

Respecting, challenging and supporting people

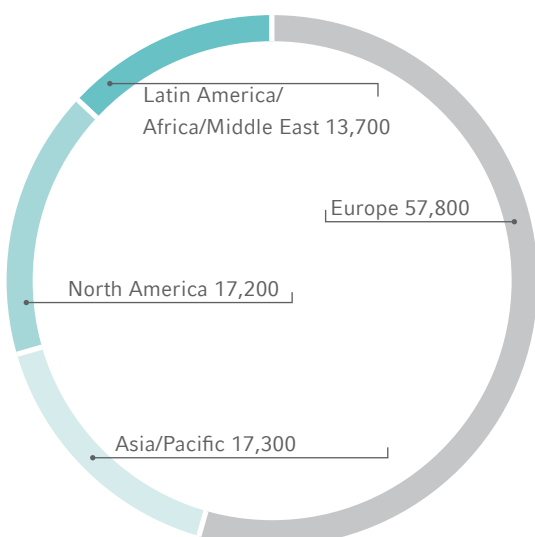
Bayer is a socially responsible company that respects and applies all international labor standards and offers its workforce a wide range of attractive additional benefits. Our CSR activities are also recognized worldwide.

Bayer's dynamic human resources policy was reflected in a number of far-reaching changes in 2006. In addition to mastering the biggest challenge – the integration of the employees of Schering, Berlin, Germany, into the Bayer Group (see page 34) – we adopted a Group-wide “Bayer Human Rights Position” in May 2007 (see page 52)

that was developed in harmony with our Sustainable Development Policy. This document establishes a foundation for the working conditions of our employees and specifies positions on matters such as harassment at the workplace, discrimination or child labor. We have also reorganized our human resources system across the Group. As a result, the following functions will be introduced by the end of 2009:

- ❑ “Human Resources Self Services” enable employees, for example, to use the intranet to change their own personal data, register their vacation dates and take advantage of company-sponsored social benefits and continuing education offers. This significantly simplifies these processes for the employees.
- ❑ Regional “Human Resources Shared Service Centers” (HR SSCs) serve as direct contact points for employees in all personal matters, and thus considerably shorten information paths in many cases.
- ❑ In the individual Bayer Group companies, “Human Resources Business Partners” have been advising management on strategic issues since October 2006. This ensures a close link between the new human resources organization and the operating units' needs.
- ❑ Since October 2006, four “Human Resources Centers of Expertise” integrated into the Corporate Center have developed strategies, concepts and instruments for all areas of the Bayer human resources organization. They ensure a globally uniform human resources policy.

Employees by region (Dec. 31, 2006)
Total 106,000



We reached an important milestone in October 2006 with the launch of the Shared Service Center Europe (SSC Europe). The staff at the SSC in Leverkusen will initially be responsible for recruitment, payroll accounting, foreign transfers, performance evaluations and continuing education in Germany. It is planned for the SSC Europe to successively assume additional tasks for the Bayer Group in Germany and other European countries beginning in 2008. In April 2007, the SSC for America was successfully launched in Pittsburgh. The respective launch in Asia is planned for 2008/2009.

Employees' rights at Bayer: Established worldwide

At all international Bayer sites, employees have the right to elect their own representatives. Around the world, the working conditions of roughly two thirds of our employees are bindingly established in collective or company bargaining agreements. This applies to the approximately 41,000 employees in Germany, for example, who with only a few exceptions are subject to the collective bargaining agreements of the chemical industry. In Brazil, the conditions for all of our employees are based on a collective bargaining agreement, while this applies to 90 percent of our Chilean workforce and 85 percent of our employees in Venezuela. In the Netherlands, on the other hand, there is no collective bargaining agreement negotiated by unions; here, working conditions are agreed directly between management and the works council. These examples show that Bayer respects the employees' representatives as working partners.

Supplementing the national employee representation bodies, the Bayer European Forum (BEF) was established in 1992 as a platform for social dialogue between the employer's and employees' representatives from the European Bayer companies (see the Sustainable Development Report 2005, page 47). In 2002, the Forum adopted a social charter that defines minimum social standards for Bayer employees around the world. In November 2006, Bayer adopted a comprehensive Declaration on Diversity (see page 52).

