



Compensation Report

2021

Compensation Report

1. Foreword by the Chairman of the Supervisory Board

On behalf of the Supervisory Board of Bayer AG, I would like to thank you, our stockholders, for your continued support, and our employees for their tremendous dedication. The lingering effects of the COVID-19 pandemic remained evident in many areas of our lives last year. However, thanks to the successful development of effective vaccines, life returned somewhat to normal in many parts of the world. Taking the right steps and strategic decisions during 2020 provided a strong foundation to build on, and we were able to meet and in some cases exceed our targets for 2021. We are deeply proud of the dedication and solidarity shown by our employees, who met our customers' needs despite the challenges presented by COVID-19. As part of this report on the compensation of the Board of Management and the Supervisory Board in 2021, I would like to highlight some of the key events of last year.

Stricter requirements for Board of Management compensation and reporting changes due to ARUG II

The requirements that our stockholders, policymakers and the public place on how we design and disclose the compensation of our Board of Management and Supervisory Board have increased. We satisfy these requirements by employing a Board of Management compensation system that incentivizes the successful implementation of the corporate strategy and the sustainable development of the company, and is strongly aligned toward long-term value creation for our stockholders. The compensation system was approved by an overwhelming majority (94%) at our 2020 Annual Stockholders' Meeting. This Compensation Report provides transparent, specific information on compensation for 2021.

The turn of the year 2021 brought with it a change in the framework conditions for reporting on Board of Management and Supervisory Board compensation as the act transposing the second EU Shareholder Rights Directive into German law (ARUG II) came into effect. This is the first Compensation Report we have prepared according to the new regulatory requirements of Section 162 of the German Stock Corporation Act (AktG). We have deliberately opted to provide additional information that goes beyond the requirements of Section 162 AktG to ensure we provide you with the highest degree of clarity and transparency. The Board of Management and the Supervisory Board have therefore worked together to produce a Compensation Report that is as clear and easy to understand as possible, while observing all the regulatory requirements of Section 162 of the AktG.

Business performance and Board of Management compensation in 2021

As a leading life science company, Bayer is active in the fields of health and nutrition, and offers attractive, long-term growth, earnings and cash flow potential. Our strategy is geared toward successfully building and operating leading businesses in these fields of expertise.

The compensation system for the Board of Management is aligned toward the long-term development of our company. The key performance indicators included in the variable compensation components to evaluate the performance of Board of Management members are in close alignment with our strategy and the targets communicated to our stockholders. This ensures that our company offers the right financial incentives, while also establishing a clear link between the performance of the Board of Management and its compensation.

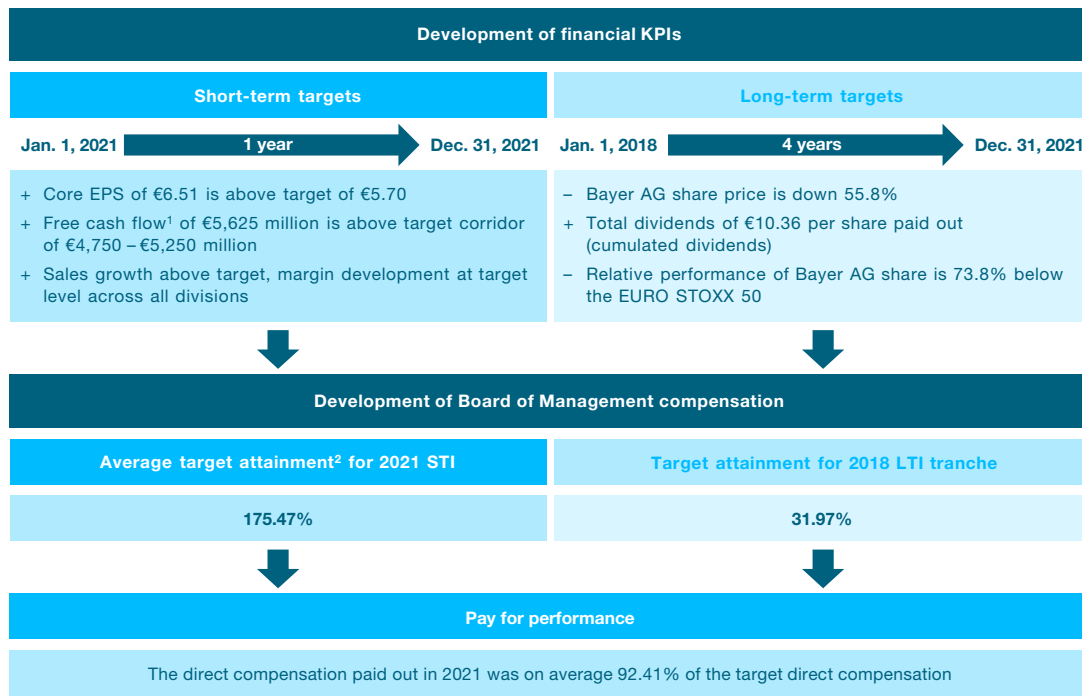
Board of Management Compensation System – Overview

Base salary	// Fixed								
Short-term incentive (STI)	<p>1-year performance period (cap: 200%)</p> <table border="1"> <tr> <td>1/3</td> <td>1/3</td> <td>1/3</td> <td rowspan="2"> × Individual performance/non-financial targets (0.8 – 1.2) </td> </tr> <tr> <td>Core EPS (Group level)</td> <td>Free cash flow (Group level)</td> <td>cEBITDA margin / Fx & p adj. sales growth (divisional level)</td> </tr> </table>	1/3	1/3	1/3	× Individual performance/non-financial targets (0.8 – 1.2)	Core EPS (Group level)	Free cash flow (Group level)	cEBITDA margin / Fx & p adj. sales growth (divisional level)	
1/3	1/3	1/3	× Individual performance/non-financial targets (0.8 – 1.2)						
Core EPS (Group level)	Free cash flow (Group level)	cEBITDA margin / Fx & p adj. sales growth (divisional level)							
Long-term incentive (LTI) Aspiré 3.0	<p>4-year performance period (cap: 250%)</p> <table border="1"> <tr> <td>40%</td> <td>40%</td> <td>20%</td> <td rowspan="2"> × Absolute share price development </td> <td rowspan="2"> + Dividend equivalent </td> </tr> <tr> <td>Relative TSR¹</td> <td>ROCE (Group level)</td> <td>Sustainability goals (Group level)</td> </tr> </table>	40%	40%	20%	× Absolute share price development	+ Dividend equivalent	Relative TSR ¹	ROCE (Group level)	Sustainability goals (Group level)
40%	40%	20%	× Absolute share price development	+ Dividend equivalent					
Relative TSR ¹	ROCE (Group level)	Sustainability goals (Group level)							
Pension plan²	// Since 2020, new hires receive a pension installment corresponding to 40% of their monthly base salary.								
Share Ownership Guidelines	// CEO: 200% of base salary // Other Board of Management members: 100% of base salary // Shares retained for duration of service on Board of Management plus additional two years								
Maximum total annual compensation pursuant to Section 87a AktG is set at €12m for the CEO and €7.5m for all other Board of Management members									

¹ Total shareholder return of the Bayer share; comparison with EURO STOXX 50 TR

² Change to pension plan does not apply to existing service contracts, in line with the Shareholder Rights Directive and the German Corporate Governance Code.

Development of Financial KPIs and Board of Management Compensation



¹ Free cash flow excluding payments made in connection with the settlement agreements concluded in the glyphosate, dicamba, PCB and Essure™ litigations (significant nonrecurring extraordinary effects)

² Average target attainment among Board of Management members





Additional considerations to the Supervisory Board’s approach to Board of Management compensation

Sustainability and ESG¹ are an integral part of our business strategy and our growth plans. The Supervisory Board supports the Board of Management’s strategy of setting ambitious and measurable sustainability targets. Bayer strives to improve people’s quality of life by promoting growth in underserved regions while at the same time reducing the ecological footprint through the sustainable use of resources. Our initiatives in this area are supported by the Sustainability Council, a body of qualified experts that we established in 2020, as well as by an ESG Committee of the Supervisory Board that was formed at the beginning of 2022 and is chaired by Ertharin Cousin. Furthermore, the compensation system approved by a large majority at the 2020 Annual Stockholders’ Meeting has applied for the members of the Board of Management since January 1, 2020. The Supervisory Board has incorporated specific, measurable and transparent sustainability targets (ESG targets) into the Aspire 3.0 tranche issued in 2021 as part of the long-term variable cash compensation. This illustrates how we are taking steps to deliver on our Group-wide sustainability targets, such as pursuing our vision “Health for all, hunger for none,” reducing our ecological footprint along the value chain and becoming carbon-neutral in our operations by 2030, by targeting measurable results and adopting clear commitments.

The ESG Committee’s duties relate to sustainable corporate governance and the company’s business activities in the areas of environmental protection, social issues and corporate governance (ESG).

C 1/3

Sustainability Targets Through 2030

50%	50%
Enabling more PEOPLE to lead better lives	Reducing the ECOLOGICAL footprint
<ul style="list-style-type: none">  Supporting 100 million smallholder farmers in LMICs¹  Supporting 100 million people in underserved communities with self-care  Satisfying the need of 100 million women in LMICs¹ with modern contraception 	<ul style="list-style-type: none">  Climate-neutrality at own sites and achievement of Science Based Targets (SBT)

¹ LMICs = low- and middle-income countries

With a further 10 companies joining the DAX and taking its size to 40 in total, the Supervisory Board conducted an extensive review of the compensation philosophy it followed when establishing the compensation levels of the Board of Management, and adjusted target compensation accordingly. In the future, the DAX 40 companies will be applied as a benchmark in the horizontal comparison when setting compensation levels. An international comparison market comprising selected competitors will also be taken into account, ensuring the company offers a compensation package that is in line with the market and at the same time competitive.

To align the Board of Management compensation structure even more closely with the company’s long-term performance, the Supervisory Board also decided to recalibrate the variable compensation of all Board of Management members in favor of long-term variable cash compensation with effect from January 1, 2022. Effective January 1, 2022, the target amounts in the long-term variable cash compensation of all Board of Management members were raised from 150% to 160% of base compensation, and the target amounts in their short-term variable cash compensation were reduced by the same amount, from 100% to 90% of base compensation.

¹ ESG = environmental, social and governance

Annual Stockholders' Meeting resolution on Supervisory Board compensation

Compensation levels for members of Bayer's Supervisory Board were adjusted by the 2017 Annual Stockholders' Meeting, with these adjustments having formed part of a compensation system that remained largely unchanged compared with the previous iteration. The 2020 Annual Stockholders' Meeting confirmed the compensation of the Supervisory Board members as set forth in Article 12 of the Articles of Incorporation. The compensation of the members of the Supervisory Board is regularly reviewed. A review performed at the beginning of 2021 with the assistance of an independent external compensation expert showed that the Supervisory Board's compensation at that time no longer reflected market practice and the demands made on the members of Bayer AG's Supervisory Board. In addition, the international market and business environment as well as the regulatory framework had become more complex since the compensation of the Supervisory Board was last adjusted in 2017. As such, the demands and expectations on the members of the Supervisory Board had increased. The compensation of the Supervisory Board needs to be competitive to ensure that the Supervisory Board is composed of well qualified, internationally experienced corporate officers. This is a priority communicated by many investors.

It was therefore proposed to the Annual Stockholders' Meeting on April 27, 2021, that the compensation of the Supervisory Board be adjusted with effect from April 28, 2021. The 2021 Annual Stockholders' Meeting approved the resolution to adjust the compensation of the Supervisory Board by a significant majority of 97.8%. Article 12 of the Articles of Incorporation of Bayer AG was amended accordingly.

2. Compensation Report

The Compensation Report produced by the Board of Management and the Supervisory Board of Bayer Aktiengesellschaft (Bayer AG) outlines the essential features of the compensation packages for the members of the Board of Management and the Supervisory Board of Bayer AG and provides information on the compensation awarded and due to each current or former member of the Board of Management and the Supervisory Board in 2021. Awarded compensation encompasses compensation for services that have been fully rendered once the fiscal year ends. The report thus complies with the regulatory requirements of Section 162 of the German Stock Corporation Act (AktG) and the recommendations and suggestions in the December 16, 2019, version of the German Corporate Governance Code. The Guidelines for Sustainable Management Board Remuneration Systems, which was most recently updated in September 2021, are also taken into account.

Pursuant to the stipulations of Section 120a, Paragraph 4 of the AktG, we will propose that the Annual Stockholders' Meeting to be held on April 29, 2022, resolve on the approval of the prepared and audited Compensation Report.

2.1 Principles applied for Board of Management compensation

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

Pursuant to Section 113, Paragraph 3, Sentences 1 and 2 of the German Stock Corporation Act, the compensation of the members of the supervisory board of a listed company must be resolved upon by the stockholders' meeting at least every four years.

The Guidelines for Sustainable Management Board Remuneration Systems were developed by supervisory board chairpersons, investor representatives, scientists and corporate governance experts.

The current compensation system for the Board of Management of Bayer AG applies in the version approved by a large majority (94.02%) at the Annual Stockholders' Meeting on April 28, 2020. The compensation system is submitted to the Annual Stockholders' Meeting for approval whenever significant changes are made to this system, or at least every four years.

Objectives of the compensation system

The compensation system incentivizes the successful implementation of the corporate strategy and the sustainable development of the company, and is strongly aligned toward long-term value creation for our stockholders.

The objectives of Bayer AG are to achieve sustainable business success and profitable growth. The aim is to continuously increase value for our stockholders and other stakeholders and ensure the continuity of our company for the long term. Growth, profitability, liquidity and return on investment are the relevant financial performance indicators for incentivization within the scope of our compensation system for the Board of Management. The attainment of ambitious sustainability targets (ESG targets) also forms part of the compensation system. By acting sustainably, we are safeguarding our future social and economic viability.

In designing the compensation system for the Board of Management, the Supervisory Board endeavors to align it as closely as possible with the compensation system for senior managers below Board of Management level, and thus to ensure that the same performance indicators and targets are set. This is the only way to ensure that all decision-makers pursue the same goals for the company's successful development.

