, we align all business activities along the value chain to sustainability criteria – as an employer, a business partner and a corporate citizen. This enables us to enhance our company’s competitiveness and future-orientation while minimizing our business risks. At the same time, we see ourselves as a socially responsible company worldwide that helps to improve the quality of life in its immediate surroundings and creates future perspectives for others through social volunteerism.

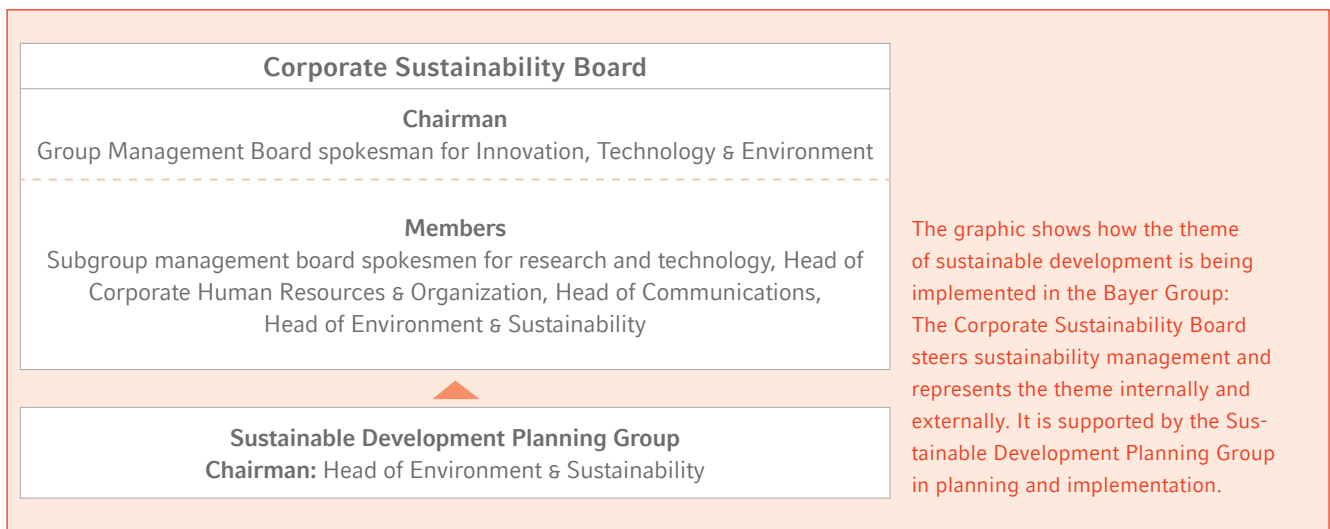
Sustainability – a team effort

The Bayer Corporate Sustainability Board, in which all subgroups are represented, is responsible for the Group-wide management of our sustainability strategy. On the basis of this strategy, this body each year defines goals, adopts the corresponding Group policies and oversees the implementation of the measures in the subgroups and service companies.

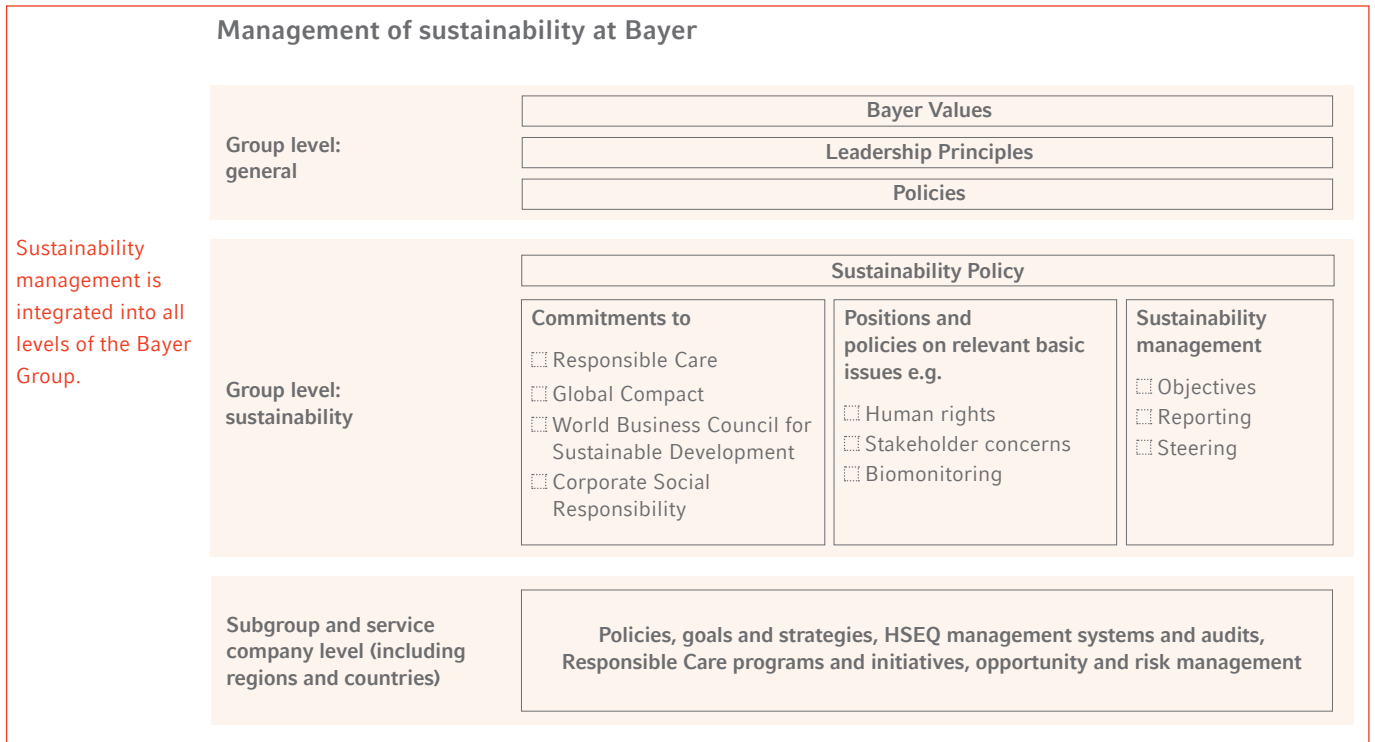
The Corporate Sustainability Board is supported and advised by the Sustainable Development (SD) Planning Group. The Environment o Sustainability Department of the Corporate Center works closely with the sustainability officers in the subgroups and service companies, as well as with further Group functions, and manages the implementation of the planned objectives. The global sustainability organization is completed by councils at the regional and subgroup levels. Group-wide cooperation in this context is governed by our Sustainable Development (SD) Policy.

Group-wide policies as a framework of action

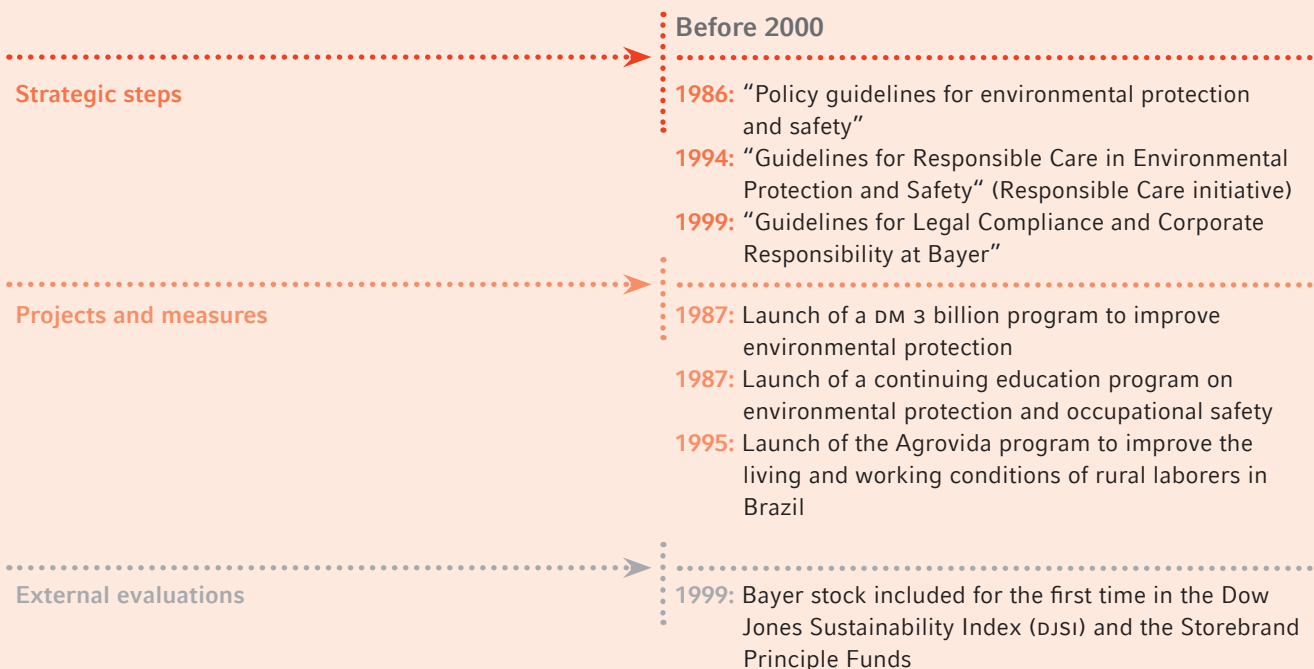
We create a clear framework of action for all organizational units through Group-wide policies and requirements. The implementation of the policies is supported in all subgroups and service companies by efficient management systems for health, safety, environment and quality (HSEQ). Also in place are systems and rules for special requirements of the subgroups. The steering of opportunities and risks – our risk management policy – is an integral part of our Group-wide corporate leadership system.



The graphic shows how the theme of sustainable development is being implemented in the Bayer Group: The Corporate Sustainability Board steers sustainability management and represents the theme internally and externally. It is supported by the Sustainable Development Planning Group in planning and implementation.



Step-by-step development of sustainability in the company



An important step in 2007: "Fit for REACH"

The E.U.-wide REACH legislation, which went into effect on June 1, 2007, completely redefines the European chemicals policy. The legislation applies to the chemical industry and all companies that use chemical substances or preparations. Bayer actively accompanied the process right from the beginning and made constructive contributions. After all, we are affected by the legislation not only as a producer and importer, but also as a user. We require many starting products for the production of active ingredients (crop protection products, pharmaceuticals) and polymers. We work together intensively with our suppliers to guarantee the availability of these substances.

As REACH requires exact knowledge about the use of the substances, we already maintain intensive contact with our customers. We shall support and monitor the necessary exchange of information along the supply chain. By dealing with the REACH legislation at an early stage, Bayer has taken advantage of the possibility to recognize long-term opportunities and consequences and to react accordingly. The parts of the company affected are preparing themselves

for the necessary adaptations. In the subgroups, we established implementation projects that cover all important points.

Bayer is fit for REACH – we will meet the requirements. The costs in the next 11 years will amount to a figure in the high two-digit millions.

Further milestones in 2007

A major focus of both the public discourse and Bayer's efforts in 2007 were the themes of climate protection, anti-corruption and human rights. In November 2007, we presented our Group-wide "Bayer Climate Program" (see page 28 f.) – an ambitious package of measures that we plan to implement by 2020. To draw heightened attention to the topic of anti-corruption within the Bayer Group and underscore our commitment to stringent rules of conduct and compliance, we declared 2007 "Bayer Year of Anti-Corruption." About 70,000 employees took part in anti-corruption training courses that we offered at all sites. A further milestone was the implementation of our "Human Rights Position," which we published in May 2007 (see also page 70 f.).

2000 – 2002

- 2000: Bayer is a founding member of the U.N. Global Compact
- 2001: "Guidelines for Responsible Care in Environmental Protection, Health Protection and Safety"

2003 – 2004

- 2003: Development of a strategy for sustainable agriculture
- 2004: Formulation of a Mission Statement, Values and Leadership Principles for the Bayer Group

- 2000: Registration of all production sites in the Bayer Site Information System BaySIS® introduced in 1999 to determine HSE key performance indicators

- 2003: Definition of key performance indicators for health, safety and environment (HSE) to steer our HSE performance
- 2004: Sustainability Committees anchored in the Bayer Group organization, first meeting of the Corporate Sustainability Board
- 2004: Organizational stakeholder in the Global Reporting Initiative

- 2001: Bayer stock included for the first time in the FTSE4 Good Global 100 and in the ASP1 Eurozone Index

The Sustainability Check – a tool of the future

Bayer is working together with a prominent institute for futurology on a new concept to document in detail the sustainability impact of its processes and products. At the center of these efforts is the economic, ecological and social assessment of products, processes and projects using uniform criteria. We expect this tool to provide additional important impulses for the long-term alignment of our company. The first internal pilot project is currently under preparation.

Our Sustainability Program 2006+

Our Sustainability Program provides a detailed overview of our specific sustainable development objectives through 2010 and the measures defined to achieve them. The program is made up of the action fields “Innovation,” “Product stewardship,” “Excellence in corporate management,” “Social responsibility” and “Responsibility for the environment.” It comprises the Bayer Group objectives and those of all subgroups and service companies. The Group Management Board, the subgroup management boards

and the management teams of the service companies oversee and hold responsibility for their achievement. The Sustainability Program is thus one of the most important steering elements for the implementation of our sustainable development strategy, serving as the central foundation for our sustainability activities in 2007. We have updated and restructured our program to reduce its complexity and focus more closely on the goals.

WWW	10 Mission Statement
	11 Bayer Sustainable Development Policy
	12 REACH
	13 Fit for REACH
	14 Program for Legal Compliance and Corporate Responsibility

Step-by-step development of sustainability in the company

Strategic steps

2005 – 2006

- 2005: Directive on Health, Safety, Environment and Quality (HSEQ) Audits
- 2006: Sustainable Development Policy

Projects and measures

- 2005: Launch of systematic initiatives to reduce child labor in India including incentives, sanctions and the creation of educational opportunities
- 2006: Launch of the Group-wide innovation initiative “Triple-i”

External evaluations

- 2005: Inclusion for the first time in the Climate Leadership Index of the Carbon Disclosure Project
- 2005: Bayer presented with the Low Carbon Leaders Award by the climate protection organization “The Climate Group”
- 2006: German Environmental Reporting Award 2006 for the best sustainability report in Germany

Key sustainability objectives of the Bayer Group through 2010 (unless described otherwise)

The overview on page 96 ff. gives a detailed look at the current status of the program and the specific target achievement. Below is a selection of the main sustainability objectives of the Group through 2010.

■ Therapeutic proteins

Development of patient-specific medicines by 2015 through the expression of therapeutic proteins from tobacco plants (plant-made pharmaceuticals).

■ Cancer therapy

Expansion of the field of application for the cancer drug Nexavar® to include the indications liver, skin and lung cancer.

■ Energy-efficient production process

Optimization of a production process for monomeric diisocyanate with the goal of reducing energy consumption by about 15 percent.

■ Occupational safety

Reduction in the incidence of industrial accidents with lost working days to less than 2 per million hours worked.

■ Emissions into water

Reduction in the discharge of total organic carbon (TOC) and nitrogen into receiving waters by 10 percent per metric ton of product sold.

■ Emissions into air

Reduction in VOC (volatile organic compounds) emissions by 30 percent per ton of product sold.

■ Climate protection

Reduction in global greenhouse gas emissions (in t CO₂ equivalents) between 2005 and 2020. Details for the individual subgroups can be found in the information on the Group Sustainability Program 2006+ on page 103.

■ Protection of the ozone layer

Adherence to a maximum threshold of less than 20 metric tons of ODS (ozone-depleting substances) emissions per year (CFC-11 equivalents).

■ Waste

Reduction in the volume of waste requiring special supervision (hazardous waste) to less than 2.5 percent per metric ton of product sold.

2007 – 2008

2007: Climate Program:

- Development and firm organizational establishment in the company
- Presentation in November 2007 at an international news conference
- Implementation

2007: Bayer Anti-Corruption Year

2007: Launch of implementation of Bayer Human Rights Position

2007: Bayer position and brochure on biomonitoring

2007: Bayer Group Position on the Responsible Use of Gene Technology

2007: Bayer Position on Nanotechnology and Bayer Code of Good Practice on Nanomaterials

2008: Launch of internal implementation of the E.U.'s REACH legislation

2008: First bestowal of the Bayer Climate Award

2007: Inclusion once again in the European and global Dow Jones Sustainability Index (DJSI)

2007: Inclusion for the third time in the Leadership Index of the Carbon Disclosure Project

2008: Online services provider "CorporateRegister.com" presents Bayer with the 2007 Reporting Award in the category "Transparency and Credibility"

2008: 1st place for the Bayer Sustainable Development Report in the industry rating by McKenna College, California, United States

Through 2010

• "Access to medicines" strategy

• Sustainability Check

• Systematic rollout of the Bayer Climate Check

• Move into the world's first EcoCommercial Building in New Delhi, India

• Sustainable procurement management

• Implementation of transparent reporting and further development of Bayer Climate Program

• Continuous improvement of strategy, measures, performance and reporting with the goal of recognition by our stakeholders

Interview with Dr. Wolfgang Plischke

Sustainable development as a strategy for success

Dr. Plischke: In its Mission Statement, Bayer pledges its commitment to the principles of sustainable development. Are you convinced that sustainability is also a strategy that promises commercial success for your Group?

Absolutely. For our company, the strategic management of sustainable development is a basic prerequisite for our competitiveness and our future viability. All areas of Bayer's business are affected by global megatrends such as the energy shortage, demographic change, urbanization and, of course, climate change. Engaging these issues is therefore an integral part of our risk management strategy, but this will at the same time lead to the development of future markets. Meanwhile, the financial markets are increasingly rewarding sustainable and responsible corporate policy.

You cite a series of major challenges for sustainable development. How does Bayer determine priorities for its commitment to sustainability?

As a company with a broad portfolio, we regard it as our fundamental obligation in many areas to practice sustainability. We are devoting ourselves to the current challenges particularly intensively and also report on these in detail. In addition to asking ourselves in which areas we as a corporation have a particular responsibility, we are faced with the following question: Where and how can we achieve the greatest possible contribution to sustainable development? This question needs to be asked because only companies that allocate their resources and expertise in a targeted manner are capable of generating visible successes in the area of sustainability. For this reason, last year we selected four issues within a structured, company-wide process to serve as focal points to which we will devote particular attention during this reporting year: climate protection, access to medicines, corporate compliance and sustainable procurement management. Of course, the expectations of our stakeholders and the public also played an important role in the selection of these issues. After all, we are con-

vinced that dialogue is essential if we are to put sustainable development into practice.

What is the relevance of these topics for Bayer's business?

Enormous - this too was a criterion for the selection of our focus issues. Based on the three pillars of sustainable development – economics, ecology and social responsibility – we are convinced that strategies for ecological and social sustainability can only be realized if they also lead to medium and long-term economic success. At the same time, we can only be commercially successful in the long term if we take into account social and ecological concerns. In the past we have systematically developed our sustainability management and reporting. This year for the first time we cover the entire catalogue of criteria of the Global Reporting Initiative (GRI) and have achieved GRI Level A+ for this report.

What does your concrete commitment to climate protection look like?

If we want to limit the increase in the average global temperature due to human activity to a maximum of two degrees Celsius, which is an acknowledged goal worldwide, we must do even more to bring economic growth into line with the protection of the climate. Therefore, at the initiative of the Group's Management Board, all of the subgroups and service companies have worked with external energy and climate experts to develop the Bayer Climate Program, the requirements of which include ambitious emissions targets to be attained by all subgroups by 2020.

Does climate protection make economic sense?

Of course. Let me give you an example. The basis for the attainment of these goals is a control tool known as the Bayer Climate Check, which has been developed in-house. We can use this tool to evaluate the CO₂ emissions not only for our own plants, but also for the production and shipment of the raw materials needed for the manufacturing processes and for



Dr. Wolfgang Plischke,
member of the Board of
Management responsible for
Innovation, Technology and
Environment, and for the Asia-
Pacific region

energy use. We therefore have a solid decision-making basis for reshaping production processes and making investment decisions. And of course the reduction in energy consumption also cuts costs.

In other words, you want to use innovations to create benefits for the climate and the company?

That's right. Our ability to innovate is the engine driving our growth and our efforts with regard to sustainability. This is why we set up the "Bayer Climate Award" worth €50,000 and our "Bayer Climate Fellows" scholarship project, both of which are also initiatives within our climate program.

One issue which has recently drawn increasing attention from the public and industry is worldwide access to medicines and to sustainable health care. What is Bayer's position on this?

In this area too, we have a clear commitment to our responsibilities and have set ourselves the goal of all people around the globe being able to benefit from our innovations and of the right to health becoming a reality. Only in achieving this will it also be possible to win the worldwide fight against poverty. We have therefore launched a strategy project to effectively pool all previous activities in this field and meet the economic and social challenges. To achieve this, we need strong alliances.

For example, we are co-operating with the Global Alliance for TB Drug Development and have for several years been involved in the Global Business Coalition on HIV/AIDS, Tuberculosis and Malaria. Meanwhile, we are also working closely with other partners such as the World Health Organization (WHO) on a number of health-related issues. An important focus of our future commitment will also be family planning. The fact that many people still have no control over their own family planning decisions is a significant causative factor for poverty worldwide. Another aspect is also important to me at this juncture: Our activities demonstrate that the patent protection that is so essential for innovation and therefore for research-

based companies does not conflict with the right of access to medicines. Besides, 95 percent of the medications on the WHO Essential Drug List are now patent-free.

The topics of corporate compliance and procurement management also continue to be focus issues for the Bayer Group. Why?

Because they are also of critical importance to our success. With our compliance initiatives – such as last-year's company-wide communications campaign on the subject of anti-corruption – we are making it clear to everyone that breaking the law will not be tolerated at Bayer. Employees involved in unethical activities have no future anywhere in the company: Each individual must bear his or her share of the company's responsibilities. This is the only way we can achieve long-term success.

However, when we talk about sustainability, we must not just look within the company. We also bear responsibility for our relationships with suppliers. The sustainable development of our procurement process is therefore another important topic. This is not only a matter of compliance issues; it is also fundamentally important for us to comply with sustainability criteria in all supplier relationships. For this purpose, we are continuing to expand our procurement management process and investing in training, as well as in the necessary mechanisms for oversight.

One final question about the future: In the Group Sustainability Program 2006+, you report on the objectives through 2010. How will the Bayer Group's commitment to sustainability look beyond this?

With regard to climate, we have now set ourselves ambitious emissions goals through 2020 that build in particular on the greenhouse gas reductions already achieved. We have also developed control tools for the implementation of these goals. Our significantly increased presence in the health care market and the importance of the topic have prompted us to have a project team develop a comprehensive, long-term strategy for "access to medicines." We will certainly be devoting ever greater efforts in the future to another major challenge – the water issue. This is all consistent with our Mission Statement – we want to achieve sustainable and successful business practices that comply with company requirements and objectives. This means that we will also be setting ourselves detailed goals beyond 2010 against which our performance can be measured.

Bayer in dialogue with its stakeholders

The achievement of sustainable development goals requires society-spanning communication and cooperation – be it at the site, nationally or internationally. In this context, we work in a constant process of interaction with many different societal groups, including investors, customers, analysts, political decision-makers, employees, representatives from the supply and value chains, and non-governmental organizations. After all, our stakeholders determine the success of our business to a great extent. They have a central impact on the framework conditions that we are subject to – be it the financing of our business, our public image, or ultimately the success of our products.

Systematic stakeholder dialogue

We therefore systematically seek out dialogue with our stakeholders. Active and differentiated communication with various stakeholder groups is a major component of our corporate strategy. We see it as an opportunity to adapt to new requirements at an early stage and to avoid the associated risks and exploit

opportunities. We want this cooperation to create value-added for both parties. We take stakeholder suggestions seriously and incorporate them into our planning and decision-making processes.

In addition to our conventional media, we maintain direct dialogue with our stakeholders at all levels of the Bayer Group and in all subgroups and service companies. This discourse covers both Bayer's sustainable development strategy and specific themes: on site at Bayer, such as at the international supplier day in Leverkusen (see page 34 ff.) or at the national and international level, such as with the climate policy (see page 28 ff.). Bayer pursues dialogue, for example, in numerous multi-stakeholder initiatives, in national and international councils, at specialist workshops, in the context of public-private partnerships, at trade fairs, during podium discussions and lectures, and with various stakeholder groups.

Through our membership in national, European and international industry associations, we contribute our expertise in a constructive and dialogue-oriented manner to specialist and political discussions such as those relating to biomonitoring. As an organizational stakeholder of the Global Reporting Initiative (GRI), we support the further development of sustainability reporting and advocate a transparent and comparable reporting system.

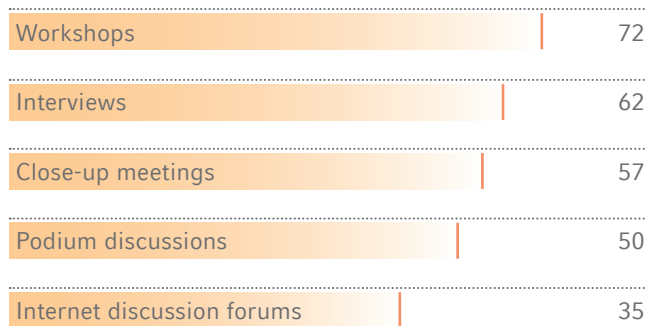
Regular stakeholder surveys

Through regular surveys, we aim to determine the expectations and assessments of our stakeholders so as to derive from this information impulses for our sustainable development activities. In this connection, the Bayer Sustainable Development Report is an important communication tool. In the first global survey of our most important stakeholders, which was conducted at the beginning of 2007, we received valuable insight into the acceptance of our sustainable development activities and into themes that are considered to be particularly interesting (for the results, see the Sustainable Development Report 2006, pages 20–21).

In August 2007, we surveyed the German readers of our Sustainable Development Report. This survey found that more than 84 percent considered the publication to be good or even very good. The respondents

Ways that stakeholders would like to be involved in Bayer's sustainability activities

(in percent, multiple answers possible)



A total of 86 percent of those surveyed think it is a good idea to involve stakeholders in the company's sustainability activities.

