

SUSTAINABLE DEVELOPMENT REPORT

2010

ONLINE REPORT

Stakeholder dialogue



Science For A Better Life

In-depth information to supplement the printed report

10 Stakeholder dialogue

In our mission “Science For A Better Life,” the term “Science” represents Bayer as an inventor company and our clear commitment to research and innovation. Our values and leadership principles – summarized under the acronym „LIFE” – describe our conduct toward our stakeholders.

As an internationally operating company, we know that social acceptance of business activities cannot be achieved without communication with stakeholders in transparent and open dialogue. Sustainability and mutual acceptance can only be attained in tandem.

That’s why we specifically seek dialogue at the local, national and international levels with representatives from politics, industry and society. Our conversation partners are our stakeholders – employees, customers, suppliers and investors. Of equal importance to Bayer are public interests – those of our direct neighbors at our sites and of non-governmental organizations (NGOs), politicians and the general public. Last but not least, Bayer operates within a scope of activity that is heavily influenced by scientific institutions and public administration bodies, as well as by legislation.

We see dialogue with our various stakeholders as the basis for building mutual understanding and trust, and as an opportunity to openly communicate to each other points of view and courses of action. It helps us to identify challenges and view them from various perspectives. We want cooperative dialogue to create value for all partners. We take the suggestions of our stakeholders seriously, as they provide important impetus for our company. They help us to avoid risks, as well as to recognize at an early stage both trends and markets – and thus also to define focus areas for our activities. Our systematic dialogue therefore makes an important contribution to both innovation and risk management. This results in workable solutions that account for a broad spectrum of interests.

Our stakeholder activities range from local projects through participation in committees and specialist workshops to comprehensive information programs and collaboration in international initiatives. Below is an overview containing examples of our activities with various stakeholders as regards a number of issues in 2010.

Employees

We rely on our employees, whose know-how and commitment safeguard our business success around the world. To sustain this performance, the Bayer Group needs a modern personnel management organization with competitive structures and processes. This includes regularly providing up-to-date information to our workforce, as well as actively engaging in targeted dialogue.

Active employee dialogue at all levels

- Ask the CEO (employees address questions to the Chairman via e-mail, see page 36 of the report and link 78)
- “Bayer Talk” with the Management Board Chairman
- Town hall meetings
- Round table discussions
- “Live Talk” (opportunity to ask questions online during a live employee information assembly)
- Regular Global Leadership Conferences in workshop form
- Employee surveys

Forums for the exchange of information about changes in the company

- Briefing for managerial employees
- Employee assemblies
- 19th Bayer European Forum: discussion between approximately 50 Bayer employee representatives from 24 European countries and the Bayer Group Management Board

Discussions on performance, motivation and development perspectives

- Yearly performance talks
- 360° feedback surveys

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Subject-specific dialogues

- Expert Club Meeting – exchange of experiences on the issue of innovation between 44 Bayer scientists and the Management Board member responsible for Innovation, Technology & Environment
- Process and Plant Safety Symposium with 100 Bayer experts from around the world and international experts
- Global Bayer MaterialScience Safety Day in December 2010
- Continuing education seminars for our employees in the areas of compliance, human rights, sustainability in procurement, and diversity

Publications for employees

- Bayer Group publications: print and online
- Print and online media by the subgroups and service companies for their employees

Investors/Analysts

Intensive dialogue with the capital market is a high priority for Bayer. In 2010, our Investor Relations team visited 26 financial centers – mostly accompanied by the Chairman of the Board of Management or the Chief Financial Officer – and held more than 400 one-on-one meetings.

In addition to our regular quarterly, half-yearly and annual reporting, we update stockholders on the development status of products, for example through conference calls.

Our annual “Meet Management” event, which was held for the fifth time in 2010, is now an established part of our Investor Relations program for the capital market. This platform gives investors and analysts the opportunity for detailed discussions on the company’s development and future prospects at smaller meetings with members of the Group and subgroup management boards.