Vocational training opportunities: Agreed targets exceeded

In the context of a vocational training initiative sponsored by the German government, the social partners of the chemical industry signed the collective bargaining agreement "Future Through Vocational Training" in 2003. According to the terms of this agreement, the companies agreed to increase the number of vocational training slots by seven percent through the end of 2007. The German chemical industry had already exceeded this target by 2006, increasing the corresponding figure by eight percent. Bayer played a role in this achievement in 2006 in Germany, employing more than 3,000 trainees at the German sites and with its German affiliates. Including the trainees at our sites outside Germany, the total number of trainees is well above what we actually need, at nearly 3,100. We also established 30 additional vocational training positions in 2006 as a contribution to the national pact between the German government and industry as regards vocational training and the development of young managers. Including the approximately 140 Schering trainees, about 1,050 young people began a vocational training course at Bayer in the summer of 2006. Thus we continue to fill more vocational training positions than the company requires to cover its own needs. For trainees to whom we are unable to offer a permanent employment contract, we provide active support in the search for a job through our trainee pool and the Bayer subsidiary job@active.

In the context of the Marketing and International Business Studies (MIBS) program, approximately 20 trainees each year take part in a course of study outside of Germany. In addition, about 20 trainees annually take part in exchange programs at Bayer Group companies outside Germany as part of their training.

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Bayer Human Rights Position

International framework and corporate management

Bayer supports the United Nations' Universal Declaration of Human Rights and a number of globally recognized declarations for multinational enterprises¹. We also fully endorse the principles of the United Nations Global Compact initiative. Promoting human rights standards internally and throughout all of Bayer's business operations is in line with our company's Values and Leadership Principles and our Sustainable Development Policy. Bayer's commitment to foster the implementation of human rights is supported through our Program for Legal Compliance and Corporate Responsibility. It is in effect in all Bayer locations and it applies to Bayer's business operations worldwide.

We will use this position as a framework to guide our decision-making and constructive engagement within our sphere of influence, while the responsibility of the governments of the various countries for protection of human rights is respected.

Employees: Working conditions

We provide our employees with fair and competitive compensation and benefits. Our wages meet or exceed local market conditions and thus ensure an adequate standard of living for our employees and their families. Our compensation systems are linked to company and individual performance. Pension provision is a key element of our total compensation packages worldwide.

We encourage our employees to fully utilize their potential by offering ample training and education opportunities. Access to qualification and training measures is based on the principle of equal opportunities for all employees.

We comply with all applicable laws and agreements on working time and paid leave. We respect the right to rest and leisure, including vacation with pay, and the right to family life, including maternity leave. Where possible we will aim to offer more flexible work patterns to enable our employees to balance company with personal demands.

Harassment and discrimination

Equal treatment of all employees is a fundamental principle of our corporate policy. No person is to be unfairly disadvantaged, favored or ostracized because of ethnic or racial status, color, nationality, descent, religion, caste, gender, age, physical characteristics or appearance, sexual orientation, union membership, political affiliation, HIV/AIDS or parental status. Harassment of any kind is forbidden. We expect our employees to be friendly, objective and fair in their dealings with colleagues and third parties. Under comparable prerequisites, we provide equal pay for equal work.

Freedom of association and collective bargaining

We are committed to an open and constructive dialogue with our employees and their representatives. Our employees are free to join organizations of their choice that represent them. These organizations may engage in collective bargaining according to the applicable legal regulations. At all Bayer sites worldwide, employees have the right to elect their own representatives. Employees who act as representatives are neither disadvantaged nor favored in any way. In locations where employees have decided not to appoint representatives, we will ensure direct and open communication between employees and management.

Child labor

We follow a clear 'zero tolerance to child labor' policy in our business operations worldwide. We do not tolerate child labor in our supply chain either, where we take action against known cases of violations. Our efforts to fight against child labor are consistent with the ILO's² (International Labor Organization) core labor standards and the United Nations Global Compact principles.

Health and safety

We ensure uniformly high health protection, safety, environmental protection and quality standards (HSEQ) at our sites through the implementation of appropriate management systems. HSEQ regulations are consistently applied worldwide to minimize the occurrence of accidents and incidents. Experts on occupational safety support line management in preventing illnesses and accidents by implementing appropriate measures. Our sites offer their employees an ample range of health care services, including measures going beyond health care at the place of work.

Bayer strictly believes that the respect for people is mandatory for business excellence. With this position we confirm our commitment to internationally recognized principles in the areas of human rights and labor conditions. We expect the conduct of our employees and business partners worldwide to reflect this commitment.