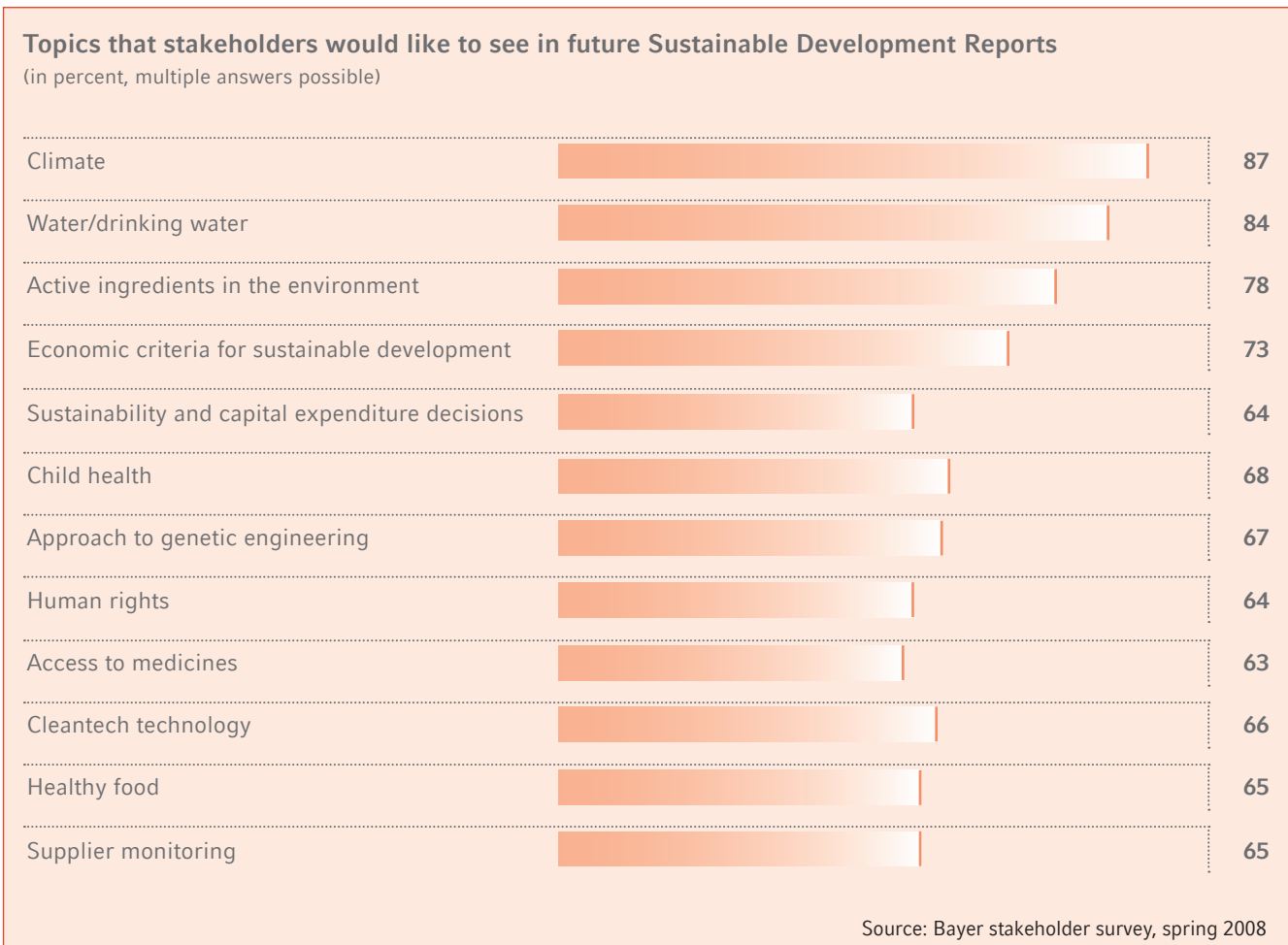
Source: Bayer stakeholder survey, spring 2008

had clear opinions not just on the quality of the report, but also on the activities of the Bayer Group: More than 80 percent consider our sustainability management to be good or very good. This figure shows us that our sustainable development strategy is in line with the concerns of our stakeholders.

To ensure that this continues to be the case, we entrusted an external institute with the task of carrying out a detailed telephone survey of important international stakeholders (analysts, customers, consultants, suppliers, NGOs, associations/industry federations, scientists, government agencies) at the beginning of 2008. The desired themes listed by the

stakeholders as regards our sustainable development strategy are comparable with the expectations on our reporting: In both cases, the climate and environment are key focus areas. With regard to involvement in our sustainable development activities, the stakeholders prefer dialogue in small, theme-oriented groups to major podium discussions or Internet forums.

Our employees are also important to us as stakeholders: Managerial employees throughout the Bayer Group are surveyed approximately every two years (see page 61), while all employees are surveyed by their respective subgroups and service companies at regular intervals.





The Bayer Climate Program

Bayer plays a **pioneering** role in climate protection. In 2007, the company bundled its extensive **climate-related activities** in a Group-wide program, in which it has not only set itself **ambitious targets** for its production facilities but through which it will also **invest** specifically in the **development** of climate-friendly products and processes.

Bayer employees Stefan Brinker and Rüdiger Utsch with architect Dietmar Riecks (picture left, from left) in front of a 3D animated film of the zero-emission building currently being erected by Bayer in New Delhi, India. The Bayer Climate Program was presented in November 2007 to more than 100 media representatives from Germany and abroad in Leverkusen (picture right).



“Bayer takes climate change very seriously and regards it as an ecological and economic challenge,” says Dr. Wolfgang Große Entrup, Head of Environment & Sustainability at Bayer and Chairman of the Bayer Climate Program. The company was able to reduce its direct and indirect greenhouse gas emissions by 37.2 percent between 1990 and 2007. Independent initiatives like the Carbon Disclosure Project (CDP) have ranked Bayer as “Best in Class” on several occasions for its achievements. At the end of 2007, the company was once again included in the worldwide “Climate Disclosure Leadership Index” – the only European chemical company to be listed.

The Bayer Climate Program

“But we do not intend to rest on our laurels,” continues Große Entrup. “Instead, we have set ourselves very ambitious targets with our new corporate climate strategy.” 2007 saw the launch of a global process initiated by the Group Management Board, the result



Dr. Wolfgang Große Entrup,
Head of Environment & Sustainability
at Bayer AG and Chairman of the Bayer
Climate Program

“We deploy our innovative power and know-how to develop new products and solutions to protect the climate and deal with climate change.”

of which is the “Bayer Climate Program.” This program will extend over a period of several years and is based on the newly formulated Bayer Policy on Climate Change, which is called “We help with solutions” (see box on page 31). It embraces a comprehensive package of measures on climate protection and dealing with the consequences of climate change. “Climate protection is basically a matter of innovating in processes and products to ensure more efficient handling of energy and to lower greenhouse gas emissions,” explains Große Entrup. “For Bayer, climate protection means taking responsibility, tapping new markets and utilizing economic potential.”

Ambitious targets

For all three subgroups, Bayer has formulated new and ambitious global greenhouse gas reduction targets for the period from 2005 to 2020:

- Bayer MaterialScience will lower its specific greenhouse gas emissions by 25 percent per ton of sales product,
- Bayer CropScience will reduce its absolute greenhouse gas emissions by 15 percent, and
- Bayer HealthCare will reduce its absolute greenhouse gas emissions by five percent.

The Bayer Group will invest €1 billion between 2008 and 2010 in climate-related research and development and in specific projects ranging from the development and manufacture of climate-friendly products to the construction of energy-saving production plants. The existing method for the ecological assessment of new investments is being supplemented by climate-related criteria. This will come into effect on principle for projects involving capital expenditures of over €10 million. According to today’s estimates, the Bayer Group’s

greenhouse gas emissions will remain at the current level up to 2020 despite an expected growth in production.

Groundbreaking solutions for climate protection and for dealing with the consequences of climate change are contained in the lighthouse projects, which have already been launched. These include the concept of the EcoCommercial Building, the raising of the stress tolerance of crops, the further development of renewable energy sources and the Bayer Climate Check. Further projects will follow.

EcoCommercial Building

Energy consumption in buildings is responsible for nearly 20 percent of global greenhouse gas emissions. Before now, the fast-growing segment of commercial buildings has been rather neglected. Based on the globally adaptable concept of the EcoCommercial Building, Bayer MaterialScience is designing office and industrial buildings as low or zero-emission structures. They are architecturally adapted to the relevant local climate. At the same time, their energy consumption is reduced through the use of high-grade polyurethane insulating materials to such an extent that, in ideal circumstances, the remaining consumption can be met entirely by renewable energy sources such as photovoltaic modules on the roof.

The concept, which has been developed jointly with external experts, is being implemented for the first time in the construction of the new Bayer MaterialScience Innovation Center in the Indian city of New Delhi. To drive the development on a global basis, Bayer invites all players in the construction industry to take part in dialogue via an open knowledge platform.

Agriculture and nutrition

An ever-increasing number of people need to be fed from agricultural land

Extract from the Bayer Policy on Climate Change

“We help with solutions”

In our Mission Statement, we define our role as being a good and responsible corporate citizen. In keeping with the principles of sustainable development, we strive to balance economic, ecological and social benefit with one another through our activities.

Bayer also wants to meet its responsibilities in matters of climate change. We take climate change seriously as an environmental and economic challenge. It affects the foundations of our commercial activity. On the one hand, endeavors in the field of climate protection have to be strengthened. On the other, greater attention needs to be paid to innovative solutions to deal with the consequences of climate change. Bayer intends to make specific contributions to both.

Our starting point is a favorable one. Bayer has already been recognized internationally as “Best-in-Class” in cli-

mate protection and as a leading company in its sector. In production, we have been able to increase energy efficiency in recent years through technological innovations and have significantly reduced greenhouse gas emissions. In addition, Bayer products are making a direct contribution to saving energy and conserving resources in our daily lives, for example through insulating materials.

We intend to intensify our efforts even further. We will use our innovative capabilities and know-how as an inventor company to develop new products and solutions for climate protection and for dealing with climate change. With this in mind, Bayer AG’s Board of Management has launched the Bayer Climate Program. This is scheduled to run for several years and bring together the wide-ranging areas of expertise of our subgroups and service companies.

whose area will at best remain constant. The world’s population is continuing to expand at the rate of about 80 million people annually. The fact that the available arable land is so limited means that it is vital to make agricultural production more efficient on a sustainable basis. This is why we at Bayer are researching intensively to produce solutions that help to meet the growing need for agricultural products.

This goal can only be met with a comprehensive approach that combines new crop protection products and seeds with enhanced yield potential with optimized crop rotation, irrigation and fertilization. In addition, in Bayer’s opinion, much greater use needs to be made of the opportunities presented by modern plant-breeding techniques and plant biotechnology.

Stress tolerance in plants

Climate change is also causing the conditions under which farmers have to grow their crops in the 21st century to deteriorate. One of the reasons for

this is the wide variety of stress factors, such as heat, drought, cold and salinity, that crops have to face. Bayer CropScience is pursuing two approaches in its efforts to reduce the impact of these factors:

- The biological approach is based on biotechnological solutions designed to equip plants with a special ability to tolerate stressful situations. Reduction of a naturally occurring protein involved in the response to stress minimizes the plants’ energy loss. Current research efforts are focused on canola, cotton, corn and rice.

- One chemical approach focuses on the stress-reducing effect of established active ingredients used in crop protection. Certain classic insecticides can have a positive effect on plant growth irrespective of whether the plant has been attacked by insects. The Bayer product Confidor® Stress Shield considerably increases the salt tolerance of rice. The company’s Stress Shield products are already established on the market.

Sustainable plant-based energy resources

The opportunities and risks associated with the use of biofuels as an alternative to fossil fuels are the subject of controversy. Doubts are being cast on the wisdom of using food crops to produce fuel. Bayer CropScience is supporting approaches which do not compete with the production of food. In this context, sustainable cultivation of jatropha is an interesting option. This plant grows on dry, inhospitable soils, and its seeds contain more than 30 percent oil which can be used to produce biodiesel, for example. Bayer CropScience believes that, in the future, second-generation biofuels based on biomass and plant residues are set to play an increasingly important role.

The Bayer Climate Check

A central tool for achieving emission targets is the Bayer Climate Check developed by Bayer Technology Services. This provides a basis for taking climate factors systematically into account when designing production processes and facilities,

supplementing the existing system of profitability calculations. The Bayer Climate Check covers all emissions, not only those connected with the production process, but also those linked to the provision of the raw materials and their conversion into products and energy.

The Bayer Climate Check covers two components:

- The climate footprint is the key performance indicator for evaluating the climate effects of different process variants or production sites. The respective climate footprint serves as an important decision-making basis, for example for planned investment and technology projects.
- The climate impact analysis involves the systematic climate-related analysis

of production processes and facilities. Once the potential for CO₂ savings has been identified, measures for optimizing processes and plants can be evaluated.

With the upcoming evaluation of its global sites, Bayer will cover around 85 percent of the emissions generated by its production processes and facilities. This will allow the company to identify and implement specific measures to reduce emissions. These may range from simple optimization – for example of individual pump systems – to the development of complex circuits for heat flows or the introduction of groundbreaking process innovations.

Bayer Climate Award

“As part of the Bayer Climate Program, we also want to encourage scientists

and young people who are interested in finding solutions for climate change,” explains Große Entrup. “With the Bayer Science & Education Foundation created in April 2007, we are intensifying our long-term commitment to improve conditions in education and science.” The Foundation has established new programs in the field of climate change and climate protection. These include the Bayer Climate Award, which will in future be presented every two years as an international prize for fundamental research in the interdisciplinary climate sciences worth €50,000. The aim of the “Bayer Climate Fellows” program, with which the Foundation will encourage particularly committed and gifted young people, is to raise awareness of climate protection and arouse ambitions in this direction.



Lighthouse projects at a glance

Under its climate program, Bayer has initiated its first lighthouse projects. These represent groundbreaking approaches to climate protection and dealing with the consequences of climate change. They are also oriented to the motto of the Bayer Climate Program: “We help with solutions.”

The EcoCommercial Building

- is a concept for energy-optimized industrial and office buildings, adaptable to all climate zones
- aims at zero emissions
- combines Bayer materials with innovative technologies
- serves as an open knowledge platform for dialogue between all interested players in the construction industry

Sustainable renewable energy resources

- reduce potential conflict between climate protection, biodiversity and food production
- aim at higher yields (e.g. hybrid canola seed InVigor®)
- target crop cultivation on land that cannot be used for food production (jatropha research project)

Development of stress-tolerant crops

- improves the stress tolerance of plants to heat, drought, cold and salty soils
- strengthens plants and increases yields through the use of biotechnology
- reduces effects of climate stress by using traditional crop protection products (e.g. Confidor® Stress Shield)

Bayer Climate Check

- supplements the standard profitability calculations with a comprehensive climate-related decision-making basis
- describes the systematic analysis of production and near-production processes
- systematically includes emissions in the upstream chain
- has been certified by TÜV Süd

Contribution of our employees

Bayer sees its climate program as an integrated initiative. To implement and carry forward its climate targets, the 100,000 plus employees around the world will play a key role. Through constant dialogue, Bayer will therefore ensure that they are aware of the urgency of the problem of climate change and will show them possible ways of protecting the climate.

Specifically, Bayer will begin by reducing the business trips that impact the climate. Under the “Business Travel” initiative, Bayer meetings around the world will make every possible use of modern conference techniques to cut travel. With its “EcoFleet” initiative, Bayer has launched a campaign in which Bayer aims to reduce CO₂ emissions caused by its company vehicles by 20 percent by 2012. Initially in Germany and then internationally, Bayer will show its employees how to change to lower-emission company cars. In addition, site vehicles will be modified over the long term to run on alternative fuels. Both projects are being implemented jointly with Bayer Business Services.

The service company CURRENTA has initiated a climate protection program of its own. Here, too, the employees will be intensively involved under the company’s suggestion plan.

Dialogue with stakeholders

Bayer supports an effective climate policy at global level through intensive dialogue with politicians, non-governmental organizations and other companies. It actively contributes its expertise to international committees and organizations, including 3C: Combat Climate Change, the Global Roundtable on Climate Change, and the Gleneagles Dialogue on Climate Change.

Transparent information policy

“We are deploying our innovative power and know-how to develop new products



Professor Andreas Troge, President of Germany’s Federal Environment Agency

As far as climate protection is concerned, a great deal is nowadays expected of economic enterprises and many of them are indeed very active in a wide variety of ways. As a result, they save costs and conserve the climate for everyone. Nowadays, companies are making their production processes increasingly energy-efficient and take care when procuring raw materials and feedstocks and when transporting them that they exert a minimum impact on the environment. With its “Integrated Energy and Climate Protection Program,” the German government helps trade and industry to achieve significant energy savings through intelligent company energy utilization concepts.

Some companies are also developing and producing durable, long-lasting products that are not only economical in use but also exert a minimal influence on the environment. They also specifically label these products as such. In addition, the producers inform the public about the climate-protecting activities in their company and encourage such measures.

The Bayer Climate Program is an admirable example of how extensive climate protection measures can be logically and usefully bundled. Bayer is not only setting itself demanding targets for its production, it is also specifically investing in the development of climate-friendly processes and products. Let us hope Bayer will attract a lot of “competitors” in this field. We would all benefit from this – the economic enterprises and the climate.

and solutions for protecting the climate and dealing with climate change,” says Große Entrup summing up. “A stringent organization, clear commitment and the ambitious dedication of our employees form the basis for its successful implementation.” The elementary component is a comprehensive, transparent infor-

mation policy. “We will not rest on our laurels but will intensify our efforts in the future,” says Große Entrup emphatically, “because the Bayer Climate Program lives from sustainability and ongoing further development. We want to be measured by how we achieve our targets.”

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	16 3C: Combat Climate Change
	17 Global Roundtable on Climate Change
	18 Gleneagles Dialogue on Climate Change



Sustainable procurement management

Bayer actively upholds its commitment to **environmental protection, human rights, fair working conditions and the fight against corruption worldwide** in its purchasing activities too. Through the establishment of a sustainable procurement management system, Bayer aims **to exert influence** as a purchaser **responsibly** and to avert **sustainability risks**.

Bayer employee Guan Lian Jun and Huang Wei from the Vopak company (picture left, from left) check the supply documents at the Shanghai Chemical Industry Park. The first international Supplier Day took place in Leverkusen in November 2007 (picture right).





Dr. Udo Murek, spokesman for Group-wide procurement at Bayer AG

“Sustainable supplier management guarantees not just our high quality standards, but also active risk management.”

Last year the Bayer Group procured goods and services with a total value of approximately €15 billion from more than 40,000 suppliers. These numbers make clear that the company’s procurement volume represents a significant development factor in many regions. “We want to be a reliable partner and exert our influence in a socially responsible manner,” says Dr. Udo Murek, spokesman for Group-wide procurement at Bayer, explaining the company’s position. “In order to achieve this goal, transparency in all business processes is essential because it is the only way to ensure sustainable procurement management and active risk management.” In 2003 Bayer created the basis for systematically integrating ecological and social goals into its procurement system by establishing the “Supplier Relationship Management Concept” (SUPREME).

Steering of purchasing

Purchasing responsibility in the Bayer Group lies with the operating subgroups and service companies. Two Group-level bodies – the Coordination Board Procurement (CBP), headed by

the member of the Board of Management responsible for Procurement, Klaus Kühn, and the Community Council Procurement (CCP) – ensure close cooperation. They also hold responsibility for the global steering and further development of purchasing at Bayer. The Coordination Board Procurement and the Community Council Procurement closely coordinate their actions with the Group-wide Sustainable Development Planning Group in all sustainability issues. In this way, it should be ensured that procurement activities are always in line with the company’s sustainable development strategy.

Clear guidelines for all

“We are convinced that responsible actions in purchasing must not be based solely on short-term economic goals, but also on long-term sustainability principles,” Murek says. That’s why the Bayer Procurement Policy clearly supports the principles of the U.N. Global Compact, the Group’s Values and Leadership Principles and the Bayer Human Rights Position. This commitment is also integrated into the “Requirements for our suppliers” brochure, which can be called up at any time on the Internet and has been directly sent to the strategic top 200 suppliers.

Empowering purchasers

To specifically sensitize the currently around 1,000 procurement employees to the theme of sustainability, Bayer launched a special information campaign for purchasers in 2007. This involved sending a personalized letter to the managerial staff working in procurement, in which the heads of purchasing underscored the importance of sustainability aspects in daily operations. Sustainability is also a regular subject of the quarterly Procurement Newsletter sent to the entire procurement community. Since 2008, the Bayer Group has also made the topic of sustainability in procurement a regular element of its global purchasing seminar concept.

The meeting in October 2007 between the purchasing heads from Bayer’s 11 core countries – representing more than 80 percent of the global purchasing volume – focused on the importance and growing requirements of sustainability in procurement. It was due to this workshop that the theme of sustainability played a key role at the Bayer Group’s Chinese purchasing day in February 2008 in Shanghai, where, in front of an audience of approximately 100 purchasing employees, top management representatives explained the principles of the U.N. Global Compact and their relevance for purchasing procedures.

Sensitizing suppliers

Bayer maintains close dialogue with its suppliers in order to establish reliable partnerships. Last year the Bayer Group selected sustainability as the core theme of its international Supplier Day to give suppliers a better understanding of what is required of them, as well as to get a clearer picture of the suppliers’ situation. In front of an audience including more than 150 of the company’s most important suppliers worldwide, 75 purchasers and their supervisors, Bayer Management Board member Klaus Kühn explained the company’s view of sustainability and appealed to the suppliers to actively help its implementation. The feedback analysis shows that the participants consider sustainability to be highly important and are very interested in delving into this theme in more depth in the future. Bayer Procurement is thus planning further dialogue events with its suppliers and expanding the “Sustainability in Procurement” section on its website.

Supplier development

For Bayer, cooperation and a joint learning process are important factors for successful sustainable supplier management. That’s why, in the event of violations of sustainability criteria,

the company first examines how it can help the supplier to better implement these criteria.

In 2007, Bayer carried out a pilot study in the form of a written survey, the purpose of which was to document in detail the sustainability performance of the company's suppliers from non-OECD countries. The heterogeneous result of this study confirms the existing strategy of individually working with suppliers to further develop their sustainability management.

One example of how supplier auditing can be effectively conducted in non-OECD states using the main criteria of the U.N. Global Compact is the "Supplier Sustainability Program" of Bayer CropScience in India.

The program against child labor in cotton seed production that Bayer CropScience has maintained in India for a number of years with increasing success also shows how sustainability can be achieved hand in hand with suppliers and child labor resolutely fought. After all, Bayer does not tolerate child and forced labor (see page 70 f.).

In the Asia-Pacific region, Bayer MaterialScience is demonstrating how central safety standards can also be guaranteed in non-OECD countries: To monitor transport and distribution safety, a team has been set up that audits all transport and warehouse service suppliers in China, Indonesia, Malaysia, Taiwan, Thailand and Singapore every two to three years. Prior to the first major shipment, the team also carries out a safety inspection



Professor Lutz Kaufmann,
WHU-Otto Beisheim School of Management

Heightened purchasing awareness on the part of customers is creating entirely new markets. No company today can afford to ignore sustainability – and certainly not with regard to the supply chain. The first order of business in sustainable procurement management is to formulate a clear code of conduct for all partners and apply it uncompromisingly in the selection and ongoing evaluation of suppliers. However, this must not automatically mean that those who do not observe it 100 percent are automatically excluded. In keeping with the "supplier development" principle, companies should work together with suppliers. Our international studies repeatedly show that the most successful companies in this regard are those that truly take the initiative and organize on-site workshops even in distant countries. This is particularly important as regards procurement from growth markets, as many suppliers simply do not yet have the social, technological and organizational means to implement sustainability criteria. I think Bayer is already making very good progress, for example through the establishment of rigorous minimum standards in purchasing. On this basis, there should now be an ever sharper focus on active further development of suppliers.

of the customers' facilities and holds a training workshop for their employees. Furthermore, Bayer CropScience last year supplemented its extensive HSEQ qualification program for suppliers in China with safety training measures and has initiated its expansion to India.

Procurement roadmap

In 2008, Bayer is planning to further expand the procurement management

methods of the operating subgroups and service companies through a detailed analysis of individual purchasing processes. This includes the further development of evaluation, control and penalty measures for its supplier community. After all, the Bayer Group's expectations of its purchasers are clear: to contribute to value creation in the company through intelligent and effective procurement management.

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Access to sustainable health care

Making **access to health care** possible for all people – this is a goal that Bayer is working towards through a broad-based alliance of international bodies, governments, companies and non-governmental organizations. Because this is a **goal** that can only be achieved by working **together**. The primary role played by Bayer HealthCare in this endeavor is that of **providing and developing medicinal products**.

Sister Jane Maenaria (picture left) explains how to use oral contraceptives to women at Kajiado District Hospital in Kenya. Bayer HealthCare employee Janine Dimerski (picture right) and her colleagues are looking for new active ingredients.





Dr. Ulrich Köstlin,
member of the Executive Committee
of Bayer HealthCare AG

“We view our efforts to achieve sustainable health care as a central element of our corporate responsibility.”

As a research-based company, Bayer makes a major contribution to improving the conditions in which people live worldwide. “We research, develop, produce and distribute medicines which save lives and improve the quality of life of sick people,” says Dr. Ulrich Köstlin, member of the Board of Management of Bayer Schering AG and the Executive Committee of Bayer HealthCare. “And our goal is to ensure that as many people as possible can benefit from our expertise and our innovations.”

Drug research at Bayer

In 2007 we at Bayer HealthCare spent €1.7 billion on research and development. In the course of integrating Schering into Bayer HealthCare’s Pharma segment we adapted the organization of our global pharmaceutical research and development to the changing business environment and implemented a new strategic alignment. Our drug discovery activities will focus in the future on the four growth areas oncology, cardiology, women’s health care and diagnostic imaging.

Partnerships for health

For many years Bayer has been directing its efforts at improving people’s access to medicines. The United Nations (U.N.) established health as a fundamental right in its Universal Declaration of Human Rights, and health is also one of the main focuses of the U.N.’s Millennium Development Goals.

“Our involvement is based on partnerships,” Köstlin explains. “We know that in many countries joint action is the only way to overcome the problem of inadequate health care. Government bodies, industry and society as a whole must join forces and contribute their specific expertise to this task.”

This is why Bayer is a member of numerous public-private partnerships (PPPs) whose aim is to facilitate access to medicines, to improve health education, to increase the level of knowledge of health care providers through training, and to jointly develop drugs for new indications.

