ESG – Reporting: marketing and communication efforts or also a strategic vision

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Global Mega Trends impact Corporate Behaviour

Top Issues in the public debate

- Climate Change
- Water Scarcity
- Access to Health Care
- Nutrition

<table>
<thead>
<tr>
<th>Global mega trends</th>
<th>Economical</th>
<th>Ecological</th>
<th>Socio - cultural</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deregulation</td>
<td>Instability of ecological systems</td>
<td>Transparency</td>
<td></td>
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<tr>
<td>Accountability</td>
<td>Global climate warming</td>
<td>Healthy living</td>
<td></td>
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<tr>
<td>Innovation speed</td>
<td>Scarcity of natural resources – energy, water, soil</td>
<td>Overageing population</td>
<td></td>
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<tr>
<td>Global Trade / WTO</td>
<td>Overaged infrastructure</td>
<td>Population explosion</td>
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<td>Overaged infrastructure</td>
<td>Access (Information, Health etc.)</td>
<td>Social tensions</td>
<td></td>
</tr>
<tr>
<td>Access (Information, Health etc.)</td>
<td>Instability of ecological systems</td>
<td>Urbanisation</td>
<td></td>
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</table>

Discontinuities

<table>
<thead>
<tr>
<th>Markets</th>
<th>Technologies</th>
<th>Regulations</th>
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<tbody>
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Industry Challenges: Identifying the impact on value drivers

Source: [Image]
Stakeholder Expectations – The Transparency Imperative

**Corporations:**
- concrete advantages,
- Key Performance Indicators
  - Better management of sustainability issues
  - Risk reduction
  - Reputation enhancement
  - Stakeholder relation
  - Investor relation
  - Internal performance benchmarking

**Investors**
- Financial performance
- Sustainable growth
- Material risks
- ESG - Indicators

**Business Partners**
- Supply chain responsibility
- Attractive workplaces
- Diversity & Opportunity

**Framework**
- Compliance
- Corporate Governance
- Cooperation
- Advocacy
- Open exchange of opinions

**Interest Groups**
- Transparency
- Accountability
- Responsiveness to stakeholder issues
The Challenge for Reporting

Different Groups have different needs

- Society: License to operate (Externalities)
- Company: Business Results (KPIs)
- Markets: Analysis & Investment (Materiality, KPIs)

Clarity increased of what is expected from SD-reporting
SD Reporting –
Development in the last Decade

- **Increased practical experience from report preparers and report users**
  Sound process, relevant and material issues

- **Optimized Network**
  Stakeholder survey, Stakeholder engagement

- **Development of Organization**
  Internal SD-Organizations, goals as management tools;
  fostered stakeholder organization

- **Maturity of Reporting Guidance and “Standards”**
  GRI G3 Guideline, CoP Global Compact, ISO 26 000 development,
  AA 1000, ESG of financial community, legal requirements
Bayer sustainability strategy focuses on business relevance

Objective: To operate economically sustainable and successfully in accordance with societal needs and objectives
### Topics expected by stakeholders regarding future reporting

<table>
<thead>
<tr>
<th>Topic</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Climate</td>
<td>87%</td>
</tr>
<tr>
<td>Water/drinking water</td>
<td>84%</td>
</tr>
<tr>
<td>Active ingredients in the environment</td>
<td>78%</td>
</tr>
<tr>
<td>Economic criteria for sustainability</td>
<td>73%</td>
</tr>
<tr>
<td>Sustainability and decisions on investment</td>
<td>64%</td>
</tr>
<tr>
<td>Children’s health</td>
<td>68%</td>
</tr>
<tr>
<td>Handling with gene technology</td>
<td>67%</td>
</tr>
<tr>
<td>Human rights</td>
<td>64%</td>
</tr>
<tr>
<td>Access to pharmaceuticals</td>
<td>63%</td>
</tr>
<tr>
<td>Cleantech-technology</td>
<td>66%</td>
</tr>
<tr>
<td>Healthy food</td>
<td>65%</td>
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<tr>
<td>Supplier control</td>
<td>65%</td>
</tr>
</tbody>
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Source: Bayer Stakeholder survey, 2008

*(data in percentage, multiple answers possible)*
Influence of SD Report on opinion about Bayer

Results of stakeholder survey

Influence on opinion about Bayer:

- yes: 75%
- no: 24%

Type of implication:

- 1%: high negative implications
- 12%: intermediate implications
- 51%: high positive implications
- 33%: positive implications

Ø value: 4.2
Top-Boxes (4 and 5): 84%

n = 140 and 105; filt: part of Bayer Sustainability Development Report

Questions 30, 31: Do you think the Sustainable Development report has influence on your opinion of Bayer? Are there high positive or negative implications for the Bayer reputation?
Bayer Sustainable Development Report 2007 – Key enhancements and deliverables

- New structure: Performance Report incorporates: qualitative and quantitative statements and data for each topic
- Materiality criteria:
  - External challenges
  - Corporate Responsibility
  - Contributions by products
  - Results of stakeholder surveys
- GRI Guidelines G3: A+ (GRI checked)
- External assurance by Ernst & Young

⇒ Transparency, materiality, completeness, inclusiveness, credibility
Science For A Better Life