¹ e.g. "Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy" of the International Labor Organization (ILO), "Guidelines for Multinational Enterprises" of the Organization for Economic Cooperation and Development

² Minimum Age Convention 1973; (No. 138); Worst Forms of Child Labour Convention, 1999, (No. 182)

Embracing equal opportunity

Our most important principles include equal opportunity for all employees at Bayer. In October 2006 in Warsaw, Poland, the leadership of the Bayer European Forum adopted the “Declaration on Diversity at Bayer,” in which all participants once again pledged their commitment to actively promote equal opportunity. The document thus once again underscores the principles of the Social Charter of 2002 and the Values and Leadership Principles of Bayer AG: The selection and advancement of our employees are determined solely according to their specialist qualifications, development potential and individual performance. The principle of fair and equal treatment for all employees is also an integral element of the new “Bayer Human Rights Position.”

Our special joint employer-employee committee, in which representatives of the company and the workforce from all German sites and subgroups participate, also provides important impulses for equal opportunity (see the Sustainable Development Report 2005, page 45). The effectiveness of this and other equal opportunity initiatives is demonstrated by accolades such as the award presented by the organization “Total E-Quality.” In October 2006 – as in 1997, 2000 and 2003 – Bayer was once again honored by this independent organization for its efforts to promote equal opportunity at the workplace for women and men. The jury was particularly impressed with the company’s gender-specific analysis of performance evaluations and its offer of flexible worktime models.

The German Equal Opportunity Act (AGG) came into force in August 2006. We took this as an opportunity to offer web-based training on this matter to all managerial staff in Germany.

In the United States, Working Mother magazine each year publishes an analysis of how companies help employees to balance career and family demands. In October 2006, our U.S. subsidiary for the fourth time placed among the country’s top 100 employers for working mothers. Bayer Corporation received top marks for childcare and in the categories “Family-Friendly Programs” and “Cor-

porate Culture.” The wide range of services offered by Bayer in the United States to employees with children include childcare and learning aids, as well as teleworking and part-time employment models.

The President and CEO of Bayer MaterialScience’s U.S. subsidiary was personally honored for his efforts to promote equal opportunity for the disabled: In February 2007, Greg Babe received the Tony Coelho Award, which is presented by Bender Consulting each year in the United States to a person from industry or politics who displays a particular commitment on behalf of people with disabilities.

Despite numerous acknowledged achievements and strict internal Bayer Group standards, we aim to improve further in the future. The last two managerial employee surveys provided us with valuable information about existing deficiencies and with proposals for change. We therefore are once again planning to carry out a survey of our more than 10,000 managerial staff worldwide in 2007.

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36 Declaration on Diversity by the Bayer European Forum

Exemplary working conditions worldwide

Our employees are essential to the success of our company. That is why, along with ensuring equal opportunity for our employees, we regard the individual advancement of their potential and the balancing of career and private goals as the crucial basis of our personnel development at all Bayer sites, including those in developing and newly industrializing countries. We received numerous national and international accolades in 2006 that testify to the successful implementation of these and other principles.

We received two awards in Asia, where we have been steadily expanding our business activities for a number of years. For example, the Corporate Research Foundation named Bayer one of China's best employers in 2007. An international jury had previously closely examined the working conditions, compensation systems, employee development and corporate culture of selected employers in the boom region of Shanghai.

Bayer is also one of the most popular companies in Indonesia. For the second time, we took second place in a survey on "Indonesia's Most Admired Companies 2006." BusinessWeek magazine asked about 1,500 managers, investors and journalists to rate companies with respect to the aspects quality, performance, Responsible Care and attractiveness as an employer.

We also believe that our role as a responsible employer involves providing our employees around the world with a high level of social safeguard. Our employees in every country in which we are present are health-insured according to the respective national laws. Wherever a state-run health care system is not in place or can only guarantee basic care, we endeavor to provide our employees with a higher standard of care. In Romania, for example, Bayer has signed an agreement with a private hospital administrator to provide modern basic medical care to our employees via these facilities. Bayer assumes the costs for this care.

In Brazil, too, Bayer assumes the costs of basic medical care for all its employees. We also offer a

more extensive medical care model in that country in connection with an employee contribution component. In Spain and Portugal, we supplement the benefit range of the national health system with accident insurance for all Bayer employees.

