

Vote Bulletin – Bayer AG

Meeting Type – Annual

Meeting Date – 04/28/23

Key Issues – Compensation

Vote Decisions – State Street Global Advisors abstained on the 2022 remuneration report.

Management Resolutions

Item number	Item description	Management recommendation	SSGA vote
5	Approve Remuneration Report	FOR	ABSTAIN

Voting Rationale

Abstain – Item 5 – Approve Remuneration Report

Bayer AG's (Bayer) supervisory board excluded the significant cash outflow related to litigation in connection with the 2018 Monsanto acquisition from the CEO's bonus calculation, as it had done in the previous year. The company excludes litigation costs from both target setting and the payout calculation of the free cash flow metric under the CEO's bonus as they believe such costs are outside of management's control.

At the 2022 Annual General Meeting (AGM), 76 percent of participating shareholders rejected the 2021 remuneration report. In response, Bayer conducted a remuneration-focused round of consultations with institutional investors representing approximately 50 percent of its outstanding shares, including with State Street Global Advisors. Based on shareholder feedback, Bayer's supervisory board applied a downward discretionary adjustment of 14 percent to the CEO's bonus for FY2022, amended the supervisory board's discretionary powers on executive pay, and restructured its Human Resources and Compensation Committee, among other actions. The board also committed to develop a more structured approach to the use of discretion and other means of intervention for the compensation system that will be subject to a shareholder vote in 2024.

We remain concerned with the insulation of the CEO's bonus from the cash outflow related to litigation in connection with the Monsanto transaction, as the litigation has had a sustained negative impact on shareholder value in our view. However, the free cash flow metric under the bonus paid out at only 60 percent of target (vs. 140 percent for FY2021), while the entire bonus was just above target despite a significant year-on-year increase in profitability. In addition, substantial proceeds from two asset sales were also excluded from the free cash flow calculation under the bonus and overall pay levels for FY2022 appear to be aligned with performance and the overall shareholder experience. Finally, Bayer's supervisory board took a number of actions in order to respond to shareholder feedback regarding executive remuneration. For these reasons, we abstained on the 2022 remuneration report at the company's most recent annual meeting. We will continue to closely monitor Bayer's executive pay practices moving forward.

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*Pensions & Investments Research Center, as of 12/31/22.

†This figure is presented as of September 30, 2023 and includes approximately \$58.13 billion USD of assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Global Advisors are affiliated. Please note all AUM is unaudited

Marketing Communication

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Global Entities Link

https://www.ssga.com/ae/en_gb/institutional/ic/footer/state-street-global-advisors-worldwide-entities

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