

BAYER SUSTAINABILITY REPORT 2012

UN Global Compact LEAD Initiative

Bayer Progress Report 2012

based on the Blueprint for Corporate Sustainability Leadership



Science For A Better Life

UN Global Compact LEAD Initiative

Bayer Progress Report 2012 based on the Blueprint for Corporate Sustainability Leadership

Bayer has supported the United Nations Global Compact (UNGC) since its foundation in 2000. We want to make a positive contribution to the social and environmental side of globalization by raising standards in the fields of human rights, labor rights and environmental protection and in the fight against corruption. Bayer provides a Communication on Progress (COP) toward UNGC goals and principles in the form of a full Sustainable Development report (<http://www.sustainability2012.bayer.com> or <http://www.sustainability2012.bayer.com/en/Sustainable-Development-Report-2012.pdf>). This COP contains a statement by the CEO expressing continued support for the Global Compact and renewing our company's ongoing commitment to the initiative and its principles.

As a member of the Global Compact LEAD initiative, we base our progress report on the Blueprint for Corporate Sustainability Leadership. We report our progress in implementing the 10 UNGC principles at the Advanced Level and additional aspects.

The time period covered by this COP 2012: Start date: January 1, 2012; end date: December 31, 2012.

Dimension 1: Implementing the 10 Principles within Strategies and Operations

The following table provides a concise summary of the activities and management systems at Bayer that support the 10 principles of the Global Compact and the results which were achieved in 2012.

UNGC principles	Systems	Measures 2012	Achievements 2012
Principle 1: Support of human rights	<ul style="list-style-type: none"> Human Rights Position, p. 10, 31, 47 Corporate Compliance Policy, p. 10, 23-25, 40, 47 Bayer Sustainable Development Policy, p. 10, 55 Group-wide policy guidelines issued by the Procurement Community, p. 29 Procedure for selecting and evaluating suppliers, p. 29-31 Supplier Code of Conduct, p. 10, 29, 31 Group-wide directives on occupational health and safety, p. 25, 53, 64-65 HSEQ Committee, p. 10 Targets for 2015, front cover 	<ul style="list-style-type: none"> Strategy development and expansion of the alliances for sustainable health care, p. 11-13, and partnerships for good harvests, p. 14-16, weblink 8 The information and training program on human rights is part of mandatory human rights training sessions or obligatory compliance trainings at many of our sites, p. 46f. Continuous information and training on the theme of compliance, p. 23f., 47 Purchaser training on sustainability and on the Supplier Code of Conduct, p. 31 The Supplier Code of Conduct is a fixed element of our supplier selection and evaluation process, and integrated as binding into our electronic ordering systems and contracts throughout the Group through a special clause. To participate in bidding processes in our supplier management system, suppliers must bindingly confirm before submitting an offer that they acknowledge the Bayer Supplier Code of Conduct, p. 29 Global Safety Day 2012, p. 53 Occupational safety: ideas and activities, p. 53f., weblink 128 Group-wide initiative on process and plant safety to develop the culture of safety and safety standards at the plants and in the laboratories and to optimize the safety technology; training materials are available in 17 languages; by the end of 2012, around 26,000 employees were trained, p. 64f. 	<ul style="list-style-type: none"> Between August 2011 and September 2012 we conducted a special online training program on our Human Rights Position for employees at Group companies in China, p. 47 Using a variety of methods, we trained an additional 17,000 employees around the world on the content of our Human Rights Position and its practical application in 2012. p. 47 New purchasing employees trained, p. 30f. First Bayer global supplier day in June 2012, p. 31 Regional supplier days USA (for NAFTA region) and China, p. 31 Training sessions on the Code of Conduct, assessments and audits, p. 30f. Employee union representatives elected at 11 sites of our Group companies in China, representing some 10,000 employees, p. 47 In 2012 employee union representatives were also elected at the Bayer holding company in Japan, p. 47 25,973 managerial staff completed web-based compliance training, including 2,136 new employees, p. 24 By the end of 2012, employees in 68 countries had completed just under 57,500 training sessions particularly in the areas of anti-corruption, introduction to compliance and conflicts of interest p. 24 Number of occupational injuries to Bayer employees that led to lost days fell again (to 0.49 RIR), p. 54 Process and plant safety symposium 2012, p. 65

UNGC principles	Systems	Measures 2012	Achievements 2012
Principle 2: Exclusion of human rights violations	<ul style="list-style-type: none"> Human Rights Position, p. 10, 31, 47 Corporate Compliance Policy, p. 10, 23-25, 41, 47 Supplier Code of Conduct, p. 10, 29, 31 Procurement / Supplier management, p. 29-31 	<ul style="list-style-type: none"> Supplier management: risk analysis modified p. 29f. The information and training program on human rights is part of mandatory human rights training sessions or obligatory compliance trainings at many of our sites, p. 46f. The Supplier Code of Conduct is a fixed element of our supplier selection and evaluation process, p. 29 Supplier assessments and audits, p. 29f. 	<ul style="list-style-type: none"> 2012: Using the modified risk analysis, 179 supplier assessments were initiated, 25 of which were concluded; a further 17 supplier audits were carried out in China and India. In addition, our Indian organization conducted 152 country-specific assessments, p. 29f.
Principle 3: Observance of the right to freedom of association	<ul style="list-style-type: none"> Collective agreements such as sector or in-house agreements, p. 46f Bayer European Forum, weblink 52 Human Rights Position, p. 10, 31, 47 Supplier Code of Conduct, p. 10, 29, 31 	<ul style="list-style-type: none"> Constitution of more union representation at Bayer China, p. 47 The information and training program on human rights is part of mandatory human rights training sessions or obligatory compliance trainings at many of our sites, p. 46f. The Supplier Code of Conduct is a fixed element of our supplier selection and evaluation process, p. 29 Supplier assessments and audits, p. 29f. 	<ul style="list-style-type: none"> Employee union representatives elected at 11 sites of our Group companies in China, representing some 10,000 employees, p. 47 In 2012 employee union representatives were also elected at the Bayer holding company in Japan, p. 47 Training sessions on the Code of Conduct, assessments and audits, p. 30f. 2012: Using the modified risk analysis, 179 supplier assessments were initiated, 25 of which were concluded; a further 17 supplier audits were carried out in China and India. In addition, our Indian organization conducted 152 country-specific assessments, p. 29f.
Principle 4: Abolition of all forms of forced labor	<ul style="list-style-type: none"> Human Rights Position, p. 10, 31, 47 Corporate Compliance organization, p. 23f. Supplier Code of Conduct, p. 10, 29, 31 Procurement / Supplier management p. 29-31 	<ul style="list-style-type: none"> Purchaser training on sustainability and on the Supplier Code of Conduct, p. 31 The Supplier Code of Conduct is a fixed element of our supplier selection and evaluation process, p.31 Supplier assessment and audits, p. 29f. 	<ul style="list-style-type: none"> Training sessions on the Code of Conduct, assessments and audits, p. 30f. 2012: Using the modified risk analysis, 179 supplier assessments were initiated, 25 of which were concluded; a further 17 supplier audits were carried out in China and India. In addition, our Indian organization conducted 152 country-specific assessments, p. 29f.
Principle 5: Abolition of child labor	<ul style="list-style-type: none"> Human Rights Position, p. 10, 31, 47 Corporate Compliance organization, p. 23f. Procurement / Supplier management, p. 29-31 Supplier Code of Conduct, p. 10, 29, 31 Bayer Child Care Program, p. 31 	<ul style="list-style-type: none"> In-depth information: http://www.childcareprogram.bayercropscience.com (Weblink 63) The Supplier Code of Conduct implementation, p. 29-31 Learning for Life initiative (India) for improved personal circumstances (in cooperation with NGO), p. 31 Supplier Code of Conduct is a fixed element of our supplier selection and evaluation process, p. 31 Supplier assessment and audits, p. 29f. 	<ul style="list-style-type: none"> Brochure on child labor Weblink 63 Renewed confirmation by audits that there is no systematic child labor in the supply chain for cotton seeds in India, p. 31 Bayer Child Care Program expanded to seed production for vegetables and hybrid rice, p. 31 Learning for Life initiative (India): more than 3,900 children and young people benefited from this initiative between 2005 and 2012, p. 31

