



Bayer Procurement

Inspired. Focused. Connected.



Brian McNelis

Vice President
Contract-to-Pay

Bayer U.S. Procurement



PASSION TO INNOVATE | POWER TO CHANGE

“The mind is not a vessel to be filled, but a fire to be lighted.” - Plutarch

01

Education:

B.A. Environmental Science, Delaware
M.B.A. Finance, Seton Hall

05

Fun Fact:

I give all my dogs Irish names

02

Bayer Work History:

2006: VP, BHC Procurement
2003: Director, CH Procurement & PKG
2000: Manager, Procurement CH

06

Family:

Kids: Katie, Brendan, Shannon & Tarah
Wife: Colleen

03

Life Before Bayer:

Johnson & Johnson
Steriling Drug

07

Coaching & Mentoring:

Youth basketball and baseball
1World Social Capital Mentor

04

My Philosophy:

Everything starts and ends with
Leadership

08

Fitness:

Running, Swimming, Biking and Free
Weights

And solutions!





115,576 employees*

Full year sales: €46.3 billion**

307 subsidiaries

R&D expenses: €4.3 billion***

As of December 31, 2015 (including Covestro) / Employees: as of June 30, 2016 (including Covestro)

* excluding Covestro: 99,846 employees (in full-time equivalents)

** excluding Covestro: €34.3 billion *** excluding Covestro: €4.0 billion



Key Locations / Regions



The Bayer Group is a global enterprise with companies in 77 countries.

Our Business Areas



Pharmaceuticals

- Prescription drugs



Consumer Health

- Over-the-counter medicines, dietary supplements, dermatology products, foot care and sunscreen



Crop Science

- Innovative crop protection and seeds

Building Leading Life Science Businesses to Create Value



Division

Leadership Position

Pharmaceuticals



Leading position in cardiology, hematology, radiology, women's health

Consumer Health



Global #1 OTC business with strong portfolio of leading brands

**Crop Science /
Animal Health**



After the acquisition of Monsanto, a global leader in seeds, traits, crop protection and digital farming; #5 globally in Animal Health

Acquisition of Monsanto pending

Consumer Health

Business Areas



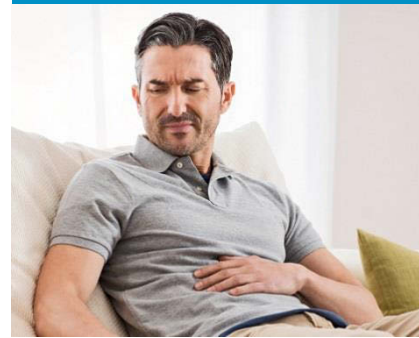
Analgesics and cardio



Cough, allergy, sinus & flu



Gastrointestinals



Nutritionals



Sun protection



Foot care



Medicated skincare



Prescription dermatology products



Broad Portfolio of Consumer Health Brands with Sales of > €100 million p.a. Each



Sales FY 2015



€997 million*



€627 million



€413 million



€355 million



€267 million



€253 million



€251 million**



€218 million



€211 million



€162 million



€159 million



€158 million



€128 million



€111 million



€110 million

* including Rx Aspirin Cardio

** Alka Seltzer family

Pharmaceuticals

Business Areas



Cardiovascular diseases



Oncology



Ophthalmology



Women's health



Hematology



Radiology



Other illnesses

- Multiple sclerosis
- Infections
- Diabetes
- Erectile dysfunction
- Testosterone deficiency





Fast-Growing Pharma Business

Sales

€ billion; $\Delta\%$ yoy Fx & portfolio adj.



2015 figures restated

Successful launch of 5 products



Xarelto
rivaroxaban

Leading novel oral anti-coagulant



EYLEA

Success in treatment of retinal diseases



Xofigo
radium Ra 223 dichloride injection

First-in-class α -pharmaceutical



Adempas
riociguat

First marketed sGC modulating agent



Stivarga
regorafenib

Multi-kinase inhibitor for cancer treatment

Animal Health

Top Products



Companion Animal Products

- **Advantage™ Product Line:**
 - Advantage™
 - Advantix™
 - Advocate™
- Seresto™



Farm Animal Products

- Baycox™
- Baytril™
- Catosal™

Innovation for farm animals:

- Zelnate™



Crop Science

Business Areas



Crop Protection

- Insecticides
- Fungicides
- Herbicides
- SeedGrowth

Seeds

- Vegetables seeds
- Seeds for agricultural crops (canola / oilseed rape, cotton, rice, soy)
- Traits