Significantly more than 80 percent of all Bayer employees worldwide have access to the company pension benefits of their employer, usually in addition to their state pension system. In countries where we maintain a large workforce, such as Germany, the United States, Brazil and Japan, the share of employees with company pensions is even higher, at almost 100 percent. Some of these pension systems involve mandatory contributions by the employees, while others involve a voluntary commitment. In Germany, for example, the employees are obligated to contribute to payments into the company pension funds.

Shaping growth socially: The Chinese example

Our successful human resources policy in developing and newly industrializing countries is based on intensive dealings with the economic, political and cultural aspects of these countries. This also applies to the People's Republic of China, which for a number of years has been of central importance within our business strategy and as a production base. Our Bayer MaterialScience subgroup in particular is currently considerably expanding its production capacities there. At the Shanghai Chemical Industry Park alone, we will invest roughly €1.8 billion through 2009 – more than at any other site outside of Germany.

The massive build-up of production capacities in China of course also involves rapid growth in the size of our Chinese workforce. In recent years, the number of staff in China has increased by approximately 30 percent a year – from about 2,000 to currently 6,000 employees.

All of these employees have access to both state and company health insurance, as well as additional social benefits. For example, our Chinese employees are also paid wages on national holi-

days, and we have set up bus transfers to their places of employment, which in many cases lie a great distance from residential areas. In China as in all other countries, of course, working hours are established contractually; our employees there work 40 hours a week.

The strict observation of the respective labor law framework is, of course, obligatory for us in China as well. We have defined internal rules and standards for personnel management to supplement the labor law regulations existing in that country. For example, we have implemented a China-wide human resources governance code that establishes the fair, open and just treatment of all employees. Furthermore, we endeavor to introduce the Chinese employees to our corporate values in a gradual process. In this context, we proceed very carefully, taking into account unique cultural aspects. The cooperative management style practiced at Bayer changes antiquated mind-sets, enables participation and thus heightens the employees' motivation and loyalty. The low rate of employee fluctuation in China testifies to the success of a human resources policy oriented around local circumstances, such as we practice in many other countries.

The situation at our Chinese sites also serves as an example of our high global standards in the areas of occupational safety, environmental protection and sustainable development, which always satisfy or even exceed statutory requirements. For example, the Health, Safety and Environment (HSE) teams that we have introduced throughout China are not required by law. The activities of these teams represent an important contribution to the safety of our employees and the communities surrounding our sites.

In order to provide our employees with optimal support, we maintain a continuous commitment to their vocational training and continuing education. This naturally also applies to our employees in China, where we offer course programs that are specially tailored to all employee groups. New employees are first familiarized with our corporate values, the most important processes and our business ethics. The entire spectrum of continuing

education measures is open to the employees: from languages through technical and social skills to management expertise. Since 2002, Bayer has cooperated closely with local institutes of learning as regards the training of future employees. In a special Bayer class at Shanghai Petrochemical Academy, Chinese school graduates receive well-founded vocational training according to German curricula. This vocational training model provides all participants with numerous advantages: The students receive systematic vocational training, thus laying a strong foundation for their further career development. Furthermore, the attractive training system improves the facilities and appeal of the learning institute and Bayer gains qualified specialists for its ultra-modern production facilities. In addition, Bayer in this way makes an important contribution to the transfer of knowledge as regards vocational training and industrial production.

Multi-stage program: Measures to address child labor

Child labor is a very emotional matter in the context of which Bayer was just a few years ago subjected to criticism from certain non-governmental organizations. In 2002, Bayer CropScience bought the Indian seed company Proagro as part of the Aventis CropScience acquisition. As is customary in India, Proagro entrusts the production of its hybrid seed to farmers in whose fields seed for high-quality hybrid plants is produced by the hand pollination of two parental lines. Proagro is confronted with the problem that this task is often completed by girls and boys who – despite the government's compulsory education policy – are forced to contribute to the modest income of their needy families at the expense of their own school education.

Bayer strictly rejects child labor, as it contradicts the company's values and principles and our Human Rights Position. Just a year after the Proagro acquisition, therefore, Bayer CropScience began developing a multifaceted program of initiatives aimed at protecting children and combating poverty in India.

The program is based on a clear ban on child labor as well as on continuous information campaigns

aimed at changing attitudes among farmers, parents, children and members of the village communities. Farmers who produce cotton seed for Bayer CropScience must agree in their supply contracts not to employ children as laborers. Production without child labor is publicly rewarded.

