

Employees and Society

## Assuming responsibility for others

**Bayer is one of the most respected companies in the world. This is confirmed by various international surveys such as a study published by the opinion and market research institute "Research International," which interviewed more than 1,000 opinion leaders in 2005. There are many reasons for this positive public image, including good social benefits and a trust-based relationship with stakeholders – as well as in no small part the company's tremendous efforts on behalf of society.**

In the period under review, Bayer spun off its chemical activities and parts of its plastics business into a new company called Lanxess, which has since been listed on the stock market. This realignment of course has also had an effect on the size of the company's workforce: On December 31, 2005, the Bayer Group employed about 93,700 people – approximately 22,000 fewer than on the same date in 2003. Nonetheless, this major change in operations was able to be undertaken largely in mutual agreement.

### **Remuneration and pensions: Systems harmonized throughout the Group**

The systems with which we enable our employees to participate in the company's success were further harmonized internationally in 2004 and 2005. Our staff receive a variable one-time payment or component as a share in our success. At all hierarchical levels, the budgets for these payments are dependent on the achievement of certain economic targets. By contrast, special payments that are not dependent on company earnings are being phased out step-by-step for non-managerial employees. Moreover, since 2005 our employees have been able to purchase a considerably higher number of

Bayer shares at attractive discounts. At the end of 2005, about 50,000 current and retired employees held roughly two percent of the capital stock.

The Bayer company pension plan offers our employees additional pension options. We need a clearly calculable cost framework in order to maintain this social benefit over the long term, however. That's why since 2004, we have pursued the successive conversion of our global pension plans from defined benefit to defined contribution systems. This process reached a preliminary conclusion in 2005 with conversion of the systems in the United States, Canada, Brazil and Germany.

### **Mission Statement: Values and leadership principles communicated**

The distribution of our new Mission Statement "Bayer: Science For A Better Life" to each employee was a focus of our communication in 2004 and 2005. The goal was to familiarize all employees worldwide with the Bayer Group's objectives, strategy and future perspectives. The values and leadership principles established in the Mission Statement have been integrated into our daily operations (see page 12).

## Equal opportunities for all

Equal treatment of all employees is an important principle of our corporate policy. The following is an excerpt from our Corporate Compliance Program: “No person is to be unfairly disadvantaged, favored, harassed or ostracized because of race, color, nationality, descent, religion, gender, age, physical characteristics or appearance.”

Promoting equal opportunity is one of the core points of our human resources policy. This means:

- offering equal entrance requirements and development opportunities to both genders,
- balancing individual career and life planning while giving consideration to work requirements,
- the same pay for the same performance.

### Family and career: Equal opportunity for women and men

The joint employee/employer task force “Promoting Equal Opportunity at Bayer” has concentrated on achieving these goals in Germany since it was established in 1990. It is left up to individual foreign subsidiaries to introduce programs and committees tailored to the regional, cultural and legal circumstances existing in their countries. In the United States, for example, Bayer Corporation in 1997 founded the “Bayer Diversity Advisory Council” (BDAC). This committee has the aim of furthering understanding among different cultures within the company, in part through the organization of seminars in which nearly all Bayer Corporation managers and many Bayer staff have so far taken part. In Germany, equal opportunity is addressed in numerous company agreements.

We also help our employees to balance family and career out of self-interest: We do not want to lose qualified female employees when they have a child. The details of this policy are established in Group Works Council agreements such as “Family and Career” and arrangements with family service and childcare facilities that provide pre-school openings for 250 children of Bayer employees at

the Leverkusen site. In the United States, Bayer Corporation is a leading employer when it comes to promoting the interests of working mothers.

We further accommodate employees with the offer of “extended” parental leave, as jobs are held open for such employees for up to seven years after the birth of their child. They may also return to the company in a part-time employment relationship. About 2,500 employees in Germany have taken advantage of such offers since 1985. We also offer young mothers and fathers other options for helping to balance family and career, such as part-time employment, flexible working times, annual work-time accounts, jobsharing and teleworking, as well as sabbaticals for longer periods of time.

Women accounted for 26 percent of our workforce on December 31, 2005, compared to only 23 percent at the end of 2003. The share of women in managerial positions, including senior management, at the German sites has steadily increased in recent years: At the end of 2005, women accounted for 14.8 percent of all managers, compared to 12.5 percent two years earlier. The share of female managerial employees at Bayer has increased by about 35 percent over the past ten years. We aim to further increase this percentage in the coming years.