An important partner for Bayer is the World Health Organization (WHO), with which the company is cooperating on two projects. Bayer is supporting the WHO’s goal of eliminating Chagas disease, a parasitic infection rife in Latin America, by 2010. The company is providing at no charge 2.5 million tablets of the active ingredient nifurtimox and additional funding for the next five years. Bayer has been supplying the

WHO with medicines containing suramin free of charge since 2002 as part of the organization’s efforts to control African sleeping sickness, a disease which poses a risk for almost 60 million people in Africa.

Innovations provide solutions

The best way to control diseases is with new active ingredients and approaches to therapy. It is against this background that Bayer is cooperating with the Global Alliance for TB Drug Development (TB Alliance) to develop a tuberculosis drug which should reduce the duration of therapy by two to three months. Clinical studies involving 3,000 patients with TB are currently in progress on four continents as part of this project. Treatment of the condition conventionally lasts between six and nine months; shortening it would improve the chances of a cure and prevent the development of further multiresistant forms of tuberculosis. At the same time, adverse effects and the cost of treatment could both be reduced substantially. If the studies are successful, Bayer will market the antibiotic in developing countries and countries with an emerging economy at an appropriately favorable price.

There is also an urgent need for action with respect to diseases which have been neglected, foremost among them the tropical diseases. Bayer HealthCare is a member of a working group set up by the International Federation of Pharmaceutical Manufacturers & Associations (IFPMA) to develop multidisciplinary projects which aim to promote research into tropical diseases for which therapy is currently inadequate. The company also supports clinical studies sponsored by the WHO which are investigating whether the active ingredient nifurtimox, which was originally developed to combat Chagas disease, could also be used to treat sleeping sickness.

At the same time, Bayer CropScience is collaborating with the Innovative Vector Control Consortium (IVCC) on research into new, effective approaches to controlling malaria and other insect-borne diseases. Two research projects are currently ongoing to investigate ways of protecting the inside of dwellings against the vectors which transmit diseases and to identify approaches to solving the problem of resistance in existing active ingredients.

When Bayer develops new products or refines existing ones, it also examines the feasibility of expanding their spectrum of application to include the treatment of neglected diseases.

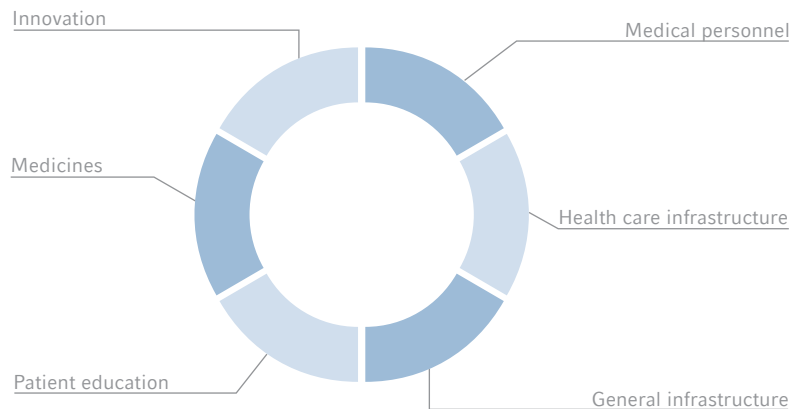
Future oriented family planning

Women's health and family planning are central aspects of efforts to achieve better health care worldwide. "We want to give destitute women as well the option of planning their families the way they want, to lower maternal and infant mortality, and to strengthen women's position in society," Köstlin says. Bayer provides support especially for women in developing countries, giving them access to a range of family planning methods irrespective of their income. Under these programs, Bayer supplies family planning organizations with oral contraceptives at cost price, and also distributes contraceptive implants and intrauterine systems. Local distribution is ensured through a global network of governmental and non-governmental organizations, among them the United Nations Population Fund (UNFPA) and the International Planned Parenthood Federation (IPPF). The company works with various stakeholders such as the German Federal Ministry for Economic Cooperation and Development, the development loan corporation KfW, the international cooperation enterprise GTZ GmbH, the German Foundation for World Population (DSW), the human-resource development organization InWent Capacity Building International

and the IPPF to organize the annual International Dialogue on Population and Sustainable Development conference, the aim of which is to drive cooperation between policy-makers, governmental and non-governmental organizations, the scientific community and industry. In December 2007, Bayer became the first industrial member of

the Reproductive Health Supplies Coalition (RHSC), an alliance of multilateral organizations, foundations and non-governmental organizations. Bayer can draw on many years of experience and enormous expertise in family planning, and is consequently seeking to expand its global involvement in self-determined family planning.

Sustainable health care – A range of different tasks



Access to medicines is just one of several factors which need to be integrated in order to ensure sustainable health care. It is therefore not something that can be provided by the manufacturers of the medicines alone.

The necessary infrastructure, such as roads passable by vehicles and the vehicles themselves, must exist. A health care infrastructure also needs to be available in the country concerned. This means hospitals or treatment centers and sufficient medical staff – doctors and nurses – without which patients cannot be treated successfully. And finally, patients have to be taught how to handle the medicines, how to use them correctly and how long treatment needs to last.

Governments, international bodies, aid organizations and possibly even other sectors of industry need to work together in public-private partnerships (PPPs) if the associated challenges are to be addressed efficiently.

Patent protection preserves research

Without effective protection of intellectual property there would be no incentive for companies like Bayer to invest in the expensive, time-consuming and economically risky development of new medicinal products. Patents allow research-based companies to recoup part of the considerable costs incurred through their work, including the cost of projects which don't make it to the market. "We are convinced that effective patent protection is the only way to make the necessary innovations possible," Köstlin emphasizes. This includes compliance with the rules of the TRIPS Agreement (Trade-Related Aspects of Intellectual Property Rights), the purpose of which is

to enforce intellectual property rights in national legal systems. The simple message is that patent protection and access to low-cost medicines are not incompatible.

Individual pricing

Bayer is naturally aware that the price of medicines plays an important role in efforts to achieve sustainable health care. "This is why we have developed a differentiated pricing strategy that takes account of the economic situation in each country. Individual agreements with national governments enable us to ensure that patients in poorer countries can also benefit from our innovative medicines. In some countries we even distribute our medicines free of

charge," is how Köstlin explains the differentiated approach that Bayer takes to pricing.

Enormous social inequality is frequently encountered in countries with an emerging economy, and the company has launched special programs to assist patients in such countries – and even in some industrialized countries – who cannot afford certain medicines. One of these programs is currently running in Asia to assist people who need a drug to treat kidney cancer which contains the active ingredient sorafenib. Another program enables low-income patients in the United States who have multiple sclerosis (MS) to receive treatment at an affordable price.



Dr. Gill Greer, Director-General of the International Planned Parenthood Federation (IPPF)

Sexual and reproductive health and rights is a major cornerstone in development – and advocacy, services and supplies are paramount to its delivery. Indeed, without them, we will not meet the Millennium Development Goals.

The benefits of relatively low-cost interventions in good basic primary care, including good sexual and reproductive health, contraception services, information and supplies, are critical to development and the reduction of maternal mortality. Based on the world's commitment to the Millennium Development Goals, we must drive policy and funding forward in order to deliver programs that can make a real difference to the lives of millions of women, men and young people.

Successful strengthening of national health systems requires an integrated approach, involving governments, civil society organizations and the corporate world. Our cooperation with Bayer HealthCare, one of our partners for many years, shows that multi-stakeholder collaboration works and helps to meet reproductive health needs in both developing and developed countries worldwide.

Looking towards the future, we would like pharmaceutical companies, including Bayer HealthCare, to further strengthen the holistic approach to global health care: Especially the understanding of diversity, including the needs of poor and marginalized people, is of great importance.

Increasing awareness of health risks

In addition to improved access to medicines, education plays a central role in global efforts to control disease. This is why Bayer has made health education a major element of its work in this field. In India, the country with the largest number of diabetic people in the world, Bayer HealthCare has partnered two companies and the international organization Project HOPE to create the India Diabetes Educator Project. This education and prevention program offers training for over 5,000 health care professionals with the aim of helping to improve the prevention and treatment of diabetes. Bayer also joined the Global Business Coalition on HIV/AIDS, Tuberculosis and Malaria (GBC) several years ago. And in China, for example, Bayer sponsors HIV education programs for company employees.

and low-quality medicines, highlights the shortcomings of current legislation and its implementation, and supports better protection for patients in Europe. At the same time, Arthur J. Higgins, Chairman of Bayer HealthCare's Executive Committee, supports efforts to improve the safety of medicines in his function as President of the European Federation of Pharmaceutical Industries and Associations (EFPIA). One of the projects being pursued in this context is improved traceability of medicines. The EFPIA is planning to carry out a pilot study in a European country during 2008 which will test 2-D data matrix barcoding as a standard for all medicine packaging. This system, which is scheduled for rollout in Europe in the next few years, would enable products to be traced systematically throughout the supply chain.

In the world's poorest countries Bayer is currently not seeking to enforce its patent rights and does not intend to register patent rights there in the near future. Moreover, some 95 percent of the products on the WHO's Essential Drug List are off-patent. This enables manufacturers of generic products to produce their own versions of them. In addition to proprietary brands, low-cost off-patent medicines are thus also available to treat many of the diseases that affect people in developing countries.

lectual property rights; they represent a serious threat to health and, in many instances, life. "The battle against counterfeit products is being fought for the good of both patients and pharmaceutical companies," Köstlin emphasizes.

Bayer is one of the founding members of the European Alliance for Access to Safe Medicines (EAASM), an organization which champions patients' rights in this field. The Alliance increases awareness of the risks associated with counterfeit

Integrated strategy

The company is currently developing an integrated health care provision strategy with the aim of expanding its activities even further in the future and coordinating them optimally. "We view our efforts to achieve sustainable health care as a central element of our corporate responsibility," Köstlin remarks. "Accordingly, Bayer will continue to support achievement of the United Nations' Development Goals in the future."

Countering counterfeit products

Counterfeit medicines represent a serious problem in the quest for sustainable health care. The World Health Organization estimates that up to 10 percent of the medicines distributed in developing countries are counterfeit products. In some parts of Africa, Asia and South America, the figure is thought to be over 30 percent of the medicines on the market.

These medicines frequently do not contain the necessary active ingredients, or may contain harmful components. Counterfeit medicines not only infringe intel-

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Ética y
Compliance
en Bayer México


Corporate Compliance Training
Dr. Schahar...dhavi Ruiz
Head of Compliance
BCS - L...ent

Global commitment to compliance and preventing corruption

Bayer will **not tolerate any violations of the law**. A comprehensive corporate compliance system is in place requiring all employees of Group companies to **act responsibly and fully observe applicable law**. Legal compliance is taken very seriously, as is demonstrated by Bayer's numerous activities in this area and the **global anti-corruption campaign launched** in 2007.

Dr. Schahin Seyed-Mahdavi Ruiz (picture left), Head of Legal Compliance at Bayer CropScience, at a training seminar in Mexico. Dr. Walter Schepers (picture right), Corporate Compliance Officer at Bayer Technology Services, counseling a colleague.



“Compliance is a top priority at Bayer. Commercial success that is rooted in unethical behavior is unsustainable and short-sighted,” declares Dr. Roland Hartwig, who, as Head of Law & Patents, Insurance at Bayer AG and Group Compliance Officer, bears global responsibility for compliance. For him, there’s no mistake: “Companies that do not consistently adhere to laws and regulations harm not only society but themselves as well.”

Clear standards of conduct

The Bayer Group published a comprehensive compliance program in 2004 entitled the “Program for Legal Compliance and Corporate Responsibility at Bayer.” The standards it sets are numerous, including a definitive ban on anti-competitive conduct and corruption as well as rules on non-discrimination, the protection of intellectual property, product safety, occupational safety and environmental protection. “Our commitment to abide by the rules applies throughout



Dr. Roland Hartwig, Head of Law & Patents, Insurance at Bayer AG and Group Compliance Officer

“Our commitment to abide by the rules applies throughout the Bayer Group, to all countries and to all employees.”

the Bayer Group, to all countries and to all employees. We acknowledge and accept the possible effects of this stance on local business opportunities,” Hartwig explains.

Effective compliance structure

For purposes of implementing the compliance program, a sophisticated structure is in place at all levels in the Bayer Group. Each of the Group management companies in Germany has its own Compliance Committee. Outside of Germany, there is at least one Compliance Officer in each country where the company is active and frequently a local Compliance Committee as well. The reports of the local Compliance Officers are summarized in annual Compliance Activity Reports prepared by the individual subgroups and service companies. In addition, the Corporate Auditing Department examines the steps taken to implement the program and the progress made, conducts individual compliance audits and makes issue-related and organizational recommendations. Acknowledged as an independent unit, Corporate Auditing ensures a structured monitoring and control process. The mechanisms in place also guarantee that the existing system undergoes constant improvement.

“One step we took in 2007 in response to the last audit by Corporate Auditing was to establish a Group Compliance Committee, which facilitates Group-wide steering of our compliance system,” explains Hartwig. He himself chairs this committee, reporting directly to Bayer’s Chief Financial Officer.

Group-wide campaign

“Bayer will not entertain any business deals that involve bribery. No amount of additional revenues can justify illegal or unethical business practices.” Those were the words of Group Management

Board Chairman Werner Wenning when Bayer’s Group-wide communications campaign on compliance issues was launched in August 2007. Bayer managers the world over were provided with specially developed training materials in German, English and Spanish and called upon to raise their employees’ awareness of the need for compliant behavior. Since the campaign began, Bayer has already given almost 70,000 of its employees training on compliance-related issues, particularly in the area of corruption prevention.

Varied training programs

In addition, the subgroups and service companies conduct their own compliance training, addressing regional and industry-specific topics as well as issues of significance to the entire Bayer Group. “When deciding on the focus of our training measures, we follow a risk concept that is partly based on the Corruption Perceptions Index of Transparency International, and we actively involve the local Compliance Officers in planning,” notes Hartwig. Starting in 2008, Bayer plans to work with an outside provider on adding more web-based learning opportunities to its training repertoire.

Local compliance hotlines

In 2007 Bayer also began expanding its existing system of local compliance hotlines. Today, hotlines are already available to a large proportion of Bayer employees to enable them to anonymously report any suspected violations to an independent unit and seek counsel in their native language. In the future, the contact information of local Compliance Officers and personnel will be available to all employees via the intranet. By using the hotlines to solicit information and counsel as well as report suspected violations, Bayer employees are demonstrating their increasing awareness of compliance issues.

Violations will not be tolerated

The message of Bayer's compliance program is clear: zero tolerance for violations. Should violations be suspected despite the measures taken to ensure compliance, there are a number of possible ways to report them. The consequences for violators range from a reprimand to immediate termination, depending on the severity of the case. Any proven compliance violations will affect managerial staff's performance reviews. Hartwig stresses: "Managers who fail to demonstrate that they took adequate measures to prevent violations will also be penalized." On no account may performance targets be agreed on that conflict with the compliance program.

In spite of all these efforts, violations were committed in 2007 by individual Bayer employees and business partners. In the case of proceedings against a former service provider to Bayer and certain Bayer employees, who are under investigation by the Cologne public prosecutor's office for bribery, Bayer has already terminated all contracts with this provider and suspended the business relationship indefinitely. Some of the Bayer employees involved have already been dismissed. "We reserve the right to take further action pending the results of the investigation," Hartwig comments. In proceedings brought by the European Commission in 2007 against five rubber producers, including Bayer, concerning collusion on prices, Bayer turned state's evidence and was granted immunity from prosecution for cooperating with investigators.

In compliance with the Corporate Governance Code

Bayer also shows how seriously it takes corporate compliance by consistently satisfying all of the recommendations of



Professor Josef Wieland,
HTWG – Institute for Intercultural Management,
Values and Communication, Constance, Germany

The integrity of companies is essential to their acceptance by society. The public expects companies to be reliable and respect the law. It is therefore also in companies' interests to prevent illegal actions through effective compliance management. Only in this way will they be able to reduce the risk of incurring substantial penalties and damaging their reputations.

To be successful, compliance management needs to combine a number of elements. First, it requires a clear code of conduct that applies to everyone. The principles embodied in this code must be effectively explained to the target audience and firmly established by way of agreements on performance targets, communications activities and training courses and be integrated into the company's risk management system. Of crucial importance, of course, is the message put across by corporate management, which must be clear, consistent and uncompromising.

Bayer has developed a comprehensive compliance system over the years. The important thing now is to continually monitor its implementation both within and outside the company. Compliance is an ongoing process that must be kept alive over time, irrespective of established routines, and supported by a strong corporate and leadership culture. That is the true art of compliance.

the German Corporate Governance Code. Compliance with the Code, including, in particular, the new recommendations issued on June 14, 2007, was an important aspect of the Board of Management's and Supervisory Board's work in 2007. As a result of these efforts, Bayer was able in December 2007 to renew its declaration that the company is in full compliance with the Code.

Ongoing commitment to compliance

We are currently revising our compliance program to more accurately target our communications on these issues in the Bayer Group. For example, the new version will contain an updated, detailed description of the Compliance Officers' responsibilities. Bayer will continue to regard compliance as a key issue going forward.

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Water use by source

Water use (in million m ³ /d)	2003	2004	2005
from surface water (in %)	2.14	1.29	1.24
from bore holes/springs (in %)	-	60	54
from public drinking water supplies (in %)	-	33	35
from other sources (e.g. rainwater) (in %)	2	2	2



Research and development expenses

Entity	2003	2004	2005
Total	168	170	170
Bayer HealthCare	~100	~100	~100
Bayer CropScience	~40	~40	~40
Bayer MaterialScience*	~10	~10	~10
LANXESS (discontinued operations)	~10	~10	~10
Reconciliation	~18	~10	~10



Net water use by source

Water use (in million m ³ /d)	2003	2004
from surface water (in %)	2.14	1.29
from bore holes/springs (in %)	-	60
from public drinking water supplies (in %)	-	33
from other sources (e.g. rainwater) (in %)	2	2

Consistent management and monitoring of sustainable development: Our performance and objectives

In order to address the ever increasing importance of sustainability reporting, Bayer produced a “Performance Report” for the company’s objectives and performance indicators for the first time for the reporting year 2007. The report includes all of the significant quantitative data and qualitative information for the fields of economics, human resources, human rights, social responsibility, ecology and product stewardship. As Dr. Wolfgang Große Entrup, Head of Environment & Sustainability at Bayer AG, explains: “In this way we can integrate all the relevant information on these issues and hopefully further improve transparency and rapid access to information for our readers, an approach consistent with the many years of environmental and sustainability reporting by our company, which began in 1976 with the publication of our first Environmental Report.”

With its Group Sustainability Program and specific focal initiatives such as the Bayer Climate Program, the company sets clear objectives and backs them up with actions. The implementation of these is measured on the basis of central performance indicators and specific qualitative factors, and is published annually in the Sustainable Development Report.

“In this report, we are for the first time covering all of the indicators recommended by the Global Reporting Initiative (GRI) in its current guidelines on sustainable development reporting (G3),” explains Große Entrup. In its reporting, the company is also following the recommendations and guidelines of the World Business Council for Sustainable Development (WBCSD), the Greenhouse Gas Protocol and the European Chemical Industry Council (CEFIC).

Reporting principles

Data capture

We capture data from all of the relevant organizational units and companies worldwide which fall within the scope of the Bayer Group's consolidated financial statements. The performance indicators for these companies have been fully consolidated, irrespective of the exact share held by Bayer in each company. Our HSE (health, safety and environment) data cover all companies in which we have a holding of at least 51 percent. These data are collected using an electronic questionnaire and consolidated in our Group-wide site information system, BaySIS®. Additional data have been provided through our management systems, e.g. BayInfo for HR data.

Electronic data capture using BaySIS®

BaySIS® is an intranet-based universal data capture tool for HSE reporting developed by Bayer Business Services. BaySIS® makes efficient reporting possible thanks to its user-friendly and highly configurable design. Specially designated on-site reporting managers enter the relevant data based on predefined questionnaires into a central database. Plausibility checks and cross-checking of data ensure a high degree of data integrity. BaySIS® provides an important basis for external data verification by an auditor.

Presentation of performance indicators

In order to identify trends, we map the data (with a few exceptions) for a five-year period – from 2003 to 2007. Due to the spin-off of LANXESS from the Bayer Group in 2005, the data from 2004 onwards relate to Bayer excluding LANXESS, while LANXESS data are still included in the data for 2003. The years 2005, 2006 and 2007 reflect the Group's continuing business operations without the Wolff Walsrode, H.C. Starck and Diagnostics sites, which had been sold. Schering sites have been included in the figures from the date of acquisition, June 23, 2006.

Interpreting performance indicators

In order to classify most performance indicators and interpret changes in figures over time, it is important to place these figures in the context of annual production volumes. Due to the increase in production at Bayer MaterialScience, the volume of products sold increased during the reporting year to 10.6 million metric tons compared with a sales volume of 10.1 million metric tons in 2006. Furthermore, when interpreting the Performance Report, it should be noted that 2007 was the first year in which performance indicators for the former Schering companies were fully incorporated in the data capture process. These points resulted in the increase in the values of individual indicators for 2007 observed here.

External audit certification

Since 1997, we have had our reporting process audited by independent external organizations. For this report, the auditing company Ernst & Young examined the data capture process and the conclusions of the focus issues of the report and of the Performance Report as a whole for consistency, appropriateness and credibility. The assurance statement is reproduced on page 94 f. of this report.

Integrated HSEQ systems

In order to ensure a consistently high standard in the areas of health, safety, environment and quality (HSEQ), Bayer has established the appropriate management systems. Operational responsibility for HSEQ lies with the management boards of each of the subgroups and service companies and the corresponding line organizations. In particular, the responsibilities of plant management are regulated by the Directive “Plant Management in the Bayer Group.”

Standards and certification

Our HSEQ management system is based on recognized international standards. Approximately one third of our production sites have been certified in accordance with the international environmental management standard ISO 14001 or the European environmental regulation EMAS (Eco-Management and Audit Scheme); a further 10 per cent of the sites have an environmental management system complying with other external standards. Examples include Industria Limpia (Clean Industry) in Mexico, the Responsible Care Management System in the United States, and the Agrichemical Warehousing Standards and CropLife Manufacturing Code of Practice in Canada.

Additional certifications will be sought if this is deemed appropriate based on local factors. This is also the case with the international occupational safety management system standard OHSAS 18001 (Occupational Health and Safety Assessment Series).

All subgroups and service companies have quality management systems. Since quality standards and norms are defined on a branch-by-branch basis, implementation is the responsibility of our subgroups and service companies. It is therefore not feasible to make a Group-wide statement regarding the nature and scope of the standards and certifications used.

In addition, our sites are regularly reviewed by means of Bayer audits. In 2007, 64 percent of our production sites had a Bayer-audited HSE management system. The audits are performed by each subgroup and reviewed by the Group in accordance with our Group-wide Directive on HSEQ Audits.

Certifications and audits (as a percentage of the total number of Bayer production sites)				
	2004	2005	2006	2007
Sites with an environmental management system certified to ISO 14001 or EMAS standards	33	36	36	33
Sites with an environmental management system based on other external standards	5	4	7	10
Sites with a management system certified to OHSAS 18001	2	5	8	8
Sites with a Bayer-audited HSE management system	-	-	62	64

Economics

Through our alignment to our Mission Statement “Bayer: Science For A Better Life” and ongoing optimization of our portfolio we are concentrating our activities on the high-growth, innovation-driven areas of health care, nutrition and high-tech materials. Our strategic alignment to attractive markets and our concentration on our core competencies are confirmed by our financial performance: 2007 was Bayer’s most successful year yet.

Dynamic sales and earnings performance

In 2007 we lifted sales 11.8 percent to €32.4 billion. After adjustment for currency and portfolio effects, the Bayer Group grew sales by 6.1 percent. Sales advanced 7.3 percent at Bayer Health-Care, 5.6 percent at Bayer CropScience and 6.2 percent at Bayer MaterialScience.

This dynamic performance is also reflected in Group earnings: Income before income taxes increased from €2.0 billion in 2006 to €2.2 billion in 2007 while income after taxes climbed from €1.7 billion to €4.7 billion. These figures include the proceeds from the divestment of the Diagnostics division, H.C. Starck and Wolff Walsrode, which had an impact in the first half of 2007. Income from the continuing operations after taxes increased from €1.5 billion to €2.3 billion. Further key figures can be found inside the front cover and in the Annual Report 2007.

Core earnings per share from continuing operations therefore improved from €2.99 to €3.80. To allow stockholders to benefit appropriately from the company’s success in 2007, the dividend was raised from €1.00 to €1.35.

Key financial data for the Bayer Group* (in € million)					
	2003	2004	2005	2006	2007
Net sales	28,567	23,278	24,701	28,956	32,385
Sales outside Germany	85.8%	86.9%	84.4%	84.4%	85.1%
Income (loss) before income taxes	-1,994	1,222	1,912	1,980	2,234
Income (loss) from continuing operations after taxes	-131	749	1,374	1,526	2,306
Income (loss) from discontinued operations after taxes	-1,218	-67	221	169	2,410
Income (loss) after taxes	-1,349	682	1,595	1,695	4,716
Return on stockholders’ equity	-9.7%	6.1%	14.4%	14.1%	31.8%
Net debt (total)	5,952	5,422	5,494	17,539	12,184
Income taxes			-538	-454	72

See also key data for the Bayer Group inside the front cover.

* figures for 2006 restated, figures for 2003 to 2005 as reported

Innovative research and development

As an inventor company, we aim to set trends in research-intensive areas. We invest in research and development (R&D) to generate opportunities for our business and safeguard the success of the company. Our R&D is closely aligned to the needs of our markets and embedded in an excellent international network of leading universities, public research institutions and partners in the corporate sector. We have an especial focus on developing new products to strengthen our core businesses. This is accompanied by steady endeavors to optimize our product portfolio and production processes.

We increased our R&D spending by around 12 percent to €2.6 billion in 2007. Around 66 percent of this was allocated to Bayer HealthCare to pave the way for further innovative health care products. Bayer CropScience invested €637 million in innovations in the Crop Protection and BioScience areas. That corresponded to around 25 percent of Bayer's total R&D expenses. The Bayer MaterialScience subgroup spent €209 million on R&D into high-performance, custom-tailored materials and systems solutions in 2007 (excluding development projects undertaken with its customers).