The process begins anew each planting season. In order to ensure continuity, a graduated system of financial incentives and sanctions strengthens the honoring of contracts over a period of several planting seasons: The company pays a bonus on the purchase price that amounted to five percent in the 2005/2006 season and 7.5 percent in 2006/2007. Violations of the ban on child labor are met with graduated penalties which range from spoken warnings to cancellation of the contracts. These measures are clearly communicated to the farmers before the season begins. At the same time, they receive technical and financial support in the form of training measures to increase their productivity and thus also their profitability, advanced training in the proper handling and use of crop protection products and the opportunity to receive small loans at favorable conditions.

A further key element of Bayer CropScience's multi-layered program of initiatives is the cooperation agreement entered into in April 2005 with the Indian-based charity organization "Naandi," which means "a new beginning" in Sanskrit. The two partners regard qualified education as an opportunity for a new beginning and thus a chance to lastingly improve living conditions. First of all, therefore, Bayer CropScience has participated in the creation of education programs for children in the heavily agricultural state of Andhra Pradesh, as well as projects aimed at increasing awareness among parents about the need for a school education and supporting training and continuing education for teachers. A network of "Creative Learning Centers" prepares the children for attending state-run schools. Naandi has established a total of 19 such centers in Andhra Pradesh on behalf of Bayer. Almost every child who received instruction in the centers has gone on to attend a state-run school having completed the preparative course.

According to an Indian study, on average six or more children were employed per cotton field acre (approx. 0.4 hectares) industry-wide in the 2003/2004 planting season. In 2005/2006, the figure was roughly one child per acre for Proagro's suppliers, and the average declined significantly in the following year. During the 2006/07 season, no children were found in the fields of Proagro's contract partners in Andhra Pradesh during the last three checks carried out jointly with NGOs. For the monitoring period as a whole, fewer than two of every hundred field workers were under 15 years of age.

For monitoring and identification of further optimization potential, Bayer CropScience contracted the auditing firm Ernst & Young to review its program in 2006/2007. This company's intensive analyses have so far confirmed the significant decline in child labor rates for Proagro contract partners and the effectiveness of the monitoring system.

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Occupational safety and health protection

Throughout the Group, the injury rate rose slightly in the reporting period (see page 77). The occupational injuries and illnesses reported here are compiled worldwide in our Baysis® IT system according to Bayer's standard definitions.

Occupational safety and health protection are essential objectives for our Group. In 2006/2007, we reviewed our Group-wide regulations for these areas, supplementing them with specific targets and programs for overcoming weaknesses and for continual improvement. The Group-wide exchange of best practices as part of our internal Community Management program contributes to this.

Bayer MaterialScience received the Responsible Care Award 2006 from the Northern Section of the German Chemical Industry Association (VCI) for its occupational safety concept at the Brunsbüttel site. Bayer South East Asia was presented with the Achievement Award for Community Awareness and Emergency Responsible Care in Singapore in March 2007, and in April 2007 Bayer Taiwan won the Award of Outstanding Contribution from the Taiwan Responsible Care Association.

Bayer CropScience has established in a QHSE guideline the offer of medical examinations following a six-week absence due to illness. This offer is valid independent of whether the absence was due to a work-related accident or not. Furthermore, all Bayer CropScience sites are required to organize yearly initiatives on general health promotion. The spectrum of activities ranges from stress management through fitness courses to preventive medical check-ups and examinations for early detection of cancer.

Bayer HealthCare plans to update its HSEQ management systems in all sections by 2010.

The construction project at the Bayer Integrated Site Shanghai (BISS) in China was an outstanding success as far as occupational safety is concerned. Construction of the chemical industrial park began in 2001. In a total of 13.6 million working hours, there was not one single injury, even though more

than 4,000 people were working on the site at peak times. One of the biggest challenges was to sensitize the workers, who came from all parts of China, to the subject of safety.

On September 26, 2006, an intermediates tank belonging to Bayer MaterialScience exploded at the industrial park in Baytown, Texas, United States, resulting in the most severe accident during the reporting period. Bayer MaterialScience is investigating the precise cause of the incident together with the authorities.

Health care for the workforce: Investing in competitiveness

Especially in the chemical and pharmaceutical industry, caring for the health of the workforce is of major importance. Bayer regards this not as a cost item but as a long-term investment in the productivity of the employees. Bayer Industry Services ensures that health management is organized on a holistic basis with particular focus on factors such as stress, working atmosphere and health risks.