UNGC principles	Systems	Measures 2012	Achievements 2012
Principle 6: Elimination of discrimination	<ul style="list-style-type: none"> Human Rights Position, p. 10, 31, 47 Bayer diversity strategy, p. 50f. Corporate Compliance Policy, p. 10, 23-25, 40, 47 Supplier Code of Conduct, p. 10, 29, 31 	<ul style="list-style-type: none"> Promotion of diversity through networks, p. 51, weblink 120 Workshops to raise managers' awareness of the benefits of greater diversity, p. 51 Target for 2015: increase the proportion of women in management positions to approaching 30%, p. 51 Bayer USA program for training and employing people with disabilities, p. 52 Online tool "GlobeSmart" gives employees access to information about etiquette and communication behaviors in more than 60 countries. 	<ul style="list-style-type: none"> Women accounted for 23 percent of employees in this management segment worldwide in 2012 – one percentage point more than in the previous year p. 51 Information and training campaign "Inclusion is diversity in action," p. 51f. Hosted 13th Annual Disability Mentoring Day in the United States, p. 52
Principle 7: Precautionary environmental protection	<ul style="list-style-type: none"> Bayer Sustainable Development Policy, p. 10, 55 HSEQ management systems, p. 25, 36, 53, 64 Risk management systems, 25f. Global Product Strategy, p. 36, 44 Supplier Code of Conduct, p. 10, 29, 31 BayRisk instruction, p. 25 Position on biodiversity, p. 63 Resource Efficiency Check, p. 55, 57 Respect of precautionary principle, weblink 69 	<ul style="list-style-type: none"> Regular HSE(Q) audits, p. 53, 64-65 Analysis of pharmaceuticals in the environment, p. 39f. Training in responsible use of pesticides, p. 42f. Biodiversity projects, p. 63 Group-wide initiative on process and plant safety, p. 64f. Target for 2015: roll out of Global Product Strategy in another 10 countries with three more languages, p. 36 REACH regulation: Group-wide and subgroup-specific directives, p. 36 	<ul style="list-style-type: none"> REACH: we continued to compile the dossiers for the second registration phase, in which all substances we produce or import in a volume greater than 100 metric tons annually must be registered by June 1, 2013; p. 36 Update of Group procedure "Substance information and its availability," p. 36 Continuation of inputs to the GPS Safety Summaries (online portal of International Council of Chemical Associations, ICCA), p. 36 Presentation of the CEO Safety Award initiated by BMS, weblink 127 Registration in the Inventory of the European Chemicals Agency (ECHA) of all relevant substances marketed in the E.U., p. 36
Principle 8: Specific commitment to environmental protection	<ul style="list-style-type: none"> Bayer Sustainable Development Policy, p. 10, 55 Bayer Water Position, p. 10, 59f. Program of targets for 2015, front cover Bayer Sustainability Program, p. 8, 20, weblink 7 Bayer Climate Program, p. 17, 56-58 UNGC Caring for Climate Initiative, weblink 20 UNGC CEO Water Mandate, p. 59 Participation in Responsible Care™ Initiative, p. 10, 36, 53, 55 Guideline "Ecological Assessment of New Investments" for the evaluation of the environmental effects, for investment projects exceeding €10 million, p. 27 	<ul style="list-style-type: none"> Implementation of the ISO-certified STRUCTese™ energy efficiency management system, p. 9, 17f., 57 Reducing emissions in non-production, e.g. vehicle fleet and IT p. 57f. 	<ul style="list-style-type: none"> STRUCTese™ successfully installed in 50 plants by end of 2012; efficiency gains included the saving of 1 million MWh of primary energy and the reduction of CO₂ emissions by 300,000 metric tons p.a., p. 18, 57 Reduction in emissions of ODS, VOC, carbon monoxide and sulfur oxides, p. 59 Achievements with respect to the CEO Water Mandate, p. 59 Reduction of water consumption, p. 60 Reduction in discharges of Total Organic Carbon and heavy metal into water, p. 61 Recycling of waste rose by 10%, p. 62

UNGC principles	Systems	Measures 2012	Achievements 2012
<p>Principle 9: Diffusion of environmentally friendly technologies</p>	<ul style="list-style-type: none"> • Core business of Bayer Technology Services, Bayer MaterialScience and Currenta, p. 6f., 17-19, 44f., 62, 63 • Lighthouse projects of Bayer MaterialScience: EcoCommercial Building Program (ECB), oxygen depolarized cathode technology for chlorine production, STRUCTese™ energy management system, light-weight solutions for mobility industries: p. 17-19, weblink 8 	<ul style="list-style-type: none"> • Production of high-quality plastics with the help of carbon dioxide (CO₂) from the energy sector. The Dream Production project started in 2010 aims to incorporate CO₂ directly into polyurethane foam. At a pilot plant in Leverkusen, a key polyurethane component is being manufactured using CO₂ from a power plant – initially for test purposes. This saves some of the petrochemical raw materials normally used. p. 18 • Pre-treatment method for electronic scrap: special thermal pre-treatment method to recover valuable metals such as gold, silver and copper from old computer PCBs and cell phones, p. 62f. • In the future, a climate-friendly method of chlorine production (oxygen depolarized cathode technology based on common salt) will make it possible to reduce the energy used in chlorine production by 30%, p. 18 • Faster measurement of the ground-water level through an automated process using GSM data loggers – devices that store and transmit data recorded with sensors at the Chempark sites facing the Rhine in Germany. Gives immediate access to current data and enables faster reaction to extreme water events in the Rhine. • A current project to store electrical energy from renewable sources using zinc-air batteries demonstrates that ODC technology could also be a bridge technology. A research project was launched in 2012 in which Bayer MaterialScience is collaborating with well-known industrial and academic partners. p. 18 	<ul style="list-style-type: none"> • The results of material tests presented by Bayer MaterialScience in 2012 prove that the quality at least matches that of polyurethane manufactured in the conventional way and in some cases exceeds it. The company is planning to market the first CO₂-based products from 2015 onward. p.18 • Climate-friendly method of chlorine production (oxygen depolarized cathode technology): demonstration plant operating at Krefeld-Uerdingen site since mid-2011 (capacity: 20 kilotons of chlorine per year), p. 18 • EcoCommercial Building Program (ECB): erected 7 centers of excellence with 82 network partners, signed 12 Memoranda of Understanding, opened new ECB building in Qingdao (China), Indian ECB building awarded "LEED Platinum" status: weblink 8 • STRUCTese™: successful marketing to third parties: weblink 8 <p>By the end of 2012 STRUCTese™ had been introduced at 50 facilities. The application of this management system has reduced annual CO₂ emissions by a good 300.000 metric tons. p. 18</p>

UNGC principles	Systems	Measures 2012	Achievements 2012
<p>Principle 10: Measures to fight corruption</p>	<ul style="list-style-type: none"> • Corporate Compliance Policy and organization, p. 10, 23-25, 40, 47 • Group anticorruption procedure updated, p. 24 • Anonymous compliance hotline, p. 25 • Directive on the Management of Compliance Incidents, p. 25 • Code of Conduct for Responsible Lobbying, p. 27 • Responsible Marketing & Sales Policy, p. 10, 35, 40, 42, 45 • Directive on Integrity & Responsibility in Communications and Marketing, p. 40 • Adherence to “Ethical Criteria for Medicinal Drug Promotion” of WHO, p. 40 • Code of the “Voluntary Self-Monitoring by the Pharmaceutical Industry” (FSA) association, p. 40 • Supplier Code of Conduct, p. 10, 29, 31 	<ul style="list-style-type: none"> • Compliance organization implementing international standards, p. 23 • Bayer Corporate Auditing regularly evaluates the observance of the Corporate Compliance Policy and Program through special audits, p. 23 • Preparation of introduction of COMPASS (COMpliant Partnership And Sincere Services), third party due diligence project, p. 24 • Development of new web-based training in nine languages on the prevention of corruption, to start in Jan. 2013, p. 24 • Continuous information and training on the theme of compliance, p. 23-25 • The issue of corporate compliance is a permanent part of the performance targets agreed with the members of the Group Leadership Circle, p. 25 • Supplier assessments and audits, p. 29f. • Entry in lobby register of E.U., p. 27 	<ul style="list-style-type: none"> • 225 audits were performed by Bayer Corporate Auditing in 2012 on the basis of a risk-oriented audit planning process that takes into account corruption risks among others. These included 50 compliance audits, which were both of a preventive and incident-based nature, p. 23 • 197 (out of more than 200) compliance officers, code compliance officers and compliance functions took part in regional workshops about current compliant issues up to the third quarter of 2012. p. 23 • As part of preparatory measures to introduce COMPASS (see middle column)- a third party due diligence project, we screened some 200 business partners in a pilot project in five countries on four continents in July and August 2012, p. 24 • By the end of 2012, just under 26,000 managers worldwide had completed the web-based training module entitled “Corporate Compliance Basics” that was introduced in 2010, p. 24 • By the end of 2012, employees in 68 countries had completed just under 57,500 training sessions particularly in the areas of anti-corruption, introduction to compliance and conflicts of interest, p. 24 • More than 90 percent of the Group’s 32,300 managerial employees worldwide have taken part in at least one of the above compliance training sessions since 2010, p. 24 • Internal compliance communication campaign, including video clips, conducted in 2012. The first film dealt with anti-corruption, p. 24 • Launched an international compliance survey which reached 10,000 Bayer employees, p. 24 • New Group position Responsible Marketing & Sales, p. 25 • Purchaser training sessions, p. 30f • 2012: Using the modified risk analysis, 179 supplier assessments were initiated, 25 of which were concluded; a further 17 supplier audits were carried out in China and India. In addition, our Indian organization conducted 152 country-specific assessments, p. 29f.

