



Bayer AG Corporate Responsibility



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Disclaimer

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Corporate Responsibility



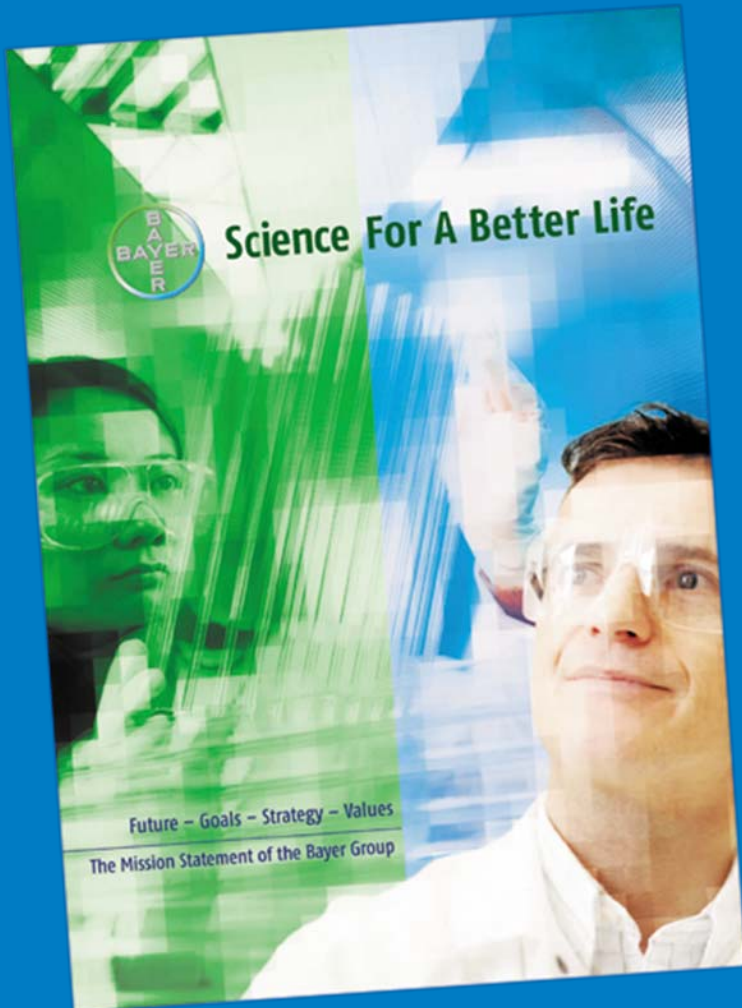
Bayer Values & Principles

Sustainability Strategy

Corporate Ageing: Prepare for Change

Transparency & Performance

Sustainable Development: Integral part of the Bayer Group Mission Statement



“We acknowledge and accept our role as a socially and ethically responsible corporate citizen and are **committed to the principles of sustainable development.**”

“We believe our technical and commercial expertise entails a duty to work for the good of all humankind, **to demonstrate social commitment and to make a lasting and positive contribution to sustainable and environmentally compatible development.**”

“We will strive to actively **contribute to the discussion of socially relevant issues by engaging in a dialogue** with interested sections of society.”

Our Values:

Sustainable Development as integral part



Foundation for our Leadership Principles

Our values

A will to succeed

A passion for our stakeholders

Integrity, openness and honesty

Respect for people and nature

Sustainability of our actions

Corporate Responsibility



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Sustainable Development Strategy at Bayer



Methodical Management

Improve the company's ability to operate and grow by managing HSEQ and social issues that are also business constraints

Involvement

Maintain the company's license to operate by engaging with key stakeholders

Innovation

Contribute to and leverage Sustainable Development by investing in new technologies and products

Practical Sustainability is a team function



The Corporate Sustainability Board ...

