

Participation in the U.N. Global Compact initiative

The Global Compact initiative set up by the United Nations (U.N.) is a unique project backed by the world organization and world business leaders. Under the leadership of U.N. Secretary-General Kofi Annan, the Global Compact initiative aims to make principles for human rights, labor standards and environmental protection as adopted by international conventions the basis for corporate actions, and thus contribute to a more balanced globalization process. Bayer expressly supports the goals and principles of the Global Compact and rejects human rights abuses, child and forced labor, and discrimination. We described this initiative of U.N. Secretary-General Kofi Annan in detail in our 2001 Sustainable Development Report. Following the biggest reorganization process in Bayer's more than 140 year history, the company's existing management systems in

the areas of health, safety, environmental protection and quality (HSEQ) are now being improved in terms of content and structure – partly to ensure and promote the enactment worldwide of the Global Compact principles. One example of the implementation of these principles in related areas is the "Supplier Relationship Management; SUPREME" system, which was introduced in the spring of 2003.

The management of a sustainability-oriented supply chain is also a major challenge for Bayer, considering that our supply chain comprises more than 25,000 suppliers and half a million raw materials, products and services. Suppliers are regularly evaluated with the help of this system, the establishment of which is among the performance targets set by employees in purchasing. The system assesses, for example, the observance of human rights, working conditions and environmental standards. The goal is to evaluate 80 percent of all supply and delivery activities with this system in the future.

Bayer is not only committed to the principles of the Global Compact, but was one of just eight German companies and approximately 50 enterprises in the world which were founding members of the initiative. The company has also initiated a number of projects in line with the objectives of the Global Compact. Below is a selection:

Cooperation to eliminate child labor in Brazil

Child labor is still widespread in countries such as Brazil. Nonetheless, it has declined by roughly 30 percent in that country since 1995 – thanks in part to the Abrinq Foundation for Children's Rights, with which Bayer cooperates. The goal of the initiative is to push for children's human rights and their rights to receive health care and education on the one hand, and to

support social programs for children on the other. As a "child-friendly" company, Bayer is authorized to use the Abrinq logo, which is only awarded to companies who observe the principles laid down in the U.N.'s 1989 Convention on the Rights of the Child. At the recommendation of the Abrinq Foundation, Bayer supports a home for street children dependent on drugs and a care facility for 370 needy children between four and 14 years of age.

New malaria drug being developed

In May 2002 Bayer and "Medicines for Malaria Venture" (MMV), a WHO initiative financed by the World Bank and private foundations, signed an agreement on the development of a new malaria drug based on artemisone. This new active ingredient, for which Bayer holds the patent rights, is the result of our research alliance with Hong Kong University of Science and Technology. The first registration is planned for 2006.

Bayer places third in study

A study carried out in 2002 by the Oekom Institute in Munich, Germany, found that Bayer is among the world's leading companies in terms of commitment to society and the environment. The study rated the 22 biggest pharmaceutical companies worldwide according to 200 ecological and social criteria. Bayer placed third.

Under the terms of the cooperation agreement, Bayer will assume product development and supply the finished product, while WHO/MMV will be responsible for monitored distribution in the developing countries' health systems. The price in this market is to be set at a level that would allow all segments of the population in the developing countries who suffer from malaria to receive treatment. For its part, Bayer will market the product in the industrialized countries. The demand for new forms of malaria treatment remains high. About 2.5 billion people live in regions where there is a risk of contracting malaria, which is transmitted by the Anopheles mosquito. Between 300 and 500 million people are newly infected with malaria each year, primarily in tropical developing countries. Of the one to three million people

who die of malaria each year, most are children.

In a number of African countries – Uganda, Zambia, Mali and Malawi – Bayer was actively participating in the fight against malaria even before its joint initiative with the WHO and MMV. In cooperation with rotating partners such as the German Society for Technical Cooperation or the Christian relief organization World Vision, as well as with the relevant authorities in those countries, the company sponsored the distribution of mosquito nets treated with Bayer insecticides that are effective against the Anopheles mosquito but harmless to humans. This is the only effective way to prevent insects from stinging through the fabric of the nets.

■ Bayer joins the fight against AIDS ■

In 2002 there were more than 45 million HIV-infected people around the world, mainly in African countries. Approximately four million people died of

AIDS in that year alone. In order to intensify the global fight against AIDS, Bayer has joined the Global Business Coalition on HIV/AIDS, which now includes more than 100 companies. HIV/AIDS is a major focus of Bayer's pharmaceutical research. We regard our participation in this global initiative as a further element of our extensive social commitment and a contribution to fulfilling the obligations we have assumed through our support of the United Nations Global Compact initiative.

Bayer received good marks from the Munich-based Oekom Institute for its social activities in the communities surrounding its sites worldwide, for its policy with regard to social and ethical problems, and in the management and reporting of these issues (see inset above). The selection procedure was based

not only on information provided by the companies themselves, but also on details supplied by independent institutes. Non-governmental organizations (NGOs) were also used as a source of information for evaluating Bayer's performance. Based on the study results, Oekom recommended Bayer's inclusion in the portfolios of ethically oriented investors and funds.