The four components of dimension 1:

Component	Content in our Sustainable Development Report (COP) including online supplement and Annual Report	Reference pages and links
Full coverage and integration across principles	<p>Apart from the United Nations Global Compact (UNGC) and its Corporate Sustainable Development Leadership (LEAD) initiative, our commitment to sustainable development is expressed by our active participation in important international initiatives and associations such as the Responsible Care™ initiative of the chemical and pharmaceutical industry, the World Business Council for Sustainable Development (WBCSD), the German industry's sustainable development forum "econsense," several UNEP forums (UNEP collaboration in the area of youth and environment, Sustainable Buildings and Climate Initiative, Climate Neutral Network) and the Global Reporting Initiative (GRI), which Bayer has been actively supporting as an organizational stakeholder since 2003. We furthermore respect the Universal Declaration of Human Rights and both United Nations covenants on human rights, the ILO's core labor standards, the OECD Guidelines for Multinational Enterprises, the German Corporate Governance Code, and the German Sustainability Code.</p> <p>For Bayer, sustainability means shaping the future successfully. As part of the corporate strategy, it is an integral part of our day-to-day work routines.</p> <p>Global social challenges form the basis of our business and are focal points of our mission "Bayer: Science For A Better Life." We use our innovative ability to combine commercial success by creating business opportunities for our company with the sustainable orientation of our business, thereby creating social benefits for all stakeholders. We realize our goal of balancing environmental and social responsibility with corporate interests through the following elements:</p> <ul style="list-style-type: none"> ■ Our business <ul style="list-style-type: none"> Group strategy & subgroups' business strategies addressing global social challenges Our innovative strength that both opens up new business opportunities for us and enables us to generate economic, ecological and social benefit ■ Our "license to operate" <ul style="list-style-type: none"> Responsible business practices and consideration of the expectations of our stakeholders lay the foundation for our business operations. <p>A key element of our sustainability strategy is central management and strategic anchoring of the issue at the Management Board level. Professor Plischke is the Board member whose position explicitly includes sustainability. The Corporate Center department Environment & Sustainability, headed by Dr. Wolfgang Grosse Entrup, reports directly to him in his function as the company's highest ranking sustainability officer. Dr. Grosse Entrup also chairs the Sustainable Development (SD) Committee that steers the operational implementation of sustainability within the company. This committee is comprised of top-ranking sustainability officers in the subgroups, together with the heads of Corporate Development, Communications and Human Resources & Organization.</p>	<p>p. 10</p> <p>p. 46f. front cover (reporting profile)</p> <p>p. 8-10</p> <p>p. 8-9</p> <p>p. 10</p>

Component	Content in our Sustainable Development Report (COP) including online supplement and Annual Report	Reference pages and links
Robust management policies and procedures	<p>Responsible business practices form the foundation of our operational business and are our "license to operate." Bayer attaches great importance to responsible practices in the areas of compliance, human resources policy, product stewardship, health, safety and environmental protection, and supplier management. These issues are anchored in our business operations through internal Group management regulations.</p> <p>These regulations include above all our Sustainable Development Policy, our Human Rights Position including labor conditions, the Corporate Compliance Policy, the Responsible Marketing & Sales Policy, our Supplier Code of Conduct, and official Group positions on topics such as process and plant safety, climate change and water.</p> <p>Regarding HSEQ (health, safety, environmental protection and quality) our goal is to achieve an appropriate and consistently high standard throughout the Bayer Group worldwide and to steadily improve it. To meet this goal, the company has established HSEQ management systems in all subgroups and service companies that are based on recognized international standards and are regularly reviewed and updated. The boards of management / executive boards of the respective subgroups and service companies and the corresponding line organizations bear operational responsibility for HSEQ.</p> <p>Targets and indicators serve to operationalize our sustainability strategy. To further integrate sustainability into our business activities, the Group committees responsible for sustainability defined ambitious Targets 2015 (target climate protection until 2020) all along the value chain. We document these targets target 2015 in the Performance Report of our SD Report.</p> <p>In addition to these Group-wide committees and targets, our subgroups, regions and countries have created organizational structures focused on specific relevant issues, targets and measures.</p> <p>We report a set base of ESG (incl. HSE) KPIs in the management report of our Annual Report as well as in our annual SD Report. They are supplemented by Performance Indicators.</p> <p>Our reporting is aligned to the G3.1 guidelines of the Global Reporting Initiative (GRI). We cover all financial and non-financial core indicators corresponding to GRI level A+ including additional indicators.</p> <p>The management of opportunities and risks at Bayer is an integral part of the Group-wide corporate governance system, not the task of one particular organizational unit. Sustainability aspects are included in risk management at Bayer because they play a part in safeguarding the company's value. Along with excellent product quality and corporate compliance, they form the basis for the long-term sustainability of our business operations and business success.</p> <p>Our ongoing training program for employees comprises a wide range of work-related programs. Group focuses are on corporate compliance, human rights, supplier management / Supplier Code of Conduct, and process and plant safety.</p> <p>Since 1994 Bayer has been committed to the voluntary Responsible Care™ initiative of the chemical industry, which was globalized in 2006 through the Responsible Care Global Charter. We cover all main elements of the charter with our above-mentioned HSEQ management systems and activities.</p> <p>We also support the Global Product Strategy (GPS), which aims to ensure the safe handling of chemical products. In addition, we participate in the further development of scientific risk assessment through associations and political initiatives. More information on our international product safety activities is available in the online report.</p>	<p>p. 9-10</p> <p>p. 63-65</p> <p>front cover Targets 2015</p> <p>p. 22ff.</p> <p>front cover; Annual Report, p. 140</p> <p>back cover: short version GRI Index; GRI long version: weblink 4</p> <p>p. 25</p> <p>p. 23f., 31, 53f., 66, weblink 118, 128</p> <p>p. 36, 44, 53, 55, 64</p> <p>p. 36, 44</p>

Component	Content in our Sustainable Development Report (COP) including online supplement and Annual Report	Reference pages and links
Mainstreaming into corporate functions and business units	<p>In his function as CSO (Chief Sustainability Officer), Prof. Plischke, member of the Management Board, is supported by the steering body for sustainability in the Group, the SD Committee, which oversees the implementation of the sustainability strategy across the Group. This also applies to the sustainability-relevant targets, Group regulations and management systems. As the interface between stakeholder interests and Board decisions, the committee assumes an important management role at Bayer. The exchange of information – including dialogue across departmental boundaries – takes place with the other committees for the areas of Health, Safety, Environmental Protection, Quality (HSEQ); Innovation; Industrial Operations; Technology; and Public and Governmental Affairs. The Sustainable Development Report documents the results annually.</p> <p>In addition to these Group-wide committees, our subgroups, regions and countries have created organizational structures focused on specific relevant issues, targets and measures.</p> <p>The integration of sustainability at Bayer at Group level, in general and regarding sustainability in particular, and at subgroup and service company level (including regions and countries) is presented on the internet.</p> <p>The Bayer Sustainability Program launched in 2009 put our sustainability strategy into practice. Its lighthouse projects in the areas of sustainable health care provision, high-quality nutrition, and protection of the climate and natural resources have become well established. The initiatives supported by Bayer HealthCare range from the provision free of charge of medicines to a family planning project with economic implications that contributes to regional value added. Food Chain Partnerships have become a Bayer CropScience business model. And the STRUCTese™ energy management system developed by Bayer MaterialScience together with Bayer Technology Services has already resulted in significant energy savings and CO₂ reductions. You will find detailed information on the targets we have set ourselves in our lighthouse projects and on the results and measures implemented in the year under review in our online report (weblink 8).</p>	<p>p. 10</p> <p>(see also: Full coverage and integration across principles)</p> <p>p. 6-7 weblink 41</p> <p>p. 8f., 11f., 16, 17, 55 weblink 8</p>