- ... steers sustainability management: objectives, key initiatives, performance
- ... represents the Group's interests in this area both externally and internally
- ... is supported by the Sustainable Development Planning Group

Corporate Sustainability Board

Chair

Group Management Board Member responsible for Innovation, Technology & Environment

Members

Members of the subgroup management boards responsible for research & technology
Head of International Human Resources, Head of Communications,
Head of Environment & Sustainability

SD-Planning Group

Chair: Head of Environment & Sustainability

Sustainability is the basis for long term Success



*"Sustainable development is the **development** that meets the needs of the **present** without compromising the ability of **future** generations to meet their own needs."*

*- World Commission on Environment and
Development, 1987*

Ecology

- Protection of natural resources
- Environmental friendly products and processes

Economy

- Financial Targets and Competitiveness
- Risk Management and Corporate Governance

Employees and Society

- Human Rights and Labour Practise
- Contribution to social development and agreement with ethical principles



Social Responsibility at Bayer – responsibility & competitiveness



Mission Statement

Values and leadership
principles communicated

Managerial Staff Survey

Positive results

Remuneration and Pensions

Systems harmonized
throughout the group

Family and Career

Equal opportunity for women
and men

Employee`s Rights

Globally valid labour standards
established

Vocational Training

Giving young people a chance

Protecting Human Rights

Fighting Child Labour in the
Supply Chain

Improve Quality of Life

Fighting Diseases
Foundations and Donations

Corporate Responsibility



Bayer Values & Principles

Sustainability Strategy

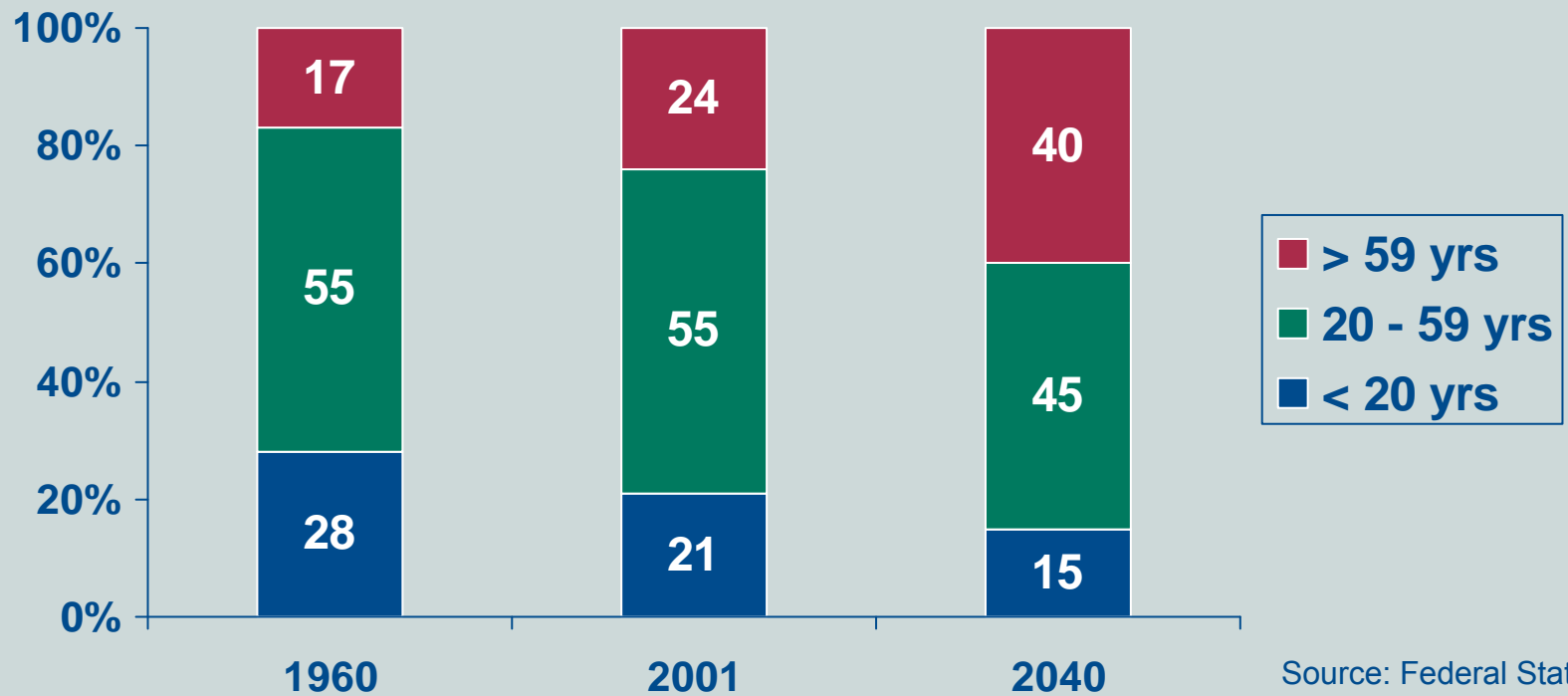
Corporate Ageing: Prepare for Change

Transparency & Performance

Demographic challenge in industrialized countries: Example Germany



Age structure of the German Population (in %)



