

Modern Slavery Act Statement

2020

This statement addresses the fiscal year 2020 (from January 1st to December 31st 2020), in compliance with the requirements of the United Kingdom Modern Slavery Act (2015), the Australian Modern Slavery Act (2018) and the California Transparency in Supply Chains Act (2010). It sets out the steps taken by Bayer AG and its relevant affiliates ("Bayer"), namely in the United Kingdom: Bayer plc, Bayer CropScience Limited, Bayer Agriculture Limited and Monsanto UK Limited; and in Australia: Bayer Australia Ltd, Bayer CropScience Pty. Ltd and Monsanto Australia Pty Ltd.

Introduction

We stand for respecting human rights in everything we do. We have no tolerance for violations of human rights, for modern slavery and human trafficking. We are committed to respecting and fostering human rights within our own business activities and in business relations and to reporting transparently on the results of our activities in this area.

Sustainability is an integral part of our corporate strategy. With our sustainability strategy, with which we have set ambitious social and ecological targets aligned to the Sustainable Development Goals (<u>SDGs</u>) of the United Nations, we show how we want to positively impact people's lives. To learn more about our sustainability strategy please read our externally assured Sustainability Report 2020.

We support the <u>United Nations' Universal Declaration of Human Rights</u> and a number of globally recognized declarations for multinational enterprises. These include the <u>OECD Guidelines for Multinational Enterprises</u> and <u>Tripartite Declaration of Principles</u> concerning Multinational Enterprises and Social Policy of the International Labour Organization (<u>ILO</u>), as well as the latter's core labour standards. As a founding member of the United Nations Global Compact (<u>UNGC</u>) initiative, Bayer already committed itself in the year 2000 to the <u>UNGC initiative's 10 universally recognized principles</u> covering the areas of human rights, labour standards, environmental protection and anti-corruption. With respect to clinical trials, we strictly align ourselves to the <u>Declaration of Helsinki</u>, a set of ethical principles regarding medical research involving humans, adopted in 1964, and other international ethical norms and standards (e.g. from the Council for International Organizsations of Medical Sciences (<u>CIOMS</u>) and the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (<u>ICH</u>).



Our business

As a life science company, we are a global leader in health care and nutrition. Our innovative products support efforts to overcome the major challenges presented by a growing and aging global population. We help prevent, alleviate and treat diseases. We also aim to ensure the world has a reliable supply of high-quality food, feed and plant-based raw materials. As part of this endeavour, the responsible use of natural resources is always a top priority. In keeping with our vision of "Health for all, hunger for none" we want to contribute to putting an end to hunger, helping everyone lead a healthy life, and protecting ecosystems at the same time. This is what our purpose stands for, namely "Science for a better life."

As the parent company of the Bayer Group, Bayer AG – represented by its Board of Management – performs the principal management functions for the entire enterprise. This mainly comprises the Group's

strategic alignment, resource allocation, and the management of financial affairs and managerial staff, along with the management of the Group-wide operational business of the Crop Science, Pharmaceuticals and Consumer Health divisions.

Crop Science is the world's leading agricultural enterprise, with businesses in crop protection, seeds and digital farming. We offer a broad portfolio of high-value seeds, improved plant traits, innovative chemical and biological crop protection products, digital solutions and extensive customer service for sustainable agriculture.

Pharmaceuticals concentrates on prescription products, especially for cardiology and women's health care, and on specialty therapeutics focused on the areas of oncology, hematology, ophthalmology and, in the medium term, cell and gene therapy.

Consumer Health is a leading supplier of nonprescription (over-the-counter, OTC) medicines, nutritional supplements, medicated skincare products and other self-care solutions in the categories of pain, cardio-vascular risk prevention, dermatology, nutritional supplements, digestive health, allergy, and cough & cold.

The enabling functions support the operational business. They serve as Group-wide competence centers and provide business support processes and services.

As of 2020, the Bayer Group comprises 385 companies in 83 countries throughout the world and employs 99,538 people. Its headquarters is in Leverkusen, Germany. Sales at the Bayer Group in 2020 amounted to €41.4 billion. To learn more about Bayer please visit our website www.bayer.com.

