



Excerpts from Bayer's Procurement Community Directive (2005)

Foreword

The role of Bayer's Procurement Community – which comprises all procurement functions within the Bayer Group – is to ensure on-time supply of the goods and services required by the Bayer Group worldwide in the correct quality on market terms and in line with the principles of Responsible Care and environmental protection. This means acting according to the best commercial and ethical principles. Commercial principles relate to the entire supply chain.

Basic Principles of the Procurement Community

Ethical principles

All employees must be aware of their responsibility for, and ability to influence, the Procurement Community's contribution to the performance of the Bayer Group.

All employees are required

- to conduct business activities in an amicable, honest and ethically correct manner.
- to generate and drive competition while at the same time acting in compliance with local law, contractual obligations and corporate policies.
- to observe policies and processes that lead to positive, helpful and unprejudiced relationship with suppliers.

Confidentiality

All information that employees obtain through their procurement activities must be treated as strictly confidential and may only be used within the companies included in Group procurement processes. There is no time limit on confidentiality. Confidential information may only be used with the consent of the originator.

Communication and Information

Communication within the Procurement Community is based on trust. Every member of the Procurement Community shall endeavor to utilize his/her own specialist knowledge and the knowledge available elsewhere in the company to support decision-making processes. The goals of the Procurement Community include open, fair and objective communication. All relevant market, supplier and product information must therefore be made accessible within the Procurement Community.



The Mission Statement of the Bayer Group

The Mission Statement of the Bayer Group applies to all subgroups and service companies.

Internally, it strengthens the new corporate identity and cooperation within the Group. It also provides a guide to priorities. The Mission Statement sets out clear values and principles for employee conduct with the aim of strengthening the business and improving progress toward corporate objectives.

Externally, the Mission Statement is a key tool for positioning the company and high-lighting its profile.

The Procurement Community acknowledges the Values and Leadership Principles of the Bayer Group¹, which form the basis for our daily work.

Responsible Care

The Bayer Group is committed to the chemical industry's global Responsible Care initiative. The Bayer Procurement community supports this initiative on the basis of its "Guidelines for Responsible Care in Environmental Protection and Safety".

Sustainable Development

Through its membership of the United Nations' "Global Compact" initiative, Bayer undertakes to observe, within its sphere of influence, the internationally recognized ethical principles in the areas of human rights, labor standards (including the abolition of child labor), environmental protection and anti-corruption. The Procurement Community supports this initiative.

Corporate Compliance – Program for Legal Compliance and Corporate Responsibility at Bayer

Corporate compliance means full compliance with all applicable laws, based on the conviction that only ethical conduct is acceptable. The aim is to uphold the company's good reputation, raise employees' awareness of the applicable statutory regulations and thus prevent illegal actions. Openness, honesty and fairness are essential for this, both internally and in dealings with external partners. For employees working for the Procurement Community, a commitment to fair competition, fair contract terms and the clear separation of business and private interests is a crucial aspect of corporate compliance.

The Procurement Community acknowledges the Program for Legal Compliance and Corporate Responsibility at Bayer ("Corporate Compliance Program").

Quality

Quality is achieved through faultless workflows. The aim is to reduce the number of control steps in order to cut costs right along the chain. That includes reaching agreement on test specifications, certifying or auditing suppliers or concluding quality assurance agreements with them, and optimizing processes in collaboration with suppliers, users and Accounts Payable.



Framework for the Procurement Process

The following overview of the procurement process merely provides a framework for the subgroups and service companies. Procurement comprises the following elements, which must be further specified in directives issued by the subgroups and service companies:

Requisition/determination of requirements, including specifications

- Contacting suppliers
- Offers and comparing offers
- Contract negotiations
- Concluding contracts / ordering
- Proof of performance
- Invoice verification and approval

A suitable record must be kept of every individual procurement process. Procurement processes must be performed within the existing systems landscape for business processes. The relevant approval/signature regulations must be observed.

Speculative transactions are prohibited.

Suppliers Relationship

Suppliers have a right to be treated fairly. Similarly, the company has a right to be treated fairly by its suppliers. Suppliers risk exclusion if they try to influence the decisions made by employees of the Bayer Group through gifts that go beyond the normal level of hospitality or acknowledgement. Moreover, accepting prohibited gifts has consequences for Bayer employees.

The following requirements are necessary to ensure efficient and effective procurement:

- A full knowledge of the global supply market is essential.
- There should be several potential suppliers.
- In the case of monopolistic and oligopolistic suppliers, a competitive situation should be created through efficient and effective procurement marketing.
- The number of suppliers should be limited to an appropriate number, bearing in mind the principles of Responsible Care and sustainable development.

The buyer is responsible for recording and updating data on important suppliers.

The performance of key suppliers with high optimization potential is systematically evaluated on a Group-wide basis according to uniform principles. The outcome of the supplier evaluation should be used as a basis for developing and implementing optimization measures. The supplier must be integrated into this process.