In establishing the compensation of the Board of Management, the Supervisory Board applies the following guidelines and principles:

Relevant key performance indicators and ambitious targets ensure that Board of Management compensation is oriented toward performance and success.

C 2.1/1

We ensure ...	We avoid ...
<ul style="list-style-type: none"> ✓ ... that we promote long-term and sustainable performance ✓ ... that we set ambitious and measurable targets ✓ ... that compensation is aligned toward performance and success ✓ ... that short-term variable compensation is aligned toward the attainment of annual targets ✓ ... that long-term variable compensation is aligned toward share price performance, return on investment and attainment of ESG targets ✓ ... that we take regulatory requirements fully into account ✓ ... that we offer appropriate compensation in line with market rates ✓ ... that compensation is capped ✓ ... that we are highly transparent in our compensation reporting ✓ ... that we set measurable and transparent ESG targets 	<ul style="list-style-type: none"> ✗ ... prioritizing short-term success at the expense of long-term performance ✗ ... offering guaranteed variable compensation levels ✗ ... paying special discretionary bonuses ✗ ... neglecting the interests of our stockholders ✗ ... incentivizing inappropriate risks ✗ ... inappropriately high payouts and excessive severance payments ✗ ... retrospectively adjusting targets ✗ ... providing insufficient transparency in our compensation reporting ✗ ... overlapping STI and LTI targets ✗ ... setting ESG targets that can't be measured

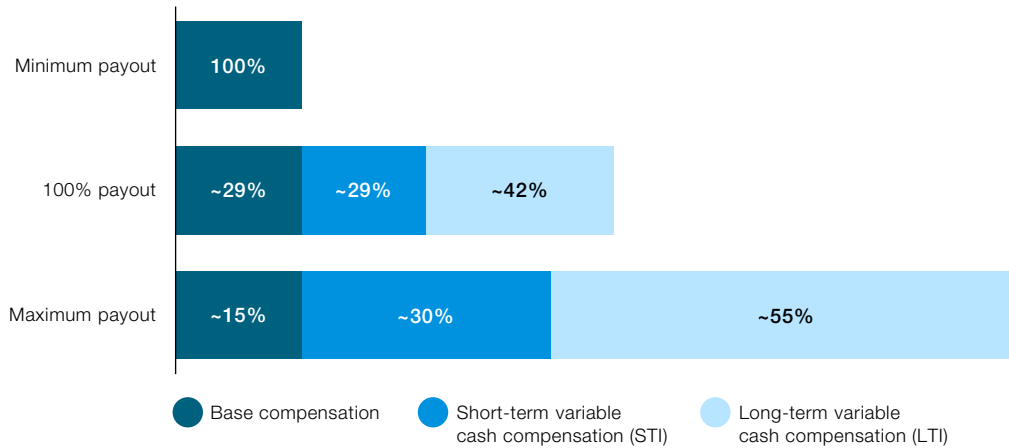
Design of Board of Management compensation

The total compensation of the members of the Board of Management of Bayer AG comprises fixed and variable components. In addition to base compensation, the fixed, non-performance-related compensation also includes fringe benefits along with pension entitlements or a pension installment.

The variable, performance-related cash compensation components are the short-term incentive (STI) and the long-term incentive (LTI). Before the start of each fiscal year, the Supervisory Board sets appropriate, ambitious targets for the variable compensation components that aim to ensure the long-term implementation of the corporate strategy. The degree to which these targets are attained determines the level of the payouts.

C 2.1/2

Design of Board of Management compensation



Over 70% of the contractually agreed target compensation is performance-related. Variable compensation can even account for a considerably higher share of overall compensation should performance targets be exceeded.

Scenario ¹	Explanation
Minimum payout	STI: 0% of target amount; LTI: 0% of target amount
100% payout	STI: 100% of target amount; LTI: 100% of target amount
Maximum payout	STI: 200% of target amount; LTI: 250% of target amount

¹ In isolated cases, the specific, individual compensation structure in a fiscal year may deviate slightly from the structure presented above.

Total compensation also includes fringe benefits, which are usually granted in a ratio of about 5% to the respective base compensation. The pension installment equals 40% of the respective base compensation and is awarded to Board of Management members appointed after January 1, 2020.

Annual fringe benefit expenses can fluctuate from one Board of Management member and one fiscal year to the next.

Total compensation is capped for each member of the Board of Management (maximum total compensation).

In addition to the compensation components mentioned above, malus and clawback provisions and Share Ownership Guidelines are also in place. There are also regulations in place to determine whether payments are made in the event of early termination of service on the Board of Management, and if so, in what amount.

An overview of the compensation system for the Board of Management is given below (see also www.bayer.com/cpr for a detailed description of the compensation system).

Board of Management Compensation System for 2021

Compensation component	Design
Base compensation	// Fixed, contractually agreed compensation // Paid out in monthly installments
Fringe benefits	// Regular health screening // Insurance policies // Company car with driver // Security installations at private residence // Reimbursement of work-related moving expenses // Indemnity payments to new members of the Board of Management for variable compensation forfeited on termination of previous employment
Short-term variable cash compensation (STI)	The payout after one year is calculated based on the target amount according to the following parameters: // 1/3 weighting: Core EPS at Group level // 1/3 weighting: Free cash flow at Group level // 1/3 weighting: Matrix for clean EBITDA margin vs. sales growth (Fx & p adj. ¹) at divisional level // Individual performance factor (0.8 – 1.2) as a multiplier // Payout capped at 200% of individual target amount
Long-term variable cash compensation (LTI)	The payout is calculated based on the target amount after determining target attainment in the fourth year according to the following parameters: // Absolute performance of Bayer stock // 40% weighting: Performance relative to EURO STOXX 50 Total Return // 40% weighting: ROCE at Group level // 20% weighting: Sustainability targets plus dividends paid by Bayer Aktiengesellschaft over the four-year period for each virtual share conditionally allocated at the beginning of the tranche // Payout capped at 250% of individual target amount
Pension entitlements/installment	// Members of the Board of Management newly appointed after January 1, 2020, receive an earmarked pension installment calculated as a percentage of their base compensation and paid out directly in a lump sum // Members of the Board of Management appointed prior to January 1, 2020, receive contribution-based pension entitlements
Maximum total compensation	// The maximum total annual compensation paid out for a fiscal year is €12 million for the Chairman of the Board of Management and €7.5 million for the other Board of Management members
Malus and clawback	// In the event of gross misconduct or misrepresentation in financial reporting, the Supervisory Board can withhold all or part of the STI and LTI (malus) or require their repayment to the company (clawback)
Share Ownership Guidelines	// Pledge to build a certain position size in Bayer stock by the end of a four-year period // Obligation to retain the shares throughout the period of service on the Board of Management and for two years thereafter
Contract termination	// If the service contract is terminated early – other than for cause – at the company's instigation, a severance payment of up to twice the annual compensation may be made, but this is limited to the compensation for the remaining term of the respective contract // Two-year post-contractual noncompete agreement; indemnity payment in the amount of base compensation, any severance payments are deducted from the indemnity payment
Change of control	// In the event of a change of control, members of the Board of Management are – if certain narrow conditions are met – entitled to a severance payment of 250% of annual base compensation, or 200% of annual cash compensation if they were appointed prior to 2010. The payment is limited in either case to the compensation for the remaining term of the respective contract, capped at twice the annual compensation.

¹ Fx & p adj. = currency- and portfolio-adjusted**Caps on variable compensation components and total compensation**

Performance evaluation for both of the variable compensation components is fundamentally oriented toward profitability, value creation and sustainability. The Supervisory Board sets ambitious targets for the variable compensation while at the same time ensuring a balanced opportunity-and-risk profile. The variable compensation can fall to as low as zero if targets are not attained. If targets are clearly exceeded, the payout is limited to 200% (STI cap) or 250% (LTI cap) of the individual target amount.

The Supervisory Board has set an absolute amount in euros for the maximum total compensation granted in a fiscal year pursuant to Section 87a, Paragraph 1, Sentence 2, No.1 of the German Stock Corporation Act. The maximum total annual compensation is €12 million for the Chairman of the Board of Management and €7.5 million for the other members of the Board of Management.

The maximum total compensation for a fiscal year includes all fixed and variable compensation components:

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

Compliance with the specified thresholds for the maximum total compensation of Board of Management members cannot be reported on conclusively until all compensation components granted for a given fiscal year have been paid out. This means that for fiscal 2021, this can only be reported on after expiration of the four-year performance period for the 2021 tranche of the LTI, which ends on December 31, 2024. Compensation affected by this cap will only be paid out up to this maximum threshold. Any compensation that exceeds this threshold becomes null and void.

Setting compensation levels

The Supervisory Board regularly reviews the individual compensation levels on the basis of the compensation system. This annual review takes into account the company's economic position, the overall market development and the development of compensation within the Bayer Group. The Supervisory Board places importance on ensuring the Board of Management members receive an appropriate level of compensation in the competitive environment. To review the appropriateness of compensation, the Human Resources Committee prepares a horizontal and a vertical comparison of compensation and, if necessary, is supported in this task by an external, independent compensation consultant.

Horizontal appropriateness in this context involves taking into account the levels of management board compensation at comparable companies in Germany and international companies from the same industry. Vertical appropriateness in this context means taking into account the compensation structures within the Bayer Group and, in particular, how they have developed over time.

Horizontal comparison

The DAX 30 companies (excluding financial service providers) were previously taken as a guide when setting compensation levels. Since the reform of the DAX on September 20, 2021, the benchmark applied now encompasses all DAX 40 companies, as well as international competitors that are comparable in terms of size and industry. The Supervisory Board aims to offer Board of Management members a compensation package that is in line with market rates and at the same time competitive while remaining within the regulatory framework.

The DAX companies are a suitable primary comparison group, especially in terms of the aspects of size and country. Bayer's economic position is factored in by regularly reviewing the company's relative positioning in the DAX in terms of size. On this basis, Bayer aims to ensure its relative positioning within the DAX is in the top third in terms of total compensation. Reviewing compensation levels annually and taking into account size criteria over time ensures that the compensation the members of the Board of Management of Bayer AG receive appropriately reflects the company's positioning.

The international comparison group is taken into account as an additional indicator to validate the competitiveness of Board of Management compensation on an international level, too. In 2021, the international comparison group comprised the following companies:

Maximum total compensation pursuant to Section 87a, Paragraph 1, Sentence 2, No. 1 AktG applies to compensation granted since fiscal 2020. Compliance with the maximum total compensation threshold for 2021 will be reported on in the 2024 Compensation Report after the performance period for the 2021 tranche of the LTI has ended.

Bayer's relative positioning in terms of size is determined based on the criteria sales, employee numbers and market capitalization.

C 2.1/4

International Comparison Group for Board of Management Compensation

// AstraZeneca	// BASF	// Bristol Myers Squibb	// Corteva
// FMC Corp	// GlaxoSmithKline	// Johnson & Johnson	// Merck & Co.
// Novartis	// Novo Nordisk	// Nutrien	// Pfizer
// Reckitt Benckiser	// Roche	// Sanofi	// Takeda

Vertical comparison

In setting Board of Management compensation, the Supervisory Board also undertakes a vertical comparison against the company's internal compensation structure and looks at the relation between Board of Management compensation and that of the first management level below the Board of Management, managerial employees up to the second management level below the Board of Management, the workforce and nonmanagerial employees in Germany. Here, the Supervisory Board compares the average target direct compensation of the Group's Board of Management with the average target direct compensation of various management levels and the workforce as a whole. Both the current ratios and the changes in ratios over time are taken into account.

Findings of the compensation review in 2021

To ensure that the members of the Board of Management of Bayer AG receive a compensation package within the regulatory framework that is in line with the market and at the same time competitive, compensation levels are reviewed annually and adjusted where appropriate, while also taking into account size criteria over time.

As part of the most recent review, the Supervisory Board decided to recalibrate the target amounts of the variable compensation elements that form part of the compensation structure established in the compensation system in favor of long-term variable cash compensation. This aligns the Board of Management compensation structure even more closely with the company's long-term performance and the development of its share price, thus ensuring greater orientation toward the interests of our stockholders. Effective January 1, 2022, the target amounts for the long-term variable cash compensation of all members of the Board of Management were increased from 150% to 160% of base compensation, and the target amounts for short-term variable cash compensation were reduced from 100% to 90% of base compensation.

Target direct compensation comprises base compensation and the target amounts of short- and long-term variable cash compensation.

From 2022, the compensation structure will be aligned even more strongly toward long-term variable cash compensation, which will help to more closely link Board of Management compensation to stock performance and sustainability.

2.2 Compensation components in detail

Fixed compensation

The fixed compensation guarantees the members of the Board of Management an appropriate income while also aiming to avoid undue risks for the company.

Base compensation

The base compensation is fixed, contractually agreed annual compensation that is paid out in monthly installments within a calendar year. The level of fixed compensation reflects the role on the Board of Management, experience, area of responsibility and market conditions.

Fringe benefits

Fringe benefits include costs assumed by the company for health screening and various insurance policies. A budget is also available to each member of the Board of Management for a company car, including driver, for business and a reasonable amount of private use. In addition, the company pays the cost of security installations at each member's private residence. Work-related moving expenses are either individually reimbursed or compensated in the form of a flat-rate allowance. Any indemnity payments to new members of the Board of Management for variable compensation forfeited on termination of previous employment also constitute fringe benefits.

Variable cash compensation

The design of the variable compensation components and the established performance criteria are in complete conformity with the Board of Management compensation system that was approved by the 2020 Annual Stockholders’ Meeting.