Our supply chains

As a global company, Bayer procures services and materials from all over the world. In 2020, we had a total of 97,362 suppliers in 147 countries. Our main direct procurement materials include active ingredients, raw materials, intermediates, finished products and seeds. Technical goods and services, marketing services and information technologies are important components of our indirect procurement portfolio. Bayer purchases locally wherever possible in order to respond promptly to the requirements of our sites and simultaneously strengthen local economies. In 2020, this applied to 77% of procurement spend in all countries worldwide.

We align our procurement and supplier management processes to ambitious ethical, social and environment-related principles. We expect our suppliers to also observe these principles and we support them in doing so. Not only economic, but also ethical, social and ecological principles are therefore anchored in our Procurement Policy, which is binding for all employees in procurement worldwide.

Geographical distribution of our suppliers and spend in 2020

	Spend in € billion	Number of suppliers
OECD countries	14.1	55,372
U.S.A.	6.0	15,376
Germany	3.8	9,945
United Kingdom	0.6	1,360
Australia	0.1	1,038
Other	3.6	28,694
Non-OECD countries	3.7	41,990
China	1.0	1,995
Brazil	0.8	7,447
India	0.6	9,237
Other	1.3	23,312
Procurement spend in € billion	17.7	
Number of suppliers		97,362

Human Rights Governance

Sustainability and human rights are among the responsibilities of the Chairman of the Bayer Board of Management. The Chairman in his role as Chief Sustainability Officer is supported by the Ethics and Social Impact team (part of the Public Affairs, Science & Sustainability enabling function) in regard to human rights.

The term 'human rights', as used in this Statement, includes modern slavery, human trafficking and forced labour

In 2020, we started to further develop our human rights strategy with the first step being, in consultation with an external expert company, to analyse the status quo of our company-wide human rights due diligence efforts. We aim to introduce the newly developed, long-term strategy for the respect of human rights covering our entire value chain in 2021. The strategy shall be accompanied by performance indicators to keep track of its effectiveness.

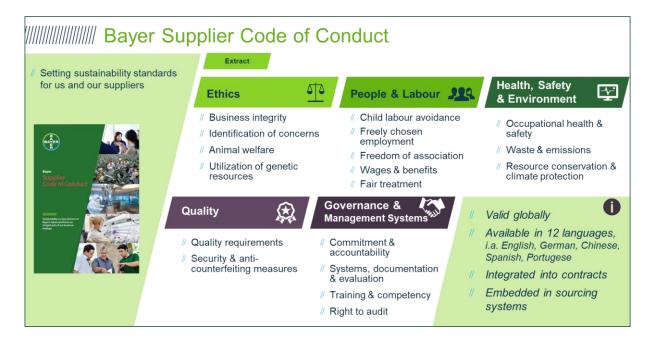
Our Policies and Supplier Code of Conduct

Bayer has documented its stance on human rights, including modern slavery, human trafficking and forced labour, in a globally binding <u>Bayer Human Rights Policy</u>. The policy owned by the Ethics and Social Impact Team will be updated in the course of the publication of our human rights strategy.

Furthermore, our <u>LIFE</u> (Leadership, Integrity, Flexibility, Efficiency) values, Bayer Societal Engagement (<u>BASE</u>) principles, our <u>Corporate Compliance Policy</u>, our Policy on Management of Compliance Incidents and our Fairness and Respect at Work Policy establish how all employees worldwide must conduct themselves fairly and in a compliant manner in dealings with colleagues, business partners and members of the community.



We also expect our business partners, and particularly our suppliers and subcontractors, to fully observe human rights. We expect our suppliers to comply with the requirements of our <u>Supplier Code of Conduct</u>, which is based on our Bayer Human Rights Policy, the principles of the UNGC and the core labour standards of the ILO. Our Supplier Code of Conduct aims to strengthening our mutual understanding of how sustainability should be practiced in day-to-day business and including the expectation that our suppliers will seek to enforce the same principles within their own supply chains. It is made available to our suppliers before entering into contract and suppliers must already commit to our core principles upon registration.