During the year we also explained Bayer’s commitment to sustainability at numerous one-on-one meetings with investors and analysts. Bayer actively participates in panel discussions and events on the subject of sustainable investment, including with the “Sustainable Investing” working group of the World Economic Forum. We are also involved in the dialogue regarding the draft German Sustainability Code submitted by the German Sustainable Development Council.

Customers

In 2010, Bayer summarized its values under the acronym LIFE, which stands for Leadership, Integrity, Flexibility and Efficiency. Our claim to leadership in this area drives us to create value for our stockholders, customers, employees and society. Above all, flexibility means thinking and acting in a customer-oriented manner.

Our conduct towards customers is characterized by a sense of responsibility. The long-term success of our company will not only be dependent on the provision of innovative products, but also on cooperation based on partnership and a high level of satisfaction among our customers. Products that meet customer requirements and also bring benefit to society are in our view the key to sustainability. Due to our highly diversified business activities, our resulting widely varying product range and the associated differentiated customer structure, all three Bayer subgroups have put in place both specific systems for measuring customer satisfaction and suitable complaints management systems.

- The customer philosophy of **Bayer CropScience** (BCS) is based on the concept of partnership. Our customers are not just consumers of our products, but also partners with whom we want to enter a long-term, trust-based relationship of mutual benefit. In 2009, BCS introduced a concept for the systematic analysis of customer satisfaction among distributors and farmers. Pilot surveys were conducted in Poland, Austria and the Netherlands, and this program is being expanded to include further countries in Europe, Asia and Central America. In addition to these standardized surveys, we regularly conduct customer surveys on special products or specific topics.
- Customer-focused thinking and action, commitment and responsibility, know-how and close cooperation are the key requirements for satisfying the wishes of **Bayer MaterialScience** (BMS) customers and thus ensuring a good partnership. Four global Supply Chain Centers serve as the central link to the customers. At their disposal are Customer Service Centers in the Europe/Middle East/Africa, Latin America, NAFTA and Asia/Pacific regions. Specifically this means that all information streams are pooled, from order acceptance to dispatch planning, delivery and complaint acceptance. The advantage of this system is that customers can access the information they need quickly and reliably from a single source. Through the online information platform BayerONE, customers of BMS can check the status of their orders at any time.

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Customer satisfaction data are systematically compiled at BMS as well. To ensure optimal quality of service, customers are surveyed, their complaints systematically evaluated in the global complaints management system, and the BMS supplier evaluations carried out by customers analyzed in detail.

Customer dialogue involves listening to customers and addressing their needs as regards environmentally friendly product types that can also contain recycled plastics or bio-based substances. We aim to help our customers achieve their sustainability goals.

- The activities of **Bayer HealthCare (BHC)**, with annual research expenditures totaling in the billions, are aimed at enabling patients to receive optimal treatment for their diseases. In addition to product tolerability, therefore, one of BHC's most important goals is to achieve a high level of customer satisfaction.

Customer satisfaction is ensured through regular surveys of both physicians and patients. Consumer studies are systematically evaluated. To better understand the needs of our patients, Bayer HealthCare works together with numerous patient groups in the various therapeutic areas.

We are also concerned to protect patients from the risks to which counterfeit drugs expose them. Counterfeit drugs have become a serious challenge in recent years. The potential dangers of counterfeit products have also increased in countries where the manufacture and commercialization of pharmaceuticals are subject to stringent legal requirements. They can pose a threat to the health of unsuspecting patients or even put lives at risk. Only informed patients can counteract the risks of counterfeit drugs and optimally treat their disease. At the same time, we must protect our good reputation and products against damage from misuse and counterfeit medications.

BHC is intensifying its educational efforts in this area and has launched the "Beware of Counterfeits" campaign featuring a special website. Bayer also helps to combat pharmaceutical counterfeiting through technical product safety measures, the deployment of internal and external investigators and legal prosecution.