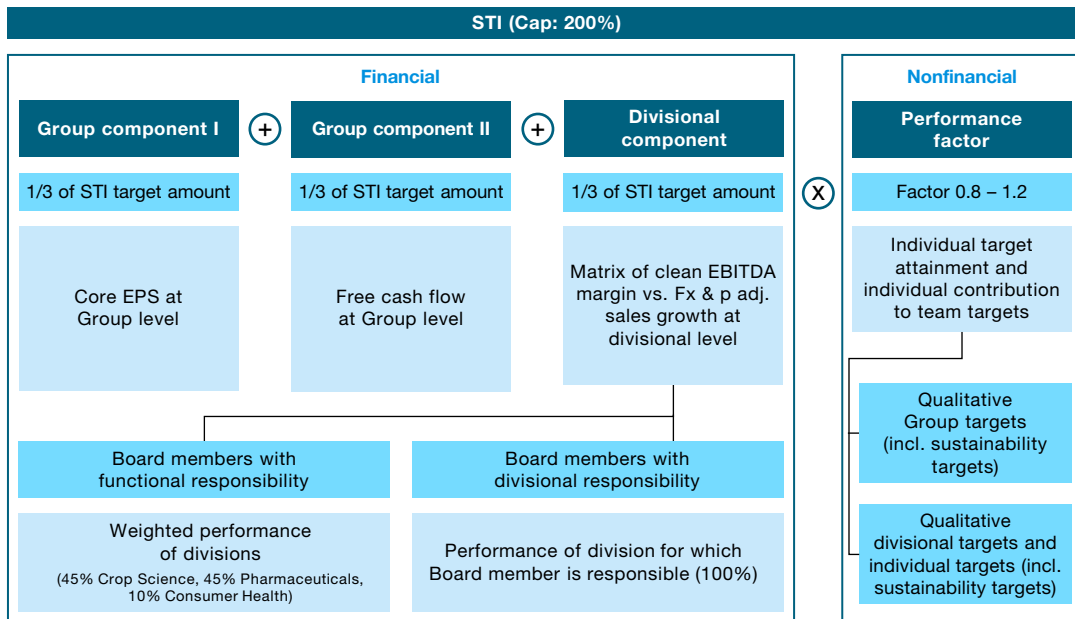
Short-term variable cash compensation (STI)

The short-term variable cash compensation depends on the success of the business in the respective year. It incentivizes operational success and profitable growth within the established strategic framework. It also focuses on sustainable cash flow (free cash flow) development. In addition, the individual performance of the members of the Board of Management is evaluated using a performance factor that permits the establishment of further targets, particularly nonfinancial ones. The STI target value amounts to 100% of base compensation (from 2022: 90% of base compensation). The level of the STI payout is based on each member’s contractually agreed individual target amount, the target attainment for the three financial components, and the individual performance factor. Depending on the company’s success, the target attainment for the three equally weighted financial components may vary between 0% and 200%. The components of the short-term variable cash compensation are shown in the graphic below.

The key performance indicators in the STI are the same as those used in Bayer’s corporate management.

C 2.2/1

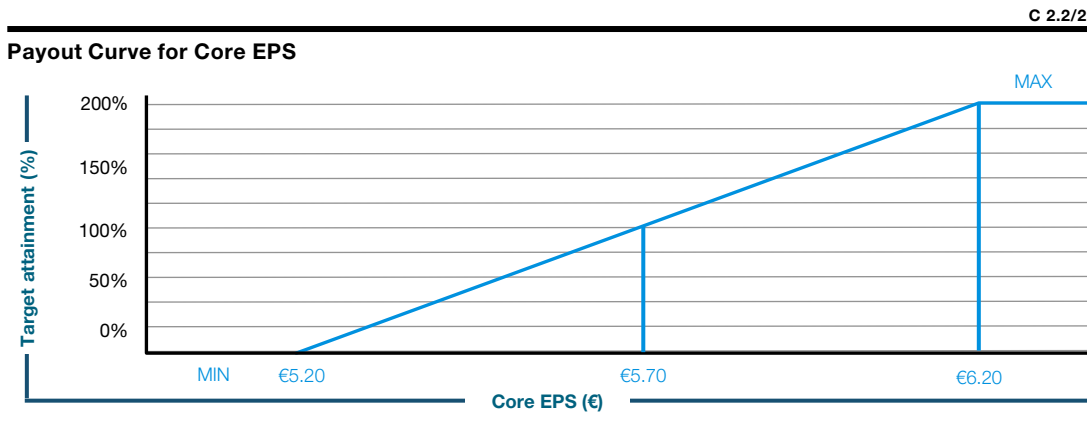
Components of Short-Term Variable Cash Compensation (STI)



Group component I

Group component I is derived from core earnings per share (core EPS) at Group level, which forms the basis of our dividend policy. Using core EPS for this component therefore provides specific incentives to raise profitability in the Bayer Group and at the same time encourages value creation for our stockholders. At the start of each fiscal year, the Supervisory Board sets a minimum value, a target value and a maximum value for core EPS (“benchmarks”). The target value is based on Bayer’s operational planning for the respective fiscal year. However, the Supervisory Board determines whether it is sufficiently ambitious and adjusts it if necessary. At the end of each year, the core EPS achieved is compared against the target value previously set for that year. If the target value has been achieved, target attainment is 100%. If the target attainment is above or below the target value, the target attainment corresponds to a target function within an interval of 0% to 200%.

The graphic below shows the minimum value, target value and maximum value for core EPS in 2021:

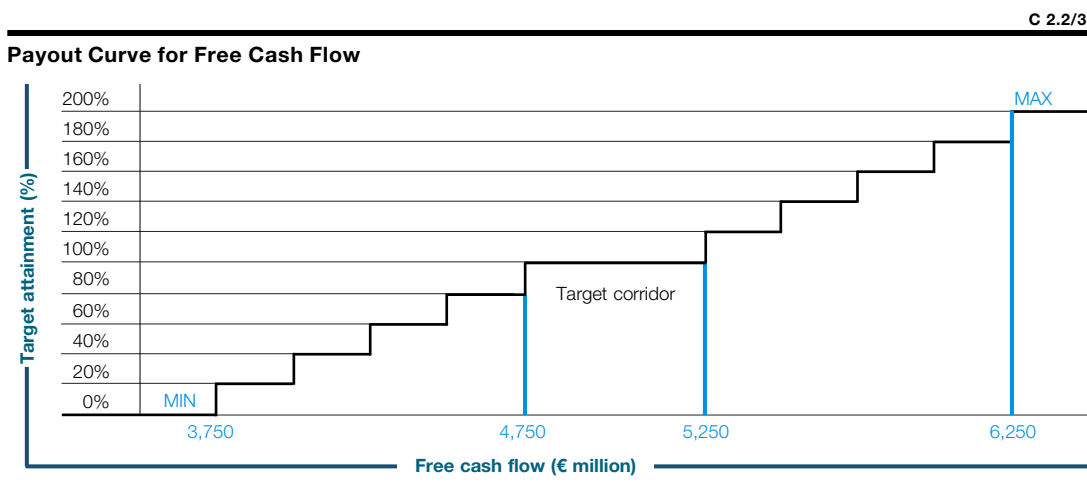


For fiscal 2021, the core EPS target for Group component I was set at €5.70 at the start of the year at the closing rates as of December 31, 2020 (corresponding to €6.20 at the average exchange rates in 2020). Actual core EPS came in at €6.51, corresponding to a target attainment level of 200%.

Group component II

Group component II is determined by the free cash flow at Group level. Using the free cash flow to calculate this component incentivizes an increase in the cash flow available for paying dividends, reducing debt and making acquisitions, and ensures the Bayer Group's liquidity. At the start of each fiscal year, the Supervisory Board sets a minimum value, a target corridor, a maximum value and additional benchmarks for the free cash flow. The target corridor is based on Bayer's operational planning for the respective fiscal year. The Supervisory Board determines whether this corridor is sufficiently ambitious, too, and adjusts it if necessary. The payments in connection with the settlement agreements reached in the glyphosate, dicamba, PCB and Essure™ litigations constituted significant nonrecurring extraordinary effects and were not taken into account. They therefore had no impact on target attainment. At the end of each year, the free cash flow achieved is compared against the target corridor previously set for that year. If the target attainment is above or below the target corridor, the target attainment corresponds to the target function within an interval of 0% to 200%.

The graphic below shows the minimum value, target corridor and maximum value for free cash flow in 2021:



For fiscal 2021, the target corridor set for Group component II at the start of the year was €4.75 billion to €5.25 billion.

In accordance with the Board of Management compensation system approved by the 2020 Annual Stockholders' Meeting, the Supervisory Board has the discretion to adjust the free cash flow for significant unplanned and nonrecurring extraordinary effects for which no allowance could be made, or that could only be allowed for differently, when the target was set, and that are considered irrelevant to performance with respect to the STI.

Disregarding the settlement payments mentioned above, free cash flow came in at €5,625 million, corresponding to a target attainment level of 140%.

Divisional component

This component is calculated for each division by setting the EBITDA margin before special items against currency- and portfolio-adjusted sales growth in a matrix. Members of the Board of Management with divisional responsibility are assessed solely based on the respective division's performance, while those with functional responsibility are assessed based on the weighted average performance of all divisions. This average performance is determined using the following weightings: 45% Crop Science, 45% Pharmaceuticals and 10% Consumer Health. This matrix serves to specifically incentivize profitable growth in each division. Growth should only be generated while maintaining profitability, and raising profitability in the short term should not be incentivized at the expense of growth. At the start of each fiscal year, the Supervisory Board sets a minimum value, a target value and a maximum value for each division's EBITDA margin before special items and for currency- and portfolio-adjusted sales growth. The target matrix is based on the operational planning of the divisions for the respective fiscal year. However, the Supervisory Board determines whether it is sufficiently ambitious and adjusts it if necessary. At the end of each year, the EBITDA margin before special items and the currency- and portfolio-adjusted sales growth achieved are compared to the target matrix previously set for that year. Failure to meet one of the two minimum values results in a target attainment level of 0% for the divisional component. Target attainment levels above 100% can occur if, for example, one target value is met and the other is exceeded, or if both target values are exceeded.

C 2.2/4

STI Payout Matrix for the 2021 Financial Targets of the Divisions

					EBITDA margin before special items					
		CS	PH	CH	Minimum value	Target value	Maximum value	Minimum value	Target value	Maximum value
Sales growth (Fx & p. adj.)	Minimum value	-0.7%	+0.4%	+0.9%	0%	...	50%	...	150%	...
	Target value	+1.8%	+2.9%	+3.4%	50%	...	100%	...	200%	...
	Maximum value	+6.8%	+7.9%	+8.4%	150%	...	200%	...	200%	...

Fx & p. adj. = currency- and portfolio-adjusted; CS = Crop Science; PH = Pharmaceuticals; CH = Consumer Health

The currency- and portfolio-adjusted sales growth and EBITDA margin before special items achieved by the divisions in 2021 were as follows:

Crop Science

- Sales growth vs. 2020 (Fx & portfolio adj.): Actual figure: + 11.0%²
- EBITDA margin before special items: Actual figure: 23.2%
- Overall target attainment therefore amounted to 200.0% (maximum level).

Pharmaceuticals

- Sales growth vs. 2020 (Fx & portfolio adj.): Actual figure: + 7.3%²
- EBITDA margin before special items: Actual figure: 31.5%
- Overall target attainment therefore amounted to 176.0%.

Consumer Health

- Sales growth vs. 2020 (Fx & portfolio adj.): Actual figure: + 5.7%²
- EBITDA margin before special items: Actual figure: 22.5%
- Overall target attainment therefore amounted to 139.1%.

This resulted in a target attainment level of 183.1% for Board of Management members with functional responsibility.

Performance factor

The individual performance of each member of the Board of Management is evaluated by assessing the extent to which the individual performance targets agreed with him or her at the start of the year have been attained while taking into account the member's personal contributions to the achievement of the Board of Management's team targets. The attainment of the nonfinancial targets, such as innovation progress or safety, compliance and sustainability goals, is also taken into account. The multiplier applied to the attainment of the financial targets can range from 0.8 and 1.2 for each individual Board of Management member.

In addition, team targets are agreed to reflect the collective responsibility of the members of the Board of Management as a governance body. The team targets are based on the Group targets set by the Board of Management for 2021 and approved by the Supervisory Board. The following table provides an overview of the subject areas. For 2021, the team targets were achieved and in many cases surpassed.

² Due to the hyperinflation-related growth in Argentina, currency- and portfolio-adjusted sales growth was adjusted by minus 0.1 percentage points for Crop Science and Pharmaceuticals, and by minus 0.8 percentage points for Consumer Health.

C 2.2/5

Team Targets for 2021**Subject area**

Alignment against growth markets	<ul style="list-style-type: none"> // Consumer Health: Grow market share ahead of multinational peers, and sustain growth in North America and EMEA // Crop Science: Grow sales in line with market, stabilize soybeans business and defend core businesses // Pharmaceuticals: Maximize business performance before loss of exclusivity, and launch late-stage pipeline
Innovation powered by science	<ul style="list-style-type: none"> // Consumer Health: Further develop and deliver value from enhanced innovation pipeline // Crop Science: Drive core innovation projects, and develop new and substantial value pools // Pharmaceuticals: Reinvigorate innovation model, and manage change in Research & Development (R&D) leadership // Leaps by Bayer: Drive breakthrough innovation by leveraging new scientific insights and technologies with Leaps
Excellence in execution	<ul style="list-style-type: none"> // Consumer Health: Continue to deliver execution excellence through Fit to Win (FTW) 2.0, and accelerate global digital agenda // Crop Science: Increase resilience and agility, and accelerate integration synergies // Pharmaceuticals: Implement True North strategy and successfully re-enter North American market // Enabling Functions: Advance major projects in Production and IT; intensify Investor Relations output, and resolve glyphosate litigations
Commitment to sustainability	<ul style="list-style-type: none"> // Further drive implementation of sustainability strategy in divisions and enabling functions // Accelerate progress on sustainability ambitions // Drive sustainability communication and engagement, and improve reputation (internally and externally)
Advance inclusion and diversity; employee development	<ul style="list-style-type: none"> // Advance inclusion and diversity and fully integrate into talent and development // Upskill workforce to enable digital transformation // Enhance employee experience and simplify processes to accelerate decision-making

In accordance with a resolution of the Human Resources Committee and the Supervisory Board, all members of the Board of Management are also set individual targets tailored to their respective areas of responsibility. Target attainment is individually evaluated following the end of the fiscal year. The following table provides an overview of the individual performance targets agreed upon for 2021 and the attainment thereof.