Risk management

Evaluation of Risks

We have implemented a holistic and integrated risk management system designed to ensure the continued existence and future target attainment of the Group through the early identification, assessment, and treatment of risks. Our risk management system is aligned to internationally recognized standards and principles such as the ISO 31000 standard of the International Organization for Standardization. The Board of Management of Bayer AG holds overall responsibility for an effective risk management system, while the responsibility for the identification, assessment, treatment and reporting of risks lies with the risk owners in the operational business units in the divisions and enabling functions.

To support the fullest possible identification of risks, we maintain a risk universe that reflects the company's potential risk categories. The Bayer Risk Universe, which is regularly updated, expressly accounts for risks of a nonfinancial nature that are linked to our business activity or to our business relationships, products and services. Risks pursuant to the German CSR Directive Implementation Act that relate to environmental, employee and social issues, human rights, corruption and bribery (compliance) are included as well. Where possible, the identified risks are evaluated with regard to their potential impact and likelihood of occurrence while taking into account established risk control measures.

Detailed information on the basic elements of the risk management system, including the risk management process, and details on our risk status are provided in the <u>Annual Report 2020</u> in the Opportunity and Risk Report.

In accordance to the UN Guiding Principles on Business and Human Rights, we initialized a dedicated human rights salient risk analysis together with an external expert partner in 2020, as part of our human rights strategy development. The risk analysis covers the whole Bayer Group and the full range of human rights that could have the potential to be negatively impacted by the company's activities or through business relationships.

Internal Risk Controls

Bayer's Internal Audit function conducts regular audits following the International Internal Audit Standards (IIA) as to verify adherence to our policies and procedures. The annual audit planning follows a risk-based approach.

The audits by our Internal Audit function include among others the verification of our Human Resources processes, e.g. the labour contracts and adherence to hiring requirements (including minimum age verification) of our permanent and non-permanent employees, their working hours as well as their living wage remuneration. Audits also cover our procurement processes, e.g. work with contractors. A total of 90 audit reports were compiled in 2020, of which 11 concerned preventive compliance system audits or incident-related investigations. For more details please refer to our Sustainability Report 2020.

//// Living wage

A living wage is defined as the wage that is required to purchase the goods and services needed to meet a minimum cultural and social standard of living in a country – including basic needs such as accommodation, energy and food, but also leisure activities, cultural participation and a savings rate. In other words, the concept of a living wage goes beyond the otherwise customary statutory minimum wage. In addition, living wages are adapted annually to changing conditions in specific countries, while statutory minimum wages usually remain unchanged for several years.

Since 2015, Bayer compensates employees on permanent, temporary, and part-time (compensation proportionally aligned with that of a full-time position) employment contracts in excess of the statutory minimum wage, paying at least a living wage. The non-profit organization Business for Social Responsibility (BSR) supports us in the annual review of the living wage by taking the average national and regional costs for food and other living expenses into account in order to determine the necessary living wage. The payment of living wage is implemented on country level and reviewed annually by our Human Resources function.

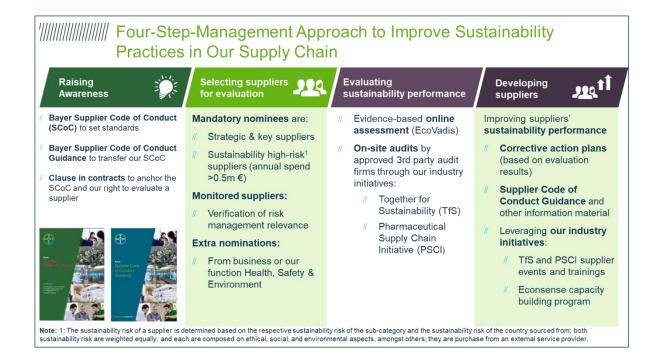
Improvement in Our Supply Chain

For the improvement of sustainability practices in our supply chain, the Sustainability team, within the procurement function, maintains a four-step-management approach, which is subject to continuous optimization.

In the first step *Raising awareness*, our Supplier Code of Conduct is made available to all our suppliers. The acceptance of the Supplier Code of Conduct is a prerequisite to get integrated into electronic ordering systems throughout the Bayer Group. Additionally, by accepting our Supplier Code of Conduct, our suppliers are certifying that they do not engage in conduct that the code prohibits, including modern slavery and human trafficking.