Since January 2006, the Health Protection Department of Bayer Industry Services with the support of German consulting institute BRT has been offering seminars for supervisors throughout the Bayer Group to keep them informed of these health aspects. In all, around ten percent of employees with a management function have attended the 1.5-day workshops so far.

In the United States, Bayer is in the process of launching "Wellness Works" – a new health and wellness initiative for employees and family members insured through Bayer. The goal is to improve quality of life through targeted health courses and wellness programs, and thus reduce company spending on medical procedures.

Our responsibility as a good corporate citizen

In 2006, we underscored our role as a responsible and socially committed company with a number of activities in the fields of education and research, environment and nature, health care and social needs, and sports and culture. In keeping with our goal of being a good corporate citizen, we further developed the contents of some of our main projects while expanding others to additional countries and also launching new initiatives. In this context, we pay heed to the balanced use of funding both in a thematic and a regional respect.

Health projects:

New focus on family planning

The promotion at Bayer Schering Pharma, Berlin, Germany, of family planning programs in developing countries is a new focus of our social activities. Bayer is thus continuing a 45-year-old tradition at Schering with programs in more than 125 countries. By supplying hormonal contraceptive systems at cost price, we offered family planning options and a choice of contraceptive methods to many needy people in developing countries again in 2006. In cooperation with multilateral, state and private organizations worldwide, we provided about 60 million cycles of oral contraceptives and roughly ten million units of one- and three-month injectable contraceptives and organized accompanying information campaigns.

Foundations:

Promoting science and social well-being

Carl Duisberg established the first Bayer foundation for medical students in 1923. In the decades that followed, a broadly based foundation culture developed under the Bayer name that concentrated on supporting education and science on the one hand and disabled athletes on the other. Bayer has now pooled and expanded its traditional foundation activities with the establishment of two new organizations, the Bayer Science & Education Foundation and the Bayer Cares Foundation.

Both foundations orient their philanthropic activities around the Bayer Mission Statement "Bayer: Science For A Better Life" and underscore Bayer's self-image as a good corporate citizen. The Bayer

Science & Education Foundation mainly aims to support talented schoolchildren, ambitious students and outstanding scientists. Personal commitment and specialist excellence are regarded as central criteria for selection. Activities that qualify for support could include such endeavors as school programs at our production sites, innovative projects initiated by students and scientific symposia. Bayer makes available an additional foundation budget of €10 million for school projects. The Otto Bayer Prize and the Hansen Family Award continue to be presented in recognition of outstanding research achievements in the fields of science and medicine. The Hermann Strenger Foundation sponsors foreign assignments by trainees.

The Bayer Cares Foundation aims to help improve living conditions at our sites and solve central social problems. A key role here is played by the sponsoring of voluntary commitment in the local communities surrounding our sites. Our newly established Corporate Volunteering Program provides funding and advice to employees looking to become involved in local charitable projects. A special area of focus involves support for retired Bayer employees who would like to contribute their expertise to international development efforts or to the provision of science education at institutes of learning. The Bayer Cares Foundation also provides donations to quickly help those placed in a position of need following natural disasters, for example. Bayer's traditional support for disabled sports will continue to be maintained in the future by the Herbert Grünewald Foundation. Bayer has recently consolidated its commitment to amateur and youth sports. In 2006, some 50,000 people were members of 27 company societies and 50 sports clubs. These receive funding of €14 million every year.

Education projects:

Worldwide network set up

Our Making Science Make Sense program (MSMS) was initiated more than ten years ago to encourage interest in the natural sciences among U.S. school students. More than 1,200 Bayer employees now support scientific education in these

countries by regularly volunteering their time to help teach at elementary schools. In 2006, Bayer was awarded the Ron Brown Award for Corporate Leadership by the U.S. President for this initiative, the first non-U.S. company to receive this prize. In the meantime, this educational initiative has been extended to Bayer sites in France, Ireland, Italy, Japan and the United Kingdom.

Bayer signed an agreement in 2006 with Tongji University in Shanghai, China, to fund a Chair for Sustainable Development. Bayer will support this initiative with material and financial funding totaling US\$ 1 million for an initial period of five years.