Research and development expenses (in € million)					
	2003	2004	2005	2006	2007
Total	2,404	1,927	1,729	2,297	2,578
of which Bayer HealthCare	1,245	996	834	1,426	1,700
of which Bayer CropScience	725	679	664	614	637
of which Bayer MaterialScience*	249	236	214	227	209
of which LANXESS (discontinued operations)	168				
of which reconciliation**	17	16	17	30	32

* excluding R&D undertaken jointly with customers

** not directly allocable to the subgroups, e.g. expenditures of the service companies

We need to protect our intellectual property in order to maintain our intensive research in the long term. We are convinced that effective patent protection and compliance with the provisions of the World Trade Organization's (WTO) TRIPS treaty (Trade-Related Aspects of Intellectual Property Rights) are essential to drive the necessary innovation.

Market success through sustainable innovations

Innovation is the basis for growth and progress. Innovations are essential to address current challenges such as climate change, global population growth and diseases for which there is still no effective cure. For us, innovation does not simply mean the commercialization of new products and processes. It also means optimizing established products and processes.

A glance at the product ranges currently offered by our subgroups and service companies demonstrates that in 2007 we once again managed to launch a large number of innovations that bring us closer to our goal of sustainable development.

The Bayer-wide “Triple-i” initiative also exemplifies our inventor spirit: Since the launch of this initiative in 2006 our employees have submitted more than 3,000 innovative ideas, including many ideas for new products which our subgroups are now working on.

Examples of sustainable innovations by Bayer’s subgroups and service companies

Innovation	Explanation
Bayer HealthCare	
The oral cancer drug Nexavar® has received marketing authorization for the treatment of patients with liver cancer in the United States and the European Union.	Nexavar® is the first systemic therapy for liver cancer and the only medication that is proven to significantly increase the overall life expectancy of patients with this disease. Developed jointly by Bayer HealthCare AG and Onyx Pharmaceuticals, Inc., Nexavar® is already registered for the treatment of advanced kidney cancer in more than 60 countries.
The European Commission has extended marketing authorization for Zevalin® in Europe . Zevalin® may now be used as consolidation therapy in previously untreated patients with follicular lymphoma who have responded to induction therapy. The benefit of Zevalin® following rituximab in combination with chemotherapy has not been established.	An international Phase III trial on Zevalin® as a treatment for follicular lymphoma has shown that use as a first-line consolidation therapy in patients with advanced follicular lymphoma prolongs the progression-free period of this disease by two years. The results of the study, which was published in December, also show that this medication has good tolerability and did not cause any health-related deterioration in the quality of life.
An application for marketing authorization for rivaroxaban (proposed tradename Xarelto®) in the prevention and therapy of thrombosis has been submitted to the European Agency for the Evaluation of Medicinal Products (EMA).	The results of Phase III trials show that oral administration of the anticoagulant rivaroxaban (Xarelto®) prevents venous thromboembolism (VTE) in the lower limbs of patients after orthopedic surgery more effectively than the current standard therapy.
The European Commission has granted marketing authorization for MabCampath® (active ingredient: alemtuzumab) for the treatment of patients with B-cell chronic lymphocytic leukemia (B-CLL) for whom combination therapy with fludarabine is not suitable.	B-CLL is the most common type of leukemia in adults in western countries. MabCampath® works entirely differently from chemotherapy and is the first and only monoclonal antibody approved for the treatment of B-CLL in Europe. The FDA (Food and Drug Administration) has also granted approval to extend the use of Campath® as a single-agent therapy for first-line treatment of B-CLL patients in the United States. MabCampath® is marketed as Campath® in the United States. Campath®/MabCampath® was developed jointly by Bayer Schering Pharma and the biotech company Genzyme.

Bayer CropScience	
A new applicator has been developed for safer application of crop protection products.	The new appliance allows safer and more effective application of crop protection products, for example, on banana crops, thus reducing the quantity required.
Active ingredient formulations for healthy plants ensure more efficient use of water by plants.	Active ingredient formulations marketed under the label "Confidor® Stress Shield Inside" protect plants from biotic and abiotic stress factors. This reduces water consumption and increases harvest yields.
Bayer MaterialScience	
Bayer MaterialScience is building a major hydrochloric acid recycling plant in Shanghai, China.	This is the first time that this innovative oxygen depolarized cathode technology has been used for hydrochloric acid electrolysis in a major industrial facility. The process breaks down hydrochloric acid into chlorine and water. The new facility will have capacity to handle 215,000 metric tons chlorine per year and is scheduled to come on stream in 2008.
A new Desmodur® polyisocyanate facilitates the production of durable coatings with extremely low emissions.	Wood and furniture coatings containing this new polyisocyanate have far lower emissions of volatile organic compounds (VOCs) than conventional coatings and also have superior scratch resistance and solvent stability.
New Bayhydrol® uv binders are used to formulate environment-friendly uv-curing water-borne coatings that cure rapidly when exposed to uv radiation.	A new polyurethane dispersion permits the formulation of uv-curing soft-touch coatings for plastics. These high-quality, user-friendly coatings minimize emissions of volatile organic compounds (VOCs).
Bayer Business Services	
Bayer Business Services provides IT-based health, safety and environment (HSE) services .	This new service offering encompasses the design, generation and management of safety-relevant documents and special advice on national and international HSE-relevant chemical product safety directives. This service facilitates the handling of chemical substances.
Bayer Technology Services	
The Bayer Climate Check provides an ecological basis for decisions on potential climate-friendly and energy-efficient production processes and for capital expenditure and technology projects.	The Bayer Climate Check developed by Bayer Technology Services is a tool to compile detailed information on all emissions generated in a production process, including on the raw materials required for the process, their manufacture and transportation. This tool has been certified by the German technical authorities (TÜV Süd).

<p>Bayer Technology Services is building the largest wastewater treatment plant to date based on Bayer's proprietary LOPROX® process in Israel. The client is Makhteshim Chemical Works Ltd., one of the country's leading producers and exporters of crop protection products.</p>	<p>The LOPROX® (Low Pressure Oxidation) process developed by Bayer prepares highly contaminated effluent for processing in biological wastewater treatment plants. The technology is installed upstream of biological wastewater treatment plants. Wastewater treated in the new plant will be well within the Israeli government's more stringent regulations on wastewater quality, which come into force in 2010.</p>
<p>CURRENTA</p>	
<p>The thermal waste air incinerator in Dormagen has been modernized and CO₂ emissions have been cut by 18,000 metric tons p.a.</p>	<p>A regenerative thermoreactor and high-performance cooler allow recycling of thermal energy from the incineration process.</p>

Our contribution to regional economic development

Our partners and production sites also benefit from our value creation. Last year, we worked with more than 40,000 suppliers around the world and purchased products and services worth more than €15 billion. Our procurement volume is therefore a key factor in the development of the local economy in many regions. To enable small and mid-sized suppliers to benefit, we help make them fit for the global market and enable them to meet Bayer's social, ecological and quality standards. For example, Bayer CropScience and the German cooperation agency GTZ introduced the "Green World" food chain partnership project in Kenya in 2006. This provides advice and support for smallholders on sustainable farming methods through trading centers in their villages. In this way Bayer supports the production of healthy food and improved marketing in compliance with international quality standards. By the end of 2007 more than 4,000 smallholders had been included in this project. In 2007 Bayer CropScience launched another food chain partnership project, the "Flavour Guarantee Project," in Brazil in collaboration with the non-governmental organization HortiBrasil and some 500 small farmers. This collaboration has resulted in certified, hence competitive, products for Brazilian supermarkets which undergo strict quality control procedures. Bayer CropScience and HortiBrasil have also developed a teaching program for schools as part of the Flavour Guarantee Project, to teach children the principles of a healthy and balanced diet.

Our sites are also important economic factors in their role as employers. Through the wages and salaries paid to our employees, including social security and pension contributions (in total more than €1.6 billion in 2007) and pension obligations of more than €15 billion in 2007, we make a substantial contribution to the purchasing power and social welfare of the areas around our sites. We also actively support economic development to enhance the areas where we operate. One example is the "CHEMPARK Start-Up Initiative." This project developed by CURRENTA – as Bayer Industry Services has been called since 2008 – helps innovative new companies in the early stages of development by providing facilities and assistance to integrate them into CHEMPARK. CHEMPARK – formerly the Bayer Chemical Park network – is one of the largest and most competitive chemical parks in Europe with sites in Leverkusen, Dormagen and Krefeld-Uerdingen in Germany. Its attractiveness to innovative companies is demonstrated by the decision of high-tech company ntk-cables GmbH in January 2008 to set up operations at the Leverkusen CHEMPARK.

Open dialogue with our neighbors plays a central role in our CHEMPARK concept. As the manager and operator of CHEMPARK, CURRENTA is responsible for site communications for companies based there as well as for coordinating all communication with the local community, media and politicians.

That is particularly important in the case of controversial issues such as the CO pipeline which is being built between our German sites in Dormagen and Krefeld-Uerdingen. This is another project which has shown us the importance of networking with local residents and critics. We will be continuing this open and constructive dialogue because we are convinced that the pipeline will be safe and will have a positive effect on the competitiveness of the local chemical and plastics industry.

Bayer utilizes public funding where this is deemed appropriate. Such funds often enable us to undertake activities which would not be possible on purely commercial grounds. We regard public-sector subsidies as part of our sustainable partnership with governments and states for the benefit of both sides. Such funding is normally applied for locally by the units operating in the relevant countries. We do not have a central system to monitor such applications.

No state authorities have a stake of more than three percent in Bayer.

As a result of the corporate tax reform in Germany, Bayer benefited from a non-cash deferred tax credit of €912 million in 2007. That resulted in tax income of €72 million in 2007. (For further information on the social commitment of our sites, see page 73 ff.).

Personnel expenses and pension obligations (in € million)					
	2003	2004	2005	2006	2007
Personnel expenses*	7,906	6,026	5,318	6,630	7,571
of which social expenses and expenses for pensions and other benefits	1,829	1,204	1,009	1,414	1,611
Pension obligations**	14,192	13,581	15,561	16,708	15,022

* The slight increase in personnel expenses compared with the previous year is principally due to the complete integration of the former Schering Group into the data for 2007; in the data for 2006 Schering is only included from June 23. Figures for 2003-2005 as reported. Figures for 2006 restated.

** present value of defined-benefit obligations for pensions and other post-employment benefits

Responsible competitive conduct

Our economic and social responsibility includes making sure that our strict corporate compliance code is observed throughout the Bayer Group. Our “Program for Legal Compliance and Corporate Responsibility at Bayer” bans corruption and anti-competitive conduct. It also prescribes compliance with anti-discrimination regulations and the protection of intellectual property and sets out rules on product safety, occupational safety and environmental protection. To ensure that the program is applied consistently, an efficient compliance structure has been put in place worldwide in recent years. We use suitable means to communicate our policy of “zero tolerance” of non-compliance to our employees and provide additional information on specific issues. During 2007, which we declared “Anti-Corruption Year,” we initiated a global communication campaign on corporate compliance with a clear focus on avoiding corruption (see Focus Issue Corporate Compliance on page 44 ff.).

Our political activities

Bayer also sets out clear guidelines for political activities. We do not make donations to politicians, political parties or related institutions on principle. As in the past, German employees who are elected to the European Parliament, German parliament, a regional parliament or local council are covered by the “Officeholders Directive” introduced in 2005 (see Sustainable Development Report 2005, page 31) to ensure we systematically avoid potential conflicts of interest.

Bayer works closely with major national and international business associations to make sure that our expertise plays a part in a constructive and consensus-oriented political dialogue. Examples are our membership of “econsense – Forum for Sustainable Development of German Business,” a central platform established to promote networking between representatives of German industry on sustainability issues.

Uniform communication with political decision-makers is coordinated by our Community Council Politics, which meets once a month to define and prioritize our contribution to the political debate. Issues are systematically analyzed and evaluated by this body before being passed on to the responsible staff at our subgroups.

This structure ensures that our position is communicated clearly and uniformly by the entire Group and is aligned to our corporate governance rules.

Responsible handling of risks

Sustainability management has a firm place in risk and reputation management at Bayer. In keeping with the German legislation on corporate control and transparency (KonTraG), we ensure that risks are identified and communicated as early as possible and that timely and effective counter-action is taken. Based on our Risk Management Policy, we therefore keep a close eye on the challenges facing our global business and report fully on them in our Annual Report.

One challenge that we are addressing in detail is climate change. Initial estimates of the economic implications suggest that timely climate protection makes better economic sense than dealing with the potentially serious effects. This is the key message of the Stern Review on the Economics of Climate Change.

Climate protection also offers economic opportunities by opening up new markets for efficient technologies and climate-friendly products. Climate protection will therefore alter business conditions. Alongside an increase in energy prices as a result of energy and climate policy, new commercial opportunities are arising (see Focus Issue Climate Change on page 28 ff.).

The threat from extreme weather conditions such as storms, floods and drought is also increasing in many areas. We have therefore reviewed and, where necessary, adapted our safety precautions at sites that are potentially at risk. Since global supply of food, water and medicines is becoming an increasingly pressing issue, we are also paying special attention to climate change in the alignment of our product portfolio and business activities.

Bayer respects all national and international external trade regulations. As an exporter, we are aware of the responsibility involved in exporting our products to other countries. We support the efforts of the international community to prevent the manufacture and spread of chemical, biological and atomic weapons and of the relevant carrier systems and to combat international terrorism. We play an active part in international campaigns to fight the illegal manufacture of narcotics by monitoring corresponding intermediates.

We have taken organizational precautions to ensure compliance with the large number of national and international control regulations for many years and in 2007 adopted a corresponding Group-wide directive. In Germany, all companies that produce goods requiring export licenses are obliged to name export officers who are registered with the German Federal Office of Economics and Export Control (BAFA). These officers must belong to the management body of the company and carry legal responsibility for compliance with foreign trade regulations. Export officers in the German and foreign subsidiaries have been appointed to ensure the creation of the necessary organizations. In addition, Bayer Business Services has set up an export control office to support the subgroups in this area. This also provides information, advice and training on monitoring basic materials and compliance with the chemical weapons agreement.

Sustainability indices and sustainability funds

Sustainable development in the corporate sector is becoming an increasingly important criterion for investors all over the world. Bayer is represented in several sustainability indices and sustainability funds. This is a clear acknowledgement of our business strategy and our commitment to sustainable development.

We have been included continuously in the Dow Jones Sustainability Index (DJSI) World and the European DJSI STOXX since their establishment in 1999 and 2001 respectively. The indicators for environmental and climate protection were extended in the 2007 ranking. Bayer's outstanding performance on these criteria in 2007 led to a further honor: The Group was the only European company in its sector to be included again in the Climate Disclosure Leadership Index, the first worldwide climate index.

Since 2001 we have also been included continuously in the European and global sustainability indices of FTSE, an independent company established by the Financial Times and London Stock Exchange (FTSE4Good Europe Index and FTSE4Good Global Index). This was confirmed again by the six-monthly review in March 2008. Since May 2007 we have also been included in the FTSE-4Good Environmental Leaders Europe 40 Index, which singles out European companies with an exemplary environmental performance. We have also maintained our position on the Eurozone Index issued by France's Advanced Sustainable Performance Indices (ASPI).

The analysts of the Storebrand Principle Funds once again rated Bayer among the top companies in its sector in its most recent evaluation, awarding it the accolade "Best in Class - Environmental and Social Performance."

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Employees

The tremendous commitment of our employees plays a central role in ensuring the success of our business. It is therefore important to foster their skills and abilities by providing ongoing training, global human resources development programs and attractive working conditions.

Our employees – our potential

The Bayer Group had 106,200 employees in 2007. Europe still accounts for 53 percent of Group employees and thus the majority of our workforce. Our low staff fluctuation rate shows that employees value Bayer as an employer. In 2007 the turnover rate was nine percent worldwide. We do not provide a breakdown by age group, gender and region because of the widely varying conditions in the countries in which we operate.

The high esteem in which our company is held in this regard is reflected in the accolades we received in 2007. The news magazine Maclean's voted us one of Canada's top 100 employers, the Corporate Research Foundation singled us out as one of the best employers in China, and in March Fortune magazine included us in its list of the companies with the best reputation in North America.

Employees by region*			
	2005	2006	2007
Europe	45,700	57,800	56,200
North America	13,100	17,200	16,800
Latin America/Africa/Middle East	10,600	13,700	14,300
Asia-Pacific	13,200	17,300	18,900
Total	82,600	106,000	106,200

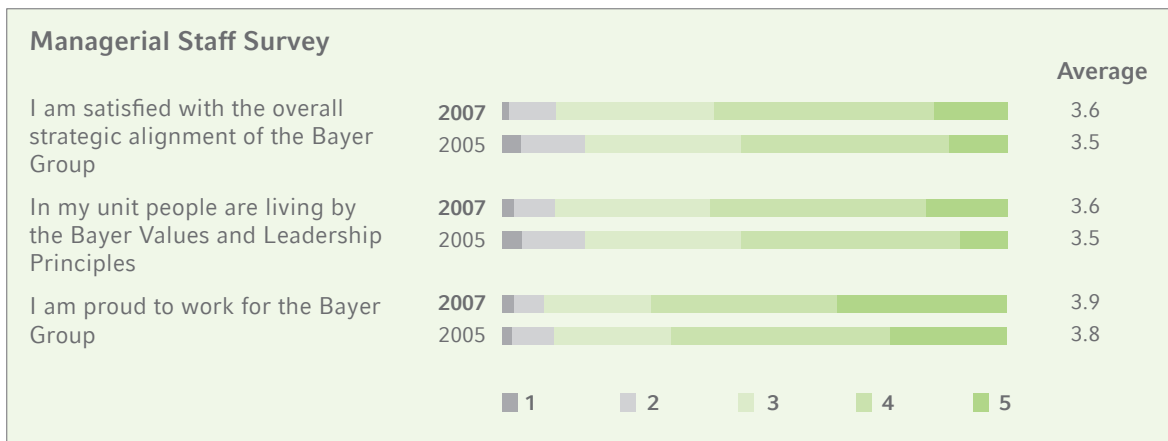
* Full-time employees. Part-time employees are included pro rata based on their contractual working hours.

Employees by function*			
	2005	2006	2007
Production	41,600	47,800	48,800
Marketing	25,200	37,400	36,900
Research & development	8,000	12,300	11,600
Administration	7,800	8,500	8,900
Total	82,600	106,000	106,200
of which trainees	2,700	3,100	2,700

* Full-time employees. Part-time employees are included pro rata based on their contractual working hours.

Managerial Staff Survey

Despite our acknowledged success and high in-house standards, we aim to improve our commitment to serving employees' needs still further in the future. The latest survey of our roughly 25,000 managerial employees around the world, carried out in October 2007, provided a valuable insight into the mood in the company and changes that our workforce would like to see.



Managers were able to rate their responses to the questions in the survey on a scale ranging from 1 (don't agree at all) to 5 (agree completely).

A clear commitment to employee rights

Our Human Rights Position documents our clear commitment to respect the rights of our employees worldwide (see page 70 f.). Employees at all Bayer sites have the right to elect their own representatives. Where they do not do so, we make a special effort to ensure direct and open lines of communication. In addition to national employee committees, since 1992 we have had a European Forum, a platform for dialogue between employer and employee representatives from our European companies.

Full and timely information for our employees is provided on significant operational changes in compliance with the relevant national and international obligations. We believe that it is particularly important to reach a consensus on the solutions to be implemented. However, since the Bayer Group has operations all over the world (see also page 15) and there are considerable differences in the situation in many of these countries, it is not possible to give general figures. Bayer guarantees that employee representatives' rights to consultation on significant operational changes are met, in accordance with the applicable national statutory and/or collectively agreed regulations.

Contractually agreed working hours at Bayer do not exceed 48 hours a week and the working conditions of around 60 percent of our global workforce are governed by binding collective agreements, for example industry-wide or special in-house agreements.

Diversity and equality of opportunity

As an innovative company, we value the skills and ideas of employees from different cultural and ethnic backgrounds. Our aim is therefore to provide working conditions that offer all employees respect and equal development opportunities, regardless of their gender, color, background or religion. Our directives specify that employee selection and development are to be based exclusively on professional qualifications, development potential and individual performance. For example, Bayer's top management comprises executives from 16 nations. Our principles of equal treatment are set out in our Diversity Directive and our "Bayer Human Rights Position," which is valid throughout the world.

Our objectives are twofold. Firstly, we want our workforce to reflect the diversity of society and our customers. Secondly, we want to encourage our employees to utilize their talent to the full. Fostering diversity is also geared to upholding Bayer's position as the employer of choice for both present and potential employees. Diversity in the workplace is becoming ever more important as competition for talent increases. Consequently this issue has high priority in the training of our managers. For example, we have developed a mandatory online training module on anti-discrimination for our executives in Germany. At the start of 2008 we also stepped up our efforts to foster talent in the Asia-Pacific region to ensure that the rapidly growing population there is reflected in the broadly diversified structure of employees and managers in the Bayer Group. Diversity has a long tradition in the United States. For example, every two years employees and managers in North America meet up to discuss progress and scope for improvement at a "Bayer Diversity Conference."

Equality of opportunity at Bayer naturally includes supporting the employment of severely disabled employees and those with health problems. Modern integration concepts take their interests into account and make sure they are given due consideration when we are filling vacancies. Last year a special program was introduced to integrate disabled employees in Brazil by providing suitable workplaces, raising the awareness of managers and employees and recruiting more disabled workers.

Bayer employees who feel discriminated against despite our efforts are encouraged to discuss the issues with their line manager or HR department. In the United States, for example, there are already special Diversity Councils to provide advice and mediation. Suspected discrimination is investigated by the responsible legal and HR departments and reported to the responsible Compliance Officer. This report includes any organizational and HR measures that have been agreed.

Fostering the development of female employees

There has been a gratifying increase in the number of female employees at Bayer in recent years. In 2007 women accounted for nearly 26 percent of the workforce in Germany and the proportion is continuing to rise. Equality of opportunity at Bayer includes equal opportunities of professional advancement: In the past 10 years, the proportion of female managers in Germany has more than doubled from eight percent to around 17 percent. However, the proportion of women in top management positions worldwide is still low, although it did rise from 3.8 percent in 2006 to 4.3 percent in 2007. Special programs such as the Women in Leadership series in the United States have been introduced to raise the number of female employees in managerial positions in the future. Bayer HealthCare is aiming to raise the proportion of women in top management positions (around 13 percent in 2007) over the next few years by increasing support for qualified women, as part of its talent management drive, and making jobs offered to them more family-friendly.

Clear employee participation in corporate success

Our employees share in the successful performance of our company. In 2007 we awarded variable payments totaling €490 million (2006: around €420 million) under our Group-wide short-term incentive (STI) program.

Employees are also able to participate in the company's performance through a range of employee stock programs. To complement the established programs, the new "BayShare" program was rolled out to Portugal, Spain, Italy and the Netherlands in 2007, enabling our employees in these countries to purchase Bayer stock at an attractive discount to the market price. The "Aspire" program introduced in 2006 is a stock participation program for senior executives throughout the Bayer Group.

Our contribution to social welfare

As a responsible employer, we offer employees worldwide a high degree of social security. Our initial goal in the health care field is to provide health insurance cover for virtually all our employees. In many cases, we also aim to improve the medical care available to our employees within the framework of local health care provision. This applies particularly in countries where the public health care system can only provide restricted basic health care.

We were thus able to make further significant improvements to the health care available to many of our employees in 2007. For example, we set up our own medical stations in Honduras, Nicaragua, Panama and the Dominican Republic. We now have company-financed medical centers for employees in all Central American countries in which we have a presence. Employees in other countries benefit from similar models. In Romania, for example, employees have for many years been able to utilize the medical services of a private hospital in Bucharest as a result of an initiative by the company.

In addition, we regularly take action to improve the scope and quality of our employees' health insurance. For example, since last year employees in Denmark, Sweden and Norway have not had to accept the normal waiting periods before visiting a specialist or being admitted to hospital. In Morocco, the costs of treating existing illnesses will in future be paid. In China, one of the fastest-growing locations for the Bayer Group, we offer our employees a range of opportunities to take out insurance against health risks. The spectrum ranges from travel accident insurance through full health care insurance, including insurance for employees' children, to life insurance.

Occupational pension plans are another central element of our commitment to the welfare of our employees. We currently provide pension plans for around 80 percent of our employees either directly or through contributions to external pension funds or insurance companies. In countries where we have a large workforce, for example Germany, the United States, Brazil and Japan, nearly all our employees were entitled to join company pension plans in 2007. This is a further key area where we are adapting our activities to the benefit of our employees. In Serbia, for instance, we used a change in statutory regulations last year as an opportunity to introduce a modern occupational pension system. This will enable our employees there to virtually double their future pension benefits. Since the significance of occupational pensions is rising steadily in many countries to offset reductions in state pension benefits, we intend to introduce further pension plans internationally for our employees in the future.

Social security for employees by region (in percent)				
Region/Area	Percentage of full-time employees with contractually agreed working time of max. 48 hours per week*	Percentage of employees with health insurance**	Percentage of employees eligible to take part in a company or company-financed pension program***	Percentage of employees covered by collective agreements, especially on wages and working conditions****
Europe	100	100	89	91
North America	100	90	100	11
Latin America/ Africa/Middle East	100	100	48	43
Asia-Pacific	100	100	56	25
Bayer Group (total)	100	98	79	60

- * standard employment contracts, excluding exempt employees
- ** state or employer/employee-funded
- *** including programs to supplement statutory pension plans
- **** sector or in-house agreements

Pioneering training projects for young people

Giving young people good opportunities for the future and securing skilled workers for our company by providing sound vocational training has always been a major focus of human resources policy at Bayer. Bayer has commissioned CURRENTA to carry out vocational training at its sites in Dormagen, Krefeld-Uerdingen, Leverkusen and Wuppertal-Elberfeld in Germany. In 2007 we had around 2,700 young people on more than 20 training courses worldwide. The reduction in the number of trainees in 2007 (see table on page 60) was principally due to the divestment of some business operations and subsidiaries, the large number of young people who completed their training early in previous years and a modification in our recruitment system as a result of changes in the framework set in collective agreements.

In Germany we also run a special one-year program to prepare less able youngsters for vocational training. In 2007 in Dublin, the European Foundation for the Improvement of Living and Working Conditions highlighted the exemplary nature of this initiative and its important role in combating youth unemployment. The recruitment and development of university graduates for future management functions also enjoys high priority at Bayer. We have currently four different international trainee programs for talented graduates.