Source: Federal Statistical Office Germany



Engagement of older employees

| | D | UK | FIN | DK | CH | NL | S | USA | AUS | CDN | NZ |
|---|------|------|------|------|------|------|------|------|------|------|------|
| 2004 Employment Rate (ER) age 55-64 | 41.8 | 56.2 | 51 | 61.8 | 65.1 | 44.2 | 69.5 | 59.9 | 52 | 54 | 67.2 |
| ER increase since 1995 in % (age 55-64) | 4.4 | 8.7 | 16.6 | 12.5 | 3.4 | 14.8 | 7.5 | 4.8 | 10.2 | 10.7 | 16.8 |
| ER increase since 1995 in % (age 15-64) | 0.4 | 3.5 | 6.1 | 2.1 | 1.0 | 6.1 | 1.3 | -1.3 | 2.6 | 5.0 | 3.4 |
| 2004 Unemployment rate (age 55-64) | 12.5 | 3.1 | 7.3 | 5.6 | 3.2 | 3.8 | 4.9 | 3.8 | 3.6 | 5.9 | 2.5 |

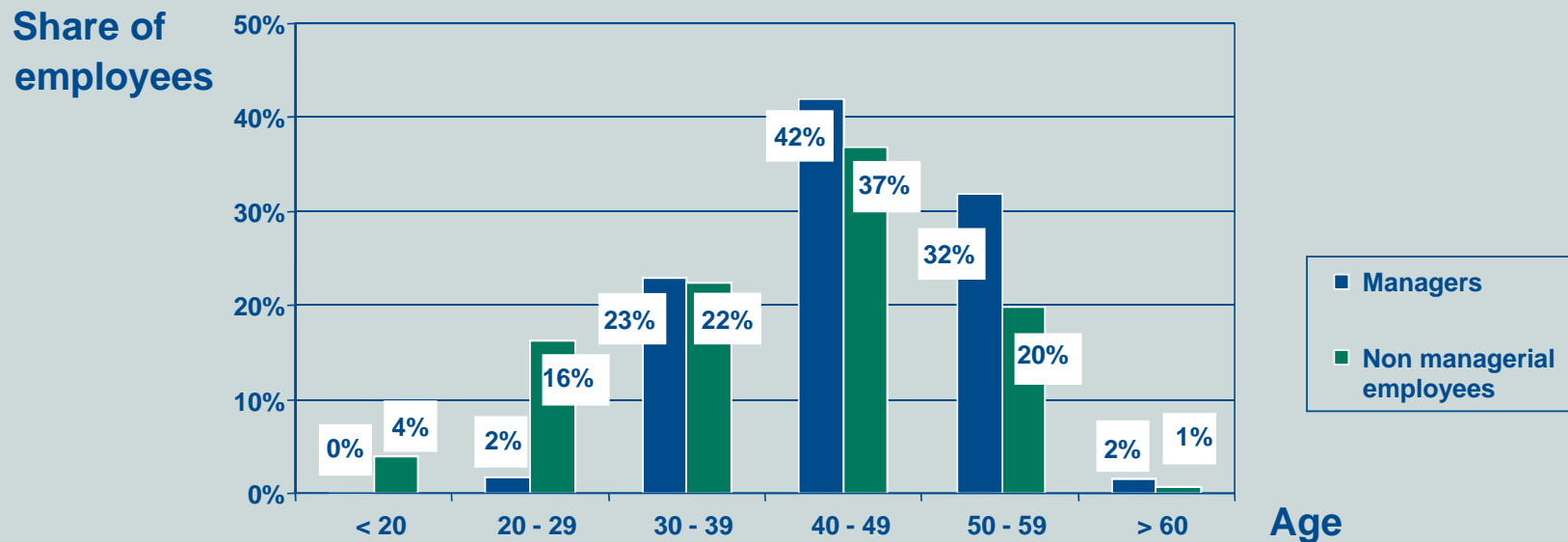
Source : OECD 2005

➔ **Crucial situation in Germany due to both employment and unemployment rates**



Corporate Ageing – effects to be foreseen

Bayer Personnel Age Structures in Germany 2006



- ➔ Increasing retirement age will change this picture
- ➔ Demographic change will reduce company's flexibility to engage competent younger people