Environmental Science

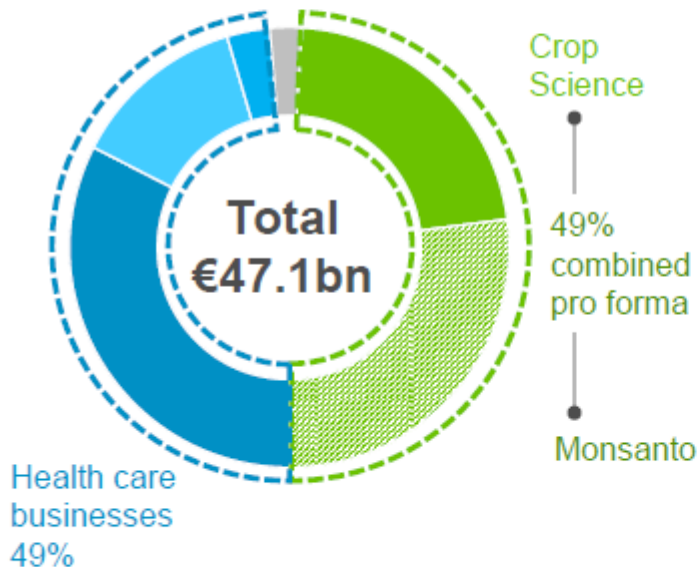
- Professional Products
- Consumer Products



Monsanto Acquisition - Transformative Step to Strengthen Life Science Portfolio



2015 Pro Forma Life Science Sales



Excluding Covestro
Monsanto sales calculated at avg. 2015 Fx rate (USD/EUR=1.11)
Acquisition of Monsanto pending

Industry Leadership

- Creating a global leader in agriculture with an integrated agricultural offering
- Broad product portfolio and R&D pipeline to deliver enhanced solutions for farmers

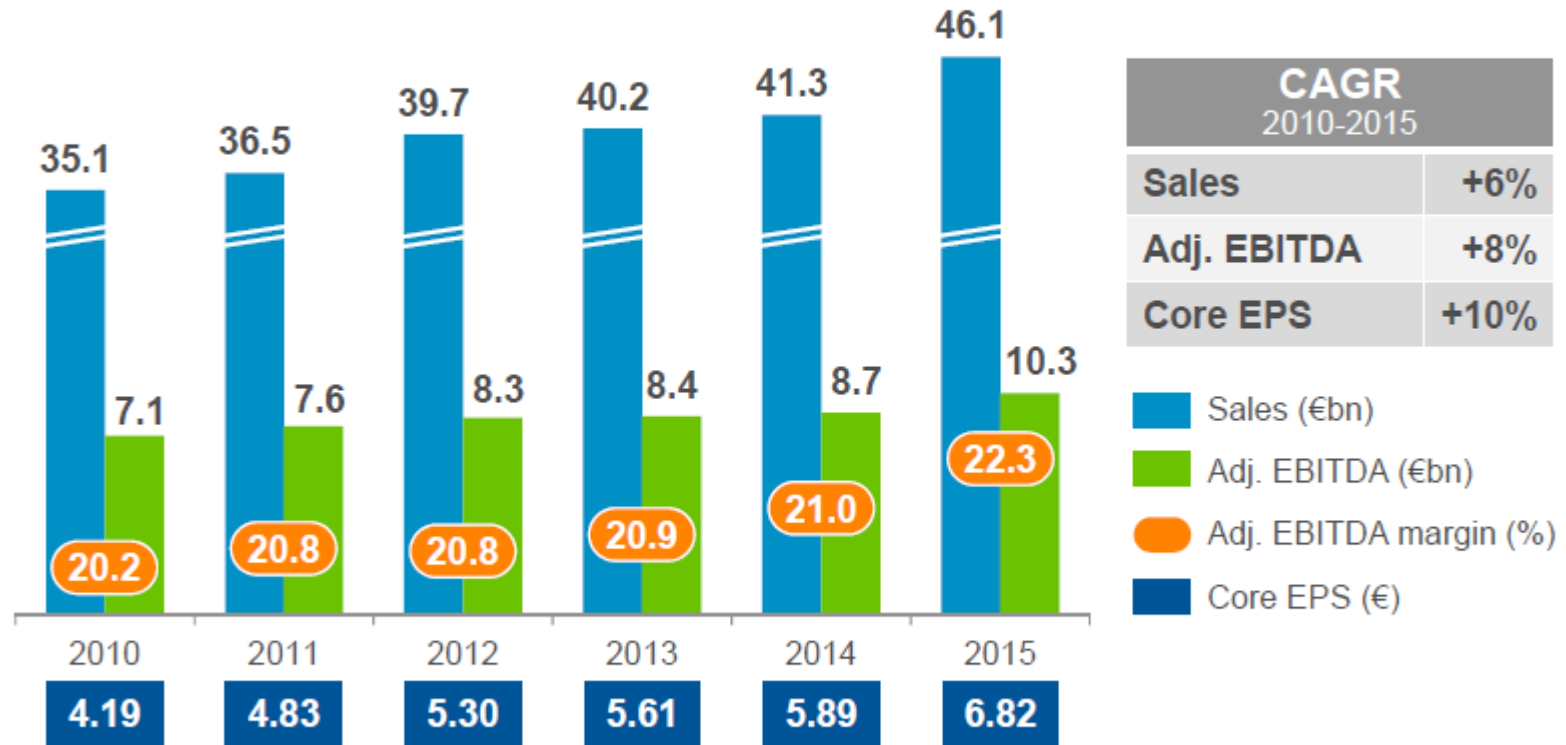
Significant Value Creation

- Substantial synergy potential
- Accretion to core EPS in the first full year
- Potential for premium valuation of combined agriculture business