Component	Content in our Sustainable Development Report (COP) including online supplement and Annual Report	Reference pages and links
Value chain implementation	<p>The comprehensive assessment of risks to health and the environment along the entire value chain of a product – from research and development through production, marketing and use by consumers to disposal – is a cornerstone of our sustainability strategy. The safe handling and use of our products lie at the focus of our activities, which also include transparent communication and distribution of our product safety information. Our sustainable actions include not just compliance with statutory requirements, but also our voluntary efforts.</p> <p>We implement regulations and voluntary programs pertaining to chemicals. Since 2007 we have operated in accordance with the new European chemicals regulation REACH, which applies irrespective of the marketing activities for all substances that we produce or import in quantities of more than one metricton. It affects all our activities as a manufacturer, importer and user. To adequately address the scope and complexity of the REACH requirements, we have formulated Group-wide and subgroup-specific directives.</p> <p>We also support the Global Product Strategy (GPS), which aims to ensure the safe handling of chemical products. In addition, we participate in the further development of scientific risk assessment through associations and political initiatives. More information on our international product safety activities is available in the online report (weblink 73 and 75).</p> <p>Sustainability-based supplier management is strategically important for Bayer's success as a company. To minimize potential sustainability-relevant risks originating from our distribution channels, we integrate our suppliers into our risk management system. We strive to achieve responsible conduct throughout our entire supply chain, as we want to enter into stable and long-term relationships with our business partners. This cooperation is based on our Supplier Code of Conduct, in which we document our sustainability principles and requirements.</p> <p>Supplier self-assessments and audits are used to check whether the demands made by the Bayer Supplier Code of Conduct are being implemented and complied with along the supply chain. Through various initiatives worldwide, such as a supplier day in Finland and the presentation of the BayBuy Awards in India, we want to create growing awareness among our suppliers about sustainability.</p> <p>To effectively address the wide-ranging challenges of a sustainable supply chain and identify synergies, we continued to pursue joint approaches in 2012 in the Pharmaceutical Supply Chain Initiative and the "Together for Sustainability" (TfS) chemical industry initiative, which Bayer co-founded in 2012. Supplier self-assessments and auditing worldwide are to be standardized, among other things in order to harmonize the request of sustainability-related information, especially for suppliers.</p> <p>Regarding REACH for example: as Bayer also uses products from other manufacturers, we maintain close contacts with our suppliers and ensure that they confirm compliance with REACH for these products.</p> <p>Our conduct toward customers is also characterized by responsibility. The long-term success of our company is crucially dependent not just on the provision of innovative products, but also on a partnership-based relationship with – and a high level of satisfaction on the part of – our customers. In our view, products that satisfy customer demands while at the same time providing a societal benefit are the key to sustainability. Due to our highly diversified business activities, our resulting widely varying product range and the customer structure, the three Bayer subgroups have put in place both specific systems for measuring customer satisfaction and their own complaint management systems.</p> <p>In our Corporate Compliance Policy, the Group Management Board outlines the company's clear commitment to corporate compliance and specifically states that it will forego any business that involves violating these principles. This policy contains, for example, commitments to fair competition, integrity in business dealings (i.e. zero tolerance for corruption), the principle of sustainability and product stewardship, the upholding of foreign trade laws and insider trading laws, proper record-keeping and transparent financial accounting, fair and respectful working conditions, and avoidance of all forms of discrimination.</p> <p>Bayer plans the introduction of COMPASS (COMpliant Partnership And Sincere Services) which is another step toward the implementation of globally recognized compliance standards. This program is designed to examine selected Bayer business partners with regard to the observation of compliance requirements. This monitoring, also known as third party due diligence, was tested in a pilot project undertaken in five countries on four continents in July and August 2012. The pilot phase already examined some 200 business partners overall and involved around 100 employees. A second pilot project is being planned.</p> <p>Our ongoing training program for employees comprises a wide range of work related programs. Group focuses are on corporate compliance, human rights, supplier management / Supplier Code of Conduct, and process and plant safety.</p>	<p>p. 35ff., weblink 69, 73, 75</p> <p>p. 36</p> <p>p.36, 44</p> <p>p. 29-31</p> <p>p.30</p> <p>p.36</p> <p>weblink 52</p> <p>p. 23-25</p> <p>p. 24</p> <p>p. 23f., 31, 53f., 66, weblink 118, 128</p>

Dimension 2: Taking Action in Support of Broader UN Goals and Issues

Component	Content on our Sustainable Development Report (COP) including online supplement and Annual Report	Reference pages and links
Core business contribution to UN Goals and Issues		
Align core business strategy with one or more relevant UN goals / issues.	<p>To safeguard the existence of our company in the long term in the face of global challenges, we are working on solutions for the future that drive forward sustainable development and our own business at the same time. In our three subgroups – Bayer HealthCare, Bayer CropScience and Bayer MaterialScience – we possess a product portfolio that addresses some of the most urgent challenges affecting the provision of health care, the safeguarding of food supplies and the protection of the climate. Responsible business practices are our obligation: potential negative effects of our business activity on people and the environment must be limited.</p> <p>Our Sustainability Program as part of our sustainability strategy offers solutions to major social challenges such as sustainable health care, high-quality nutrition for a growing world population, and protection of the climate and natural resources. With our activities to address these overarching social needs, we also pursue long-term company objectives. We thus help not only to solve global challenges, but also to open up the markets of the future with the help of innovative products and technologies.</p> <p>Our “Family Planning” project, for example, addresses three of the eight Millennium Development Goals of the United Nations (UN): strengthening equal opportunities, reducing child mortality and improving health care for mothers. Another UN Millennium Development Goal is to tackle serious tropical diseases. Bayer concentrates primarily on neglected tropical diseases, working closely with the WHO in this regard.</p>	<p>p. 8-10</p> <p>front cover, p. 8-10, weblink 2</p> <p>p. 12</p>
Develop relevant products and services or design business models that contribute to UN goals / issues.	<p>In 2012 13 pharmaceutical companies including Bayer, the governments of the United States, the United Kingdom and the United Arab Emirates, the Bill & Melinda Gates Foundation, the World Bank and several global health organizations therefore initiated the largest ever campaign to tackle neglected tropical diseases. The goal of this London Declaration on Neglected Tropical Diseases is to contain or, if possible, eliminate 10 tropical diseases by 2020. The various companies’ commitments reflect their respective areas of expertise.</p> <p>The products and services of Bayer CropScience focus on key areas to improve the productivity and sustainability of agriculture and to safeguard the supply of food. The goal is to identify the needs of our customers and to develop innovative and sustainable solutions for the entire value-added chain (from seed to shelf).</p> <p>As part of the Asian-German Better Rice Initiative (AGBRI), Bayer CropScience aims to contribute to improving food safety by improving rice production. The initiative was launched in Berlin in January 2013, and is part of the German Food Partnership (GFP) founded in July 2012. Along with other partners from industry, the partnership also includes the German Society for International Cooperation (GIZ), the International Rice Research Institute (IRRI), the Global Alliance for Improved Nutrition (GAIN) and the German Institute for Development Policy (DIE).</p>	<p>p. 12</p> <p>p. 14f.</p> <p>p. 41</p>
Adopt and modify operating procedures to maximize contribution to UN goals / issues.	<p>Bayer is also involved in several anti-malaria projects. We are committed to supplying the population at risk with highly efficient impregnated mosquito nets. Deltamethrin, an active ingredient recommended by the WHO, is incorporated in the LifeNet™ developed by Bayer, which is made of soft yet highly tear-resistant polypropylene.</p> <p>At the end of 2007 Bayer launched an ambitious Climate Program involving all sub-groups as part of the company’s sustainability strategy. We want to rigorously continue along this path and tightened our longer-term climate objectives for greenhouse gas reduction. We are also conducting research into stress-resistant plants. Agricultural plants will in the future need to be better equipped to deal with the effects of climate change. Drought tolerance is one important example. A large proportion of the world’s greenhouse gases are emitted during food production. By breeding stress-resistant plants and with suitable crop protection systems, Bayer CropScience is helping to generate better yields without increasing emissions in spite of difficult climatic conditions.</p> <p>Anti-Corruption see p. 23ff.</p> <p>Supply Chain Management see p. 29ff.</p> <p>For many years, Bayer CropScience has taken resolute and systematic action against child labor in our hybrid seed supply chain in India with its Child Care Program. We see children’s education as being the key to securing a lasting improvement in the living conditions of the families affected.</p> <p>Child Care Program : http://www.childcareprogram.bayercropscience.com</p>	<p>p.13</p> <p>p. 56-58</p> <p>p. 15</p> <p>p. 32</p>