Adjusting the mindset

Experienced (= older) employees generally offer many advantages

- Social competence
- Leadership experience
- Know-how and experience in general
- Reliability and work quality

Status

- Company demands are tailored to be met by younger employees
- Career development stops when employees reach “50”
- Accelerated pace of technological development: Challenge to maintain required level of qualification



Prepare for change



Innovative and personalized solutions are needed to deal with increasing retirement age and to maintain flexibility

Approaches

- Adapted part-time work models and lifelong working time account
- Personalized, age-based workplaces
- Occupational health measures
- Concept of “lifelong learning” to be pushed and accepted by company and employees
- Career development beyond 50 – e. g. assignments abroad
- Regular job rotations



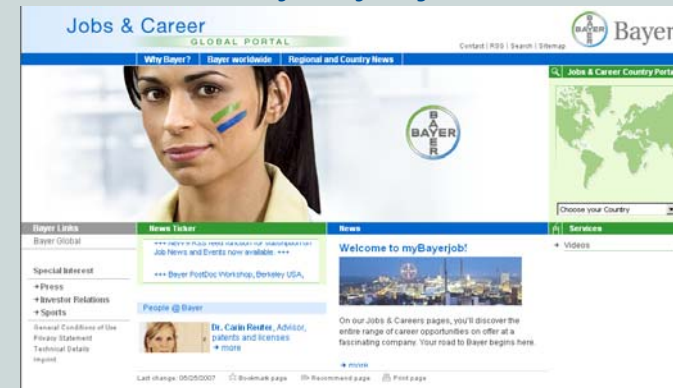
Recruiting retention is crucial for success



Bayer's approach

- Center of Expertise “People Development”
- Excursion days/Information Seminars for PhD Students/Recruiting fairs/University relations
- Scholarships/Internships/Trainee programs
- Master Thesis/PhD Thesis/Postdocs
- Teaching assignments (multipliers)
- Vocational training
- Bayer-focused training (e. g. Marketing and Internationals Business Studies)
- Communication: Website on diverse opportunities for young and experienced people
- Further training and development opportunities for all employees (see KPI)