Suppliers

To establish reliable partnerships, Bayer maintains a close dialogue with its suppliers that is designed to increase the transparency of supplier and purchaser relations. We want our suppliers to be able to better understand our requirements – but we, too, want to know more about our suppliers' situation. Our dialogue with our stakeholders as regards quality and sustainability issues also plays an important part in helping us to better address the needs of both our external and internal customers around the world and work together to develop solutions.

- Constructive dialogue with our suppliers to ensure REACH compliance promotes long-term business ties with resulting advantages for our customers' supply security
- Global "supplier days" for more sustainability in purchasing (see Sustainable Development Report on page 32)
- Regular dialogue with suppliers through participation in trade fairs (e.g. for packaging)

Society/Community

The communities near our sites play a key role in our success: we can only be successful if we gain the trust and support of our neighbors. For this reason, we endeavor to be recognized at all of our sites as a reliable partner and attractive employer that meets its social responsibility. This makes both the region and the company more competitive.

- Support for the City of Pittsburgh, United States, in the organization of the U.N. World Environment Day
- Bayer's "Partner in Education" Outreach Program, United States
- Bayer CropScience: active participation in Aggie Days in Calgary, Canada. During the Calgary Stampede, exhibitors from the agricultural industry vividly present the value and impact of agriculture to students and families.
- Science talk at Schloss Morsbroich, Leverkusen, Germany, on the acceptance of innovation and technology; featuring Bayer Management Board member Dr. Richard Pott and representatives of the city, the University of Cologne, and Cologne University of Applied Sciences
- Chempark Visitor Days 2010 in Leverkusen, Dormagen and Krefeld-Uerdingen, Germany, focusing on safety, environment and energy
- Chemistry forum: Chem-Cologne region
- Currenta: information for citizens on the construction of a gas and steam turbine power plant in Leverkusen, Germany
- Discussions with neighbors, public authorities and elected officials on topics such as the CO pipeline
- Bayer supports a survey of Chinese consumers by the Economist Intelligence Unit of the business magazine *The Economist* to gain new perspectives and findings on Chinese consumer demands and life attitudes.

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NGOs/Supranational organizations

Bayer participates in a number of projects, thematic initiatives and specialist conferences at national and international levels to help jointly shape sustainable development. This includes our cooperation with NGOs and supranational organizations.

- Together with the non-governmental organization Vignana Jyothi, Bayer CropScience (BCS) runs the vocational center "Bayer-Ramanaidu Vignana Jyothi School of Agriculture" near Hyderabad, India.
- BCS: intensive cooperation with Naandi Foundation to enable children in India to attend school
- BCS: together with the Fair Labour Association (FLA), Bayer CropScience organized and implemented a workshop in Hyderabad, India. The company presented the Bayer CropScience Child Care Program and its results as a contribution to fighting child labor in the Indian cotton seed industry. More than 60 participants from prominent non-governmental organizations talked about borderline cases in daily practice in the fields.
- BCS: joint project on biodiversity between Bayer CropScience and the "Rhineland Cultural Landscapes Foundation" (see also link 141)
- Bayer HealthCare (BHC): project with the German Foundation for World Population (DSW)
- BHC: series of conferences entitled "International Dialogue for Population and Sustainable Development" – jointly organized each year with the International Planned Parenthood Federation (the world's biggest non-governmental organization for reproductive health), the German Foundation for World Population, the German Society for Technical Cooperation, the international continuing education and development organization Inwent, and the development bank KfW Entwicklungsbank, in cooperation with the German Ministry for Economic Cooperation and Development
- BHC: cooperation in the area of reproductive health with the United Nations Population Fund (UNFPA), the non-governmental organization International Planned Parenthood Federation (IPPF), the United States Agency for International Development (USAID) and other partners
- Dialogue with the "Access to Medicine Foundation" (events, discussions)
- Bayer CEO a member of the Advisory Committee of the World Economic Forum in Davos 2010
- Membership and participation in the UN Global Compact and the initiatives "LEAD," "Caring for Climate" and "CEO Water Mandate," as well as in the UN-SBCI for sustainable building projects
- Cooperation with the United Nations Environment Programme (UNEP)
- Organizational stakeholder in the Global Reporting Initiative (GRI)
- Participation on the Board of Directors and in events of the WEC (World Environment Center)