C 2.2/6

Individual Targets Agreed for 2021 and Attainment Levels

Board of Management member	Subject areas for individual targets	Target attainment – team and individual targets
Werner Baumann	// Implement sustainability strategy // Defend the glyphosate litigations // Implement the Bayer 2022+ project // Ensure effective stockholder engagement	104%
Liam Condon	// Integrate sustainability strategy in the division's strategy // Implement key innovation projects // Develop digital business processes // Increase business growth and sales	100%
Sarena Lin (since February 1st, 2021)	// Upskill employees to keep pace with the digital transformation // Promote inclusion and diversity and fully integrate into talent development // Grow into role of Labor Director // Onboarding in the newly formed Board position for Talent, Strategy and Business Consulting	95%
Wolfgang Nickl	// Steer operations to attain financial KPIs // Further define and implement Bayer 2022+ project // Drive forward digitalization // Pursue the platform philosophy in the enabling functions	104%
Stefan Oelrich	// Further implement the goals of the "True North Now" strategy // Integrate sustainability strategy in the division's strategy // Launch new products // Drive forward the innovation and research model	100%
Heiko Schipper	// Strengthen the portfolio // Further implement the "Fit to Win" program // Integrate sustainability strategy in the division's strategy // Accelerate digitalization	108%

The attainment of the individual targets and the team targets is assessed by the Human Resources Committee and the Supervisory Board following the end of the fiscal year.

Payment of the short-term variable compensation (STI)

The STI is paid out on the earliest possible date of the following year and is calculated as follows for 2021:

C 2.2/7

Short-Term Variable Compensation in 2021 at a Glance

	Target amount (€) ¹	Target attainment				Total	Payout amount (€)
		Group component I	Group component II	Divisional component	Individual performance factor ²		
Werner Baumann	1,775,000			183.1%	1.04	181.3%	3,218,075
Liam Condon	964,300			200.0%	1.00	180.0%	1,735,740
Sarena Lin (since Feb. 1, 2021)	825,000	200.0%	140.0%	183.1%	0.95	165.6%	1,366,200
Wolfgang Nickl	900,000			183.1%	1.04	181.3%	1,631,700
Stefan Oelrich	930,000			176.0%	1.00	172.0%	1,599,600
Heiko Schipper	900,000			139.1%	1.08	172.5%	1,552,500

¹ The STI target amount was only reduced for Sarena Lin on a pro rata temporis basis as she joined the Board of Management during the year.

² The individual performance factor for Liam Condon was determined as part of his termination agreement, as per the terms contained therein.

Long-term stock-based cash compensation (LTI)

Members of the Board of Management are eligible to participate in the annual tranches of the long-term stock-based compensation program Aspire on the condition that they purchase a certain number of Bayer shares – determined for each individual according to specific rules – as a personal investment and hold them until two years after their term of service ends.

Aspire 2.0 tranches issued each year until 2019

The LTI target values for the Aspire 2.0 tranches issued each year until 2019 are generally based on a contractually agreed target rate of 150% of base compensation. The starting value is also multiplied by the individual STI payout factor for the Board of Management member concerned for the year prior to the issuance of the respective tranche.

*LTI target value = 150% * base compensation * STI payout factor prior to issuance of the tranche*

The LTI payout after four years corresponds to the LTI target value, adjusted to reflect the development of Bayer's share price and its performance relative to the EURO STOXX 50 along with the dividends paid in the meantime based on the virtually acquired number of shares (total shareholder return approach):

$$LTI \text{ payout} = LTI \text{ target value} * \frac{\text{Average share price on the last 30 trading days prior to expiration of the tranche}}{\text{Average share price on the last 30 trading days prior to issuance of the tranche}} * \frac{\text{Performance relative to EURO STOXX 50}}{\text{EURO STOXX 50}} + \text{Total dividend equivalents}$$

For the Board of Management, an additional performance measure is included in the form of the comparison with the EURO STOXX 50. This increases or decreases the payout by the percentage of overperformance or underperformance, respectively, but by no more than 50% either way.

If a member of the Board of Management enters retirement during the year or steps down from the Board of Management during the year due to the nonextension of his or her service contract, the Aspire tranche allocated for that year is reduced on a prorated basis according to the duration of the member's active service on the Board of Management during this first year of the tranche. In this case, tranches allocated for previous years continue unchanged.

The following table provides an overview of target attainment levels for the 2018 and 2017 Aspire 2.0 tranches (expired in 2021 and 2020, respectively) including the starting and final values for Bayer stock and the EURO STOXX 50, which are the average prices/values on the 30 trading days preceding the respective reference date:

C 2.2/8

Aspire Payout Percentages

	2017 tranche	2018 tranche
Bayer stock starting price ¹	€91.92	€104.91
Bayer stock final price	€47.99	€46.37
Bayer stock performance	-47.79%	-55.80%
EURO STOXX 50 starting value	3,156.0	3,566.8
EURO STOXX 50 final value	3,520.5	4,207.8
EURO STOXX 50 performance	+11.55%	+17.97%
Dividend equivalent	€11.02	€10.36
Payout percentage	38.09%	31.97%

¹ The starting price was modified by a factor of 0.98409496 due to the capital measure implemented on June 6, 2018.

See the "Share Ownership Guidelines" section for more detailed information on personal investment in Bayer stock.

More detailed information on the payout from the 2018 tranche can be found in the overview table showing ongoing LTI tranches.

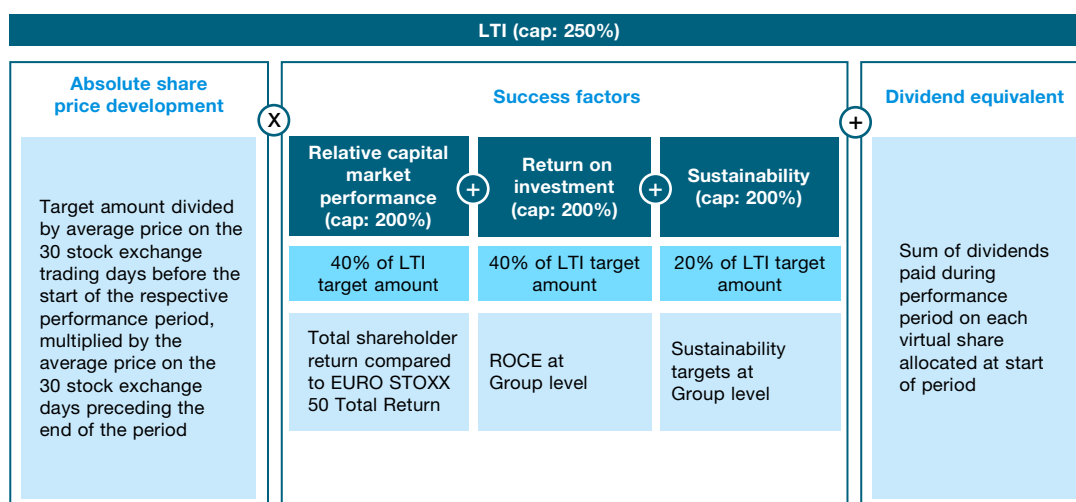
Aspire 3.0 tranches issued each year from 2020

The annual Aspire 3.0 tranches are allocated in the form of virtual shares with a performance period of four years for each tranche. The number of virtual shares conditionally allocated is calculated by multiplying base compensation by the contractually agreed target rate of 150% (160% for all LTI tranches allocated from 2022) to determine the LTI target amount, which is then divided by the arithmetic mean of the XETRA closing prices for Bayer stock on the 30 stock exchange trading days immediately preceding the start of the respective performance period.

Starting with the 2021 tranche, the payout at the end of the performance period depends on the target attainment for the performance criteria of relative capital market performance and return on investment, each with a weighting of 40%, and the performance criterion of sustainability, with a weighting of 20%. Depending on the company’s success, the target attainment levels for the three performance criteria may vary between 0% and 200%. The payout is calculated by multiplying the conditionally allocated number of virtual shares by the arithmetic mean of the XETRA closing prices for Bayer stock on the 30 stock exchange trading days immediately preceding the end of the performance period and by the performance target attainment. In addition, the participants receive a dividend equivalent based on the sum of the dividends paid on each conditionally allocated virtual share during the performance period. The LTI payout is capped at 250% of the target amount. The components of the long-term variable cash compensation (LTI) are shown in the graphic below.

C 2.2/9

Components of Term Variable Cash Compensation (LTI)



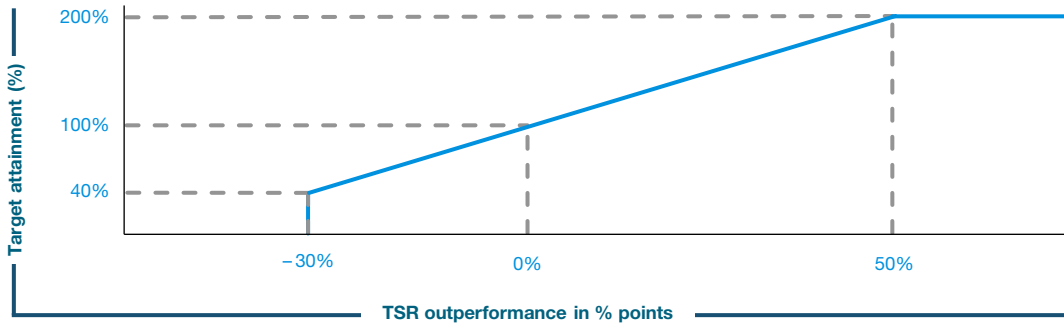
Relative capital market performance

Relative capital market performance is determined by the difference between the development of Bayer’s total shareholder return (TSR) and that of a benchmark index, the EURO STOXX 50 Total Return. The TSR shows how Bayer shares performed over the four-year performance period, including relative share price development and hypothetically reinvested gross dividends. This takes account of Bayer’s capital market performance in relation to the EURO STOXX 50 Total Return. Bayer aims to be an attractive investment target and therefore incentivizes above-average capital market performance. The initial and final values for calculating the TSR are based on the arithmetic mean of the XETRA closing prices for Bayer stock on the 30 stock exchange trading days immediately preceding the start and the end, respectively, of the four-year performance period. The final value also includes the hypothetically reinvested gross dividends during that time. This reduces the effect of incidental share price movements that are not sustained. Target attainment is determined from the difference between Bayer’s TSR over the period and that of the EURO STOXX 50 Total Return. If the difference is zero – i.e., performance is on a par with that of the index – target attainment is 100%. If the difference is more than –30 percentage points, target

attainment is 0%. If the difference equals -30 percentage points, target attainment is 40%. If the difference is +50 percentage points or more, target attainment is 200%. The payout curve for the relative TSR target is given in the graphic below.

C 2.2/10

Payout Curve for Relative TSR



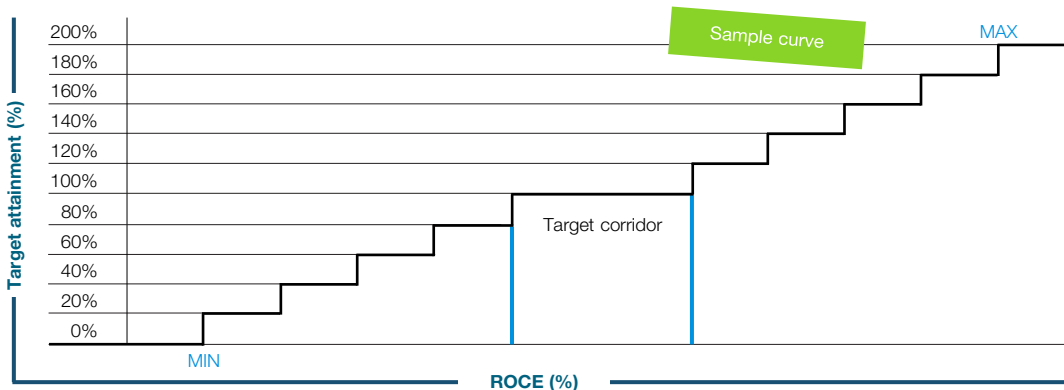
Return on investment

The return on investment is based on the return on capital employed (ROCE) at Group level. The ROCE is used as a strategic indicator. The annual comparison of the ROCE to the weighted average cost of capital indicates the value generated by the company. The ROCE is an important part of Bayer’s corporate steering system. At the start of each tranche, the Supervisory Board sets a minimum value, a target corridor, a maximum value and additional benchmarks for ROCE. The minimum value is based on the weighted average cost of capital (WACC) on the date the respective tranche is issued. The target corridor for 100% target attainment is based on the WACC and an ambitious premium. At the end of the four-year performance period, the ROCE achieved in the final year of the performance period is compared to the target corridor set for that tranche of the LTI. If the target corridor has been achieved, target attainment is 100%. If the target attainment is above or below the target corridor, the target attainment corresponds to the target function within an interval of 0% to 200%.

A sample payout curve for the ROCE is illustrated in the graphic below. The actual payout curve and target attainment level are published in the corresponding Compensation Report following the end of the four-year performance period, along with, where applicable, information on any adjustments the Supervisory Board makes to the ROCE and the reasoning behind them.

C 2.2/11

Payout Curve for ROCE



Sustainability

For the 2021 LTI tranche, the Supervisory Board for the first time defined specific sustainability goals for the four-year performance period. Sustainability goals at both divisional and Group level can be taken into account. In setting the sustainability goals, the Supervisory Board took care to ensure that these are measurable and transparent, and in doing so was guided by the goals contained in the Bayer sustainability strategy. All of the sustainability goals below are taken into account with the same weighting. The Supervisory Board also set a minimum value, a target corridor and a maximum value for the individual sustainability goals. If the target attainment is above or below the target corridor, the target attainment corresponds to a target function within an interval of 0% to 200%.

