



April 2019

Dear Shareholder,

On March 22, 2019, Institutional Shareholder Services (ISS) and on April 3, 2019 Glass Lewis published their analysis and recommendations regarding our upcoming Annual General Meeting, scheduled for April 26, 2019.

Whilst ISS recommends a FOR vote on all other items, it has recommended voting AGAINST resolution 2, the discharge of the Board of Management. It is ISS' view that a vote AGAINST the discharge of the Board of Management is warranted because the management board misjudged the legal and reputational risks of the Monsanto acquisition, including the fact that two California juries have found in favor of the plaintiffs who claimed that Roundup caused their cancer.

Glass Lewis recommends to vote AGAINST the discharge of the Board of Management and AGAINST the discharge of the Supervisory Board. Glass Lewis believes that shareholders are not able to sufficiently assess whether a discharge of the Board of Management is in their best interest at this time assuming potential long-term reduction in shareholder value that may occur from the glyphosate-related lawsuits. They also argue about the composition of the Supervisory Board's audit committee and concerns about Management Board remuneration.

We strongly disagree with these analyses and the vote recommendations. Bayer's Supervisory Board as well as the Board of Management recommend that shareholders grant the Board of Management a discharge for 2018. This reflects that both Boards are convinced that the members of the Board of Management have acted in full accordance with their obligations and duties. Before Bayer entered into the merger agreement with Monsanto, the Board of Management diligently and extensively reviewed the risks connected with Monsanto's glyphosate business. It was clearly concluded that, if used as directed, the products of Monsanto containing glyphosate are safe. There are more than 800 studies available which come to this conclusion, which has, to this day, also been continuously confirmed by competent regulatory authorities worldwide. For example, the assessment by the U.S. Environmental Protection Agency EPA examined more than 100 studies the agency considered relevant and concluded that glyphosate is 'not likely to be carcinogenic to humans,' its most favorable rating. Also particularly relevant is the independent 2018 National Cancer Institute supported Agricultural Health Study which followed over 50,000 licensed pesticide applicators for more than twenty years and which found no association between glyphosate-based products (such as Roundup) and cancer. Only one assessment by an agency of the World Health Organization ("IARC") classifies glyphosate as "probably carcinogenic". As such, glyphosate was placed in the same category as the consumption of red meat and hot beverages. Since IARC's assessment in 2015, regulators worldwide continue to find that glyphosate-based products are safe when used as directed. For example, following an intensive review, Health Canada as recently as January 2019 clearly confirmed its previous safety assessment on glyphosate and emphasized that "no pesticide regulatory authority in the world currently considers glyphosate to be a cancer risk to humans at the levels at which humans are currently exposed."

Based on the views held by regulatory authorities worldwide and scientists, the Board of Management assessed the legal risks in connection with the use of glyphosate as low. When doing so, it also based its assessment on a detailed expert opinion prepared and updated regularly by a renowned U.S. law firm before the merger agreement was entered into. Compliance of the Board of Management with its legal

duties has been confirmed by an external expert opinion prepared by the renowned international law firm Linklaters which – after an extensive review – came to the firm conclusion that the members of the Board of Management had complied with their legal duties in every respect with regard to the acquisition of Monsanto, and in particular with regard to the Board of Management's risk assessment of Monsanto's glyphosate-related business.

This risk assessment was also confirmed by the fact that when the merger agreement was entered into in September 2016, glyphosate-related lawsuits from only approximately 120 plaintiffs were pending and in none of them the courts had decided on the merits of the case. While the jury verdicts in the courts of first instance in the U.S. in August 2018 and March 2019 with respect to Glyphosate are disappointing, they are not final decisions but subject to appeal. Regardless of the outcome, the jury verdicts have no impact on future cases and trials because each one has its own factual and legal circumstances. We continue to believe firmly in the scientific assessments that glyphosate-based herbicides do not cause cancer. Bayer will continue to defend its glyphosate-based herbicides vigorously.

As a general rule under German law, a discharge of the management board members would only be impermissible in such exceptional circumstances in which clear and grave violations of duties of such management board members have been established. If this is not the case, the discharge may and should indeed be granted – in particular, if the supervisory board has extensively assessed whether, and ultimately confirmed that, the management board members have acted in accordance with their duties, as clear and grave violations can be ruled out in these cases.

Bayer's Management Board and Supervisory Board have full confidence in the value creation potential of the company's strategy – including the Monsanto acquisition – and its successful implementation. This accounts as well for the relentless integration of the acquired business and execution of the announced portfolio, efficiency and structural programs on corporate and divisional levels. Today, as an innovation leader in the Life Science businesses, Bayer is best positioned to benefit from powerful global megatrends in health and nutrition and is thus committed to superior long-term value creation for the company's shareholders and stakeholders.

As the members of the Board of Management have at all times acted in full accordance with their obligations and duties, we recommend that you vote FOR the discharge of the members of the Management Board for 2018.

With regard to its Audit Committee, Bayer has always disclosed potential concerns against the independence of its Audit Committee members. For the members of the Audit Committee who were in the past members of the Board of Management, the applicable cooling off periods under law and good corporate governance rules have lapsed. The Audit Committee Chairman, elected to the Supervisory Board in 2018, was in his former role at PWC, statutory auditor of Bayer until 2016, never involved in audits of Bayer. The Supervisory Board considers all members of the Audit Committee as fully independent.

With regard to the criticism from Glass Lewis regarding the payment of a higher bonus to the CEO we also note the following:

The short-term variable compensation (STI) may vary considerably from year to year, depending on the development of the divisions' results and the core earnings per share. This is inherent in the system of short-term variable compensation. In view of Bayer's good operating performance in the fiscal year 2018, the short-term variable compensation of the CEO and the other members of the Board of Management increased considerably compared to the previous year. However, in view of the weak performance of the share price, payments from the long-term variable compensation (LTI) decreased considerably. In January 2018, only 20% of the original target amount was paid out for the LTI tranche ending in December 2017; in January 2019, no payment was made at all for the LTI tranche ending in December 2018. The latter, however, will only be reflected in the reporting for the fiscal year 2019. Both the STI and

the LTI correspond to the general economic conditions. In the view of the Supervisory Board, both are adequate.

Finally the CEO received an additional payment in 2018. This results from a compensation component called „long term compensation using virtual stocks“. This is actually no additional compensation but goes back to the acquired short term incentive compensation for 2014. This STI-payment was only paid out for 50% in 2015. The remaining amount was deferred for another three years. In addition the amount was made dependent on the development of the Bayer Share (share price plus dividends). This way of using a part of the STI as a deferral was stopped with the principal new set up of board compensation as of January 1, 2016. The final payout from deferred STI payments was made in January 2019 for the acquired STI right in 2015.

Based on these explanations we believe that also the ratification of the actions of the members of the Supervisory Board is warranted and we recommend that shareholders vote FOR this proposal.

If you have any questions or would like to arrange a call, you can contact the Investor Relations team at +49-214-3072704 or [ir@bayer.com](mailto:ir@bayer.com).

Sincerely



Werner Baumann  
Chairman of the Board of Management



Werner Wenning  
Chairman of the Supervisory Board