In the second step *Selecting suppliers for evaluation*, each year, suppliers are systematically selected whose observance of the code requirements needs to be reviewed. All suppliers of strategic relevance to Bayer must automatically undergo a sustainability evaluation. In addition, any remaining suppliers representing a significant annual procurement spend of more than €0.5 million, receive a sustainability risk classification. As this threshold was fixed at €1 million in 2019, the number of suppliers requiring evaluation increased in 2020. The sustainability risk classification comprises the assessment of risks on country and sector of activity. The risk categorization is based on an internationally recognized classifications of country risks such as those applied by the World Bank and of category risks such as those employed by

the United Nations. This process was revised in 2020 with the support of an external consultancy, enabling a more detailed view of the risks in the categories of environment, social standards (e.g. child labour, forced labour, working conditions) and corporate governance. In 2020, this selection process yielded 220 strategically important suppliers making up nearly 25% of the total procurement spend, and 434 suppliers with an increased sustainability risk and a significant procurement spend.



Also included in the evaluation process are suppliers for which evaluations were performed through our industry initiatives Together for Sustainability (<u>TfS</u>) and the Pharmaceutical Supply Chain Initiative (<u>PSCI</u>).

In the third step *Evaluating sustainability performance*, we use different ways to verify the observance of our code of conduct. All our sustainability assessments and audits are carried out through a third-party and take place after an announcement to the supplier.

One of the methods used is EcoVadis online assessment, which criteria include the areas of environment, ethics, labour practices and human rights, and sustainable procurement, corresponding to the requirements of our code.

In 2020, we identified 26 of our suppliers to be audited on site by external, independent auditors. In addition, five suppliers were audited virtually due to the global COVID-19 pandemic.

In 2020, we stipulated that all strategically important suppliers must present an EcoVadis assessment of at least 45 of 100 points ("green" assessment) or a comparable audit result. Beginning in 2021, all potential new suppliers with a procurement spend of more than €250,000 per year will be additionally examined in advance with regard to sustainability aspects.

Assessment and audits of our suppliers

	2020
Sustainability assessments ¹ via the EcoVadis platform	
Sustainability audits ² by external auditors	31

¹ The online assessments of our suppliers that form part of a group generally takes place at the parent-company level. Initial and re-assessments of suppliers working for Bayer; initiated by Bayer and shared via EcoVadis within the TfS initiave.

In the last of the four steps *Developing suppliers*, we engage with our suppliers to improve their sustainability performance, including their performance in the area of labour practices and human rights. Please also see the section Training for further details.

In 2020, 13 suppliers (2% of all assessed and audited suppliers) received a critical result due to a serious violation or several major findings in their sustainability performance. In regard to human rights, our auditors identified a limited number of violations against applicable regulations on work time hours and established minimum wages. We request that the suppliers remedy the identified weaknesses within an appropriate timeframe based on specific action plans. We monitor the implementation of these activities by way of re-assessments or follow-up audits. Bayer retains the right to terminate a supplier relationship if no improvement is observed during a re-evaluation. In 2020, Bayer was not prompted to end any supplier relationship due solely to sustainability performance.

To focus more closely on supplier development, in 2020 we expanded the Sustainability team within the procurement enabling function.

Additionally, with the development of our new human rights strategy in 2021, we will develop further potential measures to be taken in the area of human rights in the supply chain.

For more details on the four-step-management process please refer to our <u>Sustainability Report 2020</u>.

In the past, we identified areas in our supply chain with a high risk of human rights violations to which we consequently setup preventive measures:

//// Child labour in the seed supply chain

The employment of children on farms represents a high risk outside of our own operations. We therefore obligate our suppliers to strictly refrain from employing children. Our position on child labour is quite clear – it is not tolerated a Bayer.