Since 2021, sustainability targets have been taken into account with a weighting of 20%. The focus here is on helping people in LMICs and reducing greenhouse gas emissions.

C 2.2/12

Nonfinancial Group Targets Through 2030

Target ¹	Target for 2030
Number of smallholder farmers in low- and middle-income countries (LMICs) supported by products, services and partnerships	100 million
Number of women in low- and middle-income countries (LMICs) who have their need for modern contraception satisfied due to interventions supported by Bayer	100 million
Number of people in underserved ² communities whose self-care is supported by interventions from Bayer	100 million
Scope 1 and 2 ³ greenhouse gas emissions	42% decrease ^{4, 6}
Scope 3 greenhouse gas emissions from relevant ⁷ categories	12.3% decrease ^{5, 6}
Off-setting of remaining Scope 1 and 2 greenhouse gas emissions	100%

¹ A more detailed description of the calculation methodologies is published on our website www.bayer.com/en/sustainability.

² Economically or medically

³ Covering Scope 1 and 2 emissions (market-based) of sites that have an energy consumption in excess of 1.5 terajoules

⁴ Corresponding to the sustainability target of limiting global temperature rise to 1.5°C above pre-industrial level

⁵ Corresponding to the sustainability target of limiting global temperature rise below 2°C above pre-industrial level

⁶ By the end of 2029

⁷ In accordance with the criteria set out by the Science Based Targets initiative, the Scope 3 categories relevant for our goal include emissions in the following categories: (1) purchased goods and services, (2) capital goods, (3) fuel- and energy-related activities, (4) (upstream) transportation and distribution, and (6) business travel

The setting of the individual sustainability goals and target attainment will be reported on in the corresponding Compensation Report following the end of the performance period. Where applicable, any adjustments the Supervisory Board makes to sustainability target values will also be explained, along with the reasons behind those changes. Target attainment will be determined by the Supervisory Board and will be reviewed by an external auditor.

Ongoing tranches of long-term variable cash compensation (LTI)

Aspire 2.0 and 3.0 tranches are paid out at the earliest possible date following the end of the respective four-year performance period.

The following table provides an overview of the ongoing tranches of the current members of the Board of Management of Bayer AG in 2021:

The performance period for the 2018 Aspire 2.0 tranche ended on December 31, 2021.

C 2.2/13

Overview of LTI Tranches of Board of Management Members Serving as of Dec. 31, 2021

Overview of LTI tranches allocated

		Target amount (€ thousand)	Bayer stock starting price (€)	No. of conditionally allocated virtual shares ²	Target attainment for performance component ³	Bayer stock final price (€)	Total dividends per virtual share (€)	Payout percentage	Payout amount ⁴ (€ thousand)
2018 Aspire 2.0 tranche¹ (Jan. 1, 2018 – Dec. 31, 2021)	Werner Baumann	2,039		19,439					652
	Liam Condon	793		7,556					253
	Wolfgang Nickl	1,056	104.91	10,067	-50%	46.37	10.36	31.97%	338
	Stefan Oelrich	973		9,274					311
	Heiko Schipper	1,104		10,525					353
2019 Aspire 2.0 tranche (Jan. 1, 2019 – Dec. 31, 2022)	Werner Baumann	2,804		44,454					
	Liam Condon	1,841		29,187					
	Wolfgang Nickl	1,319	63.08	20,912					
	Stefan Oelrich	1,226		19,431					
	Heiko Schipper	1,181		18,721					
2020 Aspire 3.0 tranche (Jan. 1, 2020 – Dec. 31, 2023)	Werner Baumann	2,502		35,773					
	Liam Condon	1,441		20,597					
	Wolfgang Nickl	1,194	69.95	17,069					
	Stefan Oelrich	1,274		18,206					
	Heiko Schipper	1,194		17,069					
2021 Aspire 3.0 tranche (Jan. 1, 2021 – Dec. 31, 2024)	Werner Baumann	2,513		52,352					
	Liam Condon	1,446		30,141					
	Sarena Lin	1,174	47.99	24,460					
	Wolfgang Nickl	1,199		24,980					
	Stefan Oelrich	1,279		26,643					
	Heiko Schipper	1,199		24,980					

¹ The starting price was modified by a factor of 0.98409496 due to the capital measure implemented on June 6, 2018.

² The number of conditionally allocated virtual shares is determined by dividing the LTI target amount by the average share price over the preceding 30 stock exchange trading days before the tranche is issued.

³ Target attainment for Aspire 2.0 is based on Bayer's stock performance relative to the EURO STOXX 50. This increases or decreases the payout by the percentage of overperformance or underperformance, respectively, but by no more than 50 percentage points either way. Target attainment for Aspire 3.0 is based on weighted target attainment for the three performance criteria "Relative capital market performance", "Return on investment" and (since fiscal 2021) "Sustainability".

⁴ Shown here is the amount actually paid out. Due to system-related rounding differences, the parameters shown here may result in a payout amount that deviates from the sum actually paid out.

In line with the recommendation of the German Corporate Governance Code, already allocated LTI tranches are paid out according to the originally agreed targets at the end of the contractually specified performance period should a Board of Management member's service contract be terminated. The following table shows the ongoing tranches of the former members of the Board of Management of Bayer AG:

C 2.2/14

Overview of LTI Tranches of Former Board of Management Members

Overview of LTI tranches allocated

		Target amount (€ thousand)	Bayer stock starting price (€)	No. of conditionally allocated virtual shares ²	Target attainment for performance component ³	Bayer stock final price (€)	Total dividends per virtual share (€)	Payout percentage	Payout amount ⁴ (€ thousand)
2018 Aspire 2.0 tranche¹ (Jan. 1, 2018 – Dec. 31, 2021)	Johannes Dietsch	432		4,118					138
	Dr. Hartmut Klusik	864		8,237					276
	Kemal Malik	923	104.91	8,795	-50%	46.37	10.36	31.97%	295
	Erica Mann	578		5,513					185
	Dieter Weinand	1,031		9,830					330
2019 Aspire 2.0 tranche (Jan. 1, 2019 – Dec. 31, 2022)	Dr. Hartmut Klusik	1,240	63.08	19,658	The performance period of the 2019 Aspire 2.0 tranche will end on Dec. 31, 2022				
	Kemal Malik	1,253		19,867					
2020 Aspire 3.0 tranche (Jan. 1, 2020 – Dec. 31, 2023)	Kemal Malik	1,190	69.95	17,008	The performance period of the 2020 Aspire 3.0 tranche will end on Dec. 31, 2023				
2021 Aspire 3.0 tranche (Jan. 1, 2021 – Dec. 31, 2024)	Kemal Malik	1,285	47.99	26,775	The performance period of the 2021 Aspire 3.0 tranche will end on Dec. 31, 2024				

¹ The starting price was modified by a factor of 0.98409496 due to the capital measure implemented on June 6, 2018.

² The number of conditionally allocated virtual shares is determined by dividing the LTI target amount by the average share price over the preceding 30 stock exchange trading days before the tranche is issued.

³ Target attainment for Aspire 2.0 is based on Bayer's stock performance relative to the EURO STOXX 50. This increases or decreases the payout by the percentage of overperformance or underperformance, respectively, but by no more than 50 percentage points either way. Target attainment for Aspire 3.0 is based on weighted target attainment for the three performance criteria "Relative capital market performance", "Return on investment" and (since fiscal 2021) "Sustainability".

⁴ Shown here is the amount actually paid out. Due to system-related rounding differences, the parameters shown here may result in a payout amount that deviates from the sum actually paid out.

Pension entitlement/installment

Members of the Board of Management appointed after January 1, 2020, are not entitled to a company pension plan but instead receive an earmarked amount known as a pension installment, which is paid out directly in a lump sum. The pension installment equals 40% of the respective base compensation. For the company, this avoids all the interest-rate and biometric risks involved in financing a pension entitlement. It also eliminates the complex actuarial calculations and administrative procedures involved. The members of the Board of Management are responsible for making their own pension arrangements.

The introduction of a pension installment is in step with the increased transparency and simplification of the compensation system.

Members of the Board of Management appointed prior to January 1, 2020, retain their contribution-based pension entitlements. Bayer makes company contributions to complement the personal contributions of 2% up to the ceiling for statutory pension contributions in Germany. The company contributions are currently set at 8% to Bayer-Pensionskasse or 2% to Rheinische Pensionskasse on fixed annual compensation up to the ceiling for statutory pension contributions in Germany. In addition, Bayer provides a hypothetical annual contribution equal to 42% of the amount by which the respective base compensation exceeds that ceiling. This percentage is comprised of a basic contribution of 6% and a matching contribution of 36%, which is four times the member's personal contribution of 9%. The total annual contribution is converted into a pension entitlement according to the annuity table for the applicable tariff of the Rheinische Pensionskasse VVaG pension fund. The annual pension entitlement upon retirement is the total amount of the accumulated pension entitlements including any investment bonus, the amount of which is determined annually based on the net return on the assets of the Rheinische Pensionskasse VVaG minus the minimum return on the contributions that is guaranteed under the tariff and approved

by the German Financial Supervisory Authority (BaFin). Future pension payments are reviewed annually and adjusted in line with the respective entitlements.

If the contract of a member of the Board of Management is terminated due to permanent incapacity to work before he or she reaches the age of 60, an invalidity pension is granted.

In addition, the following arrangements are in place for members of the Board of Management appointed prior to January 1, 2020:

- Werner Baumann acquired rights to a fixed annual pension of €443,940 starting on his 60th birthday prior to his appointment to the Board of Management. As of May 1, 2016, the day he was appointed Chairman of the Board of Management, his pension was switched over to a contribution-based entitlement. In connection with this, he received an additional, vested entitlement to an annual pension of €200 thousand starting on his 60th birthday. This is subject to a prorated reduction in the event that his term of office ends prior to his 60th birthday under certain conditions.
- In view of his split contract, Heiko Schipper participates in pension plans in Germany (30%) – for his service on the Board of Management of Bayer AG – and in Switzerland (70%) – under his contract as head of Consumer Health at BCC AG in Basel – on a prorated basis. Schipper's pension entitlement in Switzerland arises from a defined benefit plan in which contributions accumulate in an account and are then disbursed as a retirement annuity.

Certain assets are administered by Bayer Pension Trust e. V. under a contractual trust arrangement (CTA) to cover pension entitlements resulting from direct commitments in Germany. This provides substantial additional security – beyond the benefits from the Pension Insurance Association – for the respective pension entitlements of the members of the Board of Management in Germany.

The current service cost for the pension entitlements of the Board of Management members recognized in 2021 according to IFRS was €3,800 thousand (2020: €3,375 thousand). The following table shows the service cost according to IFRS and the settlement or present value of the pension obligations attributable to the individual members of the Board of Management.

C 2.2/15

Pension Entitlements According to IFRS

€ thousand	Expense ¹		Present value of defined benefit pension obligation as of Dec. 31	
	2020	2021	2020	2021
Serving Board of Management members as of Dec. 31, 2021				
Contribution-based pension entitlements				
Werner Baumann (Chairman)	1,895	2,088	25,019	26,654
Liam Condon	702	784	7,188	7,648
Wolfgang Nickl	257	325	877	1,144
Stefan Oelrich	271	344	753	1,042
Heiko Schipper	250	259	6,086	7,243

¹ In the case of the contribution-based pension entitlements, the figures shown here pertain to the service cost for pension entitlements according to IFRS.

Malus and clawback provisions for variable compensation

In the event of gross misconduct or misrepresentation in financial reporting, the Supervisory Board has the discretion to withhold the STI and LTI for fiscal years from 2020 onward (malus) or – if these have already been paid out – to require that they be repaid to the company (clawback).

In the event a member of the Board of Management violates a substantial duty of care, significant obligations under his or her service contract or other important operating principles such as those prescribed by the Code of Conduct for Members of the Board of Management or the Corporate Compliance Policy, the Supervisory Board in the proper exercise of its discretion may reduce or cancel the portion of the variable compensation that has not yet been paid out (malus). The Supervisory Board in the proper exercise of its discretion may also require that all or part of any gross amount that has already been paid out be repaid to the company (clawback).

Moreover, the members of the Board of Management are obligated to repay any variable compensation already paid out if it is subsequently established that the audited and approved consolidated financial statements on which the calculation of the payout for fiscal years from 2020 onward was based were defective. This applies even if the defectiveness of the consolidated financial statements is not attributable to any fault on the part of the members of the Board of Management. Irrespective of the above, a legal basis also exists for payment reductions or regress in the event of a damaging breach of duty by members of the Board of Management.

In 2021, the Supervisory Board did not see any cause to reduce any variable compensation that had not yet been paid out (malus) or reclaim variable compensation that had already been paid out (clawback).

Share Ownership Guidelines

The Bayer Share Ownership Guidelines are also an integral factor in the compensation system. They serve to further align the interests of the Board of Management with those of our stockholders and to strengthen sustainable development. Under the Bayer Share Ownership Guidelines, members of the Board of Management are required to build substantial positions in Bayer shares within four years of joining the Board. They must purchase shares to the value of 200% of base compensation in the case of the Chairman and 100% in the case of the other members of the Board of Management and retain them for the remainder of their service on the Board of Management and for two years thereafter. If they cannot provide evidence of this share ownership, they have no claim to payment of the LTI. The virtual shares allocated as part of the LTI program do not count toward the number of Bayer shares to be purchased under the Share Ownership Guidelines.

An overview of the current Share Ownership Guidelines can be found below:

C 2.2/16

Share Ownership Guidelines – Status

Serving Board of Management members as of Dec. 31, 2021

Board of Management member	Target (% of base compensation)	End of position-building phase	Status
Werner Baumann	200%	March 31, 2021 ¹	Fulfilled
Liam Condon	100%	March 31, 2021 ¹	Fulfilled
Sarena Lin	100%	January 31, 2025	In progress
Wolfgang Nickl	100%	April 25, 2022	Fulfilled
Stefan Oelrich	100%	October 31, 2022	Fulfilled
Heiko Schipper	100%	February 28, 2022	Fulfilled

¹ The end dates for the position-building phase were redefined after the targets within the Share Ownership Guidelines were updated in 2020.