### Employment of disabled staff in the company

A further Group Works Council agreement concerns equal opportunity for the severely disabled. Practical experience has shown that it is not possible to achieve the five percent share of disabled employees among the workforce that is required by law in Germany. At the end of 2005, severely disabled employees at Bayer accounted for 3.9 percent of all employees, and we are unlikely to reach the 5 percent mark in the foreseeable future. The company pays an annual equalization charge each time it fails to meet this goal. In 2004/2005, the charge totaled €1.1 million. At the same time,

in 2004/2005 we awarded contracts with a total volume of €440,000 to workshops employing severely disabled employees. No comparable legal requirements exist at our sites outside Germany. Nevertheless, we endeavor to offer employment opportunities to the physically disabled at those locations too.

#### **Vocational training:**

##### **Giving young people a chance**

Bayer has traditionally focused heavily on vocational training programs for young people. Each year on average, about 1,000 youngsters enter such programs at the German sites of Bayer AG and its affiliates. These young people have their own forum in the "Youth and Trainees' Representation." A further 300 trainees are employed at sites outside Germany where the dual training system is not in place but comparable systems exist. The company's German sites offered about 1,400 university graduates from a wide variety of disciplines the opportunity to take part in an internship in 2004/2005. In October 2004, the German magazine *Junge Karriere* – "Young Career" – awarded us its seal of quality "Fair Company," thus honoring our fair treatment of interns, who are given adequate compensation for their work and are not placed in full-time positions. We do not attempt to placate university graduates with an internship when they have applied for a regular position.

We offer a permanent employment contract to 100 percent of qualified Bayer trainees. Yet to Bayer, social responsibility also means training more young people than the company is likely to need. In this connection, we founded the AIR training initiative for the Rhineland area in 2004. As the trainees' contractual partner, AIR coordinates and organizes theoretical instruction at the central Bayer training centers while the approximately 100 participating companies assume responsibility for giving the youngsters practical training in their facilities. These companies help pay the overall costs, with Bayer assuming the largest share of the program's expenses.

In addition, Bayer in 1988 launched a special "jump start" program designed to give disadvantaged youths an opportunity to receive vocational training. Through special qualification measures, we help school graduates whose grades would otherwise be inadequate to prepare for a vocational training course. Through the end of 2005, 812 young people – or 85 percent of all trainees leaving the program – were offered regular training positions by Bayer at its sites in Leverkusen, Dormagen, Krefeld-Uerdingen, Wuppertal-Elberfeld and Brunsbüttel, or by other companies with training facilities.

Our companies in Argentina, Australia, New Zealand and Belgium were listed among the top employers in those countries by respected financial magazines and human resources consultants.

#### **Continuing education:**

##### **Challenges presented by demographic changes**

In view of demographic changes that will result in a growing share of older employees among our workforce, we must actively promote continuing education opportunities for our employees. Throughout the Bayer Group, we spend a total of €140 million each year – about 2.3 percent of personnel costs – on continuing education measures.

At the beginning of 2006, the German Minister for Labor and Social Affairs awarded Bayer the "Shaping Employment – Companies Demonstrate Responsibility" award in the category "Prospects for Young People" in recognition of the company's commitment to vocational training. The jury singled out Bayer for the award because of its program to prepare disadvantaged young people for vocational training courses. In 2004 Bayer was honored by a German children's charity for the same program.



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## Dialogue with employees

At all Bayer sites worldwide, employees have the right to elect their own representatives as called for by the United Nations Convention on Human Rights and the standards of the International Labor Organization (ILO). Nonetheless, significant national and legal differences exist. For example, codetermination by the employees in the Supervisory Board and on the site works councils is legally required only in Germany. And while works councils in Germany are comprised exclusively of employees' representatives, the councils in Belgium and France also include representatives of the employer.

### Employees' representatives: Pioneers of social dialogue in Europe

About 55 percent of our employees are based at sites located in the European Union. As early as 1991 – three years before the European Works Council Directive came into effect – Bayer AG's management and Works Council established the Bayer European Forum, which met for the first time in 1992. This step made Bayer a pioneer of social dialogue in the European chemical industry. In October 1994 the Group Works Council and Bayer's management signed an agreement to act on the recommendations of the European Works Council Directive. The Bayer European Forum is intended to foster dialogue among Bayer employees' representatives themselves as well as with the company's management. It is not intended for purposes of codetermination. Issues discussed at the Bayer European Forum include human resources policy, the company's economic and financial performance and political issues. Through 2005, for example, the employees' representatives at the Bayer European Forum had formulated three important declarations on the important issue of the E.U. Chemicals Policy.