Component	Content on our Sustainable Development Report (COP) including online supplement and Annual Report	Reference pages and links
Strategic Social Investments and Philanthropy		
Pursue social investments and philanthropic contributions that tie in with the core competences or operating context of the company as an integrated part of its sustainability strategy	<p>Social commitment is an established part of Bayer's sustainability strategy and corporate policy. We consider ourselves part of society and see our commitment as living up to the role of a good corporate citizen. We view the promotion of worthy causes in the areas of education and research (incl. the activities with regard to environment and nature), health and social needs, and sports and culture as a long-term investment into society's future and as a contribution to a positive business environment. The Bayer Group's social commitment is shaped by our three foundations: the research-oriented Bayer Science & Education Foundation, the Bayer Cares Foundation, our foundation for the promotion of independent social initiatives, and the U.S.-based Bayer USA Foundation. Our subgroups and national companies also run their own projects. In 2012 Bayer spent around €49 million within the scope of our social commitment.</p> <p>We steer the selection of our projects with three indicators: "social relevance," "coverage of concrete demand" and "thematic proximity to the company's fields of expertise." In all activities, we focus on countries in which Bayer is represented and on areas that are of relevance to our subgroups and their areas of business. In addition to financial support, we aim to specifically contribute our technological and economic expertise and the involvement of our local employees.</p>	<p>p. 67-68, www.bayer-foundations.com or</p> <p>www.bayerus.com/foundation/foundation_home.aspx</p> <p>weblink 148</p> <p>p. 67</p>
Coordinate efforts with other organizations and initiatives to amplify – and not negate or unnecessarily duplicate – the efforts of other contributors.	<p>All project sponsoring is subject to the provisions of a Group-wide directive that establishes a framework for its content-related and strategic alignment, as well as for the proper handling of our funds.</p> <p>Moreover, no one can solve the current global challenges of sustainable development on their own. As the problems are closely interlinked, the solutions must be as well. For this reason, effective cooperation between stakeholders is needed. This is an important reason why constructive dialogue and concrete cooperation with a large number of engaged stakeholders are so important at Bayer.</p> <p>What are needed are effective collaborations between countries, multilateral organizations, non-governmental organizations (NGOs), the scientific community and industry. We can only be successful in the long term through cooperation and through conduct that is commensurate with the requirements of our stakeholders. It is in our own interest to consistently align our portfolio to the challenges of the future and systematically pursue partnership-based collaborations that bring us closer to finding joint solutions.</p> <p>The problem of inadequate health care in many countries will not be solved by individual companies and organizations acting alone, though, so a key focal point of our commitment is long-term cooperation with recognized aid organizations and international bodies.</p>	<p>p. 26f.</p> <p>p.11</p>
Take responsibility for the intentional and unintentional effects of funding and have due regard for local customs, traditions, religions, and priorities of pertinent individuals and groups.	<p>As part of its ongoing aid programs, Bayer HealthCare, for example, again supported the World Health Organization (WHO) in 2012 in the fight against neglected tropical diseases and multi-resistant tuberculosis in China.</p> <p>To secure a sustainable global supply of food, we are extending partnerships – leveraging the potential of collaboration in modern agriculture. We are looking to achieve close cooperation with agricultural partners and stakeholders.</p> <p>As part of our global cooperation with the United Nations Environment Programme (UNEP), which started in 2004, we organized a number of environmental projects for young people and children in 2012.</p> <p>As an international company, Bayer supports economic and social development in various ways in many parts of the world. We base our activities on where our customers are located, maintain production sites in all regions, invest in research and development, create jobs, forge supplier relationships and implement social needs activities at our sites around the world. Also, our purchasing volume represents a substantial economic development factor in many regions. In addition to business relations with customers and suppliers, Bayer also implements targeted social needs activities at its sites around the world.</p>	<p>p. 11-13</p> <p>p. 14, 28, 41</p> <p>p. 68</p> <p>p. 27-29</p>

Component	Content on our Sustainable Development Report (COP) including online supplement and Annual Report	Reference pages and links
Advocacy and Public Policy Engagement		
Publicly advocate the importance of action in relation to one or more UN goals / issues.	<p>With a number of initiatives and partnerships Bayer supports UN goals and topics like the MDGs, human rights, climate protection, food supply, the fight against corruption and maintaining biodiversity. See also Dimension 2: Core business contribution to UN Goals and Issues.</p> <p>In the past Bayer CEOs were involved in numerous activities with public recognition to promote UN goals and issues: Bayer is a founding member of the UN Global Compact and a founding member of UN Global Compact LEAD initiative. See also CEO Commitment and Leadership</p> <p>Bayer executives have participated in key summits, conferences, and other important public policy interactions in relation to one or more UN goals / issues, such as:</p> <p>International Dialogue on Population and Sustainable Development, an annual two-day international conference that has taken place in Berlin since 2002 and is organized by Bayer HealthCare together with a number of development policy organizations. The issues are developed together with partners and other protagonists;</p> <p>High-level support for World Contraception Day;</p>	weblink 52 (stakeholder dialogue)
Commit company leaders to participate in key summits, conferences, and other important public policy interactions in relation to one or more UN goals / issues.	<p>The New Vision for Agriculture initiative, led by the Consumer Industries Community of the World Economic Forum, works to develop a shared agenda for action and foster multistakeholder collaboration to achieve sustainable agricultural growth through market-based solutions. Bayer CropScience AG is one of the partner companies;</p> <p>UNEP SBCI conference with Patrick Thomas, CEO of Bayer MaterialScience, as KeyNote Speaker;</p> <p>German Food Partnership (GFP) initiative: "Innovation and partnerships are needed to achieve food security," said Bayer CropScience CEO Liam Condon at a high-level press conference with Dirk Niebel, German Minister for Economic Cooperation and Development, and Bill Gates, Co-Chair and Trustee of the Bill & Melinda Gates Foundation, in Berlin, Germany in January 2013.</p> <p>Participation in the 39th Full Conference of the Committee for World Food Security (CFS) of the Food and Agriculture Organization (FAO) of the United Nations in Rome, Italy, in October 2012, with an exhibition booth and discussions involving some 2,000 participants.</p>	p. 28