Entitlements upon termination of service on the Board of Management

If the service contract of a member of the Board of Management is terminated before the end of the term of office – other than for cause – at the company's instigation, his or her entitlements under the service contract are fulfilled until the termination date. Payments of variable compensation are made on the originally agreed dates and conditions and are not brought forward. In line with the recommendations of the German Corporate Governance Code, the service contracts of the members of the Board of Management contain the provision that payments upon termination of service shall not exceed twice the annual compensation or the compensation amount for the remaining term of the contract if this is lower.

Change of control

To ensure their independence, members of the Board of Management are also entitled to a severance payment in the event of a change of control as defined in the German Securities Acquisition and Takeover Act, provided certain narrow conditions are met. The claim to a severance payment only arises if the service contract is terminated by mutual agreement at the company's instigation or if the position of the Board of Management member is significantly affected by the change of control and he or she gives notice of termination within 12 months of the date of the change of control. The position of the Board of Management member is significantly affected if, in particular, one of the following conditions is fulfilled:

- Significant changes in the company's strategy
- Significant changes in his or her own area of activity
- Significant changes in the company's legal form

In these cases, members of the Board of Management are entitled to a severance payment of 250% of annual base compensation, though this must not exceed the compensation for the remaining term of the respective contract. Board of Management members appointed in 2010 or earlier are entitled to a severance payment of 200% of annual cash compensation (base compensation, target STI and target LTI), though this must not exceed the compensation for the remaining term of the respective contract. This entitlement does not exist if termination takes place for cause as defined in Section 626 of the German Civil Code.

A severance payment made in the event of a change of control would also fall below the severance cap recommended by the German Corporate Governance Code (two times the level of annual compensation, but capped at the compensation amount for the remaining term of the contract).

Post-contractual noncompete agreements

Post-contractual noncompete agreements exist with the members of the Board of Management, providing for indemnity payments to be made by the company for the two-year duration of these agreements. The indemnity payment for each of the two years amounts to 100% of a member's average base compensation for the 12 months preceding his or her departure. In the event a service contract is terminated early, any severance payment for the remaining part of the original term of the contract is deducted from the indemnity payment. Upon contract termination, the company may waive the post-contractual noncompete agreement, in which case no indemnity is paid.

Unfitness for work

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

Payment for service on governance bodies

Any compensation a member of the Board of Management receives for service on the supervisory board of a Bayer Group company is deducted from his or her base compensation. Any membership in a supervisory board of a company outside the Bayer Group must be approved in advance by the Supervisory Board. Where a member of the Board of Management serves on the supervisory board of a company outside the Bayer Group, the Supervisory Board of Bayer Aktiengesellschaft decides whether and to what extent a deduction is to be made. No deductions are being made for Board of Management members currently serving on external supervisory boards.

Third-party compensation

No member of the Board of Management received compensation from a third party in 2021 in connection with their position on the Board of Management.

2.3 Individualized Board of Management compensation levels

Target compensation (voluntary disclosure)

The following tables show the individual target values, along with the minimum and maximum values, for the compensation components contractually agreed in 2021, including expenses for fringe benefits and pension entitlements, along with the relative shares of the individual compensation components.

C 2.3/1

Target Compensation (Part I)

	Serving Board of Management members as of Dec. 31, 2021									
	Werner Baumann (Chairman)					Liam Condon (Crop Science)				
	Joined Jan. 1, 2010					Joined Jan. 1, 2016				
	2021 (€ thousand)	2021 (%)	Min. 2021 (€ thousand)	Max. ¹ 2021 (€ thousand)	2020 (€ thousand)	2021 (€ thousand)	2021 (%)	Min. 2020 (€ thousand)	Max. ¹ 2021 (€ thousand)	2020 (€ thousand)
Base compensation	1,733	21.1	1,733	1,733	1,668	964	22.7	964	964	961
Fringe benefits	99	1.2	99	99	59	95	2.2	95	95	47
Pension installment	-	-	-	-	-	-	-	-	-	-
Short-term variable cash compensation										
STI 2020	-	-	-	-	1,668	-	-	-	-	961
STI 2021	1,775	21.6	0	3,550	-	964	22.7	0	1,929	-
Long-term stock-based cash compensation										
Aspire 3.0 2020 (Jan. 1, 2020 – Dec. 31, 2023)	-	-	-	-	2,502	-	-	-	-	1,441
Aspire 3.0 2021 (Jan. 1, 2021 – Dec. 31, 2024)	2,513	30.6	0	6,281	-	1,446	34.0	0	3,616	-
Service cost/benefit expense (IFRS)	2,088	25.5	2,088	2,088	1,895	784	18.4	784	784	702
Total compensation	8,208	100.0	3,920	13,751	7,792	4,253	100.0	1,843	7,388	4,112

C 2.3/2

Target Compensation (Part II)

	Serving Board of Management members as of Dec. 31, 2021									
	Sarena Lin ² (Labor Director)					Wolfgang Nickl (Finance)				
	Joined Feb. 1, 2021					Joined April 26, 2018				
	2021 (€ thousand)	2021 (%)	Min. 2021 (€ thousand)	Max. ¹ 2021 (€ thousand)	2020 (€ thousand)	2021 (€ thousand)	2021 (%)	Min. 2020 (€ thousand)	Max. ¹ 2021 (€ thousand)	2020 (€ thousand)
Base compensation	758	17.5	758	758	-	824	23.9	824	824	796
Fringe benefits	1,282	29.5	1,198	1,623	-	202	5.9	202	202	91
Pension installment	303	7.0	303	303	-	-	-	-	-	-
Short-term variable cash compensation										
STI 2020	-	-	-	-	-	-	-	-	-	796
STI 2021	825	19.0	0	1,650	-	900	26.1	0	1,800	-
Long-term stock-based cash compensation										
Aspire 3.0 2020 (Jan. 1, 2020 – Dec. 31, 2023)	-	-	-	-	-	-	-	-	-	1,194
Aspire 3.0 2021 (Jan. 1, 2021 – Dec. 31, 2024)	1,174	27.0	0	2,935	-	1,199	34.8	0	2,998	-
Service cost/benefit expense (IFRS)	-	-	-	-	-	325	9.3	325	325	257
Total compensation	4,342	100.0	2,259	7,269	-	3,450	100.0	1,351	6,149	3,134

Target Compensation (Part III)

	Serving Board of Management members as of Dec. 31, 2021									
	Stefan Oelrich ³ (Pharmaceuticals)					Heiko Schipper ⁴ (Consumer Health)				
	Joined Nov. 1, 2018					Joined Mar. 1, 2018				
	2021 (€ thou- sand)	2021 (%)	Min. 2021 (€ thou- sand)	Max. ¹ 2021 (€ thou- sand)	2020 (€ thou- sand)	2021 (€ thou- sand)	2021 (%)	Min. 2020 (€ thou- sand)	Max. ¹ 2021 (€ thou- sand)	2020 (€ thou- sand)
Base compensation	872	20.3	872	872	849	824	22.7	824	824	796
Fringe benefits	861	20.1	861	861	860	443	12.2	443	443	594
Pension installment	-	-	-	-	-	-	-	-	-	-
Short-term variable cash compensation										
STI 2020	-	-	-	-	849	-	-	-	-	796
STI 2021	930	21.7	0	1,860	-	900	24.8	0	1,800	-
Long-term stock-based cash compensation										
Aspire 3.0 2020 (Jan. 1, 2020 – Dec. 31, 2023)	-	-	-	-	1,274	-	-	-	-	1,194
Aspire 3.0 2021 (Jan. 1, 2021 – Dec. 31, 2024)	1,279	29.8	0	3,196	-	1,199	33.1	0	2,997	-
Service cost/benefit expense (IFRS)	344	8.1	344	344	271	259	7.2	259	259	250
Total compensation	4,286	100.0	2,077	7,133	4,103	3,625	100.0	1,526	6,323	3,630

¹ The maximum figures shown here do not yet take into account the total caps applicable (see C 2.1/3).

² The fringe benefits for Sarena Lin include buyout amounts for lapsed entitlements to bonuses granted by her former employer, and the reimbursement of costs incurred for selling her home in the United States, with a cap applying in each case.

³ The fringe benefits for Stefan Oelrich contain an indemnity payment of €808 thousand (2020: €808 thousand) for variable compensation components granted to him by his former employer that lapsed due to his joining Bayer. This indemnity amounts to €2,424 thousand in total and was paid over a period of three years on a pro rata temporis basis.

⁴ The fringe benefits for Heiko Schipper contain an indemnity payment of €431 thousand (2020: €530 thousand) for variable compensation components granted to him by his former employer that lapsed due to his joining Bayer. This indemnity amounts to a maximum of €1,950 thousand. A quarter of this amount was paid at the date he joined the Board of Management. The remaining three-quarters was paid over a period of three years on a pro rata temporis basis.

Compensation awarded and due

The following tables show the compensation individually awarded and due. The tables include all fixed (base compensation, fringe benefits, and pension entitlements/installment) and variable (short- and long-term variable cash compensation) compensation components along with their respective relative shares for each member of the Board of Management. Awarded compensation encompasses compensation for services that have been fully rendered once the fiscal year ends, even though actual payment will not be made until the subsequent fiscal year. Due compensation comprises compensation that is legally due but has not yet been actually paid out to the Board of Management member.

The way compensation is allocated can be illustrated using the examples of short-term cash compensation (STI) and long-term stock-based cash compensation (Aspire 2.0 and Aspire 3.0):

// The payout amounts for the 2021 STI and the Aspire 2.0 tranche issued in 2018 are included in the column for compensation awarded and due, since the respective Board of Management member had fully rendered the services on which the respective compensation is based during the one- and four-year periods. The fact that the payouts will not actually be made until the subsequent year is overlooked in order to present the link between the compensation and performance of the Board of Management in the same period.

The service cost according to IFRS is additionally shown as a part of Board of Management compensation, even though it does not constitute awarded or due compensation within the meaning of Section 162 of the Stock Corporation Act (AktG).

C 2.3/4

Compensation Awarded and Due (Part I)

	Serving Board of Management members as of Dec. 31, 2021					
	Werner Baumann (Chairman) Joined Jan. 1, 2010			Liam Condon (Crop Science) Joined Jan. 1, 2016		
	2021 (€ thousand)	2021 (%)	2020 (€ thousand)	2021 (€ thousand)	2021 (%)	2020 (€ thousand)
Base compensation	1,733	30.4	1,668	964	11.7	961
Fringe benefits	99	1.7	59	95	1.2	47
Pension installment	-	-	-	-	-	-
Short-term variable cash compensation						
STI 2020	-	-	906	-	-	458
STI 2021	3,218	56.4	-	1,736	21.0	-
Long-term stock-based cash compensation						
Aspire 2.0 2017 (Jan. 1, 2017 – Dec. 31, 2020)	-	-	1,345	-	-	638
Aspire 2.0 2018 (Jan. 1, 2018 – Dec. 31, 2021)	652	11.4	-	253	3.1	-
Other ¹	-	-	-	5,201	63.1	-
Total compensation awarded and due	5,702	100.0	3,978	8,249	100.0	2,104
Service cost/benefit expense (IFRS)	2,088		1,895	784		702
Total compensation	7,790		5,873	9,033		2,806

C 2.3/5

Compensation Awarded and Due (Part II)

	Serving Board of Management members as of Dec. 31, 2021					
	Sarena Lin ² (Labor Director) Joined Feb. 1, 2021			Wolfgang Nickl (Finance) Joined April 26, 2018		
	2021 (€ thousand)	2021 (%)	2020 (€ thousand)	2021 (€ thousand)	2021 (%)	2020 (€ thousand)
Base compensation	758	20.4	-	824	27.5	796
Fringe benefits	1,282	34.6	-	202	6.7	91
Pension installment	303	8.2	-	-	-	-
Short-term variable cash compensation						
STI 2020	-	-	-	-	-	428
STI 2021	1,366	36.8	-	1,632	54.5	-
Long-term stock-based cash compensation						
Aspire 2.0 2017 (Jan. 1, 2017 – Dec. 31, 2020)	-	-	-	-	-	-
Aspire 2.0 2018 (Jan. 1, 2018 – Dec. 31, 2021)	-	-	-	338	11.3	-
Other	-	-	-	-	-	-
Total compensation awarded and due	3,709	100.0	-	2,996	100.0	1,315
Service cost/benefit expense (IFRS)	-		-	325		257
Total compensation	3,709		-	3,321		1,572

C 2.3/6

Compensation Awarded and Due (Part III)

Serving Board of Management members as of Dec. 31, 2021

	Stefan Oelrich ³ (Pharmaceuticals) Joined Nov. 1, 2018		Heiko Schipper ⁴ (Consumer Health) Joined Mar. 1, 2018			
	2021 (€ thousand)	2021 (%)	2020 (€ thousand)	2021 (€ thousand)	2021 (%)	2020 (€ thousand)
Base compensation	872	23.9	849	824	26.0	796
Fringe benefits	861	23.6	860	443	14.0	594
Pension installment	-	-	-	-	-	-
Short-term variable cash compensation						
STI 2020	-	-	420	-	-	751
STI 2021	1,600	43.9	-	1,553	48.9	-
Long-term stock-based cash compensation						
Aspire 2.0 2017 (Jan. 1, 2017 – Dec. 31, 2020)	-	-	-	-	-	-
Aspire 2.0 2018 (Jan. 1, 2018 – Dec. 31, 2021)	311	8.5	-	353	11.1	-
Other	-	-	-	-	-	-
Total compensation awarded and due	3,644	100.0	2,129	3,173	100.0	2,141
Service cost/benefit expense (IFRS)	344		271	259		250
Total compensation	3,988		2,400	3,432		2,391

¹ Owing to his departure and the supplementary agreement concluded with him, Liam Condon's Aspire compensation for 2019 through 2021 was fully earned as of December 31, 2021, and was thus awarded in 2021. In addition, Liam Condon was awarded an entitlement to a maximum indemnity payment totaling €1,929 thousand that is to be paid out in monthly installments for a period of two years. Pursuant to Section 74c of the German Commercial Code, any compensation that Liam Condon receives in the two years following his departure from Bayer's Board of Management will be deducted from said indemnity payment.