www.mybayerjob.com



Corporate Responsibility



Bayer Values & Principles

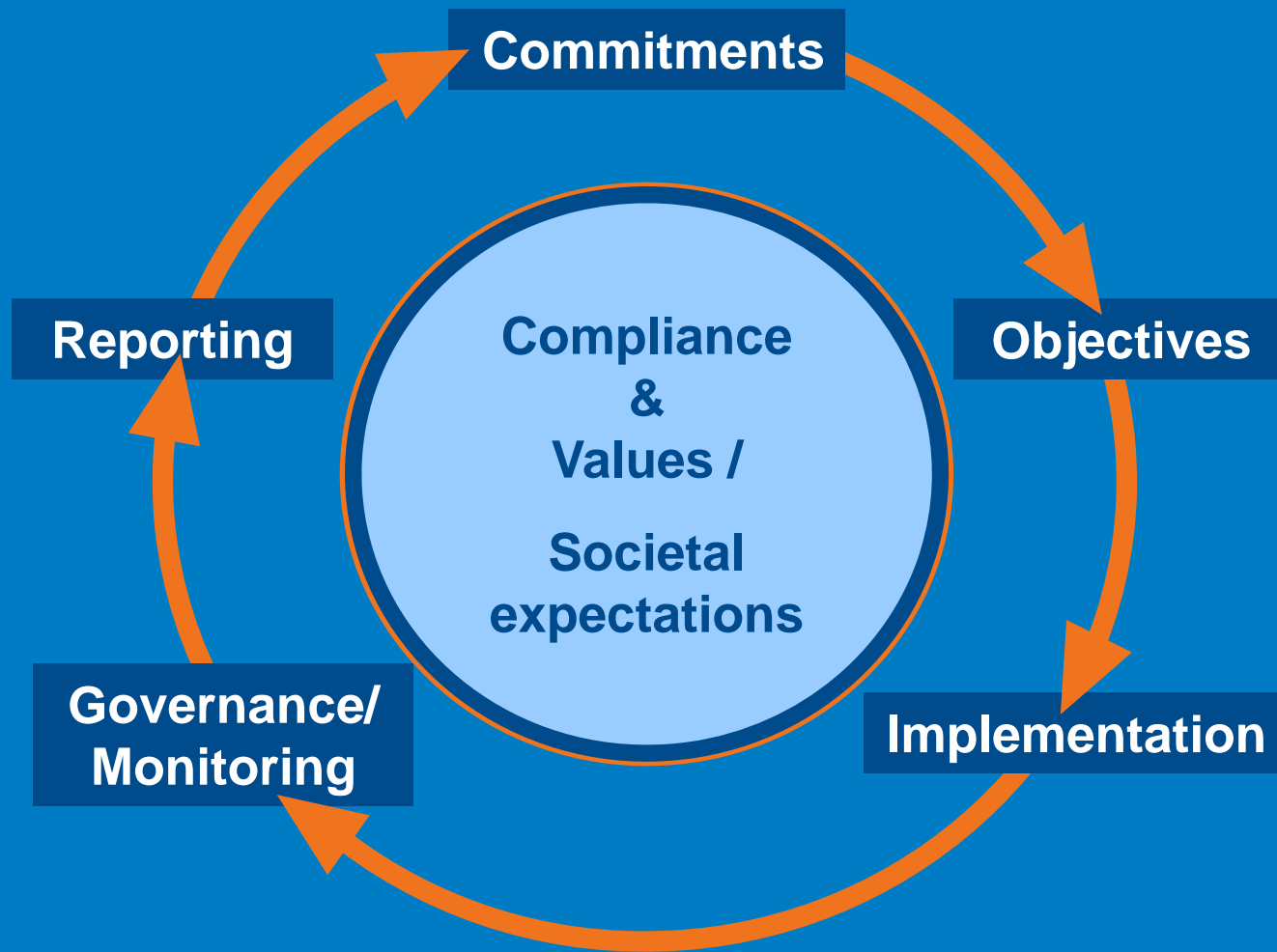
Sustainability Strategy

Corporate Ageing: Prepare for Change

Transparency & Performance



A systematic approach & process



Process has to include dialogue and engagement

Reporting on social indicators: Key Performance Indicators



| | | 2005* | 2006* |
|--|---|--------|---------|
| Diversity in Management | Percentage of senior managerial positions held by women | 3.9 | 3.8 |
| | Nationalities in senior management | 17 | 17 |
| Training and continuing education | Costs as percentage of personnel costs | 2.3 | 2.2 |
| Employees by region | Bayer Group | 82,600 | 106,000 |
| | Europe | 45,700 | 57,800 |
| | North America | 13,100 | 17,200 |
| | Asia Pacific | 13,200 | 17,300 |
| | Latin America/Africa/Middle East | 10,600 | 13,700 |
| Occupational Injuries | Occ. injuries resulting in absence from work / per million hours worked | 2.7 | 2.8 |

*Continuing operations

Reporting on social indicators extended



| Social security per Region* | | | | |
|------------------------------------|---|-------------------------|--------------------------------|--------------------------------------|
| | Proportion of employees with | | | |
| | Contractually established work hours** | Health Insurance | Company Pension Program | Collective agreement coverage |
| Europe | 100 | 100 | 91,2 | 92.6 |
| North America | 100 | 91 | 100 | 10 |
| Asia Pacific | 100 | 100 | 67 | 20.8 |
| Latin America/Middle East | 100 | 100 | 53.4 | 42.4 |
| Bayer Group | 100 | 98.6 | 84.6 | 63.3 |

*per March 31, 2007. Based on 93 % of FTEs

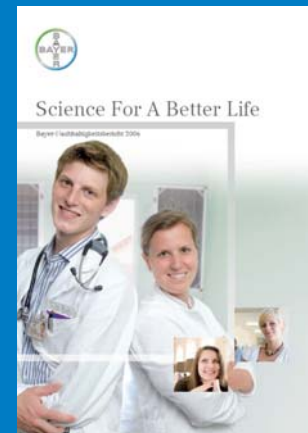
** max 48 hours / week

Continuous reporting on commitments and achievements



www.bayer.com

The screenshot shows the Bayer website navigation menu with 'Sustainability & Commitment' highlighted. Below the menu, there are sections for 'Special Interest' (Investor Relations, Press, Jobs and Career, Sports, BayForum) and 'News' (June 4, 2007: Phase 3 Study Nexavar...; June 4, 2007: Bayer Schering Pharma AG will terminate registration...; May 31, 2007: Bayer CropScience agrees to acquire seed company Stonehill...).