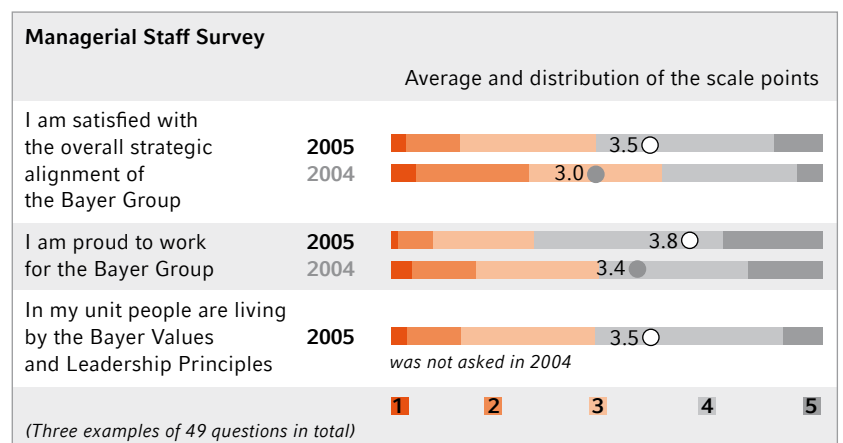
### Employees' rights: Globally valid, labor standards established

At the end of 2005, the Forum had 82 delegates from 20 countries. Representatives of the employer are also among the members. The Chairman of the

Board of Management and Labor Director of Bayer AG take part in the annual conference as well, giving this pan-European dialogue a high status within the company. This status is also reflected in the expansion of the organization: In 1997 a Joint Committee was established to function as a management body between the yearly conferences and to ensure that international themes are addressed during the year. A seminal role is played by the "social charter" adopted by the Bayer European Forum in 2002 that defines minimum social standards for Bayer Group employees worldwide. In this charter, Bayer undertakes to eliminate discrimination of any kind, support the advancement of employees and implement required restructuring measures in a socially responsible manner, among other objectives.

### Managerial staff survey: Positive results

In October 2005 we conducted a survey of our managerial staff for the second time. More than 10,000 employees in all countries responded to the survey, which found that the overall mood in the company had improved markedly within the previous year and a half. The next managerial staff survey is planned for 2007.



On a scale of 1 (strongly disagree) to 5 (strongly agree), the surveyed managerial staff were able to give their opinion on the various questions. The decimal numbers in the scales represent the respective average values. The responses to the first two questions show a considerable improvement in the overall mood within the Bayer Group.

## Social commitment: A part of Bayer's corporate culture

Social responsibility has always been an integral part of our corporate culture. Bayer began supporting social and cultural institutions at the end of the 19th century. What began with the Wuppertal and Leverkusen sites has long since been expanded on a global basis: Today we support about 300 projects around the world that are designed to improve the situation of people and the environment. In 2005 we provided approximately €50 million in funding for these projects. Our activities in this area focus on education and research; environment; health and social programs; and sports and culture.

### **Education and research: Promoting scientific knowledge**

As a research-based company, Bayer places particular emphasis on promoting intellectual curiosity among young people and supporting the sciences. For example, we provide schools with reagents and instructions for experiments in chemistry classes. We also give schoolchildren in the areas surrounding our production sites an opportunity to independently conduct scientific experiments dealing with chemical and biological themes under professional guidance.

As part of the educational initiative "Making Science Make Sense," which was founded more than ten years ago in the United States, Bayer employees help to design curricula in elementary schools. The Bayer experts use vivid experiments to try and awaken the children's enthusiasm for science. In honor of these charitable activities, Bayer at the beginning of 2006 became the first company headquartered outside the United States to receive the presidential "Ron Brown Award for Corporate Leadership." The program has since been established in the United Kingdom, Ireland and Japan as well.

Various Bayer foundations regularly award scholarships to students and illustrious prizes to outstanding scientists.

### **The environment: Enhancing young people's awareness**

Environmental protection and the responsible use of natural resources are essential for sustainable development. We aim to strengthen this awareness among young people in particular, as they will determine the future. In the context of the partnership we formed in 2004 with the United Nations Environment Programme (UNEP), we have initiated numerous youth environmental projects around the globe. In 2005, for example, UNEP and Bayer organized a Global Environment Summit in Bangalore, India, that was attended by 150 young environmental activists from all regions of the world. For the scientific congress "Eco-Minds," which took place in October 2005, students from a wide range of disciplines met in the Philippine capital Manila to seek practical solutions for environmental problems in the fast-growing Asia Pacific economic region.