² The fringe benefits for Sarena Lin include buyout amounts for lapsed entitlements to bonuses granted by her former employer, and the reimbursement of costs incurred for selling her home in the United States, with a cap applying in each case.

³ The fringe benefits for Stefan Oelrich contain an indemnity payment of €808 thousand (2020: €808 thousand) for variable compensation components granted to him by his former employer that lapsed due to his joining Bayer.

⁴ The fringe benefits for Heiko Schipper contain an indemnity payment of €431 thousand (2020: €530 thousand) for variable compensation components granted to him by his former employer that lapsed due to his joining Bayer.

C 2.3/7

Compensation Awarded and Due to Former Board of Management Members (Part I)

	Dr. Hartmut Klusik Stepped down: Dec 31, 2019		Kemal Malik Stepped down: Dec 31, 2019	
	2021 (€ thousand)	2021 (%)	2021 (€ thousand)	2021 (%)
Long-term stock-based cash compensation ¹	(364)	124.7	(363)	100.0
Pension payments	72	-24.7	-	-
Other compensation	-	-	-	-
Total compensation awarded and due	(292)	100.0	(363)	100.0

C 2.3/8

Compensation Awarded and Due to Former Board of Management Members (Part II)

	Johannes Dietsch Stepped down: May 31, 2018		Erica Mann Stepped down: March 31, 2018		Dieter Weinand Stepped down: Oct. 31, 2018	
	2021 (€ thousand)	2021 (%)	2021 (€ thousand)	2021 (%)	2021 (€ thousand)	2021 (%)
Long-term stock-based cash compensation ¹	(345)	100.0	(282)	100.0	(450)	100.0
Pension payments	-	-	-	-	-	-
Other compensation	-	-	-	-	-	-
Total compensation awarded and due	(345)	100.0	(282)	100.0	(450)	100.0

Compensation Awarded and Due to Former Board of Management Members (Part III)

	Dr. Marijn Dekkers Stepped down: April 30, 2016		Prof. Dr. Wolfgang Plischke Stepped down: April 29, 2014		Dr. Richard Pott Stepped down: May 31, 2013	
	2021 (€ thousand)	2021 (%)	2021 (€ thousand)	2021 (%)	2021 (€ thousand)	2021 (%)
Long-term stock-based cash compensation ¹	-	-	-	-	-	-
Pension payments	650	100.0	439	100.0	612	100.0
Other compensation	-	-	-	-	-	-
Total compensation awarded and due	650	100.0	439	100.0	612	100.0

¹ The figure shown here is the difference between the fair value of the long-term stock-based cash compensation that was originally fully awarded to the Board of Management member when he stepped down, and the actual payout amount in the year in which payment is made.

2.4 Compensation of the Supervisory Board

The Supervisory Board is compensated based on the relevant provisions of the Articles of Incorporation, which were last amended by the resolution adopted at the Annual Stockholders' Meeting on April 27, 2021. The compensation of the Supervisory Board members for the period January 1, 2021, through April 27, 2021, is therefore determined by the provisions of the Articles of Incorporation that applied up until the resolution was passed by the 2021 Annual Stockholders' Meeting, while their compensation for the period April 28, 2021, through December 31, 2021, is determined by the provisions of the Articles of Incorporation that were adopted by the Annual Stockholders' Meeting on April 27, 2021.

Principles applied for Supervisory Board compensation

A company's Supervisory Board is tasked with advising and supervising the Board of Management, which directs the company and its business on its own responsibility. Pursuant to Section 113, Paragraph 1, Sentence 3 of the German Stock Corporation Act (AktG), the compensation of Supervisory Board members should bear a reasonable relation to their tasks and the company's situation. In setting Supervisory Board compensation, consideration should be given to the demands of the office of the Supervisory Board member, the time involved and the responsibility borne by the Supervisory Board members for the company. Appropriate Supervisory Board compensation ensures that a company will remain able to attract outstandingly qualified domestic and international candidates as Supervisory Board members. Supervisory Board compensation thus contributes sustainably to advancing a company's business strategy and to its long-term development.

Design of Supervisory Board compensation

The members of the Supervisory Board receive fixed annual compensation and additional compensation for chairing and membership of Supervisory Board committees, plus reimbursement of their expenses. In accordance with the recommendations of the German Corporate Governance Code, additional compensation is paid to the Chairman and Vice Chairman of the Supervisory Board and for chairing and membership of committees. In addition, Supervisory Board members receive an attendance fee each time they take part in a meeting of the Supervisory Board or of a committee.

C 2.4/1

Design of Supervisory Board Compensation

Up until April 27, 2021	Compensation element	From April 28, 2021
<ul style="list-style-type: none"> Chairman: €396,000 Vice Chairman: €264,000 Ordinary member: €132,000 	Fixed compensation	<ul style="list-style-type: none"> Chairman: €480,000 Vice Chairman: €320,000 Ordinary member: €160,000
<ul style="list-style-type: none"> Chairman and Vice Chairman of the Supervisory Board do not receive any additional compensation for membership or chairing of committees Compensation for committee duties is paid for a maximum of two committees (highest-paying functions taken into account) 	Compensation for committee duties	<ul style="list-style-type: none"> Chairman and Vice Chairman of the Supervisory Board do not receive any additional compensation for membership or chairing of committees Compensation for committee duties is paid for a maximum of three committees (highest-paying functions taken into account)
<ul style="list-style-type: none"> Chairman: €132,000 Member: €66,000 	Audit Committee	<ul style="list-style-type: none"> Chairman: €120,000 Member: €60,000
<ul style="list-style-type: none"> Chairman: €66,000 Member: €33,000 	Presidial Committee	<ul style="list-style-type: none"> Chairman: €40,000 Member: €20,000
<ul style="list-style-type: none"> Chairman: - Member: - 	Nominations Committee	<ul style="list-style-type: none"> Chairman: €40,000 Member: €20,000
<ul style="list-style-type: none"> Chairman: €66,000 Member: €33,000 	Other committees	<ul style="list-style-type: none"> Chairman: €60,000 Member: €30,000
<ul style="list-style-type: none"> €1,000 (for each meeting attended in person)¹ 	Attendance fees	<ul style="list-style-type: none"> €1,500 (for each meeting attended in person, by phone or virtually)¹

¹ If multiple meetings are held on one day, only one attendance fee is paid.

The members of the Supervisory Board have given a voluntary pledge that in the first five years of their Supervisory Board membership they will each purchase Bayer shares for 25% of their pretax fixed compensation, including any additional compensation for committee membership, and hold these shares for as long as they remain members. This does not apply to members who, under a service or employment contract, are prevented from purchasing shares, or who transfer at least 85% of their fixed annual compensation and additional compensation to the Hans Böckler Foundation in accordance with the rules of the German Trade Union Confederation, or whose service or employment contract requires them to transfer such compensation to their employer. If less than 85% of the fixed compensation is transferred, the voluntary pledge applies to the portion not transferred. By voluntarily pledging to invest in and hold Bayer shares, the Supervisory Board members reinforce their interest in the company's long-term success.

The tables below show the components of the compensation awarded and due to each Supervisory Board member as well as the relative shares of the respective components in overall compensation. Awarded compensation encompasses compensation for services that have been fully rendered once the fiscal year ends.

Compensation awarded and due

C 2.4/2

Compensation Awarded and Due (Part I)

	Fixed compensation		Compensation for committee duties			
	2021	2020	2021	2020		
Supervisory Board members serving as of Dec. 31, 2021	(€ thousand)	(%)	(€ thousand)	(€ thousand)	(%)	(€ thousand)
Dr. Paul Achleitner	151	63.7	132	75	31.6	66
Dr. Simone Bagel-Trah	151	86.8	132	14	8.0	–
Horst Baier ¹	151	46.9	89	154	47.8	112
Dr. Norbert W. Bischofberger	151	78.6	132	30	15.6	33
André van Broich	151	61.1	132	82	33.2	66
Ertharin Cousin	151	83.0	132	20	11.0	–
Dr. Thomas Elsner	151	58.1	132	92	35.4	99
Colleen A. Goggins	151	72.6	132	45	21.6	33
Robert Gundlach	151	78.6	132	30	15.6	2
Heike Hausfeld	151	79.1	132	31	16.2	33
Reiner Hoffmann	151	94.4	132	–	0.0	–
Dr. Fei-Fei Li ²	109	93.2	–	–	0.0	–
Frank Löllgen	151	61.4	132	83	33.7	66
Petra Reinbold-Knape	151	68.6	132	55	25.0	66
Andrea Sacher ³	151	94.4	41	–	0.0	–
Michael Schmidt-Kießling	151	94.4	132	–	0.0	–
Alberto Weisser ⁴	109	66.5	–	41	25.0	–
Prof. Dr. Otmar D. Wiestler	151	70.9	132	51	23.9	33
Prof. Dr. Norbert Winkeljohann (Chairman) ⁵	453	95.8	311	–	0.0	54
Oliver Zühlke (Vice Chairman)	302	94.7	264	–	0.0	–
Individuals who ceased to be members of the Supervisory Board in 2020 and 2021						
Johanna W. (Hanneke) Faber ⁶	42	100.0	132	–	0.0	–
Prof. Dr. Wolfgang Plischke ⁷	42	49.4	132	43	50.6	132
Sabine Schaab ⁸	–	–	78	–	–	20
Werner Wenning ⁹	–	–	129	–	–	–

Compensation Awarded and Due (Part II)

	Attendance fees		Total compensation	
	2021	2020	2021	2020
Supervisory Board members serving as of Dec. 31, 2021	(€ thousand)	(%)	(€ thousand)	(€ thousand)
Dr. Paul Achleitner	11	4.6	1	237
Dr. Simone Bagel-Trah	9	5.2	1	174
Horst Baier ¹	17	5.3	–	322
Dr. Norbert W. Bischofberger	11	5.7	1	192
André van Broich	14	5.7	2	247
Ertharin Cousin	11	6.0	1	182
Dr. Thomas Elsner	17	6.5	2	260
Colleen A. Goggins	12	5.8	–	208
Robert Gundlach	11	5.7	1	192
Heike Hausfeld	9	4.7	2	191
Reiner Hoffmann	9	5.6	1	160
Dr. Fei-Fei Li ²	8	6.8	–	117
Frank Löllgen	12	4.9	2	246
Petra Reinbold-Knape	14	6.4	1	220
Andrea Sacher ³	9	5.6	–	160
Michael Schmidt-Kießling	9	5.6	1	160
Alberto Weisser ⁴	14	8.5	–	164
Prof. Dr. Otmar D. Wiestler	11	5.2	1	213
Prof. Dr. Norbert Winkeljohann (Chairman) ⁵	20	4.2	2	473
Oliver Zühlke (Vice Chairman)	17	5.3	2	319
Individuals who ceased to be members of the Supervisory Board in 2020 and 2021				
Johanna W. (Hanneke) Faber ⁶	–	0.0	1	42
Prof. Dr. Wolfgang Plischke ⁷	–	0.0	2	85
Sabine Schaab ⁸	–	–	1	–
Werner Wenning ⁹	–	–	2	–

¹ Member of the Supervisory Board since April 28, 2020

² Member of the Supervisory Board since April 27, 2021

³ Member of the Supervisory Board since September 8, 2020

⁴ Member of the Supervisory Board since April 27, 2021

⁵ Chairman of the Supervisory Board since April 28, 2020

⁶ Member of the Supervisory Board until April 27, 2021

⁷ Member of the Supervisory Board until April 27, 2021

⁸ Member of the Supervisory Board until August 4, 2020

⁹ Chairman of the Supervisory Board until April 28, 2020

No compensation was paid or benefits granted to members of the Supervisory Board for personally performed services such as consultancy or agency services. The company has purchased insurance for the members of the Supervisory Board to cover their personal liability arising from their service on the Supervisory Board.

2.5 Development of Board of Management Compensation Relative to Employee Compensation and the Financial Performance of the Company

The table below provides an overview of the development of the compensation awarded and due to current and former members of the Board of Management and Supervisory Board, the development of the average compensation of the employees, and the development of selected financial performance indicators of the Bayer Group and Bayer AG over the past five years.

The former Board of Management members included in the table are those who stepped down in the last 10 years. The former Supervisory Board members shown in the table are those to whom compensation was awarded or due in 2021.

The compensation shown below for the employees, nonmanagerial employees and overall workforce in Germany includes the employees of Bayer AG, Leverkusen, Bayer Intellectual Property GmbH, Monheim am Rhein, and Pallas Versicherung Aktiengesellschaft, Leverkusen. From 2018, the figures do not include Animal Health employees. The employees of Bayer Business Services (BBS) GmbH, Leverkusen have been accounted for within Bayer AG, Leverkusen, since January 1, 2020.

The performance indicators are affected by the acquisition of Monsanto (2018) and by the divestments of Covestro (2017), various Crop Science businesses to BASF (2018), the prescription dermatology business of Consumer Health (2018 and 2019), the Dr. Scholl's™ and Coppertone™ brands (2019), our stake in Currenta (2019), and Animal Health (2020). They are also particularly affected by the recognition of Covestro (2017), Currenta (2019) and Animal Health (2019) as discontinued operations. In addition, core earnings per share are impacted by the increase in the number of shares in 2018.