Sustainability Report

www.sustainability.bayer.com

- Next edition to be published soon -

| Use of resources | Water | | |
|--|---|--------|--------|
| Energy use (petajoules (10 ¹⁵ joules)/year) | 82 | 91 | |
| Employees and Society | | | |
| Diversity and opportunity | Percentage of women in Bayer Group senior managements? | 3.9 | 3.8 |
| | Number of nationalities in Bayer Group senior management? | 17 | 17 |
| | Training costs in percent of personnel expenses | 2.3 | 2.2 |
| | Number of employees by region as of December 31 (permanent and temporary) | | |
| | Europe | 45,700 | 57,800 |
| | North America | 13,100 | 17,200 |
| | Asia/Pacific | 13,200 | 17,200 |

Previous Report awarded "Best sustainability Report" 2006 by the German Chamber of certified public accountants



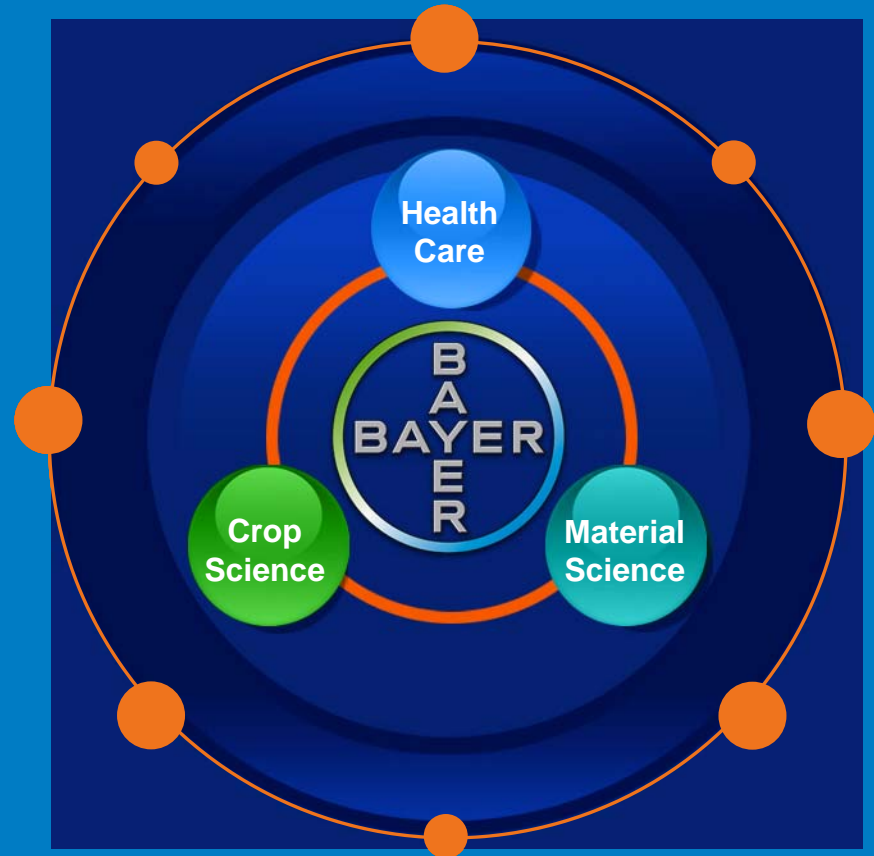
Bayer: "Science for A Better Life"



Innovation...

Sustainability...

Dialogue...