Component	Content on our Sustainable Development Report (COP) including online supplement and Annual Report	Reference pages and links
Partnerships and Collective Action		
<p>Develop and implement partnership projects with public or private organizations (UN entities, government, NGOs, or other groups) on core business, social investments and/or advocacy.</p>	<p>In recent years, society has become much more aware of the importance of sustainability. A wide range of groups, e.g. consumers, job applicants and investors, attach importance to sustainability in global economic growth. They expect companies to make a substantial contribution to this goal. Bayer works with a broad range of partners and non-governmental organizations (NGOs) worldwide. We also cooperate with research institutes and universities, other companies and private and public institutions. In all these partnerships, the various partners bring their specific strengths and expertise to bear, thus ensuring valuable results.</p> <p>We are convinced that no one can solve the global challenges of sustainable development alone. As the problems are closely interlinked, the approaches taken to solve these must be as well. What are needed are effective collaborations between countries, multilateral organizations, non-governmental organizations (NGOs), the scientific community and industry. That is why Bayer places great value on constructive dialogue and specific cooperation with a large number of dedicated stakeholders.</p> <p>As part of its "Access to Medicine (ATM)" strategy, Bayer HealthCare is cooperating with a number of private and state organizations. For example, we are involved in joint projects with the United Nations Population Fund and the United States Agency for International Development (USAID).</p> <p>Cooperation in the area of reproductive health with the United Nations Population Fund (UNFPA), increasing deliveries of contraceptives together with partners (e.g. USAID, UNFPA, IPPF)</p> <p>One UN Millennium Development Goal is to tackle serious tropical diseases. Bayer concentrates primarily on neglected tropical diseases, working closely with the WHO in this regard.</p> <p>Bayer CropScience is also committed to partnerships and collaborations, including public-private partnerships. Our partners include the German Society for International Cooperation (GIZ), the World Economic Forum (WEF), the International Rice Research Institute (IRRI), Australia's national research organization CSIRO and many other regional partners.</p> <p>At the initiative of the Friedrich Ebert Foundation, Geneva, and the Geneva Peacebuilding Platform, and in cooperation with the UN Peacebuilding Support Office and the PeaceNexus Foundation, Bayer CropScience in November 2012 took part in the Conference on the Conflict Prevention in the Context of Large-Scale Business Investments.</p> <p>Bayer CropScience aims to help increase agricultural productivity in Africa. The key to rural development and affluence in Africa, however, is public-private partnerships – in other words, cooperation between local governments, farmers' associations and cooperatives, non-governmental organizations, agricultural supplier industries, and banks and insurance companies.</p>	<p>p. 8-10</p> <p>p. 11f., weblink 8</p> <p>p. 14ff., weblink 8</p> <p>weblink 52</p> <p>p. 15f., 28f., 31, weblink 52</p>
<p>Join industry peers, UN entities and/ or other stakeholders in initiatives that contribute to solving common challenges and dilemmas at the global and/or local levels with an emphasis on initiatives that extend the company's positive impact on its value chain.</p>	<p>The AGCO Africa Summit, for example, was a joint initiative of AGCO, and DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH. The objective is to promote international dialogue to encourage global businesses to invest in the future of Africa.</p> <p>Bayer is also supporting the Sustainable Buildings and Climate Initiative of the UN Environment Programme (SBCI) as part of its EcoCommercial Building Program. In the future, research collaborations will play an even bigger role, especially with a view to energy efficiency in the material sector and the adjustment to climate change in the fields of agriculture and vector control.</p> <p>Bayer MaterialScience's EcoCommercial Building (ECB) Program was given the accolade of "Best Practice of Global Green Building." The prize was awarded by the Global Forum on Human Settlements (GFHS).</p> <p>Our commitment to sustainable development is expressed by our active participation in important international initiatives and associations such as the</p> <ul style="list-style-type: none"> ■ UNGC Caring for Climate, ■ UNGC CEO Water Mandate (Bayer on the steering committee) ■ Responsible Care™ initiative of the of the chemical and pharmaceutical industry ■ World Business Council for Sustainable Development (WBCSD) ■ econsense, the German industry's sustainable development forum (Chairman of the Board: Head of Group Area Environment & Sustainability Corporate Center, Bayer) ■ Several UNEP forums: special UNEP collaboration in the area of youth and environment, Sustainable Buildings and Climate Initiative, Climate Neutral Network, constructive dialogue and support for environmentally committed youngsters, for example through our cooperation with UNEP, Young Environmental Envoys from 19 countries visited Bayer for a week again in November 2012 as part of our partnership with UNEP ■ World Economic Forum ■ World Environment Center and more <p>To effectively address the wide-ranging challenges of a sustainable supply chain and the constantly growing demands of stakeholder groups while at the same time identifying synergies, we joined the PSCI (Pharmaceutical Supply Chain Initiative) and founded together with other German MNEs the initiative "Together for Sustainability" (TfS). Among the goals are joint audits or an exchange of audit results.</p>	<p>weblink 52</p> <p>p. 65</p> <p>p. 28 weblink 20</p> <p>p. 18f., weblink 8</p> <p>p. 30</p>

Dimension 3: Engaging with the UN Global Compact

Component	Content on our Sustainable Development Report (COP) including online supplement and Annual Report	Reference pages and links
Local Networks and Subsidiary Engagement		
Contribute to the building and operating of at least one UN Global Compact Local Network and help elevate performance of other companies through training, mentoring, COP peer review, etc.	<p>As a globally operating company, we must and we intend to be a role model in our implemented values. Bayer was one of the first companies to join the United Nations Global Compact. We are expressly committed to its 10 principles, and also promote adherence to these principles as a signatory of the "Corporate Sustainability Leadership – LEAD" platform.</p> <p>Subsequent to the UNGC call for subsidiary engagement, we have encouraged our regional sustainable development coordinators to expand their local sustainability network by joining local UNGC networks, as did our colleagues in India, China and Brazil. We have already been actively engaged in the German local network for many years.</p>	front cover: Reporting profile, Editorial p. 3
Encourage subsidiaries to engage with UN Global Compact Local Networks and to participate actively in events and activities.	<p>Our annual Sustainable Development Report provides clear and concise information on all issues that we and our stakeholders consider to be of relevance for sustainability. In our report, we have endeavored to ensure maximum transparency, clarity of layout and ease of verification.</p> <p>Our reporting meets the requirements established in the internationally recognized G3.1 guidelines of the Global Reporting Initiative (GRI). It covers all financial and non-financial indicators corresponding to GRI level A+.</p>	front cover: Reporting profile
Publish sustainability information related to each individual subsidiary separately or reference it explicitly in the Communication on Progress of Corporate Headquarters.	<p>Our reporting is also based on the content of the 10 UNGC principles, on the Blueprint for Corporate Sustainability Leadership, and on the OECD Guidelines.</p> <p>We register the data of all relevant organizational units and companies worldwide within the scope of the Bayer Group's consolidated financial statements. The HSE data cover all companies in which we have a holding of at least 50 percent. The performance indicators of these companies are fully consolidated regardless of Bayer's share in them.</p> <p>Data on occupational injuries, transport accidents and environmental incidents are captured worldwide at all sites of subgroups and service companies. Environmentally relevant indicators are recorded at all production sites.</p> <p>The information in our Bayer Sustainable Development Report 2012 also serves as a communication on progress report on Bayer's implementation of the 10 principles of the UNGC and takes into consideration the Blueprint for Corporate Sustainability Leadership.</p> <p>We also report about relevant sustainability topics in our Annual Report. Sometimes regional reports are published, like for example in India or the Andean Region.</p> <p>An excerpt of our SD Report ("SD at a glance") is also published annually.</p>	external statement of verification, p. 69f. front cover: Reporting profile
Global and Local Working Groups		
Participate in relevant global or local working groups and share experiences, networks, tools and good practices with other UN Global Compact participants.	<p>Bayer is an active member of the UN Global Compact and UN Global Compact LEAD on a global as well as on a national level. Our representatives contribute to initiatives, working groups, webinars and symposia.</p> <p>In 2012 company representatives were actively engaged in a number of initiatives, task forces and symposia of UNGC and UNGC-LEAD, for example, such as the UNGC Rio+20 Corporate Sustainability Forum and the LEAD symposium in New York 2012</p> <p>German LEAD companies established an informal group to exchange experience.</p>	
Take active part in defining scope and objectives of new working groups when relevant.		www.annualreport2012.bayer.com