Consistent with Bayer's Strategy

- Agriculture market driven by innovation
- Attractive long-term growth market
- Building of leadership position

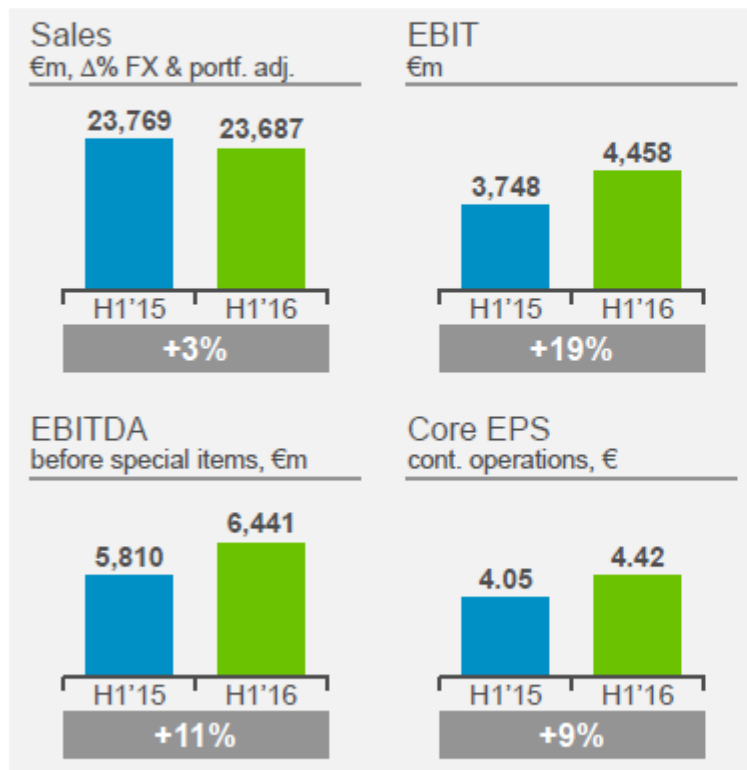
Consistent Track Record of Strong Operating Performance



Continued businesses for 2014/2015; 2015 figures restated
 Adj. EBITDA: EBITDA before special items



H1 2016 – Successful Operating Performance and Strategic Progress



Highlights H1 2016

- ✓ New approvals for Kovaltry and Xofigo
- ✓ Patent term for Rivaroxaban extended in USA
- ✓ Positive phase III data for Regorafenib in unresectable liver cancer
- ✓ Stake in Covestro reduced to 64%
- ✓ All-cash offer to acquire Monsanto published
- ✓ Agreement signed to sell the Consumer business of Environmental Science
- ✓ Closing of Diabetes Care divestment
- ✓ Outlook for 2016 raised

2015 figures restated

Our Mission

Bayer: Science For A Better Life





Bayer Procurement: Inspired. Focused. Connected.

With a committed investment in our people, technologies and processes, we collaborate with our stakeholders in new ways. Our approach harnesses the power of intelligence and fuses purpose with fresh thinking, connecting the dots between our internal and external worlds.

Together, we bring excellence and passion to everything we do. By building a smart, continually evolving organization rooted in the knowledge of experts, we create new, powerful connections across Bayer.



Bayer HealthCare

Procurement Dashboard



Bayer HealthCare Procurement Dashboard Q3/2015

Key figures



358 Mio €
Gross savings



+37%



143 Mio €
EBIT savings



+43%



593 Mio €
Advanced E-Sourcing



+48%



53.9 days
WAT¹



+0.9 days

Achievements / Risks



Concluded major initiatives such as R&D 2.0, CEB² and many more



Sustainability: Increased number & quality of Ecovadis assessments



Conducted multiple Supplier Innovation events















Completion of Development Dialogue and Training according to plan

Bayer CropScience Procurement Dashboard



Bayer CropScience Procurement Dashboard Q3/2015

Key figures				Achievements / risks	
	142 Mio € Gross savings		+5%		Cash flow contribution through steering of inventories and payment term extension
	128 Mio € EBIT savings		+7%		Stakeholder engagement trainings launched in countries
	215.3 Advanced e-Sourcing		+83%		Supported ambitious investment plans through dedicated PRO resources for Capex projects
	49.9 days WAT ¹		+1.3 days		Mitigation of "EU Late Payment Directive (GER)" implementation effects on Working Capital situation