C 2.5/1

Development of Compensation and Financial Performance – Comparative Overview

in € thousand	2017	Δ (%)	2018	Δ (%)	2019	Δ (%)	2020	Δ (%)	2021
Serving Board of Management members as of Dec. 31, 2021									
Werner Baumann (Chairman) ¹	2,972	+9.4	3,250	+13.4	3,687	+7.9	3,978	+43.3	5,702
Liam Condon ²	1,412	+36.0	1,921	+31.3	2,523	-16.6	2,104	+292.1	8,249
Sarena Lin	-	-	-	-	-	-	-	-	3,709
Wolfgang Nickl	-	-	1,135	+51.0	1,714	-23.3	1,315	+127.8	2,996
Stefan Oelrich	-	-	277	+866.1	2,676	-20.4	2,129	+71.2	3,644
Heiko Schipper	-	-	1,816	+22.7	2,228	-3.9	2,141	+48.2	3,173
Former members									
Dr. Marijn Dekkers ¹	(5)	-4,500.0	220	-35.9	141	-626.2	(742)	-187.6	650
Johannes Dietsch ^{1, 2}	1,498	+162.8	3,937	-108.6	(338)	-56.5	(147)	+134.7	(345)
Dr. Hartmut Klusik ^{1, 2}	1,388	+16.1	1,612	+220.0	5,158	-98.6	72	-505.6	(292)
Michael König ¹	(126)	+165.1	(334)	-0.9	(331)	-29.9	(232)	-	-
Kemal Malik ^{1, 2}	1,448	+12.8	1,633	+632.2	11,957	-	-	-	(363)
Erica Mann ^{1, 2}	1,264	+482.5	7,363	-	-	-	(49)	+475.5	(282)
Prof. Dr. Wolfgang Plischke ¹	535	-37.9	332	+29.8	431	+1.2	436	+0.7	439
Dr. Richard Pott ¹	816	-28.2	586	+2.6	601	+1.0	607	+0.8	612
Dieter Weinand ^{1, 2}	1,682	+126.8	3,815	-	-	-	(52)	+765.4	(450)

¹ Differences between the compensation awarded in previous years (e.g., for the LTI and the virtual shares awarded under the STI program through 2015) and the actual payouts in the subsequent years are shown in the year in which payment is made. If the compensation awarded is higher than the amount actually paid out, it can result in a negative amount, which is then included in awarded compensation in the year in which payment is made.

² During their last year of service on the Board of Management, members may potentially be awarded various severance and indemnity payments under a termination agreement. The severance payments comprise, for example, base compensation, STI and LTI and pension entitlements granted to them under their original Board of Management contract until its termination.

C 2.5/1 continued

Development of Compensation and Financial Performance – Comparative Overview

in € thousand	2017	Δ (%)	2018	Δ (%)	2019	Δ (%)	2020	Δ (%)	2021
Serving Supervisory Board members as of Dec. 31, 2021									
Dr. Paul Achleitner	197	+ 3.6	204	0.0	204	- 2.5	199	+ 19.1	237
Dr. Simone Bagel-Trah	131	+ 4.6	137	0.0	137	- 2.9	133	+ 30.8	174
Horst Baier	-	-	-	-	-	-	201	+ 60.2	322
Dr. Norbert W. Bischofberger	95	+ 78.9	170	+ 0.6	171	- 2.9	166	+ 15.7	192
André van Broich	176	+ 16.5	205	0.0	205	- 2.4	200	+ 23.5	247
Ertharin Cousin	-	-	-	-	34	+ 291.2	133	+ 36.8	182
Dr. Thomas Elsner	141	+ 47.5	208	+ 8.2	225	+ 3.6	233	+ 11.6	260
Colleen A. Goggins	93	+ 46.2	136	+ 13.2	154	+ 7.1	165	+ 26.1	208
Robert Gundlach	-	-	-	-	5	+ 2,600.0	135	+ 42.2	192
Heike Hausfeld	116	+ 48.3	172	0.0	172	- 2.9	167	+ 14.4	191
Reiner Hoffmann	130	+ 4.6	136	- 0.7	135	- 1.5	133	+ 20.3	160
Dr. Fei-Fei Li	-	-	-	-	-	-	-	-	117
Frank Löllgen	200	+ 4.0	208	0.0	208	- 3.8	200	+ 23.0	246
Petra Reinbold-Knape	196	+ 4.1	204	+ 0.5	205	- 2.9	199	+ 10.6	220
Andrea Sacher	-	-	-	-	-	-	41	+ 290.2	160
Michael Schmidt-Kießling	133	+ 3.8	138	- 0.7	137	- 2.9	133	+ 20.3	160
Alberto Weisser	-	-	-	-	-	-	-	-	164
Prof. Dr. Otmar D. Wiestler	166	+ 2.4	170	+ 0.6	171	- 2.9	166	+ 28.3	213
Prof. Dr. Norbert Winkeljohann (Chairman)	-	-	165	+ 75.8	290	+ 26.6	367	+ 28.9	473
Oliver Zühlke (Vice Chairman)	264	+ 3.4	273	- 1.1	270	- 1.5	266	+ 19.9	319
Former Supervisory Board members³									
Johanna W. (Hanneke) Faber (until April 27, 2021)	132	+ 3.0	136	- 0.7	135	- 1.5	133	- 68.4	42
Prof. Dr. Wolfgang Plischke (until April 27, 2021)	264	+ 3.8	274	+ 0.4	275	- 3.3	266	- 68.0	85
Employees									
Average compensation for employees ⁴	109	- 7.3	101	+ 6.9	108	- 1.9	106	- 1.9	104
Financial performance									
EBITDA before special items (€ million) (Bayer Group) ⁵	9,288	+ 2.8	9,547	+ 20.5	11,503	- 0.4	11,461	- 2.5	11,179
Core earnings per share (in €) ⁶	6.74	- 11.9	5.94	+ 7.7	6.40	- 0.2	6.39	+ 1.9	6.51
Net income/net loss (Bayer AG)	4,543	- 53.4	2,117	+ 115.3	4,557	- 155.9	(2,547)	- 261.4	4,110

³ Supervisory Board members who stepped down in 2021.

⁴ The average compensation of managerial and nonmanagerial employees (based on full-time equivalents) comprises base compensation (for nonmanagerial employees under collective bargaining agreements: annual salary plus any shift bonuses and allowances depending on the position; for other employee groups: annual functional income), the annual bonus paid out in the fiscal year (short-term incentive (STI) payout based on actual target attainment in prior year), and the four-year stock-based compensation paid out in the fiscal year (where the respective employee groups are eligible to participate). For nonmanagerial employees, the 13th monthly salary and the contractually agreed vacation bonus were taken into account. Fringe benefits taken into account comprised employer contributions to social insurance and, for eligible employee groups, the budget provided for a company car. Expenditures for fringe benefits (such as home security equipment, indemnity payments for lapsed variable compensation components granted by former employers) were not taken into account due to their irregular nature.

⁵ 2017–2020 as originally reported, forming basis for compensation

⁶ Core earnings per share from continuing operations, 2017–2020 as originally reported, forming basis for compensation

The following voluntary overview shows the development of the target direct compensation of the Board of Management in relation to both the compensation of all employees in Germany and that of nonmanagerial employees under collective bargaining agreements in Germany. The aim of this approach is to enhance comparability in the development of compensation. It is calculated based on contractually agreed target compensation levels with respect to base compensation, short-term variable cash compensation and the four-year long-term stock-based cash compensation (where the respective employee groups are eligible to participate). For nonmanagerial employees in Germany, the 13th monthly salary and the contractually agreed vacation bonus were taken into account. Variable compensation components for both the Board of Management and the other employee groups were based on the assumption of 100% target attainment. Expenditures for fringe benefits (such as home security equipment, indemnity payments for lapsed variable

compensation components granted by former employers) were not taken into account due to their irregular nature. Expenditures for pensions were also disregarded in view of the interest sensitivity of the expenses.

C 2.5/2

Development of Average Target Direct Compensation¹ of the Board of Management and Employees

€	2017	Change %	2018	Change %	2019	Change %	2020	Change %	2021
Board of Management	3,074,400	+ 1.6	3,123,600	+ 5.9	3,307,600	+ 7.3	3,548,790	+ 4.7	3,715,425
All employees ² in Germany	91,276	+ 2.6	93,678	+ 4.0	97,445	+ 0.6	98,014	+ 1.4	99,390
Nonmanagerial employees in Germany	61,249	+ 1.8	62,351	+ 4.4	65,123	- 0.6	64,763	+ 1.3	65,623

¹ Base compensation, STI and LTI (not taking into account individual STI payout factor), excluding pensions and fringe benefits; calculated on the basis of full-time equivalents (FTEs). The relative changes in average target direct compensation can be influenced by a range of factors and can vary both over time and across the Board of Management, the overall workforce and nonmanagerial employees. These factors include changes in the composition of the workforce, various salary adjustments within and outside of collective bargaining agreements, the integration and carving out of business entities, or measures relating to HR policy. In connection with the implementation of Section 162 of the German Stock Corporation Act (AktG), compensation data was redetermined to achieve consistency between the existing vertical analysis and the comparative overview shown in table C 2.5/1.

² Excluding the Board of Management

The difference between the percentage increases in average target direct compensation for non-managerial employees and that for all employees in Germany in 2021 compared with 2020 is again primarily due to changes in the structure of the workforce as a result of restructuring measures. In addition, the compensation of nonmanagerial employees in Germany was adjusted effective July 1, 2020, and July 1, 2021, as agreed in the 2019 collective bargaining agreement.

In 2021, the ratio between the average compensation of a Board of Management member and that of all employees in Germany stood at 37:1 (2020: 36:1), while the ratio between the average compensation of a Board of Management member and that of nonmanagerial employees in Germany was 57:1 (2020: 55:1). For the Chairman of the Board of Management, the ratios were 63:1 (2020: 60:1) in relation to all employees in Germany and 95:1 (2020: 90:1) in relation to nonmanagerial employees in Germany. The prior-year figures above were adjusted due to the standardization of the calculation logic employed.

Leverkusen, February 18, 2022

Bayer Aktiengesellschaft

For the Board of Management:

Werner Baumann

Sarena Lin

Wolfgang Nickl

For the Supervisory Board:

Prof. Dr. Winkeljohann

Independent Auditor's Report

To Bayer Aktiengesellschaft, Leverkusen

We have audited the attached Compensation Report of Bayer Aktiengesellschaft, Leverkusen, (the "Company"), for the financial year from January 1 to December 31, 2021, including the related disclosures, prepared in observance of Section 162 AktG. We did not audit the content of the Introduction of the Supervisory Board Chairman, which does not fall within the scope of Section 162 AktG.

Responsibilities of the legal representatives and the Supervisory Board

The legal representatives and the Supervisory Board of Bayer Aktiengesellschaft, Leverkusen, are responsible for preparing the Compensation Report, including the related disclosures, that meets the requirements of Section 162 AktG. The legal representatives and the Supervisory Board are also responsible for such internal controls as they have determined necessary to enable the preparation of a Compensation Report, including the related disclosures, that is free from material misstatements, whether due to fraud or error.

Responsibilities of the independent auditor

Our task is to issue an opinion on this Compensation Report, including the related disclosures, on the basis of our audit. We conducted our audit in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). In accordance with these standards, we are required to fulfill our professional obligations and to plan and perform the audit in such a way as to obtain reasonable assurance about whether the Compensation Report, including the related disclosures, is free from material misstatements.

An audit comprises the performance of audit procedures in order to obtain audit evidence for the stated values in the Compensation Report, including the related disclosures. The selection of audit procedures is made at the dutiful discretion of the independent auditor. This includes an assessment of the risks of material misstatements, whether due to fraud or error, in the Compensation Report. In assessing these risks, the independent auditor considers the internal control system relevant for the preparation of the Compensation Report, including the related disclosures. The objective is to plan and perform audit procedures that are appropriate under the given circumstances, but not to issue an audit opinion on the efficacy of the Company's internal control system. An audit also comprises an assessment of the accounting methods applied, the tenability of the values estimated by the legal representatives and the Supervisory Board in the accounting records, and an assessment of the overall presentation of the Compensation Report, including the related disclosures.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit opinion

In our opinion, on the basis of the knowledge obtained in the audit, the Compensation Report for the financial year from January 1 to December 31, 2021, including the related disclosures, complies with the accounting regulations Section 162 AktG in all material respects. Our audit opinion on the Compensation Report does not extend to the content of the aforementioned Introduction of the Supervisory Board Chairman, which does not fall within the scope of Section 162 AktG.

Other matter – Formal audit of the Compensation Report

The audit of the content of the Compensation Report described in this Independent Auditor's Report comprises the formal audit of the Compensation Report required by Section 162 (3) AktG, including the issuance of a report on this audit. Because we are providing an unqualified audit opinion on the audit of the content of the Compensation Report, this audit opinion also includes the finding that the statements required by Section 162 (1) and 2 AktG have been made in the Compensation Report in all material respects.

Other information

The Supervisory Board is responsible for the Other information. The Other information consists of the introduction to the Compensation Report by the Chairman of the Supervisory Board.

Our audit opinion on the Compensation Report does not extend to the Other information and therefore we provide neither an audit opinion nor any other kind of audit assurance on this subject.

In connection with our audit, our responsibility is to read the Other information and determine whether the Other information

- is materially inconsistent with the Compensation Report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If we conclude on the basis of the work we have performed that there is a material misstatement of this Other information, we are required to report that fact. We have no findings to report on this subject.

Intended purpose of the Independent Auditor's Report

We issue this Independent Auditor's Report on the basis of the engagement agreement concluded with the Company. The audit was performed for purposes of the Company and the Independent Auditor's Report is only intended to inform the Company about the results of the audit.

Liability

This Independent Auditor's Report is not intended for third parties to make (financial) decisions on this basis. We are solely responsible to Bayer Aktiengesellschaft, Leverkusen, and our responsibility is also limited by the engagement agreement concluded with the Company on November 11/14, 2021 and by the "General Terms of Engagement for German Public Auditors and German Public Audit Firms" in the version of January 1, 2017 of the Institut der Wirtschaftsprüfer in Deutschland e.V. However, we do not accept or assume any responsibility to third parties.

Munich, February 23, 2022

Deloitte GmbH

Wirtschaftsprüfungsgesellschaft

Signed: Prof. Dr. Frank Beine
Wirtschaftsprüfer
(German Public Auditor)

Signed: Michael Mehren
Wirtschaftsprüfer
(German Public Auditor)



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