Component	Content on our Sustainable Development Report (COP) including online supplement and Annual Report	Reference pages and links
Issue-Based and Sector Initiatives		
Join and help advance one or more existing UN Global Compact initiatives, e.g. Caring for Climate, CEO Water Mandate, Women's Empowerment Principles, and Global Business Initiative on Human Rights.	Bayer joined the "Caring for Climate" initiative in 2008 and helps advance its goals. We further support the CEO Water Mandate which we signed at the end of 2008, having been represented on its Steering Committee since 2011. In cooperation with our stakeholders, we develop sustainable strategies for the use of water, implement appropriate solutions and report on the progress made. In December 2011 Bayer adopted a Water Position as part of its sustainability strategy.	p. 59
	In 2009 Bayer joined the UNEP Climate Neutral Network, which promotes industrial structures and societies with low CO ₂ emissions. To help reduce greenhouse gas emissions from buildings worldwide, Bayer is also supporting the UNEP Sustainable Buildings and Climate Initiative (SBCI) as part of its EcoCommercial Building Program. Bayer MaterialScience hosted the SBCI Annual General Meeting and the subsequent symposium in May 2011.	p. 19
Spearhead need-driven development of new issue-based or sector initiatives within the UN Global Compact and the wider United Nations.	Bayer's partnership with UNEP in the area of youth and environment, which has existed since 2004, has set standards in public-private partnerships.	p. 68
Promotion and Support of the UN Global Compact		
Advocate the UN Global Compact to business partners, peers and the general public.	Promoting the UN Global Compact idea is an integral part of our sustainability communication: we advocate the UNGC in our Group sustainability web pages, on our subgroup websites and regional Bayer websites, in presentations and speeches at national and international conferences and workshops, news releases, stockholders' newsletters.	www.sustainability.bayer.com
Encourage suppliers and other business partners to join the UN Global Compact, and take on a mentoring role on issues related to the initiative.	We promote adherence to the UNGC principles to a variety of international stakeholders also through our annual Sustainable Development Report. We refer to our UNGC commitment in communication with our customers, but also suppliers and analysts. In our Supplier Code of Conduct, for example, we refer to Bayer as a company seeking to modify operations and strategies to meet the 10 universally accepted principles in the areas of human rights, labor, the environment and anti-corruption and state that Bayer expects all of its suppliers to share the principles. Being a member of the UNGC gives credit to suppliers in an assessment.	p. 29
Participate in activities to further develop and strengthen the UN Global Compact.	For many years, we have contributed to both the UNGC International Yearbook and the Global Compact Germany Yearbook, which both showcase corporate sustainability through business practices.	

4. Blueprint Overlay: The Cross Cutting Components

Component	Content on our Sustainable Development Report (COP) including online supplement and Annual Report	Reference pages and links
CEO Commitment and Leadership		
<p>CEO publicly delivers explicit statements and demonstrates personal leadership on sustainability and commitment to the UN Global Compact</p>	<p>Bayer CEO Dr. Dekkers’ contribution to Business Roundtable Report 2013</p> <p>Create, Grow, Sustain: “Our mission, “Bayer: Science For A Better Life,” never ceases to motivate us. We work very hard every day to build on our position as a world-class innovation company. Our scientific achievements help to improve people’s lives by addressing some of the great challenges of our time – the growing world population, an aging society and the need to use natural resources more efficiently. Bayer’s focus is specifically on health care, agriculture and high-tech materials. Only through commitment to sustainable business and a great sense of responsibility in these areas can we gain societal acceptance for our innovations. Responsible business practices are our obligation, both to people and the environment.</p> <p>Innovation is Bayer’s driving force and the basis for our success. We believe in systematic use of innovative business models and partnerships. This way we provide ever more people with access to our products and open up new markets and growth opportunities, always with our consumers in mind. (...) Bayer is also a founding member of the United Nations Global Compact. This policy initiative for businesses is committed to aligning operations and strategies to meet 10 universally accepted principles in the areas of human rights, labor, the environment and anticorruption.</p> <p>In our business practices, we attach special importance to the areas of compliance, human resources, product stewardship, employee health, safety and supplier management. Furthermore, for us, sustainable corporate practices include social commitment. To safeguard the existence of our company in the long term in the face of global challenges, we are working on innovative solutions for the future that drive forward sustainable development and our own business at the same time. (...)”</p> <p>Bayer CEO Dr. Marijn Dekkers at the World Economic Forum in Davos talking about the UNGC LEAD initiative: “We are happy to meet the United Nations’ request to play an active role in this important UN initiative. At Bayer, sustainability is an integral part of the corporate strategy. With our products and know-how we want to make specific contributions to meeting global challenges such as health care, nutrition and climate change. The Global Compact provides an ideal forum for coming to an understanding on companies’ responsibility for sustainable development and for jointly devising new ways of implementing continuous improvements – and the LEAD platform is a suitable tool for setting standards.”</p> <p>“Sustainability is a key element of Bayer’s core business and this is true in more ways than one. Firstly, we are committed to managing our business sustainably, this means with the long term in mind and in balance with social and environmental needs. Secondly, our portfolio offers a variety of approaches to meet the major challenges of sustainable development throughout the world. Health care, nutrition, climate protection and resource efficiency are some of the biggest global challenges we are facing and they are becoming even more pressing as the world population steadily grows.</p> <p>Innovation is Bayer’s driving force and the basis for our success as an inventor company. For us, innovation is what drives sustainability, too. That’s why we make systematic use of innovative business models and partnerships, providing to more and more people access to our products and opening up new markets and growth opportunities. For example, we are working with the international aid organization USAID in Africa to enable women to make use of contraceptives.</p> <p>In the future, food supplies will depend to a greater extent on managing the entire food chain sustainably. This is precisely what we are already doing, for example, in the cultivation of vegetables in India, where we are helping farmers meet the increasing quality requirements of retailers and consumers.</p> <p>Climate change and limited natural resources make energy efficiency a key tool for effective climate protection and an important competitive factor. We are constantly committed to enhancing the energy efficiency of our production processes, which means cutting CO₂ emissions and costs at the same time. We are also offering the market innovations, such as a new chlorine production technology that reduces energy use by 30 percent. What is still too little known is the role chemical products play as problem solvers in our daily lives. For example, high-tech plastics in building insulation help save 70 times the energy used in their production.</p> <p>In our business practices, we attach special importance to the areas of compliance, human resources, product stewardship, employees’ health, safety and supplier management. For us, sustainable corporate practices also include open dialogue with all stakeholders and social commitment.</p> <p>It is especially important to me that we live and breathe the principle of sustainability. This is a constant in Bayer’s corporate culture and closely linked to our mission: Science for a Better Life.”</p>	<p>Dr. Dekkers in the Business Roundtable Report 2013</p> <p>Bayer CEO Dr. Dekkers, World Economic Forum, Davos 2011</p> <p>Dr. Dekkers in the Business Roundtable Report 2012</p>

Component	Content on our Sustainable Development Report (COP) including online supplement and Annual Report	Reference pages and links
CEO promotes initiatives to enhance sustainability of the company's sector and leads development of industry standards.	<p>Bayer CEOs have been involved in several activities promoting UN goals and issues: we are a founding member of the UN Global Compact (signatory former CEO Dr. Schneider), CEO Statement 60th Anniversary of The Universal Declaration of Human Rights (signatory former CEO Werner Wenning), CEO Water Mandate and Caring for Climate (signatory former CEO Werner Wenning), founding member of UN Global Compact LEAD (signatory CEO Dr. Dekkers)</p> <p>Sustainability in our subgroups and service companies: e.g. quotations with regard to sustainability by all CEOs of our subgroups</p> <p>The compensation of the Board of Management and the Supervisory Board at Bayer complies with legal requirements, including German legislation on the appropriateness of the compensation of members of management boards (VorstAG). In addition, Bayer also follows the recommendations of the German Corporate Governance Code as regards the compensation of the Board of Management and Supervisory Board. In 2012 the compensation of the Board of Management again basically comprised five components. Safety, compliance and sustainability aspects are also taken into consideration in the calculation of the short-term variable compensation and part of the long-term variable compensation. More information about the Compensation Report can be found on page 124ff. of the Annual Report 2012.</p>	p. 6f.
CEO leads executive management team in development of corporate sustainability strategy, defining goals and overseeing implementation.	<p>For Bayer, sustainability essentially means future viability and is therefore an integral part of our business strategy. The goal of our sustainability strategy is clearly defined: we want to create both business opportunities for our company and generate economic, ecological and social benefit through sustainability.</p>	p. 23 p. 8-10
Make sustainability criteria and UN Global Compact principles part of goals and incentive schemes for CEO and executive management team.	<p>Together with our value concept LIFE, our mission forms the basis of our sustainable actions. The Bayer Sustainable Development Policy formulates our common understanding of sustainability that applies to all subgroups and service companies worldwide. This SD Policy is based upon the Bayer Group values and leadership principles. It is supported by commitments, e.g. to the Responsible Care Global Charter and the UN Global Compact. In the preamble to our Bayer Human Rights Position we refer to supporting the United Nations' Universal Declaration of Human Rights and a number of globally recognized declarations for multinational enterprises. We also fully endorse the principles of the United Nations Global Compact initiative. Promoting human rights standards internally and throughout all of Bayer's business operations is in line with our company's values and leadership principles and our Sustainable Development Policy. s. also Board Adoption and Oversight : Targets etc.</p>	
Board Adoption and Oversight		
Board of Directors (or equivalent) assumes responsibility and oversight for long term corporate sustainability strategy and performance.	<p>A key element of our sustainability strategy is central management and strategic anchoring of the issue at the Management Board level. Professor Plischke is the Board member whose position explicitly includes sustainability. The Corporate Center department Environment & Sustainability, headed by Dr. Wolfgang Grosse Entrup, reports directly to him in his function as the company's highest ranking sustainability officer. Dr. Grosse Entrup also chairs the Sustainable Development (SD) Committee that steers the operational implementation of sustainability within the company. This committee is comprised of top-ranking sustainability officers in the subgroups, together with the heads of Corporate Development, Communications and Human Resources & Organization. The committee's tasks include identifying and evaluating sustainability-relevant opportunities and risks for the company, as well as establishing objectives, initiatives and suitable Group management regulations and monitoring their implementation.</p>	p. 10
Board establishes, where permissible, a committee or assigns an individual Board member with responsibility for corporate sustainability	<p>Targets and indicators serve to operationalize our sustainability strategy. To further integrate sustainability into our business activities, the Group committees responsible for sustainability defined ambitious Targets 2015 (target climate protection until 2020) all along the value chain. We document these targets in the Performance Report of our SD Report. In addition to these Group-wide committees and targets, our subgroups, regions and countries have created organizational structures focused on specific relevant issues, targets and measures.</p>	front cover
Board (or committee), where permissible, approves formal reporting on corporate sustainability (Communication on Progress).	<p>Prof. Plischke and Dr. Grosse Entrup are also responsible for the final approval of the Bayer Sustainable Development Report.</p>	p. 22f.