Associations/Politicians and political organizations

Bayer is an active member of numerous national, European and international associations and their committees, while the Bayer subgroups are additionally active in their respective industry associations. Bayer chairs the Board of Management of the sustainable development forum of German industry (econsense).

We also engage in political advocacy activities. It is essential for political decision-making processes that all stakeholders properly represent their interests so that responsible and balanced solutions can be developed. Responsible corporate management means transparently representing one's own interests. Bayer therefore supports the German initiative for responsible corporate governance.

- Field Day 2010, Belgium: 30 political decision-makers experienced "sustainable agriculture" in practice.
- Economic ethics forum with a panel discussion at Bayer in Berlin: balancing economic growth and responsibility. Participants from industry, politics, academia, churches and media. Joining Bayer Management Board member Dr. Richard Pott on the podium were representatives of the Protestant and Catholic academies of Berlin, the Cologne Institute for Economic Research and the German Ministry of Labor and Social Affairs.
- Discussion with the E.U. Commissioner for Industry and Entrepreneurship on research and sustainability issues
- Discussion session of the Federation of German Industries (BDI), led by Bayer AG, on the challenges of commercial property rights in 2010, to mark World Intellectual Property Day
- CEFIC (European Chemical Industry Council) workshop chaired by Bayer and attended by E.U. authorities and political representatives from E.U. Member States on the subject of the combination effects of chemicals
- VCI (German Chemical Industry Association) – discussion in Berlin on green industrial policy: keynote address and discussion with the Bayer Labor Director
- Parliamentary evening of Bayer and the DSW (German Foundation for World Population): expert discussion on family planning

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- Information booths and discussion sessions at party conventions
- Parliamentary innovation dialogue on the themes of global health care provision and food supply and combating climate change
- Background discussions with politicians on issues such as research, energy and environmental policy in Germany
- Participation in the Steering and Expert Committee of the cooperation project between the VCI (German Chemical Industry Association) and the German Environment Ministry on the topic of human biomonitoring

For more information on our memberships and active involvement in associations, visit the links 143 and 165.

Schools, universities and scientific institutions

Bayer traditionally places great importance on support for education and research because, as a research-based company, we depend heavily on recruiting highly trained scientists and on society's acceptance of technology.

Schoolchildren/Students

- Opening of the fifth Bayer laboratory for schoolchildren – Baylab – at the Bayer Communication Center in Leverkusen to introduce children to science at an early age
- Constructive dialogue and support for environmentally engaged young people, for example through our cooperation with UNEP. Young Environmental Envoys from 18 countries visited Bayer for a week again in 2010. Subject: environmental protection and sustainability
- Further expansion of our "Making Science Make Sense" education program (United States)
- Participation in the SciTech Festival Pittsburgh (United States): Bayer MaterialScience informed junior high and high school students about developments in the automotive and construction industries, and about how Bayer thus contributes to sustainable solutions.
- Presentations, discussion and tours for student groups from various disciplines and from all over the world on the issue of sustainability at the Bayer Communication Center
- Bayer International Summer Sustainability Camp 2010 in Pittsburgh (USA) for German and American schoolchildren on the theme of "modern water protection"

Universities and scientific institutions

The company's research and development activities are supported by an international network of collaborations with leading universities, public-sector research institutes and partner companies. Bayer's researchers maintain a constant dialogue with scientists from leading universities, as well as with customers and cooperation partners.