...for future growth and long-term success



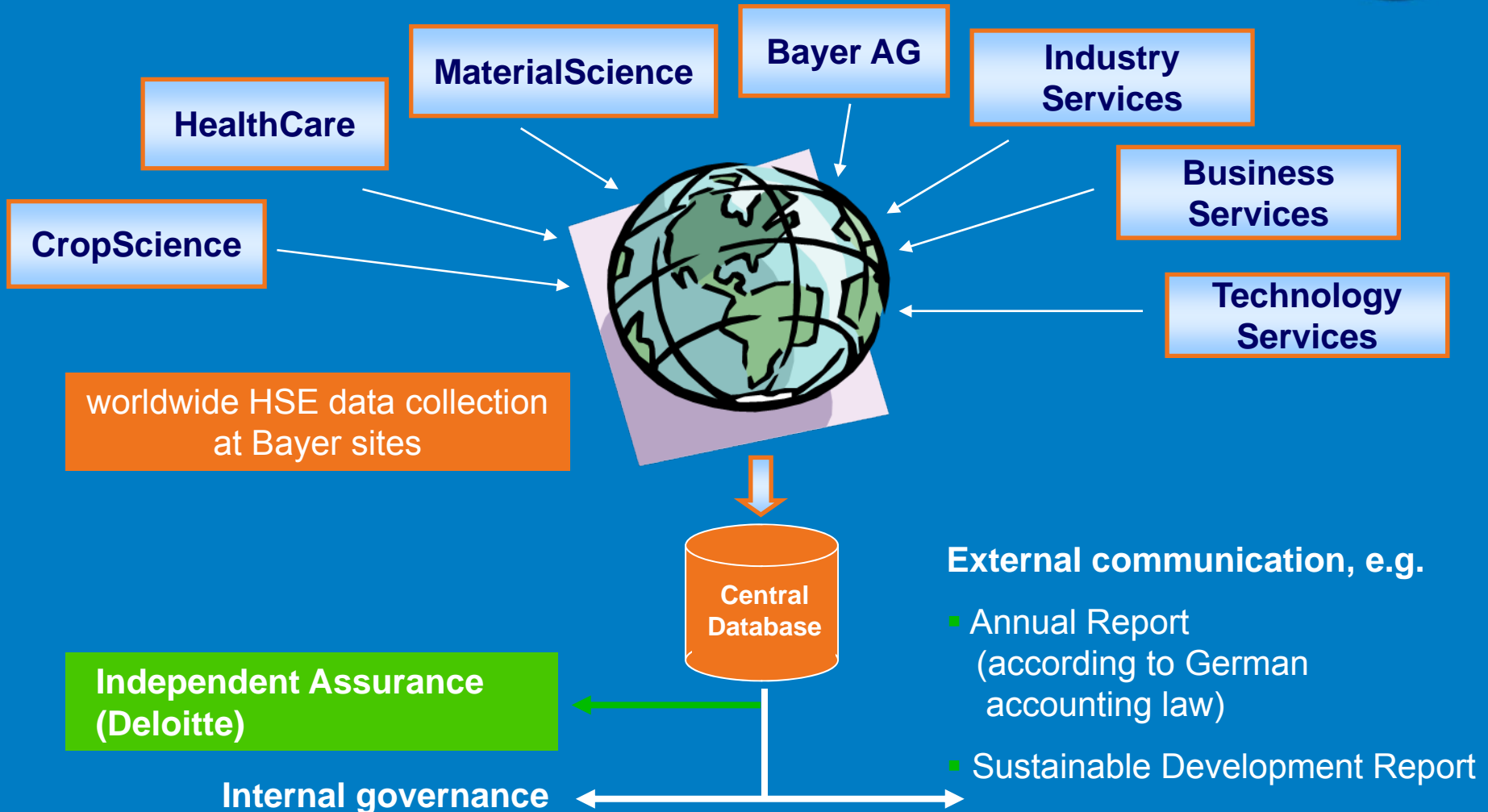
Thank you very much for your attention

Sustainability Management is integrated into all levels of the Bayer Group



| Group level: general | Bayer Values | | |
|--|--|--|---|
| | Leadership Principles | | |
| | Policies | | |
| Group level: sustainability | Sustainable Development Policy | | |
| | Commitments to: <ul style="list-style-type: none"> ▪ Responsible Care ▪ Global Compact ▪ World Business Council for Sustainable Development ▪ Corporate Social Responsibility | Positions on relevant basic issues, such as <ul style="list-style-type: none"> ▪ Human rights ▪ Gene technology | Sustainability Management <ul style="list-style-type: none"> ▪ Goals ▪ Reporting ▪ Steering |
| Subgroup and Service Company level (incl. regions and countries) | Policies, goals and strategies HSEQ management systems and audits Responsible Care programs and initiatives Opportunity and risk management | | |