Through our Child Care Program, Bayer has for years taken systematic action to prevent child labour in the seed supply chain. The program is established in India, Bangladesh, and the Philippines - the countries in which we identified a high risk of child labour. The program involves systematic and repeated inspections of individual seed producers in their fields by local Bayer teams. Despite the restrictions associated with COVID-19, local teams continued their field inspections wherever possible, while observing the safety precautions. In this context, it was determined that the incidence of child labour in India had increased due to return migration of the rural population and the enormous challenges associated with the pandemic. It was not possible to conduct sample inspections in the Philippines and Bangladesh in 2020 due to travel restrictions. In 2019/20, we uncovered a total of 14 (0.02% of total labourers monitored) cases of child labour among our seed suppliers in India. No cases of child labour were identified in Bangladesh and the Philippines over the same period. Whenever we encounter such instances, we immediately put a stop to instances of child labour and apply graduated sanctions for noncompliance by our suppliers. These range from written warnings to termination of the contract in the case of repeated noncompliance. By contrast, suppliers who can verify that they strictly observe our ban on child labour receive a bonus such as incentive payments. Thanks to a stringent monitoring system and the support of local information and educational initiatives, there are very few instances of child labour among our seed producers.

² Initial and follow-up audits of suppliers working for Bayer; initiated by Bayer and shared as part of the TfS and PSCI initiatives.

Bayer continues to advocate the expansion of measures to eradicate child labour and the communication of best practices in seed production. Together with other seed companies, Bayer has therefore established the Enabling Child and Human Rights with Seed Organizations (ECHO) initiative.

///// Conflict minerals

As the procurement of minerals originating from unstable regions of the world can contribute to the financing of conflicts and the violation of human rights, we work to ensure that so-called conflict materials are procured responsibly.

As stated in our Supplier Code of Conduct, we expect that our suppliers ensure that products supplied to Bayer do not contain metals derived from minerals or their derivatives originating from conflict regions. We use the internationally recognized <u>Conflict Minerals Reporting Template</u> to survey our relevant suppliers in order to identify the use, sources and origin of certain minerals in our supply chain. Suppliers who do not meet our requirements are immediately notified that these standards must be complied with and suitable measures are initiated. In 2020, 94 suppliers went through the conflict minerals verification process.

///// Soy and palm oil

Bayer is not sourcing soy or palm (kernel) oil directly, but we are using soy or palm oil derivatives in a small number of our products. As to promote the socially and environmentally responsible production of soy and palm oil, we are a member of the Round Table on Responsible Soy (RTRS) and the Roundtable on Sustainable Palm Oil (RSPO). In their principles, the RTRS and the RSPO, both include strict requirements on child and forced labour.

Since 2017, we purchase so-called credits according to the quantities of soy and palm oil we use. Also in 2020, we purchased credits accordingly. The financial value of these credits rewards farmers who undertake to grow soy and palm oil in a legal, ecologically, socially and economically sustainable way and who demonstrate this as part of an audited certification process.

Grievance Mechanisms

At Bayer, we manage our businesses responsibly and in compliance with the statutory requirements and regulations of the countries in which we operate. We define compliance as legally and ethically impeccable conduct by all employees in their daily work and expect this as well from our suppliers. We do not tolerate any violation of laws, codes of conduct or internal regulations.

If there are indications of violations of our policies, including our Human Rights Policy, employees and members of the general public can contact the worldwide compliance hotline, which is available in 115 national languages. This can also be done anonymously if desired and permitted by respective national law. This hotline is also mentioned in our Supplier Code of Conduct, where, additionally, we expect our suppliers to make an adequate complaint mechanism available to their stakeholders. In 2021, we changed the provider of the compliance hotline to lift any language limitations.

In 2020, Bayer's compliance organization received a total of 345 reports in this way (including 226 anonymous reports), with 18 reports coming from Germany and 327 from other countries. Alternatively, suspected violations may also be reported to the respective compliance functions or to the Internal Audit unit.

Compliance violations include all possible types of infringements of internal and external requirements and are systematically sanctioned. The action taken depends on factors including the gravity of the violation and applicable law. All cases are recorded according to uniform criteria throughout the Bayer Group and dealt with under the rules set forth in Bayer's Management of Compliance Incidents corporate policy. Where an investigation confirms that a compliance violation has occurred, the company has a graduated

set of measures at its disposal. These include a verbal warning or written reprimand, transfer to a different unit, cancellation of a planned promotion, a reduction in the short-term incentive payment, downgrading to a lower collectively agreed pay rate or managerial contract level, and ordinary or extraordinary termination. Bayer also reserves the right to assert further claims against the employee for cost reimbursement or damages and/or to initiate criminal proceedings.