- Professorships at universities in the fields of medicine, pharmacy and chemistry
- Strategic collaborations with universities in Cologne, Germany; the NUS, Singapore; Tsinghua University, Beijing, China; and the DKFZ, Heidelberg, Germany)
- Bayer Tongji Intellectual Property Forum, which Bayer organized jointly with Tongji University in Shanghai, China, on the subject of intellectual property protection in cooperation between companies, universities and research institutions. Participants: governmental representatives, E.U. officials, international experts, judges and representatives of academia
- Meeting of the Bayer Foundation for German and International Commercial Law, with 80 experts from science, law, politics, industry and associations on the theme of data protection versus compliance and anticorruption
- Workshop with Otto Bayer Award laureate Professor Detlef Weigel from the Max Planck Institute for Developmental Biology on the theme of innovation and genetic research
- Workshop bringing together Brazilian scientists and experts from Bayer CropScience on the theme of resistance management
- Innovative materials network to intensify contacts between companies, associations and universities in the Rhine-land region of Germany

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Theme-based dialogue

We work closely with our stakeholders on a number of initiatives. The topics of these initiatives and the perspectives of the various stakeholder groups are extremely diverse by nature. Although sustainability is a global issue, regional priorities and perspectives can vary widely. We constantly strive to view the various challenges in a differentiated manner and take account of context in order to develop solutions on a case-by-case basis that satisfy the framework conditions. For this reason, stakeholder dialogue is an important task for the various functions, organizational units and regions.

Below we present examples of our dialogue in the context of different topics that relate to our business areas.

Family planning

- 8th International Dialogue for Population and Sustainable Development 2010. The German Ministry for Economic Cooperation and Development, the German Society for Technical Cooperation, the KfW Bank, Bayer HealthCare and other organizers assembled an illustrious group of U.N. experts, political representatives and the directors of major aid organizations in Berlin. The goal was to develop a catalogue of recommendations for political decision-makers worldwide. To this end, the participants intensively exchanged experiences to identify the factors necessary for successful family planning programs. Following the dialogue conference, a catalogue of recommendations was compiled. This catalogue provides decision-makers around the world with arguments about why they should support the establishment of reproductive health as a human right.
- Bayer HealthCare celebrated the 50th anniversary of the invention of the birth control pill in Brussels by holding a discussion about trends and requirements in reproductive health with stakeholders who included European politicians, special-interest groups and other experts.
- Parliamentary evening of the German Foundation for World Population (DSW) and Bayer, dealing with initiatives for family planning and safe sexuality worldwide
- Bayer HealthCare initiated a survey about hormonal contraception in which more than 20,000 women in 18 European countries were interviewed.

Climate protection

- Workshop with the Potsdam Institute for Climate Impact Research (PIK)
- Participation in the United Nations Global Compact initiative "Caring for Climate"
- Participation in the Bonn Dialogues' panel discussion entitled "Environment and Health: The Role of Climate Change"
- Participation and presentation at the International BMBF (German Education and Research Ministry) Forum for Sustainability: "Working Together for a Good Climate – Innovations for International Climate Protection"
- Presentation and participation in the panel discussion at the 4th Annual Climate Change Summit in London, United Kingdom, organized by the Ethical Corporation
- Presentation and participation in the event entitled "Investment Climate for Climate Investment" in New Delhi, India, as part of the "Dialogue with Business about Poverty Reduction and Climate Change" series of the German Society for International Cooperation (GIZ)
- Global Forum for Food and Agriculture at the international Green Week: Bayer Crop Science was among the participants in the discussion focusing on agriculture and climate change, featuring experts from industry, academia and politics.
- Discussion with Chinese journalists in Beijing on Bayer's commitment to climate protection in China
- Bayer is among the founding members of the new European Climate Knowledge and Innovation Community (Climate KIC).
- In the United States, Bayer was invited to join the "Pew Center on Global Climate Change's Business Environmental Leadership Council" (BELC). BELC is a U.S.-based association that looks at the impact of climate change and support for a binding climate policy.