Key Performance Indicators form an important basis for management & reporting



Performance Data Health, Safety, Environment: Key element of reporting



| Category | Indicator | 2005 ¹ | 2006 ^{1, 2} |
|-------------------|--|-------------------|----------------------|
| Health & safety | Industrial injuries to Bayer employees (at least one day absence) (number of injuries per million hours worked) | 2.7 | 2.8 |
| | Reportable industrial injuries to Bayer employees (number of injuries per million hours worked) | 4.0 | 4.3 |
| | Major environmental incidents | 2 | 8 |
| | Transportation incidents | 3 | 9 |
| Emissions & waste | Greenhouse gases (million metric tons CO ₂ equivalent per year) | 3.8 | 3.8 |
| | Volatile organic compounds (VOC) (thousand metric tons per year) | 3.4 | 2.9 |
| | Total phosphorus in waste water (TOC) (thousand metric tons per year) | 0.7 | 0.8 |
| | Total nitrogen in waste water (thousand metric tons per year) | 0.6 | 0.7 |
| | Total organic carbon (TOC) (thousand metric tons per year) | 1.5 | 1.5 |
| | Hazardous waste generated (million metric tons per year) | 0.4 | 0.3 |
| | Hazardous waste landfilled (million metric tons per year) | 0.2 | 0.1 |
| Use of resources | Water use (million cubic meters per day) | 1.2 | 1.2 |
| | Energy use (petajoules per year) | 82 | 91 |



1) Without Diagnostics, HC Starck, Wolff Walsrode
2) Including Schering as of June 23, 2006

Bayer is currently included in key sustainability indices and funds

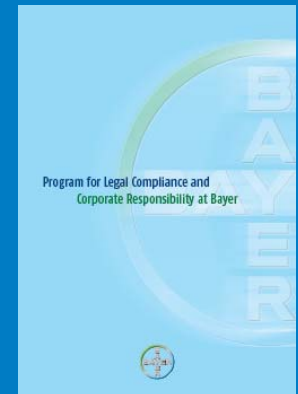


CARBON DISCLOSURE PROJECT

Corporate governance & compliance program



- Bayer complies with the German Corporate Governance Code
 - ➔ Declaration by the Board of Management and the Supervisory Board
 - ➔ Subsection 4.1.4 „The Management Board must make provisions for suitable risk management and risk controlling in the company“
- Program for Legal Compliance
 - ➔ 13 Aspects elaborated
 - ➔ Documents externally available
(<http://www.bayer.com/bayer-group/corporate-compliance/page1134.htm>)
- Implementation
 - ➔ Necessary information and advice available for all employees
 - ➔ Responsibility of supervisors
 - ➔ Compliance Committees
 - ➔ Obligation to report violations (e.g. via toll-free hotline / e-mail address)
 - ➔ Monitoring by Corporate Auditing
 - ➔ Specific emphasis in 2007 to combat corruption



Financial Highlights



| in € million | Q1'07 | Δ | FY'06 | Δ |
|----------------------|-------|--------|--------|-------|
| Sales | 8,335 | + 23% | 28,956 | + 17% |
| ■ HealthCare | 3,610 | + 64% | 11,724 | + 47% |
| ■ CropScience | 1,786 | + 1% | 5,700 | - 3% |
| ■ MaterialScience | 2,608 | + 5% | 10,161 | + 8% |
| EBITDA underlying | 1,990 | + 27% | 5,584 | + 21% |
| ■ HealthCare | 948 | + 104% | 2,613 | + 76% |
| ■ CropScience | 584 | + 6% | 1,204 | - 5% |
| ■ MaterialScience | 409 | - 24% | 1,677 | - 5% |
| EBIT underlying | 1,375 | + 17% | 3,479 | + 14% |
| Non-operating result | (218) | - 4% | (782) | - 30% |
| Net income | 2,809 | • | 1,683 | + 5% |
| Core EPS (in €) | 1.26 | + 25% | 3.24 | + 14% |
| Net cash flow | 375 | • | 3,928 | + 22% |

Calendar of Events



| Date | Event | Publication |
|---------------------------------------|--|--|
| Tuesday, May 08, 2007 | Investor Conference Call | First Quarter Results Stockholders' Newsletter |
| Monday / Tuesday, June 18-19, 2007 | Bayer HealthCare Investor Day in Leverkusen | |
| June 2007 | 2006 Sustainability Report | |
| Tuesday, August 07, 2007 | Investor Conference Call | Second Quarter Results Stockholders' Newsletter |
| Tuesday, November 06, 2007 | Investor Conference Call | Third Quarter Results Stockholders' Newsletter |
| Friday, April 25, 2008 | Annual General Meeting | |
| Monday, April 28, 2008 | Payment of Dividend | |

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