In 2021, we started to review our grievance mechanisms with a special focus on human rights.

Training

We support all our employees in acting with integrity as is framed by our company's LIFE values. Therefore, we do communication campaigns and offer ongoing training programmes covering compliance and human rights. For example, in 2020, we introduced a company-wide "speak up" communication campaign with the goal of fostering an open culture for reporting compliance violations.

Additionally, in 2020, 80% of our employees, including those with direct responsibility for our supply chain management, received training offerings that included aspects of our Human Rights Policy, trainings being partly mandatory. The trainings did not specifically address the topics of modern slavery or human trafficking.

In 2021, we will prepare a dedicated training on human rights, which will include the topics of modern slavery, human trafficking and forced labour, in form of an e-learning programme. It will be offered in at least nine languages (English, German, French, Spanish, Portuguese, Italian, Chinese, Russian, Japanese) to all our employees. With this training, employees will learn how to identify, analyse and address cases of human rights violations.

For our suppliers, we have integrated human rights aspects into the global guidance document which supplements our Supplier Code of Conduct.

In 2020, the industry initiatives TfS and PSCI organized virtual training courses and workshops for suppliers in India and China. Through the TfS Supplier Academy and the PSCI online resource library, the respective initiatives offer additional advanced training modules for our suppliers that are being expanded each year. In 2020, that included new webinars on human rights risks and a new PSCI online platform for suppliers featuring training courses, resources and tools.

Partnerships

We engage in dialogue with other stakeholders and actively participate in committees, initiatives and partnerships to foster human rights:

Our Partnerships

Initiative or Committee	
Business for Social Responsibility (BSR)	In 2020, we joined the Business for Social Responsibility (<u>BSR</u>) initiative and its working group for human rights. The member companies from various industries discuss best practices, challenges, and experiences in implementing the UN Guiding Principles on Business and Human Rights.
econsense	Econsense is an exchange-platform for globally operating companies with a focus on sustainability topics- from environmental protection to human rights. We participate in this forum to learn on and share our best practices.
Enabling Child and Human Rights with Seed Organizations (ECHO)	A multi-stakeholder forum for the promotion of children's rights and decent work.
Pharmaceutical Supply Chain Initiative (PSCI)	The Pharmaceutical Supply Chain Initiative (<u>PSCI</u>) is a non-profit membership organisation with the aim to implement sustainable practices along the supply chains. It therefore offers i.a. learning platforms for suppliers and shares audit results through its platform with members.
Together for Sustainability (TfS)	Together for Sustainability (<u>TfS</u>) is an initiative of chemical companies with a focus on assessing, auditing and improving sustainability practices in the supply chains.
National Action Plan "Business and Human Rights" in Germany	With its National Action Plan (NAP) on "Business and Human Rights" the German Government aims to foster the respect of human rights worldwide. The NAP lays down German companies' responsibility to respect human rights along their supply and value chain. We actively contribute to the discussions on implementing the NAP.

Bayer also actively participates in the discussion on due diligence with respect to human rights. Together with POLITICO, we organized a virtual multi-stakeholder event in the Autumn of 2020 to discuss a potential framework for human rights due diligence at EU level.

Future Key Points Of Action

We know that the size of our business alone means we must and can make a significant contribution to sustainable development. In the area of human rights including modern slavery and human trafficking, we therefore have several key points of action that were mentioned throughout this statement:

- In 2020, we started a salient risk analysis with an external partner. It is the first step to the development of a new human rights strategy (2021*), which we would like to accompany with suitable indicators to keep track of the effectiveness of the strategy and the therein formulated measures (2022*).
- // The results of the salient risk analysis will also play a role in the update of our Human Rights Policy and the preparation of a dedicated online training on human rights (2021*).
- // We started to review of our grievance mechanisms (2021* onward).
- // The new human rights strategy will inform further potential measures to be taken in the area of human rights in the supply chain (2021* onward).

^{*}Future years are indicative.

Corporate Responsibility

This statement was approved by the Chairman of the Bayer AG Board of Management and by the Boards of Bayer plc, Bayer CropScience Limited, Bayer Limited, and Monsanto UK Limited.

Signed

Werner Badmann

Chairman of the Board of Management,

Mark Willinger

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Mark Wilkinson

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