Nanotechnology

- On a global level, Bayer actively and transparently participates in multi-stakeholder dialogues about nanotechnology through associations such as the American Chemical Council and the European Chemical Industry Council (CEFIC).

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- In Germany, we take part in the national stakeholder dialogue through the “Nano Dialogues” program of the German Environment Ministry.
- Presentations at national and international conferences and workshops
- Furthermore, we foster intensive stakeholder dialogue with committees, associations, industry partners, customers, authorities, universities and the public.
- We actively participate in projects promoted by the German Ministry of Education and Research, such as NanoGEM and CarboTox for the safety of nanomaterials in general, and – in the context of the “Carbon Nanotubes” innovation alliance (Inno.CNT) – in CarboSafe and CarboLifeCycle to ensure the safety of carbon nanotubes.
- We are intensively collaborating on the national and international standardization of terminology and test procedures for nanomaterials as promoted by the German standardization institute DIN and at the ISO level, as well as on the development of toxicological testing guidelines at the OECD level.

Biotechnology

- Bayer CropScience (BCS): discourse event in Monheim with the Professor and students of moral theology at the Faculty of Catholic Theology of Ruhr University in Bochum, Germany. Subject: ethical questions about genetic engineering
- BCS: participation in the conference “From Gene to Ethics – Knowledge and Responsibility in Biosciences” of the Cultural Science Institute in Essen, Germany.

Children’s health and environment

Since 2009, Bayer has initiated a stakeholder dialogue on the issue of “children’s health and environment.” The project focuses on a personal exchange of information with various organizations – from German parliamentary committees through medical industry associations to NGOs from the health care sector. The content of this dialogue comprises healthy nutrition, diseases, and the social circumstances of children. In this connection, the Sustainability Department of Bayer AG performs strategic framework planning and then works with colleagues from the subgroups to define cooperation opportunities.

Bayer sees dialogue as an opportunity to position itself as a credible player in the field of children’s health and environment. We achieve this by familiarizing ourselves with the expectations and assessments of our stakeholders, engaging in discussions with experts and sounding out cooperation projects.

Animal studies

- Participation in the EPAA (European Partnership for Alternative Approaches to Animal Testing)
- Dialogue series on the issue of “animal studies” with various stakeholders, from animal welfare associations and authorities to scientists such as Professor Thomas Hartung, Director of the Center for Alternatives to Animal Testing at Johns Hopkins University in Baltimore, Maryland, United States
- Dialogue with and support for the Foundation for the Promotion of Alternate and Complementary Methods to Reduce Animal Testing (SET)

Experts’ dialogue on sustainability

The dialogue with international sustainability experts helps us to align our activities toward sustainable development.

- Global Executive Conference dialogue with Jonathan Porritt from the “Forum for the Future” on the issues of population growth, climate change and food scarcity
- Discussion between Professor Hans-Joachim Schellnhuber (Founding Director and Head of the Potsdam Institute for Climate Impact Research – PIK) and members of the Bayer Group Management Board and the Bayer Community Council Politics on the issue of counteracting climate change
- At the W11 dialogue with Group Leadership Circle members: 2010 discussion with Frank Mattern, Head of the German office of McKinsey, and others. Subject: “Sustainable business practices are becoming more important”
- Discussion between Bayer’s sustainability experts and Geoff Lye (SustainAbility) on the issue of corporate economic responsibility

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10 Development of the Stakeholder Engagement Process

In 2010, we worked with Leipzig Commercial College (HHL) on a joint project to integrate existing approaches for stakeholder dialogue into a standardized structure. The Bayer Stakeholder Engagement Process is described in a manual. This process helps us to identify stakeholders, address their expectations and steer our dialogue with them both uniformly and on a Group-wide basis. The results of the project are integrated into our existing stakeholder dialogue and help to systemize new projects. With this clear process, sustainability activities are developed and supported by a partnership-based dialogue.

The eight steps of the Stakeholder Engagement Process



The dialogue with our stakeholders and other related activities are, in all subgroups, an important part of our corporate communications.