Further highlights of Bayer's partnership with UNEP in the past two years were the annual international children's painting competition accompanying World Environment Day, for which in 2005 more than 10,000 children from 60 countries submitted paintings on the theme "Green Cities," and the Young Environmental Envoy program, which also takes place annually. In November 2005, about 50 dedicated young people from Asia, Latin America, Africa and Europe visited Germany for one week at Bayer's invitation to learn first-hand about modern environmental protection. In addition to these joint project activities, Bayer provides UNEP with €1 million annually in funding and additional material donations as the first private-sector partner to UNEP in the area of youth and the environment.

**Health care and social needs: Initiatives in newly industrializing and developing countries**

More than one billion people currently do not have access to clean drinking water. This is one of the major global problems of our time. To find new ways of exploiting freshwater sources and to explore water treatment options and ways of ensuring the responsible use of our most valuable resource, National Geographic Germany and Bayer founded the “National Geographic Global Exploration Fund” in 2005. From nearly 100 applications, Bayer and an international commission of experts appointed by National Geographic selected nine projects to which it will provide support. The funds from the Global Exploration Fund will enable the participating scientists from the German-speaking countries to pursue innovative ideas for conserving drinking water and begin field research in the Andes, in Africa, on the Indian subcontinent and in Siberia, among other locations. Having supported more than 8,000 research projects since 1888, the Washington, D.C.-based National Geographic Society is the world’s largest charitable scientific organization. Bayer is the first private-sector partner to enter a theme-based collaboration with National Geographic outside the United States.

In the area of preventive health care, we work closely with various international institutions to support initiatives aimed at fighting pandemic dis-

eases such as tuberculosis (TB), HIV/AIDS and African sleeping sickness.

**Tuberculosis:** In October 2005, Bayer HealthCare and the international product development partnership the Global Alliance for TB Drug Development (TB Alliance) signed an agreement concerning a clinical study program aimed at investigating whether Bayer’s antibiotic moxifloxacin (Avalox®) can significantly reduce the current six-month duration of treatment for tuberculosis. About 2,500 tuberculosis patients on four continents will be admitted to the study program. Should the trials prove successful, plans call for the Bayer product to be made available to patients in developing countries at affordable prices. Phase III of the study is scheduled to be completed in 2010.

**HIV/AIDS:** In Mozambique, Bayer HealthCare has provided the Catholic organization “Sant’ Egidio” with testing instruments and organized training courses to help with the introduction of the “DREAM” project to treat those infected with HIV. Reliable diagnosis is of the utmost urgency in Africa, as 90 percent of those infected are not aware that they carry the virus. In China, Bayer is working to achieve better AIDS prevention through information campaigns for the public. At Tsinghua University in Beijing, the company at the end of 2004 established the first course of study in China for health journalism, with a focus on HIV/AIDS. Furthermore, as a member of the “Global Business Coalition against HIV/AIDS,” we want to help achieve a responsible approach worldwide to this disease on the part of companies.

**Sleeping sickness:** Nearly 60 million Africans are threatened by African sleeping sickness, which is transmitted by the tsetse fly. In order to effectively treat these patients, Bayer HealthCare is making available its drug product Germanin® to the World Health Organization (WHO) free of charge, initially between 2002 and 2007. We also advocate a global “Integrated Sleeping Sickness Initiative” supported by numerous private and public institutions in order to contain a further outbreak of the disease in Africa.

**Social commitment in four areas**



When the Brazilian government in 2003 asked for assistance in the fight against hunger and poverty, Bayer immediately pledged its support. We work together with the non-governmental organization Agencia Mandalla in northeastern Brazil, which helps many families to install irrigation systems – also known as Mandallas – for more efficient agricultural use. In the short-term, the harvest yields cover the families' food needs. Over the medium term, however, the farmers expect to produce enough crops to be able to secure their livelihood by selling the surplus produce.

In addition to providing support for long-term projects, Bayer makes regular spontaneous donations either to supply health organizations with

medicines or quickly come to the aid of those affected by natural disasters.

Recent donations have included:

- 12.2 million units of the drug Kogenate Bayer® with a total value of over €9 million that the World Federation of Hemophilia (WFH) has provided to patients in developing countries
- 500,000 tablets of Lampit® that the World Health Organization (WHO) has deployed in the fight against Chagas' disease, an illness that is widespread in Central and South America
- 45,000 blood glucose measurement systems and monetary donations totaling nearly US\$ 4 million for victims of Hurricane Katrina in New Orleans and the surrounding area
- Monetary and material donations totaling €13 million for victims of the tsunami in southeast Asia at the beginning of 2005



### *Joining together in the fight against tuberculosis*

**Dr. Maria C. Freire, President and CEO of the Global Alliance for TB Drug Development (TB Alliance)**

*The TB Alliance is developing new drugs for tuberculosis. These new treatments are designed to be simpler, more effective and act faster than the standard six-month therapy.*