Component	Content on our Sustainable Development Report (COP) including online supplement and Annual Report	Reference pages and links
Stakeholder Engagement		
Publicly recognize responsibility for the company's impacts on internal and external stakeholders.	<p>As a socially engaged, globally operating company, we know that open and transparent dialogue with all our stakeholder groups is essential. We are convinced that we cannot achieve long-term acceptance for our business activities without this regular discourse with our stakeholders. We therefore seek targeted dialogue with our stakeholders at the local, national and international levels. What are needed are effective collaborations between countries, multilateral organizations, non-governmental organizations (NGOs), the scientific community and industry. That is why Bayer places great value on constructive dialogue and specific cooperation with a large number of dedicated stakeholders. We can only be successful in the long term through cooperation and through conduct that is commensurate with the requirements of our stakeholders. This dialogue with our stakeholders reveals among other things potential for development and leads to specific research and development projects.</p> <p>We take account in our sustainability strategy of the expectations of our stakeholder groups. This basic understanding includes above all the efforts on behalf of our employees, the discourse between industry, the scientific community, society and politicians and our social needs activities.</p>	p. 26f., weblink 52
Define sustainability strategies, goals and policies in consultation with key stakeholders.	<p>The interests of our stakeholders are not always identical with those of the company. Rather, they occasionally harbor a certain potential for conflict against the background of which Bayer must find flexibility in decision-making. Our dialogue with our stakeholders is aimed at establishing mutual understanding and trust by enabling all parties involved to voice their positions. Dialogue helps us to more clearly identify potential challenges and view them from various perspectives. We want cooperative and constructive dialogue to create value for all partners: the suggestions of our stakeholders serve as important impulses for our company and help us to avoid risks, as well as to recognize at an early stage both trends and markets – and thus also to define focus areas for our activities.</p> <p>We regard systematic dialogue with our stakeholders as the essential global basis for building mutual understanding. In this way we want to create confidence in our activities. In discourse with representatives of our stakeholder groups, we openly explain viewpoints and courses of action to one another. Together, we identify challenges and analyze them from various perspectives. In part through regular surveys, we determine which issues are particularly important to our stakeholders.</p>	
Consult stakeholders in dealing with implementation dilemmas and challenges and invite them to take active part in reviewing performance.	<p>To systematically involve our stakeholders, we use a manual that describes the Bayer stakeholder engagement process. The process demonstrates how – throughout the Group and on a project-by-project basis – stakeholder groups can be identified, their expectations cataloged and dialogue with them controlled. This process helps us perform sustainability activities even more intensively from a partnership-based dialogue point of view.</p> <p>In our online report 2012 (weblink 52) an overview of our engagement with various stakeholder groups and on various topics drawing on examples from 2012 can be found. We regularly analyze the suggestions and expectations of external and internal stakeholders as part of stakeholder dialogues and surveys to compare the pertinence of sustainability-relevant issues for our stakeholder groups with that of our own assessments. In this way, we can determine the areas in which our sustainability strategy requires further development and identify issues that we must focus on more clearly in the future. We document the comparison of external and internal priorities in a materiality matrix. Within the context of a stakeholder process, we examined, restructured and refocused this matrix in 2011 together with an international think tank. This process involved surveys of external stakeholders, internal stakeholder workshops at various levels, benchmarking and external analyses.</p>	weblink 52 p.26, 47f.
Establish channels to engage with employees and other stakeholders to hear their ideas and address their concerns, and protect “whistle-blowers”.	<p>In winter 2011, 328 external stakeholders such as suppliers, customers, financial market participants and individuals from the political and scientific communities took part in our online survey. Among other things, we asked about key sustainability issues for Bayer, our performance in these areas and an assessment of our sustainability reporting. For more information, see page 92: www.sustainability2011.bayer.com/en/Sustainable-Development-Report-2011.pdf.</p> <p>Bayer conducted a major employee survey in 2012. More than 70 percent of all Bayer employees worldwide participated. More information can be found on p. 47f. and in our Online-Report (weblink 52).</p> <p>Reporting channels for suspected cases of compliance (anti-corruption), human rights etc. violations are the central compliance hotline* and mail address, the additional local hotlines of the country organizations, the compliance officers and Bayer's Corporate Auditing Department. *Hotlines that also allow anonymous reporting have been set up worldwide.</p>	p. 25, 47

Component	Content on our Sustainable Development Report (COP) including online supplement and Annual Report	Reference pages and links
Transparency and Disclosure		
Share sustainability information all interested parties and respond to stakeholder inquiries and concerns.	Our Sustainable Development Report provides clear and concise information on all issues that we and our stakeholders consider to be of relevance for sustainability. Our reporting meets the requirements established in the internationally recognized G3.1 guidelines of the Global Reporting Initiative (GRI) and covers all financial and non-financial indicators corresponding to GRI level A+. Our reporting is also based on the content of the 10 principles of the UN Global Compact (UNGC), on the Blueprint for Corporate Sustainability Leadership, and on OECD guidelines.	inside front cover: Reporting Profile
Ensure that Communication on Progress covers all aspects of the Leadership Blueprint and utilize, where appropriate, the Global Reporting Initiative framework.	The concerns of our business partners and employees, together with those of stockholders, non-governmental organizations, suppliers, authorities and the general public, form the basis of our reporting. They provide us with crucial impetus for our sustainability strategy. We publish further information about sustainability issues on the internet. The information in our SD Report 2012 also serves as a progress report on implementation of the 10 UNGC principles and takes the Blueprint for Corporate Sustainability Leadership into consideration. The report has been approved by the Board.	p. 9, 26, weblink 52 www.sustainability.bayer.com, Bayer subgroup websites
Integrate Communication on Progress into annual financial report or publish them together.	Sustainability – which to us essentially means future viability – forms an integral part of our business strategy. Therefore sustainability is an integral part of the management report in our Annual Report.	www.annualreport2012.bayer.com p.133-147
Secure external verification of Communication on Progress or seek other methods for legitimization by external stakeholders.	In the future, we also want to take into account the integration of sustainability in the corporate strategy in our Group reporting. From 2014 onward, we will therefore be combining our annual financial and sustainability reporting in an integrated report. Bayer's goal here is to give its stakeholders a more comprehensive and informative picture of the company's current and future value-adding potential. The auditing company PricewaterhouseCoopers reviewed the data capture process and statements made in the entire SD Report, both the printed version and the additional online content, to verify that they are consistent, appropriate and plausible.	p.10 p. 69f.
	A GRI statement and GRI Index with reference to the UNGC principles can be found in the report. The detailed version of the GRI Index can be found online as well as the UNGC Progress Report.	back cover, weblink 3 and 4