Our careers portal "myBayerjob" also qualifies for top rankings. In February 2008, the Swedish management consultancy Potentialpark voted our website second out of the 104 European companies included in its survey. Internationally, we achieved a ranking among the top 10, improving our position from 19 in 2006 to six in 2007.

“Discovering Bayer” training program

The “Discovering Bayer” e-training program, which we have been piloting in the United States since summer 2007, is designed to introduce new employees around the world to our values and organizational structure as part of our Global Orientation Program and help them build personal networks within the Bayer Group.

Skills enhancement and ongoing training

We nurture the performance and qualification of our employees through advanced professional training and global personnel development programs. New training programs are developed around topical issues and the use of modern education and training methods. Our professional advanced training offering is based on the needs of our operational units and is subject to ongoing quality control.

Various new initiatives illustrate the enormous importance attached to personal development in the Bayer Group. Last year we established a special position to support the professional qualification and development of employees in Algeria and Tunisia. In South Korea, we will be piloting an innovative mentoring system as part of our Talent Management Program in 2008.

Many training courses have been devised specifically for the further qualification of our managers. These include not only our Country Division Head Program and Managing Directors Program but also the acclaimed “BayWay” international management training program, the content of which was revised in 2007 and which is being used highly successfully in international manager development. Our “Development Dialogue” and “360° Feedback” are also important and frequently used global personnel development tools. Last year more than 1,000 managers used our modern 360° Feedback system to obtain information from colleagues and employees about their personal strengths and weaknesses. In 2007 we invested two percent of our total personnel expenses of €7.6 billion in vocational and further training of employees. The decline in the proportion of personnel expenses allocated to vocational and further training was mainly due to the smaller number of trainees in the Group.

Vocational and advanced training (in % of personnel expenses)		
2005	2006	2007
2.3	2.2	2.0

Flexible working hours

As a modern employer, we do a good deal to help our employees combine professional development with their personal lives. For example, our innovative worktime systems – ranging from flextime through part-time employment to teleworking – offer a maximum of flexibility. In Germany, our childcare provision and generous arrangements on time off to raise young children enable employees with children to benefit from professional opportunities. As a result, Working Mother magazine in the United States placed our U.S. company among the top 100 employers for working mothers in 2007 for the fifth time.

In Germany, Bayer introduced long-term accounts in 2007 to offer employees opportunities to shape their individual working life more flexibly in the future. Employees can save various time and compensation components in a special account to enable them to plan their working life more flexibly in the future, for example by taking paid leave immediately before retirement.

Action to deal with demographic change

Low birth rates and a progressively aging population will confront many western industrialized countries with severe challenges in the foreseeable future. Demographic change is also affecting the corporate sector. Smart, sustainable solutions are therefore needed to tackle the upcoming change in the age structure of the workforce.

In Germany, for example, around 30 percent of our managers and about 20 percent of other employees are over 50. However, looking at the situation worldwide and by type of employment, we identify considerable differences and many special cases that have to be taken into account in our strategic considerations.

We have therefore embarked on a systematic analysis of the age structure of the Bayer Group and the challenges related to this. The aim is to align our human resources to this demographic shift and ensure that they are developed accordingly. At the same time, we want to offer employees more support to ensure that they remain physically fit and employable throughout their working lives, for example through occupational health management.

We have developed a variety of measures and concepts to counter the expected shortage of skilled employees. We focus on maintaining and making optimal use of the experience and competencies of older employees, for example by offering them special ongoing training and personnel development programs, and intensive knowledge transfer between different generations and age groups.

In view of the tougher competition for skilled youngsters, our goal is to continue to position Bayer as an attractive employer and offer young people interesting professional prospects with our company. We are already well positioned here with a large number of high-quality vocational training places, four international graduate trainee programs, more than 600 internships for students in Germany every year and very good contacts to many universities and research institutes.

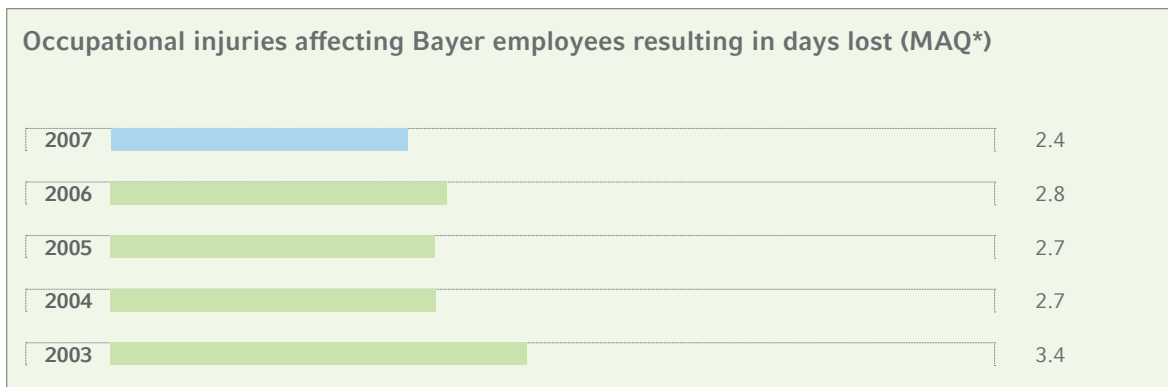
Improvement in occupational safety

In 2007 Bayer came closer to its goal of reducing the number of injuries resulting in days lost to under 2.0 (MAQ: the number of occupational injuries resulting in days lost for every one million hours worked). Across the Group, the number of injuries resulting in days lost dropped by just under six percent. At the same time, there was a perceptible drop in the number of reportable injuries compared with the previous year. This was aided by the Managing Safety Initiative launched by the Product Supply unit at Bayer HealthCare. CURRENTA implemented programs such as "ArguS," which focuses on safety arguments and recognizing and reporting risk factors, while the CHEMPARK sites ran a safe cycling program to prevent road accidents.

Safety still plays an important role in our advanced training programs. In collaboration with the employer’s accident liability insurance association, we provided instruction for around 600 safety officers and managers responsible for safety at our German sites.

Our intranet-based occupational safety training has been very well received by employees in Germany. Known as “Pegasus,” this practical electronic safety training system enables employees to complete the training prescribed by law online via the Bayer Training Portal at times convenient to them. Alongside production-related aspects, the program includes occupational safety issues of relevance to administrative staff such as ergonomic workplace organization. Pegasus was developed by training specialists at Bayer Business Services in collaboration with occupational safety experts at CURRENTA.

The main reason for the decline in the injury rate was joint action by occupational safety experts at CURRENTA and the subgroup managers. For example, Bayer MaterialScience runs a successful series of workshops to raise employees’ awareness of safety issues.



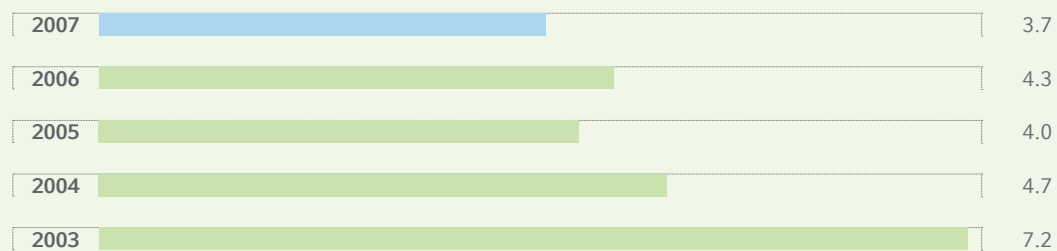
* MAQ = million working hour quota (injuries per million hours worked)



* The data give details of the occupational injuries suffered by contractors (external companies commissioned by us who work on our premises), who do not directly report to Bayer employees. Only those injuries leading to at least one day lost are included.

** MAQ = million working hour quota (injuries per million hours worked); working hours of contractors estimated in some cases

Reportable occupational injuries affecting Bayer employees* (MAQ**)



* Reportable injuries comprise all injuries that require treatment beyond first aid. This includes occupational injuries resulting in days lost.

** MAQ = million working hour quota (injuries per million hours worked)

Fatal occupational injuries

There were three fatal accidents at Bayer in 2007: Our operations in Bangladesh, India and Colombia each lost one employee in traffic accidents while they were on company business. There were no accidents on Bayer sites or at Bayer facilities involving the death of contractors' employees in 2007.

Fatal occupational injuries					
	2003	2004	2005	2006	2007
Bayer employees	1	4	3	5	3
Contractor employees	1	1	1	4	-
Total	2	5	4	9	3

Modern occupational health management

Our modern health care arrangements and high-quality occupational safety concepts are beneficial for our employees as well as for Bayer as an employer. After all, health is essential for employee satisfaction, motivation and performance.

In the reporting period, 30 new cases of illness directly attributable to work-related factors were diagnosed and recognized as such in accordance with either statutory or in-house regulations.

CURRENTA offers occupational health management based on a holistic approach at the three CHEMPARK sites in Germany (Dormagen, Krefeld-Uerdingen and Leverkusen). The focus is on identifying factors that could cause health problems and optimizing workflows to meet employees' health requirements. Alongside issues directly related to health, this includes fostering and maintaining the physical, mental and social wellbeing of our employees. To maintain the health of its staff, CURRENTA operates a systematically structured health management system for each business unit under the umbrella of the Health Committee. The existing reintegration management system for CURRENTA employees who have been unfit for work for a continuous or total period of six weeks within a year has been further developed into a three-stage management system. Where necessary, a multidisciplinary and multifunctional integration system supports this process.

Our commitment to preventive health care is of particular importance to employees in countries where the public health care system is not able to offer this. For this reason, Bayer CropScience offers employees in many countries a regular voluntary health check-up, with a special focus on preventing cancer and cardiovascular disease. In other countries, public health programs are supported (e.g. through encouragement for employees to participate). At the same time, employees who have been off sick for more than six weeks will still be entitled to free medical examinations. In addition, the HSEQ Directive issued by Bayer CropScience calls on all sites to support the health of employees by running special programs on stress management, fitness, healthy eating and giving up smoking.

An increasing number of sites have now introduced a range of attractive offers. In the United States, Bayer offers WorkLife programs to help employees and their families balance the needs and requirements of work, family commitments and private life. These include the Employee Assistance Program (EAP), which provides confidential advice on personal and psychological problems for employees at difficult times in their lives and the Work Life Benefits Program, which covers a wide range of practical assistance. Bayer's site in Pittsburgh is running a three-year pilot program known as "Wellness Works," which offers employees and adult relatives medical checkups to identify health risks and foster healthy lifestyles through individual wellness programs.

Bayer also endeavors to ensure that it is prepared to handle global health risks. In view of the possible threat of pandemics and epidemics, Bayer has developed a Group-wide pandemic contingency plan. Our employees have been given extensive information on preventive measures to avoid bird flu. Up-to-date information is available in the intranet at all times.

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Human rights

Respect for human rights is the basis for all fair and civilized social interaction. As a socially responsible company, Bayer therefore supports the United Nations' Declaration of Human Rights and the 10 principles of the Global Compact. Our Group-wide Human Rights Position underscores our efforts to uphold internationally recognized principles in the areas of human rights and working conditions.

Implementation of our Human Rights Position

We published our "Bayer Human Rights Position" for the first time in the Bayer Sustainable Development Report 2006. On November 1, 2007, it took effect as a binding directive for all employees Group-wide. The directive can be called up at any time from our globally accessible database in German and in our company language English. In addition, the Bayer Human Rights Position is available as an official company publication in Chinese, French, Italian, Japanese, Portuguese and Spanish. All Bayer Group companies worldwide were called on to enact the regulation after examining the respective legal framework conditions.

Our values and leadership principles clearly reflect our position on human rights. They serve as the basis for all internal leadership training courses and are also communicated systematically in special modules – such as the thematic area "Respect for people and the environment." What's more, through our performance management system, which is applied uniformly around the world, individual conduct targets are agreed each year as leadership goals with all of our currently roughly 25,000 managerial employees, taken into consideration in the bonus system and monitored. The observation of human rights in countries and regions in which they could be at risk can be specifically addressed when establishing these conduct goals.

We already familiarize new employees with the Bayer Human Rights Position via our international employee portal HR//direct online. In addition, we are currently involved in the pilot phase of setting up an e-learning tool for introducing new employees to the company that also includes our Human Rights Position in its contents.

The implementation of our Human Rights Position is already supported by our Program for Legal Compliance and Corporate Responsibility. In the future we will explicitly expand this program to include all aspects of human rights so as to ensure that they are also observed through our existing compliance structure (see Focus Issue Corporate Compliance on page 44 ff.)

Responsible procurement management

We also expect the conduct of our business partners to reflect our efforts to uphold human rights. As an integral component and expression of our efforts on behalf of human rights, therefore, we demand through our procurement guidelines "Requirements for suppliers" that our suppliers clearly commit to the principles of sustainable development. We verify that this is the case before establishing business relations with them.

Key focus areas of our responsible procurement management are sensitization and qualification. That's why in 2007 we not only further expanded the sustainability training measures for our purchasers, we also made the optimal implementation of sustainability criteria in our supplier chain a core theme of our first international Supplier Day.

The procurement departments of the subgroups and service companies regularly evaluate our strategic suppliers with respect to sustainability criteria. In 2008, Bayer Procurement aims to sharpen its focus on the theme "Sustainability in Procurement," evaluating purchasing processes as part of this project. The emphasis here is on the further development and implementation of effective procurement management methods in the operating subgroups and service companies.

Resolutely tackling child labor

Our position on children's rights is also clear: We do not tolerate child labor and we take resolute action against violations of this policy.

In some countries, such as India, child labor is unfortunately still widespread. Since the acquisition of Aventis CropScience, and more specifically its seeds business, Bayer has been confronted with the challenge of tackling child labor in the Indian seed production industry. Soon after the acquisition, therefore, we began working with various partners to introduce measures aimed at combating child labor, initially in the production of cotton seed. In 2007 we launched a multi-stage program of action here: In addition to the comprehensive monitoring of all cotton seed production activities, we invest in education for parents, children and village communities and demand a clear commitment on the part of our producers: Every farmer must contractually agree not to employ children as laborers. We consistently penalize farmers for violations of this agreement; the measures range from a verbal warning to contract cancellation. At the same time, we publicly reward producers who operate without child labor, paying a bonus at the end of each season for the fulfillment of the contracts. We also support farmers through training measures and micro-loans aimed at increasing their productivity and profitability. An important element of this integrated approach is training. Since 2005 we have maintained a partnership with the Indian-based Naandi Foundation to ensure that the prospects of disadvantaged children are improved through education. Through June 2007 we together paved the way for about 1,000 children to enter regular schools through enrollment in our specially established "Creative Learning Centers." Together with a local partner, Bayer CropScience also founded the Hyderabad vocational training center, also in India, which provides qualified training in agricultural vocations to young people from socially disadvantaged families.

The multi-stage program is proving successful. Our audits and the external monitoring activities of Ernst & Young, India, confirm that systematic child labor no longer takes place in our cotton seed supply chain in India. We have since further expanded our program as a management system. On the basis of our experiences with cotton, we plan to apply the monitoring process to the arena of vegetable seed production, where a study in 2007 discovered incidences of child labor. Our goal is to establish and successfully implement a systematic and transparent monitoring system for our entire seed supply chain in India.

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Corporate social responsibility

Our voluntary corporate social responsibility program is the third level of our sustainable development concept, alongside the long-term shaping of our value chain and the sustainable management of our products and services. Our corporate social responsibility program focuses on four key areas: Education and Research, Environment and Nature, Health and Social Needs, and Sports and Culture. In this context, we continuously adapt our approximately 300 projects – on which we spent roughly €45 million in 2007 – to new framework conditions: We evaluate the success of the activities, strengthen their content focus and expand successful projects to include additional countries.

The Bayer Foundations: Supporting science and social needs

In 2007 we combined our foundation activities within the “Bayer Science & Education Foundation” in order to strengthen our focus area Education and Research. In connection with the new Bayer sports strategy, we redeployed €10 million from our sports advertising activities, making this sum available to the newly introduced school support program. The resulting foundation revenues of up to €500,000 that are generated annually benefit schools in the communities near Bayer’s German sites. Although the revenues from the increased endowment will not be available for the first time until the end of 2008, the Foundation began supporting school projects already at the end of 2007. In the first support phase, for example, 20 schools near Bayer’s sites received a total of around €400,000 to promote innovative, hands-on scientific and technical instruction. This was made possible by an additional donation by Bayer AG to the Foundation. We also supported 21 dedicated science and medical students through scholarships worth a total of €142,000. In addition, two scientific prizes, each carrying a purse of €50,000, were awarded to leading German researchers: The Hansen Family Award 2007 went to Professor Magdalena Götz, who conducts research into neurobiology at the Institute of Stem Cell Research at the Helmholtz Association in Neuherberg, Germany, and is also a teaching professor at the Physiological Institute of the Medical Faculty of Ludwig Maximilian University in Munich. And Professor Thomas Carell of the Institute for Chemistry and Pharmacy at Ludwig Maximilian University was presented with the Otto Bayer Prize at the beginning of 2008 for his groundbreaking DNA research.

The “Bayer Cares Foundation,” which was also newly established in 2007, supports the voluntary social activities of Bayer employees and private citizens. Our proven disaster aid activities can now also be found under this umbrella. In 2007 Bayer provided emergency aid for cyclone victims in Bangladesh and made available €100,000 for the rebuilding of infrastructure. Medicines and insecticides with a total value of US\$ 350,000 were donated to flood victims in Mexico, and Bayer also provided €150,000 to help limit the damage caused by the bush fires in Greece.

 <p>Bayer Science & Education Foundation</p>	 <p>Bayer Cares Foundation</p>
<p>Bayer foundation for the promotion of science and education</p>	<p>Bayer foundation for the promotion of social and environmental activities</p>
<p>To sustainably strengthen education and research and to promote excellence, particularly in segments that innovatively link the areas of health care, nutrition and high-tech materials.</p>	<p>To sustainably improve living conditions in the communities surrounding the Bayer sites and help meet basic social needs, particularly through projects aimed at helping people to help themselves and strengthening volunteerism.</p>
<ul style="list-style-type: none"> ■ School support ■ Scholarship programs ■ Scientific awards ■ Foundation professorships and symposia 	<ul style="list-style-type: none"> ■ Volunteering programs ■ International social programs ■ Disaster aid

Partner in sports and culture

Bayer remains a dedicated supporter of recreational, youth and disabled sports. We provide annual funding of more than €14 million to the 27 company clubs. In addition, the “Herbert Grünewald Foundation for the promotion of sporting opportunities for disabled people” continues to support charitable organizations dedicated to the integration of disabled persons through sports. In the scope of the partnership renewed with the German Disabled Sports Association in 2007, Bayer will serve as the official sponsor both of disabled sports in Germany and of the German Paralympic team in Beijing in 2008.

Bayer’s traditional involvement in cultural activities will also remain an integral element of our social responsibility program. The efforts of our Cultural Affairs Department, which celebrated its centennial in 2007, were recognized with a special honor in December 2007: For its project “A Century of Bayer Culture,” the company was presented with the award of the “Freedom and Responsibility” initiative of the leading associations of the German economy, of which German Federal President Horst Köhler is patron. At the award ceremony, Jürgen Thumann, President of the Federation of German Industries (BDI), had special praise for the way Bayer links its cultural program with the communities surrounding its production sites.

Major CSR activities at our production sites

It is very important to us that our corporate social responsibility efforts are aligned to the special needs existing at the various sites and coordinated locally. For this reason, in addition to its centrally steered support activities, Bayer implements numerous local projects and programs around the world that are directly managed by the country companies within the framework of the company’s corporate social responsibility strategy.

One example is Brazil: Despite its economic success, this country is characterized by tremendous inequality and serious social problems. In 2007 Bayer invested €2.6 million in social projects in Brazil, of which €400,000 was spent in the city of Belford Roxo, where we maintain a production site and have been addressing social needs since the early 1990s. Together with local inhabitants,

we have since assembled an extensive aid network: We motivate socially disadvantaged children to regularly attend school through acceptance into our soccer academy, distribute lunches free of charge in schools and pre-schools together with citizen's initiatives, support vocational training for young people and educate the population about dangerous diseases. Since December 2006, furthermore, representatives from the communities of Belford Roxo and São João de Meriti have regularly met with Bayer employees on the Community Consulting Board to exchange information on safety, health and environmental protection in the area surrounding the site and to discuss corresponding action.

Communication is also a top priority for Bayer at all its sites. After all, openness and transparency are central elements of Bayer's corporate policy. The company aims to address important social issues and problems in dialogue with citizens. The concept of the Communication Center (BayKomm) at company headquarters in Leverkusen is also based on this commitment. It is a multimedia experience, meeting place and discussion forum in one. Since July 2007, visitors to BayKomm and company employees have also been able to learn about the Bayer Group's corporate social responsibility program in a special exhibition room.

We also help raise educational standards and make the communities surrounding our production sites more attractive through our "BayLab" student laboratory program and our long-standing commitment to "Jugend forscht," a youth research competition in Germany. The new "BayLab plastics" – our plastics laboratory for the senses, which we opened in Leverkusen in 2007 – introduces schoolchildren to the world of plastics using an interactive approach. For more than 10 years now, our "Making Science Make Sense" learning program has contributed to strengthening the future orientation of our sites. As part of this initiative, more than 1,000 Bayer employees in the United States alone volunteer their time to visit schools in order to awaken young people's enthusiasm for science and steer them toward attractive, future-oriented professions. We expanded the successful program in 2007 to include Colombia, India, Italy, Singapore and Taiwan, in addition to the existing initiatives in France, Ireland, Japan and the United Kingdom. The activities of the Bayer Science & Education Foundation and the Bayer Cares Foundation are also closely linked with our CSR efforts at our production sites. Examples here include our school support programs and our support for volunteering projects (see page 56 f. for information on our contribution to regional economic development).

Bayer – an international partner for sustainability

Our local efforts are supplemented and strengthened by our international collaborations. Since 2004, for example, Bayer has been working together with the United Nations Environment Programme (UNEP) to support environmental projects for young people around the world. In addition to joint project management, Bayer provided funding of €1 million plus additional material donations in 2007 for the approximately one dozen projects. One highlight in 2007 was the third "TUNZA International Youth Conference," to which Bayer welcomed young people from around the world to Leverkusen between August 26 and 31, 2007, under the slogan "Technology in Service of the Environment." This marked the first time that a private-sector company had hosted the youth environmental summit, during which Bayer and UNEP extended their alliance for a further three years. The two partners agreed to expand their projects on a global basis, with Bayer consequently increasing its annual financial support by €200,000 to €1.2 million. An overview of our sustainability efforts worldwide can be found on page 18 ff. of this report.

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Ecology

Environmental protection has been firmly anchored in Bayer corporate policy for many years. For Bayer, this means conserving resources and, wherever possible, ensuring that economic growth does not necessarily go hand in hand with increased resource consumption. In order to accomplish this, we rely on our effective HSE management systems (see page 18 ff.), which control the implementation of our environmental protection measures and monitor compliance with our objectives. We owe our success in the area of environmental protection to the development and implementation of the latest technologies, which have also been made available to our customers through our service companies, and to our continuous search for improvements.

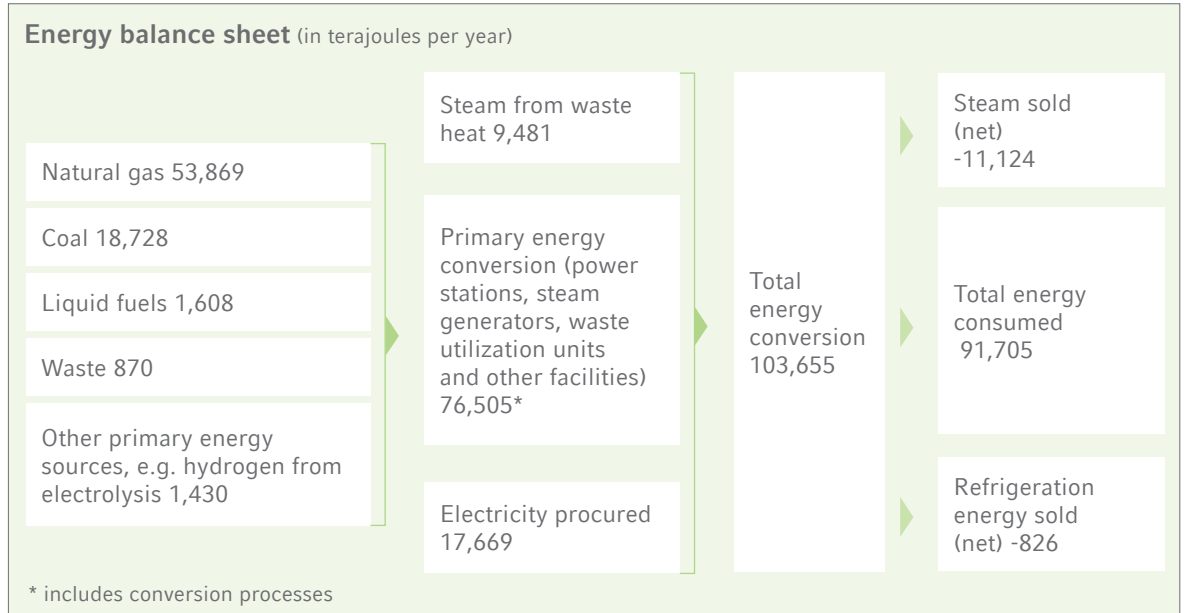
Highly efficient energy use

Energy use and the associated emissions are an important factor in our environmental performance. Growth in our production is generally accompanied by an increase in energy use.

Compared with the previous year, total energy use in the Bayer Group in absolute figures rose by around six percent, while the volume of products sold increased by five percent. Around a third of the rise in absolute energy use is attributable to the integration of Schering, while just under half of the increase is the result of increased energy use by the Bayer MaterialScience subgroup, which increased its production.

Volume of products sold and energy use					
	2003	2004	2005	2006	2007
Volume of products sold (in million metric tons)	12.8	9.1	9.7	10.1	10.6
Energy use (in petajoules)	140.6	97.5	82.3	86.4	91.7

The total energy use for the Bayer Group of 91.7 petajoules (equivalent to 25.5 terawatt hours) is calculated from the sum of primary energy use, electricity procured and waste heat used, minus the amount of steam and refrigeration energy sold. In the reporting period there was a slight reduction in the proportion of coal used, with a corresponding increase in the use of waste (predominantly high-calorie production residues) and other primary energy sources (predominantly hydrogen from the electrolysis process). The amount of steam sold was reduced in net terms (see graphic on page 76).