As partner to the United Nations Environment Programme (UNEP), Bayer supported the organization of a global youth environmental conference in August 2006 in Malaysia, providing personnel, material and financial resources. Furthermore, the company provided funding to help develop the structures for the United Nations' global youth environmental activities through the establishment of additional regional networks for young environmentalists in Asia and the organization of the first ever youth environmental conferences in Latin America and Africa. The Young Environmental

Envoy Program, which in 2006 saw Bayer again invite about 50 young people from Asia, Latin America, Africa and eastern Europe to attend a week-long study trip to Germany, was expanded to include Malaysia, Vietnam and Turkey – increasing to 17 the number of participating countries. The company spent a total of €1 million last year on activities organized in the context of its successful partnership with UNEP.

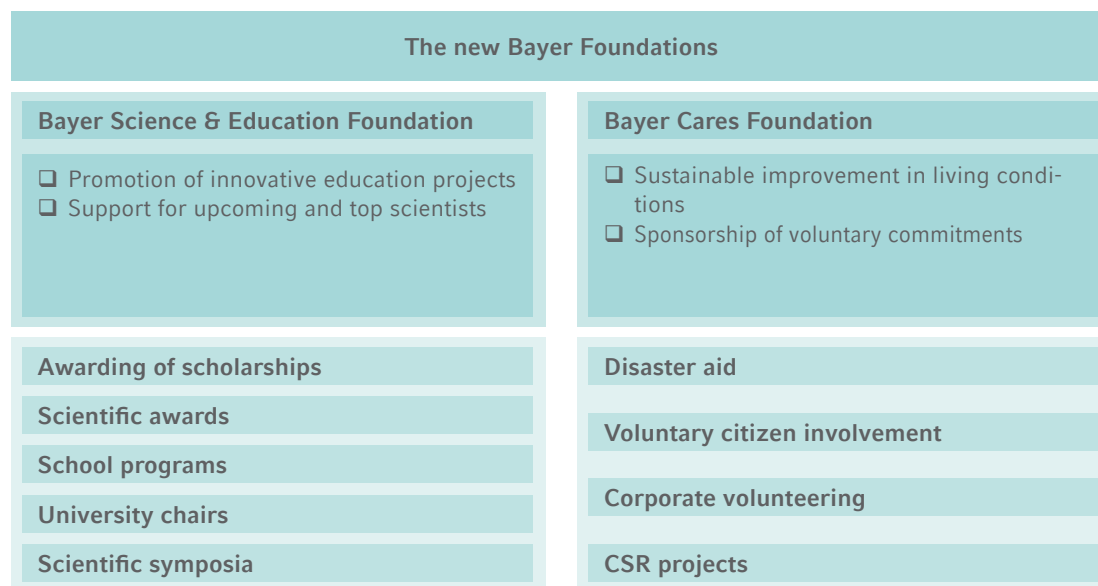
Together with National Geographic, the world's biggest charitable scientific organization, we last year supported nine research projects aimed at drinking water conservation from the jointly funded €250,000 Global Exploration Fund. This scientific collaboration is unique, as Bayer is the first private-sector partner with which National Geographic has entered into a theme-related partnership outside of its home country, the United States.

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39 Overview of international CSR projects

Realignment of foundation management



Focus on the food chain:

Production of high-quality food

Bayer is one of the world's major suppliers of crop protection products, seeds and plant biotechnology. The company helps its customers to produce the high quality expected by a growing number of consumers. The focus is always on observing good agricultural practice in the production of high-quality foods. These and the daily availability of fresh produce such as fruit and vegetables even outside regional growing seasons form the basis of a healthy diet.



"We are finding that our customers are farming more successfully when we advise them in detail about safety, responsibility and quality."

Aureliano de Barros Cavalcante, Manager of Juagro Comércio e Representações Ltda. in Juazeiro, Bahia, Brazil

By the time a food product lands in a shopper's basket it has already passed through many links in the food chain. Each of the stages on its journey "from farm gate to plate" helps to ensure the quality of the product; those involved include food producers, shippers, traders and processors. Bayer CropScience is initiating partnerships throughout the food chain; their aim is to provide the consumer with sufficient high-quality food all year round.

"We help the people who use our products to follow good agricultural practice in their efforts to produce the high quality demanded by consumers and food processors," explains Sagar Kaushik, Head of Marketing and Development at Bayer CropScience Asia Pacific in Singapore, summarizing the goal of the food chain partnerships. "Bayer CropScience works on projects with partners in the food chain, providing them with innovative products and its specialists' extensive knowledge of good agricultural practice, and also enabling them to collaborate with Bayer CropScience branches throughout the world."