*Although much progress has been made in TB treatment over the past few years, almost two million people will die from this ancient disease in 2006. This is unacceptable. We can and must do better with new TB drugs that are affordable and accessible so that they reach the people who need them.*

*The partnership between Bayer HealthCare and the TB Alliance is a creative and pragmatic approach to solve this problem. By combining our scientific know-how with the commitment to affordable pricing, we can help achieve the United Nations' Millennium Development Goal of fighting the tuberculosis pandemic and other devastating diseases that disproportionately affect the poor.*

### **Sports and culture: Improving the quality of life**

Support for sports is also an important tool of Bayer's social responsibility around the world. In Germany, for example, the company makes an important contribution to the promotion of youth, recreational, competitive and disabled sports by supporting 27 sports clubs with a total membership exceeding 50,000. The company also supports 38 recreational and cultural societies. Our Cultural Affairs Department provides a diverse concert and theater program. At numerous sites outside Germany, too, "Bayer Clubs" give both employees and neighbors the opportunity to participate in sports and cultural activities.

### **WWW**

- 20** Our foundations support education, research and science.
- 21** We have helped natural disaster victims through monetary, medical and material donations.
- 22** Bayer and UNEP jointly implement youth and environmental projects around the world.
- 23** "Making Science Make Sense" – our employee initiative to promote science learning in schools
- 24** Support for sports and culture

## Working to protect human rights

Fighting on behalf of chartered human rights around the world is a part of Bayer's corporate policy. This is not just established in our code of conduct: We also emphasize this claim through our membership in the Global Compact and the formal recognition by Bayer AG's Board of Management of the OECD Guidelines for Multinational Companies and the International Labor Organization's Tripartite Declaration of Principles on Multinational Companies and Social Policy.

### India: Project developed for protection against child labor

In India, where child labor is still a widespread social phenomenon, Bayer CropScience has developed a project for protection and support of children. In its contracts with the suppliers of cotton seed, Bayer's Indian subsidiary Proagro specifies that child labor will not be tolerated and companies will be penalized for violations.

At the same time, Bayer CropScience wants to ensure that children receive a school education. Proagro has therefore signed a cooperation agreement with the Indian organization Naandi Foundation, which possesses a wealth of experience in the area of schooling in rural areas. By the beginning of 2006, Naandi had already established 29 Creative Learning Centers (CLC) where children who previously worked in the agriculture sector and other areas are prepared for a school education. By the end of March 2006, 700 children were enrolled in preparatory schools. Proagro also supports continuing education for teachers at public schools in these villages and provides teaching materials for scientific curricula, among other resources.

Although Proagro occupies only a two percent share of the Indian cotton seed market, Indian associations, international institutions such as the International Labor Organization (ILO), governmental agencies and the media regard the program of Bayer CropScience in Andhra Pradesh as a pioneering initiative. This program also includes

measures that the government of Andhra Pradesh now recommends in the fight against child labor.

In addition to the contractual prohibition of child labor, the program contains the following elements:

- Economic aid with a micro-credit program for Indian farmers. Through Bayer loan guarantees, they receive access to low-interest bank loans and are thus protected from the extortionate interest rates of private lenders.
- Intensive education programs for social groups. As everyone must become involved in child protection, Proagro's child protection project is focused on model villages.
- Close cooperation with national and international organizations on the issue of child protection.
- Support for children through the school program. We aim to further expand our work with preparatory schools.

### Brazil: Cooperation with the Abrinq Foundation

In Brazil, too, Bayer works on behalf of children's rights. By cooperating with the Abrinq Foundation for Children's Rights, Bayer HealthCare's Consumer Care Division nine years ago succeeded in selecting only suppliers who prohibit child labor. Since 2002, the entire organization of Brazilian subsidiary Bayer SA. has borne the Foundation's logo as a "child-friendly company."



# The bright side of research

## Dorota Banaś Poland

*"The student dormitory at the Maritime University in Gdynia could be powered largely by solar energy," says Dorota Banaś, a dedicated climate protection activist. With her graduate thesis at this Polish university therefore, she has impressively demonstrated how it pays to lastingly break the dependence on fossil fuels and embrace new sources of energy. To this end, Dorota examined the cost-effectiveness of solar cells on the roofs of buildings and then tried out her ideas in field tests conducted on the university campus, thus making a contribution to the evolution of regenerative energy technologies.*

*Photo: Dorota Banaś from Poland in a greenhouse belonging to the crop protection research facilities in Monheim*