Safe and reliable energy use thanks to modern power plants

In order to increase the security of our energy supply, we are collaborating with energy provider Trianel on plans for the construction of a modern and efficient coal-fired power plant in the Krefeld-Uerdingen CHEMPARK in Germany. The plant will operate on the combined heat and power (CHP) principle, which represents the state of the art and is considerably more efficient (level more than 56 percent) than older coal-fired power plants in Germany. Flue gas is cleaned far more effectively today than was possible 10 years ago thanks to modern purification plants. However, as with any combustion process, power plant operation generates carbon dioxide, as well as air pollutants such as sulfur dioxide, nitrogen oxides, particulate matter and traces of dioxins and furans. These emissions should be of course kept within all the prescribed limits for the protection of human health, and are considerably below these limits during normal operations. The environmental friendliness of the planned power plant has, however, been questioned by various community groups, which is why the project is currently under public scrutiny. We will continue to make every effort to engage in a constructive dialogue with the public and policy makers in order to present our views and arrive at a solution.

Responsible water use

The efficient use of water and the protection of water bodies is one of the key themes of an environmentally sustainable approach to business. Thanks to efforts throughout the Group, we were able once again to maintain water use at the level of the previous year despite the fact that our production volumes increased. Through a joint Bayer MaterialScience and Bayer Technology Services project, the specific cooling water consumption in the TAD plant in Dormagen was reduced by 20 percent. In the U.S. headquarters of Bayer CropScience in North Carolina we were able to cut water consumption by 16 percent through measures implemented in the areas of building management and green space irrigation.

The sites take over half of the water they need from surface water; about one third comes from underground sources (generally groundwater). At 0.76 million cubic meters per day, through-flow cooling water accounts for the largest proportion of our water use. Since this water is only heated and is not polluted during use in any other way, it can subsequently be discharged into the water supply without further treatment, provided maximum temperature limits are observed.

Net water use by source					
	2003	2004	2005	2006	2007
Water use (in million m ³ /d)	2.14	1.29	1.24	1.20	1.23
from surface water (in %)	–	60	54	53	57
from bore holes/springs (in %)	–	33	35	35	32
from public drinking water supplies (in %)	–	5	2	2	2
from other sources, e.g. rainwater (in %)	–	2	9	9	9

Solutions for worldwide water management

The efficient use of water and water protection are key themes related to the valuable natural resource of water. The three Bayer AG subgroups are working in different areas of business on projects aimed at sustainable water management.

Efficient water use in agriculture

If the current trend continues, scarcity of water will in the next 50 years probably become the biggest problem in agriculture. Agriculture accounts for approximately 70 percent of freshwater consumption worldwide. For this reason, measures aimed at improving water management in this field merit the highest priority. At the forefront of these efforts is increasing the efficiency of irrigation. However, water collection technologies in rain-fed agriculture and improved cultivation methods also have a role to play in increasing the efficiency of agricultural water use. Bayer CropScience is examining changes to cultivation methods and crop use, and is already employing numerous measures to contribute to the efficient use of water and the protection of water resources:

- Developing stress-tolerant and drought-resistant plant species
- Improving plant health to facilitate improved use of water by plants
- Making herbicides available that suppress other plants competing for water
- Introducing integrated water protection measures in the areas of research, development and product use, such as BioBed/Phytobac®, an innovative product for the environmentally friendly cleaning of crop protection sprayers
- Promoting cultivation methods that support improved water management.

Protecting water resources

Supplying adequate amounts of drinking water is becoming a problem, above all in urban population centers. One of the causes of this are antiquated, poorly maintained and leaking water pipes. For example, in London, about 700 million liters of the drinking water treated at some cost is lost every day due to leakages. Bayer MaterialScience (BMS) has developed innovative coating materials for drinking water pipes to help conserve water resources. Thanks to this coating, which is based on BMS coating raw materials, durable repairs can be made to pipes considerably more quickly than was previously the case. The system has been introduced in Asia, the United States and many countries in Europe. To date, over 10,000 kilometers of drinking water pipes have been coated using this system.

Pharmaceutical residues in water

The ecotoxicological potential of our pharmaceutical products is being studied as part of a comprehensive environmental risk assessment. The results of these studies will be made available to the authorities in Europe and the United States as part of the approval process. In the case of veterinary pharmaceuticals, an unfavorable environmental risk assessment may even result in approval being refused. A European guideline setting out the requirements for environmental assessments of pharmaceuticals for human use was passed at the end of 2006.

However, Bayer HealthCare has considerably more extensive expertise in this area. Thus, the first environmental risk assessments relating to pharmaceuticals for human use were submitted in the United States and Europe back in the 1990s as part of the market authorization application. Active ingredients already on the market, particularly hormones, antibiotics and contrast media, are continuously being assessed. Scientists in our company are engaged in research activities of their own that are related to the assessment of environmental risks associated with our active pharmaceutical ingredients. Based on what is currently known, there is no anticipated environmental hazard posed by contrast media, antibiotics or hormones.

Use of materials and recycling

Bayer uses a wide variety of starting products and raw materials in its subgroups and service companies.

As a manufacturer of pharmaceuticals, crop protection agents and innovative materials, Bayer is in most cases not in a position as part of the supply chain to recycle products after use by the end consumer.

Wherever it is feasible in economic and technical terms, Bayer uses renewable raw materials, although these do not play a major role.

Our media services provider Dynevo, a subsidiary of Bayer Business Services, processes paper from renewable forestry. Furthermore, Dynevo is authorized to manufacture products bearing the stringent "FSC" seal of quality, awarded by the Forest Stewardship Council (FSC). This enables companies and producers to show that they support ecological, socially responsible and sustainable forestry management by using FSC-certified paper.

In the case of renewable raw materials, we take steps to ensure that they are obtained in the most environmentally sustainable manner possible. Bayer MaterialScience has developed polyols, a starting material for polyurethanes, containing up to 70 percent by weight renewable raw materials, thus making an additional contribution to the reduction of emissions.

Thanks to an improved technology, the oxygen depolarized cathode method for the recovery of chlorine from hydrochloric acid, we are able to reduce electricity consumption by approximately 30 percent compared with the conventional diaphragm method. Since 2003, Bayer MaterialScience has been operating a large-scale plant at the Brunsbüttel site in Germany with an annual capacity of 20,000 metric tons which utilizes this new technology. As from 2008, the first world-scale facility using this technology – with an annual capacity of 215,000 metric tons – will come on stream at the Shanghai site in China.

Commitment to maintaining biological diversity

Bayer CropScience acknowledges the objectives of the “Convention on Biological Diversity” (CBD) and is an advocate for their implementation. As part of our program for product stewardship, all Bayer products are reviewed throughout the product lifecycle (see page 87 ff.) with regard to their environmental impact on the habitats of individual animal and plant species. Bayer CropScience’s agricultural technologies contribute to increased efficiency and agricultural productivity, which for many years has prevented natural habitats from being turned into agricultural land. In addition, Bayer CropScience promotes integrated crop protection. This permits the sustainable intensification of agricultural production and includes concrete measures aimed at protecting the environmental functions in agriculture such as water and soil protection and establishing and maintaining natural habitats. Integrated crop protection on the individual farm also contributes to the maintenance of biodiversity across the entire landscape as required by the Convention on Biological Diversity.

Thanks to an internal approval procedure, the possibility of new investments in production sites being realized in any area which is protected by the laws of the country concerned due to its natural uniqueness, diversity of species or other similar factors is excluded. The minimum distances between the site and the protected areas as stipulated by the permit authorities are complied with in all cases.

Reduction of greenhouse gas emissions through process optimization

Protecting the global climate is one of the greatest challenges of our time and a fundamental aspect of our corporate responsibility. Therefore, as part of our Group-wide Bayer Climate Program (see Focus Issue Climate Change on page 28 ff.), we have set ourselves the target of significant successive reductions in the greenhouse gas emissions from our production facilities. To this end, Bayer Technology Services has developed a new management tool for energy-efficient and climate-friendly production, known as the “Bayer Climate Check.” This tool allows us to evaluate not only production plants but also raw materials, energy sources and logistics. By the end of 2009, Bayer intends to have systematically analyzed 100 production plants worldwide, which account for 85 percent of the greenhouse gas emissions, to identify the potential for reducing emissions. Catalogues of measures and optimization methods are being identified by means of a climate impact analysis based on the Six Sigma management method.

One example of the numerous candidates for process optimization is the central thermal waste air incineration plant at the Dormagen CHEMPARK site in Germany, which was fitted with innovative energy-saving equipment in 2007. The two central elements of this plant are the “regenerative thermal reactor,” which recycles the combustion energy generated, and a high-efficiency waste heat boiler to feed the heat generated into the site’s supply grid. A lowering in gas consumption by 90 percent combined with improved steam generation means an annual reduction in CO₂ emissions of 18,000 metric tons.

CURRENTA is also involved in climate protection. For this purpose, the service company has launched the “Climate Protection Program – Efficiency Class A++.” The objective is to reduce CURRENTA’s own emissions of carbon dioxide by at least 200,000 metric tons per year in the period from 2005 to 2012. In implementing this program, the chemical park operator is primarily backing the know-how of its employees, e.g. by means of special measures aimed at improving energy efficiency as part of the company’s suggestion plan. With its “100 plus 100 Climate Projects” campaign, CURRENTA aims both to reduce energy consumption and increase the efficiency of energy generation. Numerous measures from all sectors have already been put into action, particularly at the energy supply and waste management plants at the Leverkusen, Dormagen and Krefeld-Uerdingen CHEMPARK sites in Germany. To supplement the program, cooperation

is being sought with external research institutions. CURRENTA intends to use the climate protection program to reconcile economic success with environmental protection and the interests of society. Increasing energy efficiency ensures that the CHEMPARK sites remain competitive, thus increasing job security, while at the same time making a significant contribution to improved environmental protection by optimizing the use of resources.

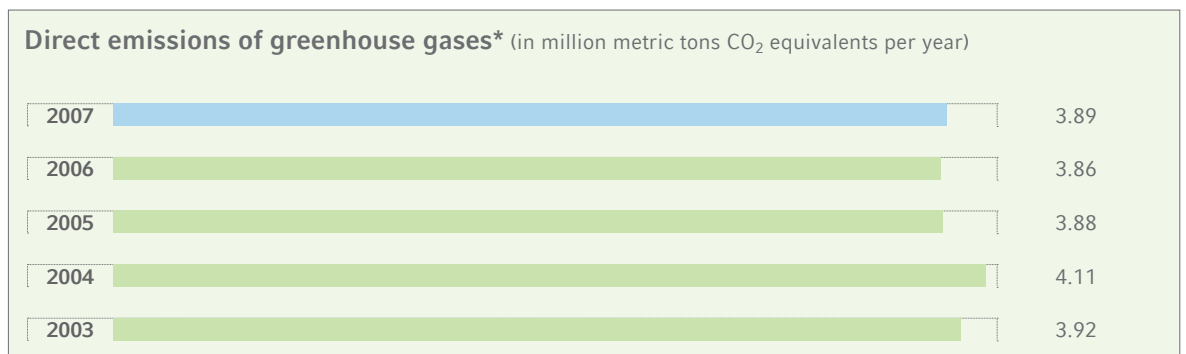
Since 2006, we have been using the Greenhouse Gas (GHG) Protocol method to report our greenhouse gas emissions on a portfolio-adjusted basis. That means that we apply the situation of the year under review to the previous years i.e. we add the emissions of the acquisitions to the previous years and subtract the emissions of the divestments.

Total greenhouse gas emissions (sum of direct and indirect emissions*)				
	2004	2005	2006	2007
Greenhouse gas emissions (in million metric tons)	7.42	7.40	7.52**	7.60

* The indirect emissions for reporting years 2004, 2005 and 2006 were calculated for the first time in 2007. For the previous period, emissions could only be estimated and not calculated accurately because the impact on this figure of the LANXESS spin-off is not precisely calculable due to the nature of the data available. Portfolio-adjusted in accordance with the GHG Protocol.

** The sum of the partial amounts of direct and indirect greenhouse gas emissions does not add up to 100 percent owing to rounding-up effects.

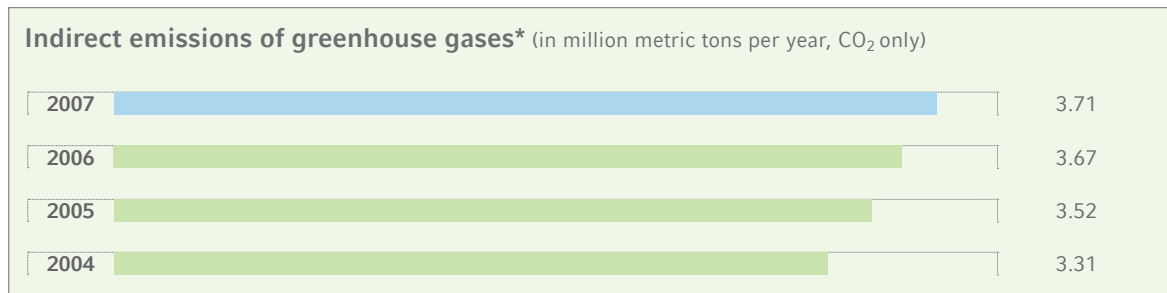
Direct greenhouse gas emissions include those from power stations and from waste incineration and production plants. Among these are emissions resulting from the generation of energy that we supplied to third parties (especially LANXESS). Compared with the previous year, direct emissions (expressed as CO₂ equivalents) increased by approximately one percent. The direct greenhouse gas emissions of 3.89 million metric tons CO₂ equivalents in 2007 breaks down as follows: 97.9 percent CO₂, 1.7 percent nitrous oxide (N₂O) and 0.4 percent partially fluorinated hydrocarbons (HFCS).



* portfolio-adjusted in accordance with the GHG Protocol

Indirect emissions result from purchases and sales of electricity and steam (excluding steam from waste heat) from the individual Bayer production sites. Greenhouse gas emissions associated with the generation of electricity and steam result in the vast majority of cases from the burning of fossil fuels such as coal, oil and gas. Typically, CO₂ accounts for over 99 percent of the total greenhouse gas emissions measured in CO₂ equivalents from these combustion processes. Therefore, when calculating indirect emissions, we focused solely on CO₂ emissions. In the reporting year, indirect emissions increased by approximately one percent over the previous year.

Although reporting of other indirect greenhouse gas emissions is optional according to the GHG Protocol (Scope 3 emissions – emissions resulting from the company's activities at sites belonging to third parties) owing to the huge amount of effort required in compiling the data, we are preparing to report them in the future. A "climate footprint" is being compiled as part of our Climate Program, which also includes upstream greenhouse gas emissions.



* portfolio-adjusted in accordance with the GHG Protocol

These and many other measures to increase efficiency during the reporting period have resulted in the absolute level of greenhouse gas emissions (converted into CO₂ equivalents) increasing by only one percent compared with 2006, despite a significant increase in production volumes (+ five percent).

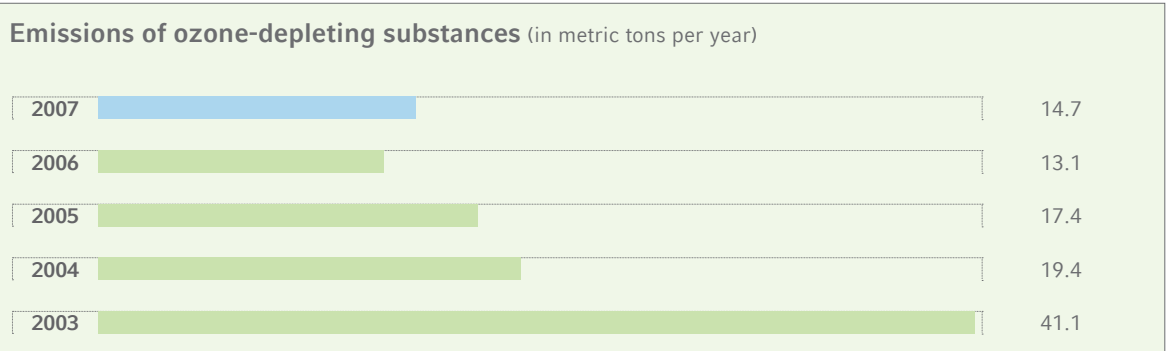
Emissions trading

Since Bayer operates its own power stations for power generation, the Group was involved in European emissions trading with 11 of its plants in 2007. Emissions of 2.5 million metric tons of CO₂ were balanced by emissions allowances for 2.6 million metric tons.

In the United States, the Bayer Corporation is a voluntary participant in emissions trading on the Chicago Climate Exchange (CCX) with some of its power stations and undertook to reduce its greenhouse gas emissions by a total of six percent in the period from 2003 to 2010, with 2000 as the base year.

Emissions of ozone-depleting substances

We have undertaken to monitor the use of substances that have a damaging impact on the Earth's ozone layer. The ozone depletion potential of our emissions is presented as a relative quantity in terms of the guide substance trichlorofluoromethane (CFC-11) as the sum of CFC-11 equivalents. In the last few years, we have been able to achieve significant reductions in ozone-depleting substance emissions. Between 2004 and 2006 this reduction was primarily attributable to the sites at New Martinsville, United States and Vapi, India. However, in 2007, our emissions of ozone-depleting substances rose again by about 12 percent compared with the previous year owing to a significant increase in the production of crop protection products at the Bayer Crop-Science site in Vapi, India.



Emissions of volatile organic compounds

Our goal is to continue to further reduce emissions of volatile organic compounds (VOCs). VOCs are organic chemicals that contribute to the formation of smog or ozone. Thanks to targeted reduction programs, we have made good progress in reducing these emissions. Of particular note were measures to improve the recovery of solvents and reduce losses during warehousing and loading. In 2007, VOC emissions throughout the Group remained at almost the same level as in the previous year. The slight increase is attributable to the commencement of operations at a new plant and the increase in production volume at the Vapi site in India.



Other air emissions

Other important emissions include carbon monoxide, nitrogen oxides, sulfur oxides and particulate matter from production and incineration processes. Among the factors that contributed to a reduction in carbon monoxide emissions was the modernization of the central waste air incineration plant at the Dormagen site in Germany in October 2007 (see page 79). At the Leverkusen site in Germany, we renewed the filters used to remove particulate matter from the waste air, thus reducing particulate emissions in this location by approximately 50 percent.

Other important air emissions (in 1,000 metric tons per year)					
	2003	2004	2005	2006	2007
CO	-	1.9	1.7	2.2	2.0
NOx	6.7	4.3	4.3	4.0	4.0
SOx	5.9	4.2	4.5	3.8	3.6
Particulates	0.9	0.5	0.3	0.2	0.2

Wastewater management

Wastewater includes production wastewater, water from waste air treatment plants, contaminated cooling water, sanitary wastewater and rainwater that has come into contact with chemicals or combustible materials. Wastewater does not include non-contaminated wastewater such as through-flow cooling water. The total amount of wastewater discharged during the reporting period was 218,500 cubic meters (m³) per day, which amounts to 79.8 million m³ per year. This represents an increase of almost eight percent over the previous year. Of the total amount of wastewater generated, 71 percent was purified in a wastewater treatment plant, while 29 percent was discharged untreated into surface water due to the low level of contamination.

Emissions into wastewater					
	2003	2004	2005	2006	2007
Phosphorus (in 1,000 metric tons per year)	0.58	0.76	0.74	0.81	0.99
Nitrogen (in 1,000 metric tons per year)	3.44	0.89	0.58	0.73	0.68
Total organic carbon (TOC), (in 1,000 metric tons per year)	6.40	2.20	1.49	1.49	1.77
Heavy metals (in metric tons per year)	29.4	28.2	11.6	8.0	8.9
Inorganic salts (in 1,000 metric tons per year)	1,598	-	797	843	825

The reasons for the recent rise in phosphorus emissions (by around 22 percent) include an increase in production and the growth of production processes involving the use of phosphorus compounds. The fact that nitrogen emissions (nitrates and ammonium nitrogen) fell by approximately seven percent compared to the previous year is due to reduced discharges from the Bürig Waste Management Center at the Leverkusen site in Germany. The first phase of the cascade aerator, which commenced operation in the fall of 2007, will further improve the removal of nitrogen from the water.

Emissions of organic compounds into wastewater (total organic carbon, TOC) increased in the reporting period by approximately 19 percent compared with the previous year. The increased emissions are among other factors attributable to the temporary suboptimal operation of the wastewater treatment plant at a Bayer CropScience site in the United States, as well as to an increase in Bayer CropScience production in Germany.

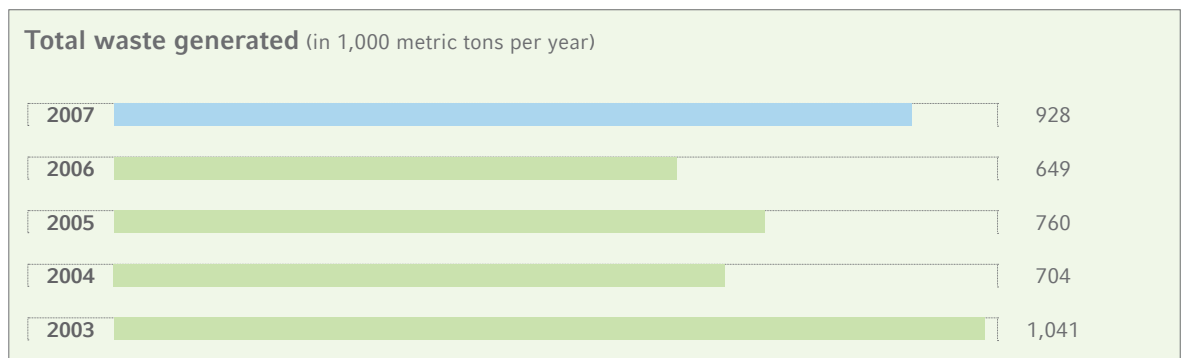
There was also an increase in the total amount of heavy metals released into the environment during the reporting period. This was above all due to the fact that we were demolishing obsolete production plants and therefore does not represent any general trend. As a result of water

being used to damp down dust during the demolition work, an increased quantity of heavy metals was fed into our wastewater disposal facilities. In contrast, emissions of inorganic salts fell slightly during 2007.

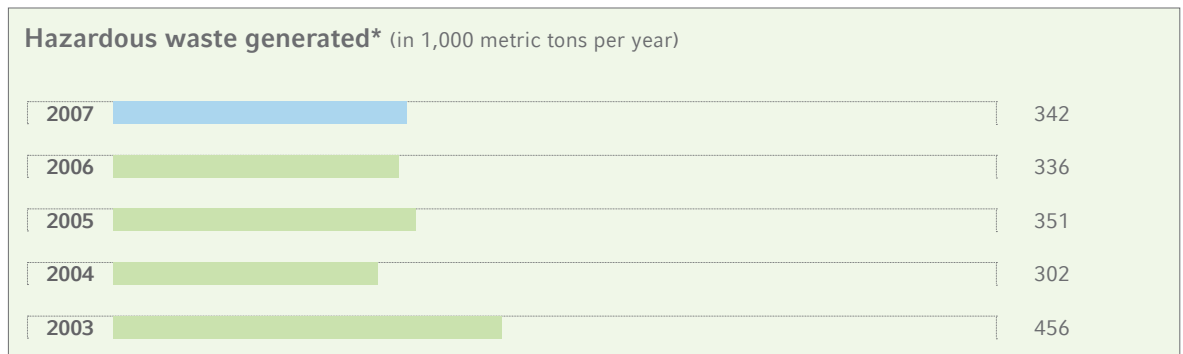
Waste generation

The total amount of waste generated increased significantly in 2007 due to the increase in construction and demolition work at Bayer sites, which resulted in increased amounts of construction waste such as rubble and excavated material. Production waste accounted for a far smaller proportion of the increase in waste.

In general, we are constantly striving to reduce the amount of waste we generate. Bayer Crop-Science continually reviews its primary and shipping packaging in terms of reduction potential. In 2007, for example, the weight of the 5-liter HDPE (high-density polyethylene) bottles used was reduced by 10 percent. Solutions are implemented in stages worldwide, as is evidenced by the introduction in 2007 in Guatemala and partly in Brazil of the 10 percent weight-reduced 1-liter bottle that had already been in use in Germany earlier.

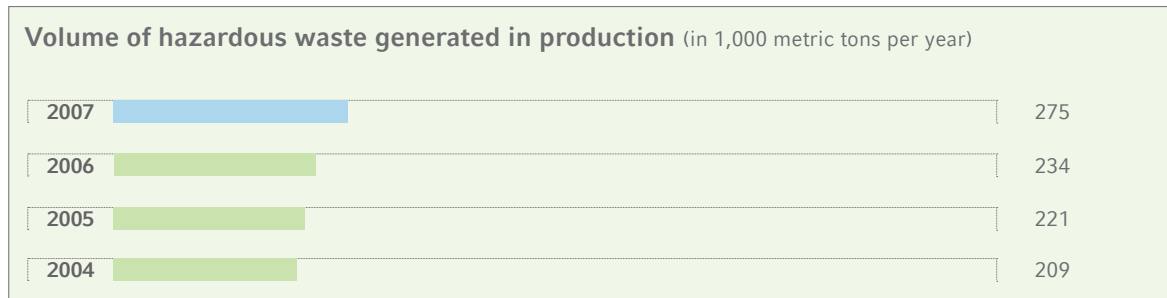


The volume of hazardous waste generated grew slightly over the previous year. The construction of a new facility in Knapsack, Germany, led to a larger amount of hazardous rubble being produced. The volume of such waste at the Lower Rhine sites fell, however, owing to reduced demolition work.



* non-hazardous waste defined according to local laws

The rise in the quantity of hazardous waste generated by production since 2004 can be attributed to the increase in sales volumes of 16 percent and a change in the product mix.



Waste management

The amount of waste disposed of increased significantly during the reporting period in parallel with the amount of waste generated. The increase in construction waste is a plausible explanation for the rise in the volume of waste landfilled: Landfilling is often the only option for construction waste because of its high mineral content.

We make our know-how in the area of waste management available to external partners. For example, the German Agency for Technical Cooperation (GTZ) contracted CURRENTA to dispose of approximately 100 metric tons of the pesticide DDT and DDT-contaminated construction materials from Tanzania. The contaminated material is being transported to Germany by sea and incinerated in an environmentally friendly manner in the hazardous waste incinerator at the Dormagen CHEMPARK.