Safety for users

Innovative crop protection products make a major contribution to profitable farming and the cultiva-

tion of quality products. They protect harvests from pests, weeds and diseases, enabling farmers to cultivate a wide variety of fruits and vegetables profitably. "Without modern crop protection, over 50 percent of harvests would be lost," Kaushik says.

Yet Bayer CropScience is aware that the correct use of crop protection products is crucial. "This is why we give top priority to providing our customers with product information," Kaushik explains.

Partnerships in all the world's regions

Bayer CropScience has routinely been training farmers to handle crop protection products for years. Training programs are in place in practically every country in which Bayer products are sold, with the majority being held in newly industrializing countries.

In Latin America, for example, the "AgroVida" training program has been running successfully since 1995. It targets mainly small-scale farmers and agricultural workers, but also welcomes dealers, teachers and students.

"In another partnership, 'Distribuição Brazil,' Bayer CropScience communicates to Brazilian

farm-product dealers the basics of sustainable agriculture and the safe use of crop protection products,” explains Aureliano de Barros Cavalcante, Procurement Manager at JUAGRO, a company that sells farm products and services including crop protection products in Brazil.

The dealers act as multipliers and pass on their knowledge to their customers, the farmers. “In addition to information about new and innovative products and how to use them throughout the season until the produce is harvested, dealers are also taught how to use crop protection products safely and learn about the quality requirements that farmers have to meet if they want to export their produce,” he reports. Aureliano de Barros Cavalcante is convinced that the program is a good idea: “We find that our customers are farming more successfully.”

Another example is China, where experts are training a growing number of dealers every year as part of the “Bayer Key Retailer” project; the dealers subsequently pass on their new-found knowledge to their customers, the farmers. Bayer CropScience set up the “Green World” project in Kenya in the summer of 2006, and is now training local farm-product dealers to provide better support for small-scale farmers in their efforts to meet the strict requirements imposed by European food importers on agricultural produce from Kenya.

Trade with illegal crop protection products

Global agriculture and the food-processing industry is facing a major challenge that has been very difficult to overcome in the past: the proliferation of counterfeit and imitation crop protection products. It is estimated that in Europe between five and seven percent of the crop protection products in circulation are counterfeit or do not have regulatory approval; in Asia the figure is between ten and 20 percent. In Brazil, de Barros Cavalcante believes that counterfeit products “are one of the main problems facing producers and users of crop protection products today.” He estimates the proportion of counterfeit and smuggled products in Brazil at around 30 percent.

“The active ingredients in counterfeit products usually don’t comply with the exact, carefully opti-

mized specifications of original products, or they contain substances which do not have regulatory approval and which may be highly toxic or completely ineffective,” Sagar Kaushik explains. In addition to quality problems that operators may encounter, counterfeit crop protection products may pose a risk to the health of farmers and consumers and a hazard to the environment.

Raising awareness of the problem

Bayer CropScience is expending major effort on the development of innovative products, particularly packaging solutions, which it is hoped will make illegal trade more difficult (see page 29). But the companies cannot solve this problem on their own. Kaushik wishes that the authorities would make a greater effort to help beat the people who manufacture and deal in illegal crop protection products. In many regions of the world Bayer is working with national and international associations which represent the crop protection industry to raise the authorities’ awareness of the problem. De Barros Cavalcante points to the partnership with Distribuição Brazil, through which meetings, advertisements and press liaison work are organized to educate farmers about the risks associated with products of unclear origin. He is certain “that the number of counterfeit Bayer CropScience products on the Brazilian market has been declining since this project was launched.”

Partnerships between agriculture and the food industry can help to suppress the use of illegal crop protection products in the longer term.



“We help the people who use our products to meet the wishes of the end users and food processors and thereby to maximize their sales opportunities.”

Sagar Kaushik, Head of Marketing and Development at Bayer CropScience Asia-Pacific in Singapore



Recognition.

The fact that a Bayer Foundation is supporting me is major recognition for what I have achieved in my studies. And what is particularly nice is that it relieves a burden from my parents, who have another three children to look after. I wanted to do my clinical practice in Rarotonga because here I see different disease profiles than at home. Medicine here is not equipment-based. Your own senses are the instruments of choice for diagnosis. Basically all activities here are a new experience. The most important thing for me has to be the motto of the happy, friendly islanders: "Enjoy life."

SABRINA HÖFER

Medical student, scholarship from the Bayer Foundations for clinical practice at Rarotonga, Cook Islands

