

Bayer's Approach to Tax

Introduction

Bayer is a global Life Science company with a more than 150-year history and core competencies in the areas of health care and agriculture. We have operations in almost every country and our products and services are designed to benefit people and improve their quality of life.

We are committed to operating sustainably and addressing its social and ethical responsibilities and also respecting the interests of all of our stakeholders. In fulfilling our mission, we are guided by our corporate values, represented by the acronym LIFE. LIFE stands for Leadership, Integrity, Flexibility and Efficiency.

As part of the LIFE core values, we are committed to ensuring that Bayer's tax affairs are responsibly managed, and we are consistently recognised in that way. Indeed, we believe it to be our obligation to pay the amount of tax legally due in any country and/or territory, in accordance with the rules set by the respective governments. Appropriate payment of taxes is a core element of our corporate social responsibility. Bayer's total tax payments provide essential revenues for governments needed for the fulfilment of their social, economic and societal tasks. We comply with all relevant tax regulations as well as filing, documentation, disclosures and approval requirements in all countries/territories in which Bayer operates.

Governance, Tax Risk Attitude and Management

The objectives and principles of tax management at Bayer are set out in our internal tax regulation, which is mandatory for all employees to follow. The key principles are:

- Strong opposition against any noncompliance, foremost tax fraud
- Tax payments in line with respective value creation in each country/territory
- Tax optimisation in line with business reasons/needs
- Cooperative approach with tax authorities

The above principles are incorporated in the design of the tax strategy which is further aligned with the corporate and business strategy as well as the LIFE values and approved by the Bayer AG board of management.

The regulation provides clear lines of accountability, responsibility and organisation for the tax function as a whole and confirms that the global Head of Tax is accountable and has global responsibility for all taxes and tax effects relating to Bayer activities. The Head of Tax reports to the Chief Financial Officer of Bayer and both regularly report to both the Audit Committee (part of the Supervisory board) along with the Board of Management.

Taxation of international business is very complex, and uncertainties arise in the application or interpretation of tax laws, resulting in tax risks. Within Bayer, we follow a well-balanced approach to

tax risk taking into account a number of factors including reputation, social aspects, shareholder value along with economic and operational factors.

Tax processes play a key role in managing our tax risk and the efficient operation of the tax function. We have set up and maintain robust policies including Internal Control Systems processes and documentary requirements in order to ensure we meet our tax obligations in every country in which we operate. It is also a requirement for all Bayer tax professionals to have the necessary qualifications and receive ongoing training in line with our Integrity core value. Tax risks are also routinely monitored as part of our internal compliance procedures to enable appropriate assessment and management. Advice may also be sought from third party advisors to support the decision making process.

Tax Planning

We fully appreciate that jurisdictions need sufficient funding to provide favorable business conditions that are fundamental for all Bayer operations. In accordance with this and our core LIFE values, we do not engage in artificial transactions without business substance. Our approach to tax planning is that tax optimisation should follow business needs and that profits are taxed with regard to our global value chain. In this regard, we apply the law as it exists in the respective jurisdiction and according to profit distribution rules that were defined by the OECD and are internationally accepted. As a German-based corporation we also follow strict German Controlled Foreign Company rules which act to prevent so-called profit shifting activities.

Where appropriate and where we have a substantive business presence, we will make use of government sponsored incentives and reliefs, such as R&D tax credits as they are provided by respective domestic regulations that apply to all eligible tax payers.

Relationship with Tax Authorities

It is important to us to seek a transparent and cooperative approach with tax authorities. Where appropriate we will seek advance pricing agreements with tax authorities in order to provide legal certainty and when possible we will engage positively to resolve any disputes.