Waste disposed of according to means of disposal*			
	2005	2006	2007
Total amount of waste disposed of (in 1,000 metric tons per year)	848	654	931
Removed to landfill (in %)	52	44	48
Incineration (in %)	28	32	26
Recycling (in %)	18	22	23
Waste that cannot be definitively categorized according to one of the above disposal methods (in %)	1	3	3
Landfilling of hazardous waste (in 1,000 metric tons per year)	211	134	101

* only waste generated by Bayer

The significant drop seen again in the amount of hazardous waste removed to landfills in the reporting period (down almost 25 percent compared with the previous year) is primarily due to the fact that while the total amount of rubble generated increased, a much lower proportion of it was classed as hazardous.

Reportable environmental incidents and transport accidents

Every single accident is one accident too many. However, despite our comprehensive safety precautions, not all incidents can be prevented. After increasing in the previous year, the number of reportable environmental incidents nonetheless fell back to the 2005 level. During the past year, there were three environmental incidents in the Group which were subject to Group mandatory reporting requirements.

- In Dubai (United Arab Emirates), a warehouse containing approximately 100 metric tons of Bayer MaterialScience (BMS) products burned down completely. The warehouse had been rented by BMS and was operated by an external contractor. The products destroyed in the fire included polymers and polymer precursors for the production of paints, adhesives and coatings.
- During a shipment to the port of Kiel in Germany, 200 liters of toluene diisocyanate leaked from an unsealed tank. The product was cleaned up under controlled conditions.
- During shipment from Los Angeles to the Bayer CropScience site in Kansas City, United States, there was a leakage of 17 metric tons of 2-chlorobenzyl chloride. Several residents adjacent to the rail line were evacuated as a precaution. The rail company assumed responsibility for clean-up work along the rail line.

We recorded 10 transport accidents during the reporting period. These include accidents occurring during the distribution of our raw materials, intermediates and products, insofar as the shipment was ordered by us. In 2007, two drivers were killed, while another suffered injuries. Nine of the accidents involved truck shipments, while one involved a rail shipment. Only the incident involving a rail shipment to Kansas City resulted in substances being released into the environment.

Bayer analyses accidents and incidents carefully and takes appropriate steps wherever possible to prevent these types of incidents in the future.

Reportable environmental incidents (number per year)				
2003	2004	2005	2006	2007
21	6	3	8	3

Transport accidents according to means of transport (number per year)					
	2003	2004	2005	2006	2007
Road	28	10	2	6	9
Rail	0	0	1	3	1
Inland waterways	0	0	0	0	0
Sea	0	0	0	0	0
Air	0	1	0	0	0
Pipeline	-	-	0	0	0
Total	28	11	3	9	10

WWW 49 Biodiversity conservation
 50 Bayer Climate Program
 51 Convention on Biological Diversity

Product stewardship

We inspect and monitor all Bayer products in applications known to us with regard to potential health, safety, environment and quality (HSEQ) risks along the entire value chain – from research & development and production through to their use and final disposal. In this way, we ensure that our products – provided they are properly used – do not have any negative impact on humankind or the environment. We also endeavor to make sure that our products are manufactured, stored, transported and marketed in accordance with the relevant laws and regulations of the respective country.

Since 1994, our management of HSEQ has been aligned to the voluntary Responsible Care initiative of the chemical and pharmaceutical industry. We signed the modified version of this, the “Responsible Care Global Charter,” in 2006. To achieve ongoing improvements in health care, safety and environmental protection, our subgroups and service companies work with five-year roadmaps.

Information on substances

Virtually all the products manufactured by Bayer are subject to extensive and stringent legislation concerning the publication of information. Relevant safety information on the materials used – be they raw materials, intermediates or end products – is available across the Group in the form of databases or safety data sheets. Every product is provided with the necessary warnings so that our employees, sales partners and customers can transport, handle, store, use and dispose of our products safely. This also ensures that the recipient is informed of the risk potential of the products. Our employees are given regular training on the safe handling of the substances and mixtures and in the use of appropriate safety equipment. They also learn to take the necessary emergency and rescue measures. Special instructions exist for handling the various chemicals.

With our commitment to product stewardship, we support the goal of the E.U. chemicals policy (REACH, see also page 21) to further improve the safety of everyone involved along the product chain and to enhance consumer safety and environmental protection. In addition, we endorse the aim expressed at the World Summit on Sustainable Development (Johannesburg 2002) to achieve a uniform global system of classification and labeling for substances and mixtures. We therefore actively participate through the various industry associations in the process of politically shaping and implementing the Globally Harmonized System (GHS) in the context of other relevant regulations in Europe.

All the subgroups are in the process of implementing the new regulations in their electronic systems. As far as product labeling is concerned, Bayer HealthCare is working on building up a global database in connection with the introduction of the GHS, and has already done this in the E.U. with the implementation of REACH. At Bayer CropScience, we collect all product labeling information in our new database, “E-label Server.” At present, it covers the products we market in Europe and parts of Africa and Asia. By the summer of 2008, we aim to publish a modified version of our “External Adverse Incident Reporting Guideline,” which regulates how incidents are to be reported. Bayer MaterialScience (BMS) distributes the necessary label information to the connected label print systems using its EHS (Environmental, Health, Safety) system. The BMS system does not yet have full global coverage, but the subgroup aims to extend it as soon as possible.

Scientific risk assessment of chemicals

A key element of product safety at Bayer is the scientific risk assessment of chemicals. We have systematically and effectively organized our activities relating to chemical safety and given them the necessary funding. A comprehensive study of the effects of our products on humankind and the environment is an integral part of product development. For example, we study the effects of our crop protection products on representative organisms in water, soil and air. We also make our expertise in the field of environmental analysis accessible to our customers via the services of CURRENTA. In addition, we participate in many research projects dealing with the risk assessment of industrially manufactured substances as part of the Long-Range Research Initiative set up by the international chemical associations. We endorse the aims of the European Environment and Health Action Plan, and we support scientific risk assessment via biomonitoring (see also page 23). We are also involved in many scientific bodies such as the European Center for Ecotoxicology & Toxicology of Chemicals (ECETOC), the Society of Environmental Toxicology and Chemistry (SETAC), and the International Life Sciences Institute/Health and Environmental Sciences Institute (ILSI/HESI).

Dealing with new technologies

Nanotechnology and biotechnology, two areas of science that are very much oriented to the future, offer enormous potential for products and applications in the fields of health care, food, environmental protection and high-tech materials. As part of our product stewardship policy, we regard it as an integral part of any development process to clarify not only the opportunities offered by a new product or a new technology, but also the potential risks.

Bayer has acquired sound knowledge regarding the safe handling of nano-materials such as Baytubes®. This applies not only to the physical and chemical characterization of these materials but also to the analysis of their toxicological and eco-toxicological behavior. The basis for our dealings with nanotechnology is provided by the legal framework, which ensures adequate safety. The “Bayer Position on Nanotechnology” and the “Bayer Code of Good Practice in the Production and On-site Use of Nanomaterials” put this framework into context for our employees, and are also available on the Internet.

Our involvement in genetic engineering, too, is naturally governed by the relevant legislation. We also have a “Bayer Group Position on the Responsible Use of Gene Technology” which was most recently updated in 2007. We respect the concerns about genetically modified organisms (GMOs) expressed by society, but we share the consensus view expressed by the scientific community that GMOs do not represent a safety risk when the legal requirements are observed. They are tested thoroughly before they are given regulatory approval, and undergo a stringent registration procedure. Bayer CropScience respects the right of consumers to be informed and to choose freely which foods they want to eat. Appropriate labeling of genetically modified foods can improve confidence in and acceptance of these products.

Traces of LLRice601, genetically modified rice, were found in conventional rice in the United States. Bayer CropScience is working closely with the responsible U.S. authorities and making available its know-how and technical expertise.

Animal studies are indispensable

We are required to carry out studies involving animals at various phases of a product's development in order to ensure that our products are safe and to comply with regulatory requirements. We are also legally bound to carry out such studies. Our “Policy on animal welfare and animal

studies” commits us to limiting the use of animals to the acceptable minimum and to employing alternative methods wherever possible. Bayer is a participant in the European Partnership for Alternative Approaches to Animal Testing (EPAA), whose aim is to implement the “3R” principle. 3R stands for Reduction (of the number of experimental animals), Refinement (of experimental methods) and Replacement (of animal studies by other procedures). We also contribute to the development and validation of alternative methods through several national and international research projects, e.g. in collaboration with the European Center for the Validation of Alternative Methods (ECVAM). It is not, however, possible to eliminate animal studies completely. So far no way has been found of testing the reaction of the whole organism or complex functions in cell culture or in an isolated organ. Since 1989 we have reduced the number of animals used throughout the Bayer Group by almost two-thirds, achieving a figure of roughly 160,000 per year in 2007.

Stringent drug safety requirements

The entire process of manufacturing medicinal products and medical devices is governed by exceptionally strict quality requirements. These standards are known collectively as “Good Manufacturing Practice” (GMP) and are inspected at regular intervals by the regulatory authorities and external auditors. Patient safety is Bayer’s overriding priority. In this context we work closely with regulatory authorities such as the Food and Drug Administration (FDA) in the United States, the European Agency for the Evaluation of Medicinal Products (EMA) and the Federal Institute for Drugs and Medical Devices (BfArM) in Germany. The Global Pharmacovigilance function, which employs more than 300 people worldwide, is responsible for drug safety at Bayer. It ensures that all the available information concerning the adverse effects and interactions of the medicinal products marketed or developed by Bayer is compiled and evaluated on an ongoing basis. In this way the risk-benefit potential of our products can be monitored continuously even after regulatory approval has been granted.

Responsibility for patient safety begins when clinical trials are carried out. Global Drug Safety reviews the study design to ensure that patients’ health is protected and receives relevant information on the benefits and risks of drugs both during and after the study; this information is entered in the drug safety database and undergoes in-depth analysis. During the study, medical experts carry out regular interim analyses of information which may point to possible serious adverse effects.

A risk management plan is drawn up as part of the process of applying for marketing authorization for a medicinal product, and this document lists the drug safety requirements that the product has to meet once it is on the market.

Once the product has been given regulatory approval, all the spontaneous reports of adverse events submitted anywhere in the world by physicians, patients and the authorities, data from publications and the results of further studies are compiled and entered in the drug safety database; the database is reviewed continuously for indications of new risks associated with the product. Product experts in Global Drug Safety use these data as the basis for annual reports on the safety of the products assigned to them. If new adverse effects or risks come to light, interdisciplinary committees initiate appropriate measures, such as modifying the text of the patient information leaflets (PILs) and informing the authorities. These measures include direct communications to physicians, warning them of possible adverse effects and providing information on the correct way to use the product. For example, Bayer recently modified the PIL for Levitra® to include information on a rare adverse effect which had been observed in patients using this treatment for erectile dysfunction.

Bayer Schering Pharma has started the Pharmacovigilance 2009 project on its own initiative with the aim of reinforcing drug safety even further. The project includes a new database that gives technical support to the newly designed process sequences, for example to enable more rapid signal detection and for the development of risk management plans.

For Bayer HealthCare it also goes without saying that information about the clinical trials being carried out with people should be made available to the general public. The Clinical Trials Registry and Results website operated by Bayer HealthCare contains information about the clinical trials commissioned or (co-)sponsored by Bayer and is intended to increase the transparency of clinical research at Bayer for patients and health care professionals. It includes new substances and studies with pharmaceutical or biological products which have already been given regulatory approval and which are manufactured, distributed, marketed or promoted by Bayer.

Responsibility for animal health

The Animal Health Division of Bayer HealthCare produces and markets more than 100 different veterinary drugs and grooming products for livestock and companion animals. The highest quality and safety standards apply to our animal health business, as they do to all our activities. We are accordingly investing in an extensive research & development program, and take great care to ensure that our production processes and the way our veterinary drugs are marketed and distributed comply with the highest possible standards of quality, efficacy and safety for animals, people and the environment. We also provide targeted training and publish wide-ranging information in order to educate veterinarians and end users about the appropriate and responsible use of our products.

Trasylo[®] marketing temporarily suspended

Trasylo[®] (aprotinin) is a drug that is used to control blood loss during coronary bypass surgery. In November 2007, Bayer temporarily suspended global marketing of Trasylo[®] after interim results of an independent clinical trial (the BART trial) in Canada had pointed to a possibly increased risk of mortality in patients receiving Trasylo[®]. Post-marketing surveillance studies carried out in 2006 and 2007 had previously reported a possible connection between administration of Trasylo[®] and serious impairment of renal function, heart attacks, strokes and increased mortality. Once the complete dataset from the BART trial (which also featured in a publication in the New England Journal of Medicine in May 2008) is available, Bayer will work with the principal investigators in the trial to resolve any unclear details. Bayer will carry out a detailed evaluation and analysis of the data and all other relevant published material with the aid of external medical experts, and will work with health authorities to evaluate whether the BART data and all the other recent data have any impact on the risk-benefit profile of Trasylo[®].

The drug is still available under special access programs which have been agreed with and approved by the health authorities in certain countries. While the data are being analyzed, Bayer will organize additional measures in the countries which currently have special access programs for the product to ensure that Trasylo[®] is used in compliance with the approved conditions of these programs. By May 15, 2008, a total of 89 lawsuits relating to Trasylo[®] had been filed against Bayer in the United States. Bayer is confident of having good arguments against the claims that have been made and will defend itself vigorously in these proceedings.

Product safety at Bayer MaterialScience

Bayer MaterialScience has put a global product monitoring organization in place to record any possible negative effects on health or the environment that could be connected with its products. In addition to the normal reporting obligations, all employees are instructed to pass on any information whatsoever concerning a possible link between negative effects or significant risks and our products to the central product monitoring units. These units collect the information, evaluate it, define suitable countermeasures and monitor their implementation.

With its BayCare® Online system, Bayer MaterialScience has generated an extensive and practical product stewardship tool in the United States. This pools all relevant information for employees and customers on how products from Bayer MaterialScience in the United States are to be used and disposed of safely. The instructions drawn up by Bayer MaterialScience and other experts can be accessed via the Internet.

Product safety at Bayer CropScience

Bayer CropScience organizes numerous training events for customers and partners to ensure that its products are used correctly, safely and specifically in line with our principles of product stewardship. These efforts are supported by the packaging and application technology that we use, such as our new "Abanse®" metering device for banana plantations which we distributed to farmers in 2006. The main aim of the training programs is to minimize the unwanted effects on people, the environment (water, soil, air) and beneficial organisms. Many of our training programs focus on farmers in developing countries. Numerous workshops and on-site training sessions are held to instruct them on the holistic measures of integrated crop protection.

Bayer CropScience introduced the innovative BioBed/Phytobac® system in 2004 for the environmentally compatible cleaning of crop protection sprayers. A container filled with biologically active soil substrate contains micro-organisms which rapidly decompose residues of crop protection products without allowing them to pass into the environment. In late 2007, Bayer CropScience supported the CleanRegion project in the organization of the 2nd BioBed Workshop in Ghent, Belgium, an event attended by delegates from Belgium, France, Germany, Greece, Italy, the Netherlands, Poland, Romania, the Scandinavian countries, Spain, Turkey and the United Kingdom.

Safe disposal of crop protection products

Our responsibility for our products goes far beyond their use; it also includes management of empty product packaging and the disposal of products which have exceeded their shelf-life. We collect empty crop protection containers in countries which do not have functioning waste management systems and ensure that they are disposed of properly. We have started further initiatives to collect empty product packaging in collaboration with national governments and CropLife International, the international association representing the crop protection industry.

Stockpiles of obsolete crop protection products are a problem in a number of countries. Bayer CropScience is working with CropLife to provide financial, technical and human resources to dispose of these stockpiles. A particular focus is on Africa as part of the "Africa Stockpiles Programme" (see the extensive coverage on page 44 of the Bayer Sustainable Development Report 2006).

Replacement of WHO Class I pesticides

Bayer CropScience only distributes crop protection products which have been granted regulatory approval by the authorities in the countries concerned, which are safe when used responsibly and as intended, and which pose no risk to either people or the environment. We are aware that crop protection products may not always be used correctly under certain circumstances in some Third World countries. This is why the company has undertaken to gradually replace products in WHO Class I. This is being accomplished, for example, by developing and introducing new active ingredients, products, application technologies and types of packaging. Bayer CropScience has made major progress in recent years, removing many of the Class I products from its portfolio in the past five years. The active ingredients discontinued during this period include methyl and ethyl parathion – we have not sold ethyl parathion in developing countries since 1992 – monocrothophos, oxydemeton-methyl, amitraz and trichlorphon. Bayer CropScience will maintain this approach systematically. Bayer CropScience supports the safe use of its products locally through an extensive training program, some of which is carried out in conjunction with national cotton companies.

However, there are still some vital products for which no alternative is available because it takes a long time to develop and register new crop protection products. In addition, individual countries differ considerably in terms of cultivation and market conditions and the pests that affect them, and this factor makes it impossible to provide a single standardized solution.

If no alternatives are available, we promote the safe use of these preparations by providing numerous additional training events for operators. The “Agrovida” program, which Bayer runs in many South American countries, should be mentioned in this connection; it has long proven successful in ensuring that crop protection products are used safely. In recent years, many tens of thousands of people employed in agriculture have taken part in the program. It is designed for various groups of agricultural workers and farmers and focuses on teaching them about risk management concepts, how to use safety equipment properly, and how to avoid product abuse and incorrect application. It involves vocational instructors, farmers, crop protection distributors and independent advisors. Our company organization in Colombia, for example, has received an award from the Ministry of Agriculture for its exemplary handling of this difficult task.

Measures to combat counterfeit products

Counterfeit products and trade in illegal products – particularly pharmaceutical and crop protection products – are a major area of concern for Bayer. Counterfeit products may not only be ineffective, they can also damage health and the environment (see also page 89). We collaborate with distributors, industry associations, the authorities and the WHO worldwide to increase awareness of the problem and to foil the efforts of counterfeiters. We are also concerned to protect patients from the risks to which counterfeit drugs expose them. Bayer HealthCare is intensifying its efforts to raise awareness about this issue and has launched the “Warning: Counterfeit” campaign. Bayer also helps to combat the problem through technical product safety measures, internal and external investigators and legal prosecution. These efforts can only succeed if the industry, the associations that represent it and both government and international organizations join forces. Bayer HealthCare is therefore working with the competent authorities worldwide and is also actively supporting the anti-counterfeiting activities of the WHO in the International Medical Products Anti-Counterfeiting Taskforce (IMPACT) and the European Federation of Pharmaceutical Industries and Associations (EFPIA).

Bayer CropScience has adopted specific measures to prevent product counterfeiting in areas known to be problematic. Evident and concealed forgery-proof elements are attached to selected products. These include special holographic seals used in some countries in eastern Europe which can be combined with a HOLOSPOT security label. These elements allow farmers and distributors to identify counterfeit products rapidly and reliably. In Brazil, Bayer CropScience has launched the “Be Original” campaign in which security labels are attached to certain products; the labels cannot be removed intact from the original product, making it impossible for them to be attached to counterfeit goods. These activities are flanked by intensive communication and training for customers and suppliers.

Bayer Technology Services has collaborated with its British partner Ingenia Technology Ltd. to develop a forgery-proof way of marking and identifying objects and packaging. ProteXXion® is the low-cost way of protecting goods against forgery and provides a means of checking the authenticity of a product at every point in the supply chain. ProteXXion® uses a technology called laser surface authentication (LSA) which records and recognizes the individual “fingerprint” of an object, i.e. its natural surface structure.

Responsible marketing

Our products are marketed in accordance with strict directives. In the medical field, in particular, we are particularly concerned that our activities should be in compliance with the relevant legislation and codes of conduct. This also applies to our efforts to support patient organizations and our marketing activities. We follow the “Ethical Criteria for Medicinal Drug Promotion” published by the WHO, the corresponding codes of conduct drawn up by the international pharmaceutical association IFPMA, and national codes of conduct. We are also a member of the industry associations in all the countries in which we operate and support their codes of conduct.

In the field of crop protection, Bayer CropScience observes the International Code of Conduct on the Distribution and Use of Pesticides supported by the FAO and WHO (previously known as the FAO Code of Conduct).

WWW	52 Clinical studies
	53 Commitment to product stewardship
	54 Animal studies
	55 Long-Range Research Initiative
	56 Genetic engineering
	57 Trasylo®
	58 Drug counterfeiting
	59 LLRice601
	60 Bayer Position on Nanotechnology
	61 Bayer Code of Good Practice
	62 Nanocare and TRACER
	63 Responsible Care
	64 Responsible Care Global Charter



To the Management Board of Bayer AG, Leverkusen

Our engagement

We have reviewed the parts of the Bayer Sustainable Development Report (hereinafter: the report) listed below for the reporting period from January 1, 2007 to December 31, 2007:

- “Performance Report” (pages 48 to 93)
- “Climate change” (pages 28 to 33), “Procurement management” (pages 34 to 37), “Access to medicines” (pages 38 to 43) and “Corporate compliance” (pages 44 to 47); (hereinafter referred to together as the “Focus Issues”).

A review is aimed at achieving a limited level of assurance and is therefore less extensive than an audit, which is aimed at achieving reasonable assurance. Consequently, a review cannot ensure that all significant issues are identified as in an audit. Accordingly, we cannot express a conclusion in the positive form (audit opinion) on the parts of the report.

Limitations of our engagement

Our engagement did not comprise any parts of the report beyond the pages listed above. Our engagement also did not include any quantitative or qualitative information relating to the prior year, any prospective statements or statements from external experts on pages 33, 37, 42 and 47.

Criteria

Our examination is based on the reporting principles and criteria presented on the back flap of the report.

Responsibility of the Management Board of Bayer AG

The Management Board of Bayer AG is responsible for the preparation and the content of the report in compliance with the above-mentioned criteria. This responsibility includes the implementation of internal controls for the preparation of a report that is free from material misstatements, in accordance with the above criteria and based on suitable methods for gathering source data.

Our independence

The Ernst & Young independence principles, which are in compliance with the requirements of the Code of Ethics for Professional Accountants issued by the International Federation of Accountants and the

principles set forth in the German commercial code [“Handelsgesetzbuch”], the law regulating the profession of German public auditors [“Wirtschaftsprüferordnung”] and the German professional independence standards, apply for the firm, partners and professionals. These principles prohibit financial interests in our clients which could impair independence or give that impression. Partners and professionals are required to issue a declaration each year to confirm that they comply with the firm’s principles.

Our responsibility

Our responsibility was to issue an assurance report on the “Performance Report” and “Focus Issues” parts of the report based on our review. Our responsibility in performing our assurance activities is to the management of Bayer AG only and in accordance with the terms of reference agreed with them.

We conducted our review in accordance with the International Standard on Assurance Engagements (ISAE) 3000. This standard requires that we comply with our professional duties and plan and perform the review to obtain a limited level of assurance to preclude that the “Performance Report” and “Focus Issues” parts of the report are not in accordance, in material respects, with the aforementioned reporting principles and criteria.

Within the scope of our engagement, we requested evidence on a sample basis based on risk and materiality criteria to obtain a limited level of assurance on the compliance of the “Performance Report” and “Focus Issues” parts of the report with the reporting principles and criteria. The nature and scope of our work was based on our professional judgment and we have performed all the procedures deemed necessary to provide a basis for our conclusions. The performance of our engagement mainly involved the following work:

- Assessment of the suitability of the underlying criteria and their consistent application.
- Inquiries of employees concerning the sustainability strategy, sustainability principles and sustainability management of Bayer AG.

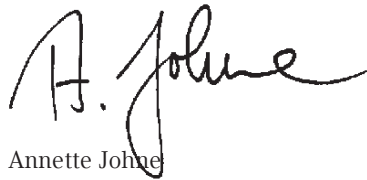
- Inquiries of employees responsible for data capture and preparation of the Sustainable Development Report designed to assess the sustainable development reporting system, the data capture and compilation methods as well as internal controls to the extent relevant for a review of the Sustainable Development Report.
- Inspection of the relevant documents and systems for gathering, analyzing and aggregating data from the areas Health, Safety & Environment (HSE) and Human Resources (HR) in the reporting period as well as tests on a sample basis.
- Analytical considerations at Group level, subgroup level and the level of significant reporting units with regard to analysis and aggregation of HSE and HR data in the preparation of the report.
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of HSE and HR data during site visits for the following 10 reporting units: Bayer Technology Services Leverkusen (Germany), CURRENTA Leverkusen (Germany), Bayer Business Services Leverkusen (Germany), Bayer MaterialScience Leverkusen (Germany), Bayer MaterialScience Brunsbüttel (Germany), Bayer HealthCare Berlin (Germany), Bayer HealthCare Berkeley (United States), Bayer MaterialScience Baytown (United States), Bayer CropScience Norwich (United Kingdom), Bayer CropScience Vapi (India) and Bayer MaterialScience Antwerp (Belgium).
- Inquiries of employees from selected departments at the Group's headquarters, at subgroup level and the service companies and at the sites visited as well as inspection of documents relating to significant qualitative statements made in the "Focus Issues."
- Review of material qualitative statements in the "Performance Report" with regard to consistency and plausibility and inspection of selected underlying documents.
- Review of selected press articles to ascertain whether they reflect company-specific topics of relevance for sustainable development considered in the "Performance Report" and "Focus Issues."

Our conclusion

Based on our work, nothing has come to our attention that causes us to believe that the "Performance Report" and "Focus Issues" parts of the report are not presented fairly, in material respects, in accordance with the reporting principles and criteria.



Rudolf X. Ruter
Auditor



Annette Johne
Auditor

Ernst & Young AG
Auditors
Tax advisors

Düsseldorf, May 14, 2008

Sustainability Program 2006+

Our Sustainability Program is based around the key areas of innovation, product stewardship, excellence in corporate management, social responsibility and responsibility for the environment. In areas where we have identified a greater need for action, we added additional objectives in 2007. These are highlighted as new objectives in the Group Sustainability Program. Within each area of action, specific measures are assigned to each objective to ensure that it is achieved by the deadline. The objectives of all sub-groups and service companies have also been incorporated into the Group Sustainability Program. Their management boards and executive committees are responsible for the successful implementation of these objectives. The objectives already achieved in full by 2007 are listed at the end of each area of action.

Our objectives through 2010 (unless indicated otherwise)

Objective	Implementation status
Area of action: Innovation	
Promotion of a culture of innovation by implementing a long-term, Group-wide innovation initiative – the “Triple-i” program (Inspiration, Ideas, Innovation).	The worldwide rollout of Triple-i to enable utilization by the Group of creative business ideas outside existing areas of activity has met with a very positive response. Our employees have submitted around 3,400 ideas, approximately 50 of which are being followed up. The initiative was implemented and has been accepted as a channel for ideas that is open to all employees.
Promotion of research projects on protecting drinking water and freshwater worldwide. Provision of funding and participation in project management for the National Geographic Global Exploration Fund set up by Bayer and National Geographic.	In 2006/2007, initiation of socially relevant and innovative projects by external research groups on the new recovery, conservation and fair distribution of water resources. Reports on the status of research have been submitted by the coordinators of the nine funded projects. An article describing the results was published in the December 2007 issue of the German edition of National Geographic.

Objective	Implementation status
<p>Contribution to safeguarding the food supply of a growing world population by developing plants with higher yields and improved stress tolerance of dry conditions. Further development of plant biotechnology and the latest seed breeding technology.</p>	<p>Initial results from field tests with stress-tolerant canola plants show a clear increase in yield. Market launch of hybrid rice (Arize®) in Asia (key countries). Average 20 percent increase in yield compared with the best non-hybrid variety.</p>
<p>Tapping the potential of renewable energy sources and renewable raw materials. Research work and technological developments for promising applications.</p>	<p>Bayer CropScience is investigating the options for growing special crops that could be used as alternative raw materials for biofuels.</p>
<p>Selective, resource-optimized production of active pharmaceutical ingredients using therapeutic proteins from tobacco plants (plant-made pharmaceuticals). Develop patient-specific drugs within the next 7 to 9 years.</p>	<p>Around 50 known active ingredients have already been obtained from plants on a laboratory scale, including proteins for synthesizing vaccines and monoclonal antibodies for treating autoimmune diseases, infections and cancer.</p>
<p>Provision of improved anticancer drugs. Extension of indications of the anticancer drug Nexavar® to include liver, skin and lung cancer.</p>	<p>The oral anticancer drug Nexavar® was approved for the treatment of liver cancer in October 2007 in Europe and in November 2007 in the United States. Nexavar® is the first approved systemic treatment against liver cancer and the only drug that significantly increases the life expectancy of patients with liver cancer. Further studies in other indications such as non-small-cell lung cancer (NSCLC), skin cancer (both Phase III) and breast cancer (Phase II) are ongoing.</p>
<p>Provision of a drug to combat dangerous circulatory disorders. Provision of thrombosis prophylaxis in the form of the oral Factor xa inhibitor rivaroxaban (planned trade name: Xarelto®).</p>	<p>An extensive development program for rivaroxaban is currently in the advanced stage, with a total of around 50,000 patients planned. The program includes the prevention and treatment of venous thromboembolism (VTE). In VTE prophylaxis for patients undergoing major orthopedic surgery, the studies undertaken have shown that rivaroxaban is more effective than the current standard therapy, with similarly low bleeding statistics. In October 2007, the EMEA approved rivaroxaban for VTE prophylaxis following major orthopedic surgery on lower limbs. It is planned to obtain marketing authorization for rivaroxaban in the United States for a similar indication in 2008.</p>
<p>Extension of the duration of efficacy of Kogenate®, a drug recombinant to treat hemophilia, using a new formulation based on liposome technology.</p>	<p>First patient treated in a Phase II study at the end of 2007.</p>
<p>Development of new molecular imaging methods for early detection of cancer, inflammatory processes in the nervous system and Alzheimer's disease.</p>	<p>Various cooperation agreements in the field of molecular imaging, for example the Molecular Imaging Innovation Alliance with Avid Pharmaceuticals, Inc., Stanford University and Taisho Pharmaceutical Co., Ltd.</p>

Objective	Implementation status
Area of action: Innovation	
<p>Research into new methods of treating multiple sclerosis. Development of alemtuzumab.</p>	Phase III program started in September 2007 with the aim of providing evidence to confirm the overall efficacy and safety observed in Phase II.
<p>Identification of new mechanisms of action for fertility control using new approaches to non-hormonal contraception.</p>	Research ongoing.
<p>Optimization of a production process for monomeric MDI (MDI = methylene diphenyl diisocyanate) for a new large-scale plant being built in China in 2008 with a target energy saving of approx. 15 percent.</p>	A facility for the production of MDI compounds with an annual capacity of 350,000 metric tons is currently under construction in Shanghai, China. This major facility is due to be commissioned in 2008.
<p>Development of solutions for tropical and other neglected diseases. Cooperation with stakeholders who are following novel approaches to enable more people to be treated.</p>	Support for the WHO clinical development program for the treatment of African sleeping sickness with nifurtimox.
<p>Provision of new treatments for gynecological disorders with a high level of unmet medical need. Identification of new targets.</p>	New objective.
<p>Better treatments for the most common cause of severe visual impairment and blindness in the over-65s in industrialized nations.</p>	New objective: Development of a fusion protein for the treatment of wet age-related macular degeneration (AMD, Phase III study).
<p>Options for the early diagnosis of diseases with a high level of unmet medical need.</p>	New objective: Development of a PET tracer for early diagnosis of Alzheimer's disease. Phase II study scheduled to start in 2008.
<p>Energy conservation by reducing the weight of vehicles using polycarbonate in automotive glazing by 2008.</p>	<p>Objective achieved. Bayer MaterialScience offers customers technological development, service and products for polycarbonate glazing under the brand name BayVision. This system is used, for example, by Mercedes® in the roof module of the GL Class and by Smart® in the panorama roof of the new fortwo®.</p>

Objective	Implementation status
<p>Preservation of water resources by establishing innovative coating materials on the market for semi-structural coatings for drinking water pipes by 2008.</p>	<p>Objective achieved.</p> <p>The Coatings, Adhesives & Specialties (CAS) Business Unit of Bayer MaterialScience (BMS) produces and supplies the key raw materials – especially aliphatic isocyanates and prepolymers – required by our major international customer E. Wood Limited in the United Kingdom to manufacture special semi-structural coatings.</p> <p>The semi-structural coating manufactured by E. Wood Limited on the basis of raw materials from BMS CAS can be applied to pipes that are leaking or in a very poor state of repair. During a single application process that requires just two holes each one meter square to be dug, a pipe length of up to 150 meters can be coated. The entire process can be completed in eight hours, compared with 2–3 days for existing processes. In some cases, it would not even be possible to replace the pipes because buildings have been constructed over them.</p> <p>The system has been introduced in Asia, America and numerous European countries.</p> <p>To date, more than 10,000 kilometers of drinking water pipes have been lined using this system.</p>
<p>Area of action: Product stewardship</p>	
<p>Further contribution to improved crop yields through highly effective crop protection products with good plant tolerability, coupled with a good environmental and health profile.</p>	<p>Management and further development of the Bayer CropScience product portfolio through the market launch of innovative products:</p> <ul style="list-style-type: none"> • Tembotrione: New standard for crop selectivity and outstanding weed control in corn crops • Spirotetramat: For use against resistant types of pests and new standard for systemic crop protection • Infinito® (fungicide): New active mechanism, highly effective against major potato diseases • Oberon® and Envidor® (insecticides) with improved selectivity in respect of useful insects • New products to replace WHO class I chemicals (in this case carbamates and organophosphates).
<p>Ensuring environmental compatibility of pharmaceuticals.</p>	<p>Involvement in various projects, such as "ERAPharm." Development of methods for analyzing pharmaceuticals residues in (ground)water.</p>

Objective	Implementation status
Area of action: Product stewardship	
Timely implementation of the REACH Regulation in the Group.	<p>A Group-wide REACH platform and implementation projects in the subgroups have been established.</p> <p>The pre-registration of substances relevant to Bayer is proceeding according to schedule and the deadline of December 1, 2008 will be met. Registration activities for substances with large production volumes (more than 1,000 metric tons per year) of relevance to Bayer have started and will be completed by the end of 2010.</p>
Area of action: Excellence in corporate management	
Employment: Ongoing improvement of internal work processes and employee motivation.	<p>Continuation of regular worldwide managerial staff surveys.</p> <p>Implementation of global leadership principles coupled with performance assessment. Utilization of the experience gained from the country piloted.</p> <p>Agreement of annual leadership objectives (at all levels of management) based on company-wide leadership principles.</p>
Management of the process to implement the Directive on Health, Safety, Environment and Quality (HSEQ) Audits.	<p>Implementation of subgroup-specific HSEQ management systems completed; full auditing under way in all regions.</p> <p>Bayer CropScience: Continuous expansion and updating of HSEQ directives. Worldwide auditing of management system and other specific HSEQ aspects. By the end of 2008, audits of the key HSEQ requirements will have been completed at 70 percent of all relevant sites (BioScience, Environmental Science, Development, Industrial Operations and Research). By the end of 2009, this figure should have reached 100 percent (five-year cycle). Process and plant safety will be inspected at all BCS production sites by the end of 2009.</p> <p>Bayer HealthCare: Implementation and continuous updating of HSE requirements in the BHC compliance management system. Performance of HSE audits worldwide on the basis of an annually defined audit program.</p> <p>Bayer MaterialScience: Large-scale HSEQ audit measures are routinely carried out in accordance with a defined audit plan.</p>
Improvement of the performance of all managers, e.g. using 360° Feedback processes.	Ongoing.
Implementation of the objective formulated at the United Nations World Summit on Sustainable Development in Johannesburg in 2002 on the globally harmonized classification and labeling of substances and preparations (GHS = Globally Harmonized System)	Implementation within Europe is supported by the chemical industry associations.

Objective	Implementation status
Permanent ongoing safeguarding of compliance with regulations on drug safety and quality assurance with regard to human drugs.	Implementation and monitoring of detailed information obligations, procedures and contact partners for drug safety and quality assurance functions ongoing.
Ongoing work to secure substance information for all our products.	Objective achieved. Our product portfolio is subject to the relevant legislative (e.g. REACH) and registration guidelines. Substance information can therefore be regarded as secured.
Improvement of communication within the global Bayer organization.	Objective achieved. English is the Group working language among managers.
Area of action: Social responsibility	
Worldwide promotion of environmental knowledge among young people. Expansion of cooperation with the United Nations Environment Programme (UNEP), including establishment of youth environmental networks and capacity building programs in Asia, America, Africa and Europe.	In 2007, Bayer provided UNEP with funding and additional support to establish further regional youth environmental networks in Asia and the first networks in Latin America and Africa. The Bayer Young Environmental Envoy Program was extended to include Turkey, the 17 th country to participate. The program partners organized the 16th International Children's Painting Competition on the Environment, attracting 13,450 entries from 104 different countries. In 2007, Bayer hosted the International Youth Conference on the Environment in Leverkusen. The occasion was used to extend the partnership agreement between UNEP and Bayer by a further three years.
Strengthening the basic understanding of natural science in schools by extending to other countries the "Making Science Make Sense" program founded in the United States.	Already established in France, Ireland, Japan and the United Kingdom, the program was extended to Colombia, India, Italy, Singapore and Taiwan in 2007.
Promotion of access to school and vocational education for children and young people, particularly in newly industrializing and developing countries.	Cooperation with regional organizations, initiating programs to protect and educate young people. Raising awareness in relevant locations, such as India. Launch of the "Learning for Life" program at Bayer CropScience in Andhra Pradesh (India). Integration of former child laborers into the public school system. Expansion of the program to include children of pre-school age.

Objective	Implementation status
Area of action: Social responsibility	
<p>Promotion of education in sustainable development and improvement of environmental awareness in newly industrializing countries (capacity building) in line with the voluntary undertaking by the chemical industry based on the Johannesburg Declaration and the declaration adopted at the International Conference on Chemicals Management (ICCM) known as the Strategic Approach to International Chemicals Management (SAICM).</p> <p>Development of a training program and support for the establishment of a Chair for Sustainable Development at Tongji University in Shanghai, China.</p>	<p>An agreement has been signed between Bayer, the Bayer Science & Education Foundation and Tongji University. The steering committee has held its first meeting, the Chair has been established and a chair holder is to be appointed in 2008. The first six research projects have started and the budgets for 2007 and 2008 have been approved.</p>
<p>Support for education, science and research. Bayer Foundations focus more strongly on promoting knowledge and increasing the budget.</p>	<p>Bayer Science & Education Foundation founded and started work in 2007. Start made on new program focus of assisting schools in Germany. Total capital of Bayer Science & Education Foundation and Bayer Cares Foundation: €17.4 million.</p>
<p>Promotion of solutions as a contribution to the U.N. Millennium Development Goals for tackling poverty, lowering child mortality and improving health care for mothers.</p>	<p>New objective. Initial project to raise awareness and improve knowledge of reproduction and sexuality in developing countries and improve access to methods of family planning.</p>
<p>Investigation whether the duration of treatment for tuberculosis (TB) can be reduced by around half by using the active substance moxifloxacin.</p>	<p>Our partner, the Global Alliance for TB Drug Development, has started Phase III clinical trials for the treatment of tuberculosis with moxifloxacin at locations in Zambia, South Africa, Tanzania and Kenya. If the trials are successful, the intention is to have moxifloxacin approved for the indication TB and to make it available to patients in developing countries at affordable prices.</p>
<p>Responsible approach to gene technology.</p>	<p>Implementation of the new Bayer Position on Gene Technology and specific regulations in the subgroups and service companies.</p>
<p>Occupational safety: Reduction in the number of occupational injuries with lost days per 1 million hours worked (MAQ < 2).</p>	<p>Significant progress made in 2007, with a 20 percent decrease in occupational injuries. Continuation of our consistent safety management approach, documented by a program that uses the annually updated RC roadmap for visualization. Subgroups will continue their efforts to make a positive contribution to the Group's MAQ results. This will be supported in 2008 by the launch of additional programs to promote safe behavior and safe driving.</p>

Objective	Implementation status
<p>Diversity: Consistent implementation of our corporate values in the area of equal opportunities for all, regardless of gender, nationality, color, religion, sexual orientation or age.</p>	<p>Consistent implementation of the Group-wide Program for Legal Compliance and Corporate Responsibility of May 2004. Full implementation of a globally harmonized compensation system for Group Leadership Circles.</p> <p>Adoption of a joint declaration from employers' and employees' representatives at the Bayer European Forum to continue the commitment to diversity and equal opportunities within the company. Behavior with regard to diversity integrated into the 360° Feedback process. ВНС working group set up.</p>
<p>Area of action: Responsibility for the environment</p>	
<p>Water emissions: 10 percent reduction in the discharge of TOC (total organic carbon) and nitrogen into receiving waters per metric ton of sales product (base year 2005).</p>	<p>TOC emissions 19 percent higher than in 2006 due to the temporary breakdown of a wastewater treatment plant and higher production volumes for certain crop protection agents.</p>
<p>Air emissions: 30 percent reduction in VOC (volatile organic compounds) emissions per metric ton of sales product (base year 2005).</p>	<p>Same level as 2006, despite higher production volumes.</p>
<p>Air emissions: Compliance with a maximum limit for ODS (ozone-depleting substance) emissions of less than 20 metric tons per year (CFC-11 equivalents).</p>	<p>15 metric tons in continuing operations in 2007.</p>
<p>Air emissions:</p> <p>Bayer MaterialScience: 25 percent reduction worldwide in specific greenhouse gas emissions (CO₂ equivalents in metric tons) per metric ton of sales product between 2005 and 2020. The by-products sodium hydroxide and hydrochloric acid which occur during production are not considered because they will in future occur in much smaller amounts thanks to measures aimed at enhancing energy efficiency. Also not considered are the trade products. The reduction of specific emissions is recognized as an adequate and ambitious emissions objective in this energy-intensive segment because it enables tough energy efficiency targets to be achieved while also increasing sales.</p> <p>Bayer CropScience: 15 percent absolute reduction in greenhouse gas emissions (CO₂ equivalents in metric tons) worldwide between 2005 and 2020.</p> <p>Bayer HealthCare: 5 percent absolute reduction in greenhouse gas emissions (CO₂ equivalents in metric tons) worldwide between 2005 and 2020.</p> <p>Greenhouse gas emissions from Bayer Group to stay at current level up to 2020 according to today's estimates despite expected growth in production.</p>	<p>New objective.</p> <p>Greenhouse gas emissions now reported in accordance with the Greenhouse Gas Protocol.</p>
<p>Waste: Reduction in the volume of hazardous production waste to less than 2.5 percent per metric ton of sales product.</p>	<p>2.6 percent in continuing operations in 2007.</p>

Progress report on the implementation of the principles of the Global Compact

With our support of the United Nations Global Compact, we want to raise standards in the fields of human rights, labor rights and environmental protection. In the year covered by the report, the focus was on climate protection, our Group-wide communication program on anti-corruption and compliance, the expansion of our procurement management system and the integration of our human rights policy into our management systems. Our commitment to sustainable health care serves the goal of strengthening human rights. The following table shows which of the policies, programs and management systems already introduced at Bayer support the 10 principles of the Global Compact, what practical measures we took last year in this respect, and to what extent we were able to register concrete achievements or results in the period under review. Information on the Global Compact can be found at www.unglobalcompact.org.

	Systems	Measures 2007	Achievements 2007
Principle 1: Support of human rights	<ul style="list-style-type: none"> ■ Human rights (p. 70-71) ■ Procurement Community Policy (p. 36) ■ Guide: "Requirements for our suppliers" (p. 36) 	<ul style="list-style-type: none"> ■ Health care programs and partnerships (p. 40-41) ■ Differentiated drug pricing policy (p. 42) 	<ul style="list-style-type: none"> ■ Integration of Group-wide Human Rights Position into our management systems (p. 70)
Principle 2: Exclusion of human rights violations	<ul style="list-style-type: none"> ■ Procurement management (p. 34-37) ■ Human rights (p. 70-71) 	<ul style="list-style-type: none"> ■ Sensitization of employees and suppliers (p. 36-37) ■ Supplier survey in non-OECD countries (p. 37) 	<ul style="list-style-type: none"> ■ Rigorously tackling of child labor in India (p. 37,71)
Principle 3: Observance of the right to freedom of association	<ul style="list-style-type: none"> ■ Group Works Council (p. 61) ■ Bayer European Forum (p. 61) ■ Human rights (p. 70-71) 		
Principle 4: Abolition of all forms of forced labor	<ul style="list-style-type: none"> ■ Human rights (p. 70-71) ■ Procurement management (p. 34-37) 	<ul style="list-style-type: none"> ■ No measures necessary 	
Principle 5: Abolition of child labor	<ul style="list-style-type: none"> ■ Human rights (p. 70-71) ■ Procurement management (p. 34-37) 	<ul style="list-style-type: none"> ■ Extension of system for tackling child labor in India (p. 71) 	
Principle 6: Elimination of discrimination	<ul style="list-style-type: none"> ■ Social Charter (Sustainable Development Report 2006, p. 51) ■ Bayer Diversity Policy (p. 62) ■ Bayer Diversity Councils (p. 62) ■ Human rights (p. 70-71) 	<ul style="list-style-type: none"> ■ e.g. program for promoting talent and diversity in the Asia-Pacific region (p. 62) ■ e.g. program for integrating disabled employees in Brazil (p. 62) 	
Principle 7: Precautionary environmental protection	<ul style="list-style-type: none"> ■ HSEQ management systems (p. 51) 	<ul style="list-style-type: none"> ■ e.g. regular HSE audits (p. 51) 	<ul style="list-style-type: none"> ■ e.g. significant reduction in reportable environmental incidents (p. 85)
Principle 8: Specific commitment to environmental protection	<ul style="list-style-type: none"> ■ Group Sustainability Program (p. 23, 96-103) ■ Bayer Climate Program (p. 28-33) 	<ul style="list-style-type: none"> ■ e.g. development of Bayer Climate Check (p. 31-32) 	<ul style="list-style-type: none"> ■ Renewed inclusion in Climate Leadership Index of Carbon Disclosure Project (p. 59)
Principle 9: Diffusion of environmentally friendly technologies	<ul style="list-style-type: none"> ■ Core business of BMS and CURRENTA (p. 16-17) 	<ul style="list-style-type: none"> ■ e.g. start of construction of hydrochloric acid recycling plant in Shanghai, China (p. 55) 	<ul style="list-style-type: none"> ■ e.g. 18,000 metric ton reduction in CO₂ emissions thanks to the modernization of the thermal waste air incinerator in Dormagen (p. 56)
Principle 10: Measures to fight corruption	<ul style="list-style-type: none"> ■ Program for Legal Compliance and Corporate Responsibility at Bayer (p. 44-47) 	<ul style="list-style-type: none"> ■ Group-wide communication campaign on anti-corruption and compliance (United States) (p. 46) 	<ul style="list-style-type: none"> ■ Some 70,000 employees were trained in anti-corruption and compliance issues (p. 46)

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The Sustainable Development Report 2007 was printed on paper recycled 100 percent from waste paper recovered from communal paper collections. It has been assigned the recycling certification of the Forest Stewardship Council (FSC-C), an international non-profitmaking organization that aims to promote the sustainable development of forests and the environmentally appropriate, socially beneficial and commercially viable management of natural assets.

Forward-looking statements

This Sustainable Development Report may contain forward-looking statements based on current assumptions and forecasts made by Bayer Group or subgroup management. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. These factors include those discussed in Bayer's public reports, which are available on the Bayer website at www.bayer.com. The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

Important information from Bayer AG

This is neither an offer to purchase nor a solicitation of an offer to sell shares or American depositary shares of Bayer Schering Pharma AG (formerly Schering AG). Bayer Schering GmbH (formerly Dritte BV GmbH) filed a tender offer statement with the U.S. Securities and Exchange Commission (SEC) with respect to the mandatory compensation offer on November 30, 2006, the time of commencement of the mandatory compensation offer. Simultaneously Bayer Schering Pharma AG (formerly Schering AG) filed a solicitation/recommendation statement on Schedule 14D-9 with the SEC with respect to the mandatory compensation offer. Investors and holders of shares and American depositary shares of Bayer Schering Pharma AG (formerly Schering AG) are strongly advised to read the tender offer statement and other relevant documents regarding the mandatory compensation offer that have been filed or will be filed with the SEC because they contain important information. Investors and holders of shares and American depositary shares of Bayer Schering Pharma AG (formerly Schering AG) will be able to receive these documents free of charge at the SEC's website (www.sec.gov), or at the website www.bayer.com

These documents and information contain forward-looking statements based on assumptions and forecasts made by Bayer Group management as of the respective dates of such documents. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual assets, financial position, earnings, development or performance of the Bayer Group and/or Bayer Schering Pharma AG (formerly Schering AG) and the estimates contained in these documents and to differences between actions taken by the Bayer Group with respect to its investment in Bayer Schering Pharma AG (formerly Schering AG) and the intentions described in these documents. These factors include those discussed in Bayer's public reports, which are available on the Bayer website at www.bayer.com. Except as otherwise required by law, the company assumes no obligation to update or revise any forward-looking statement to reflect new information, events or circumstances after the applicable dates thereof.

The names "Bayer Schering Pharma" or "Schering" as used in this publication always refer to Bayer Schering Pharma AG, Berlin, Germany, or its predecessor, Schering AG, Berlin, Germany, respectively.

Main risks from law suits

A detailed description of the main risks arising from the law suits beyond those cited in this report can be found in the Annual Report 2007 and the March 31, 2008 issue of the Stockholders' Newsletter.

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AR= Annual Report 2007;


All core indicators are included. Gaps in the numbering are due to the fact that GRI additional indicators are not included in the index.

GRI Application Level:

Self evaluation

Reviewed by third party external organizations

Reviewed by GRI

	C	C+	B	B+	A	A+
Self evaluation						✓
Reviewed by third party external organizations						✓
Reviewed by GRI						

Global commitment to sustainability



Social responsibility and sustainability are integral to Bayer’s corporate policy. This commitment is also evidenced by the company’s participation in numerous initiatives and projects around the world. Logos relating to a selection of these activities appear in the left margin.

Bayer has long practiced the concept of Responsible Care. A member of the World Business Council for Sustainable Development since 1997, Bayer is also among the founding members of German industry’s sustainable development forum “econsense.” Bayer was one of the first companies to sign the new “Responsible Care Global Charter” in 2006.

Bayer is listed in major indices and represented in investment funds that focus on companies pursuing responsible and sustainable corporate strategies. Examples are the Dow Jones Sustainability Indices, the FTSE4Good index series, the Storebrand Principle Funds and the Advanced Sustainable Performance Indices (ASPI) Eurozone. Bayer actively supports the Global Reporting Initiative as an organizational stakeholder.

The company places maximum importance on climate protection. For example, in 2007 Bayer again received the “Best in Class” award of the Carbon Disclosure Project and was the only European company in its industry sector to be included in the Climate Disclosure Leadership Index. Bayer is one of the 17 founding members of the climate protection initiative “3C: Combat Climate Change.”

Bayer is also a founding member of the Global Compact initiative of the United Nations, actively promoting its principles through numerous projects. In Brazil, for example, Bayer supports the Abrinq Foundation in its efforts to combat child labor and cooperates with the non-governmental organization Agência Mandalla in the fight against hunger and poverty. Bayer’s partnership with the United Nations Environment Programme (UNEP) is widely regarded as setting a new trend in public-private partnerships. One of the joint activities is the “Bayer Young Environmental Envoy” program, in which young environmental activists are invited to Germany to give them greater insight into related issues. This has now been extended to 17 countries on four continents.

Bayer set up the Global Exploration Fund together with National Geographic, the world’s largest non-profit scientific organization. Since 2007 this fund has supported nine research projects aimed at protecting the quality of drinking water worldwide and enhancing supplies.

For years, Bayer has also been an active member of the Global Business Coalition on HIV/AIDS, Tuberculosis and Malaria, which is committed to the fight against these three epidemic diseases. The company is cooperating with the Global Alliance for TB Drug Development, a U.S. non-profit organization, on the development of a new remedy for tuberculosis.



The photomontage on the title page gives an overview of the focus issue sections of this year's Sustainable Development Report (clockwise from top left): With its EcoCommercial Building concept the company is looking to reduce greenhouse gas emissions as part of its Climate Program. Through a sustainable procurement management system Bayer would like to exert a responsible and positive influence as a purchaser. Another concern of the company is its global commitment to compliance and anti-corruption. A further important goal of the Group is to facilitate access to basic health care for everyone. Bayer has a particular part to play here in the provision and development of medicines. Read more in the report from page 28 onwards.