Bayer Procurement

Our Traditional Structure



Sourcing

- Category expertise and business understanding
- Sourcing strategies
- Consulting function
- Proactive supplier management
- Cross-site and cross-country demand management
- Stakeholder management

Purchasing

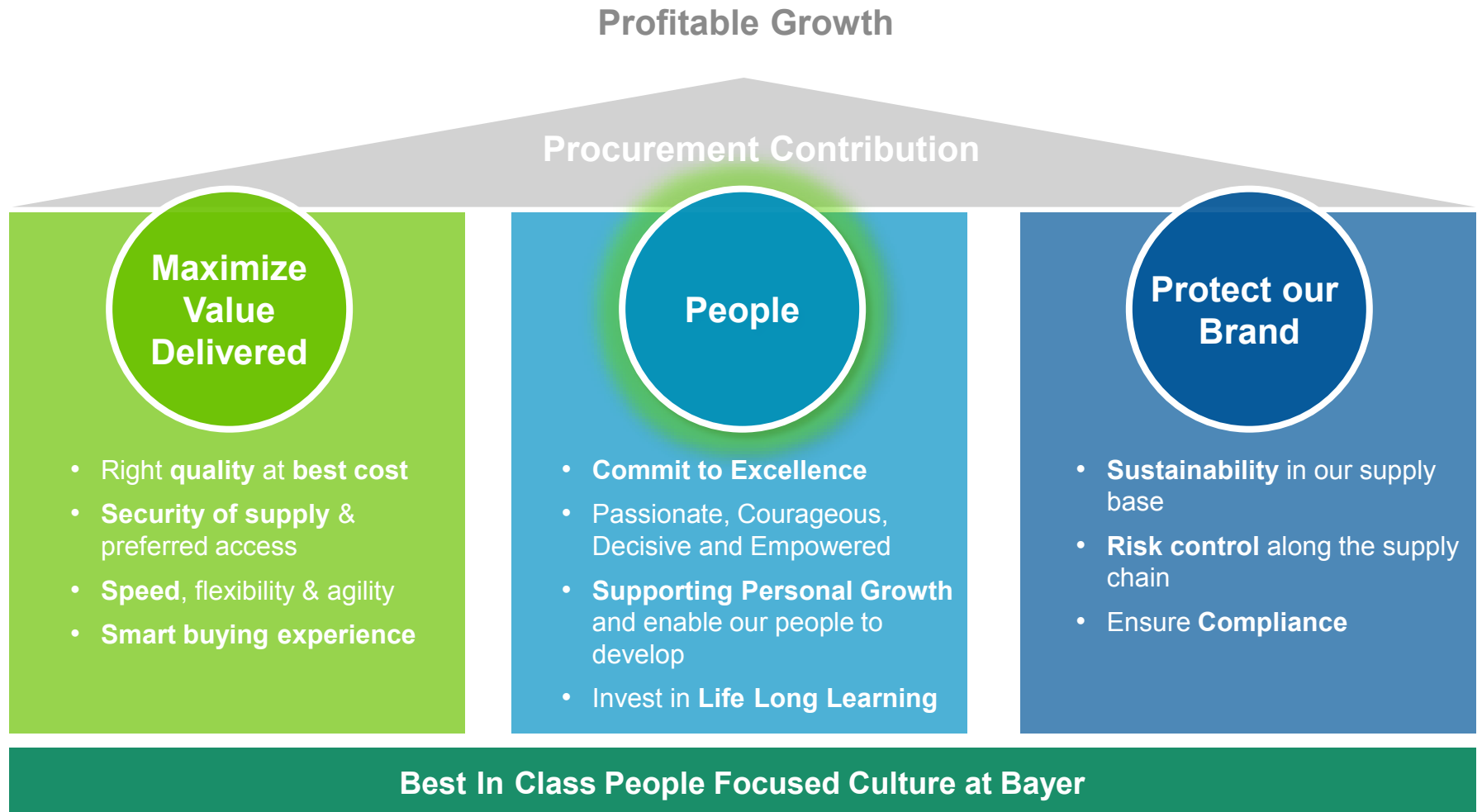
- Process requisitions into Purchase Orders including SAP contracts
- Tool/System experts and process understanding
- Full process ownership for smaller purchases up to a defined threshold

Procurement Solutions

- Definition of procurement methods and tools
- Performance management
- Reporting
- Key Performance Indicators
- Controlling
- Excellence initiatives and Process Optimization
- Compliance and Sustainable development
- Program Management

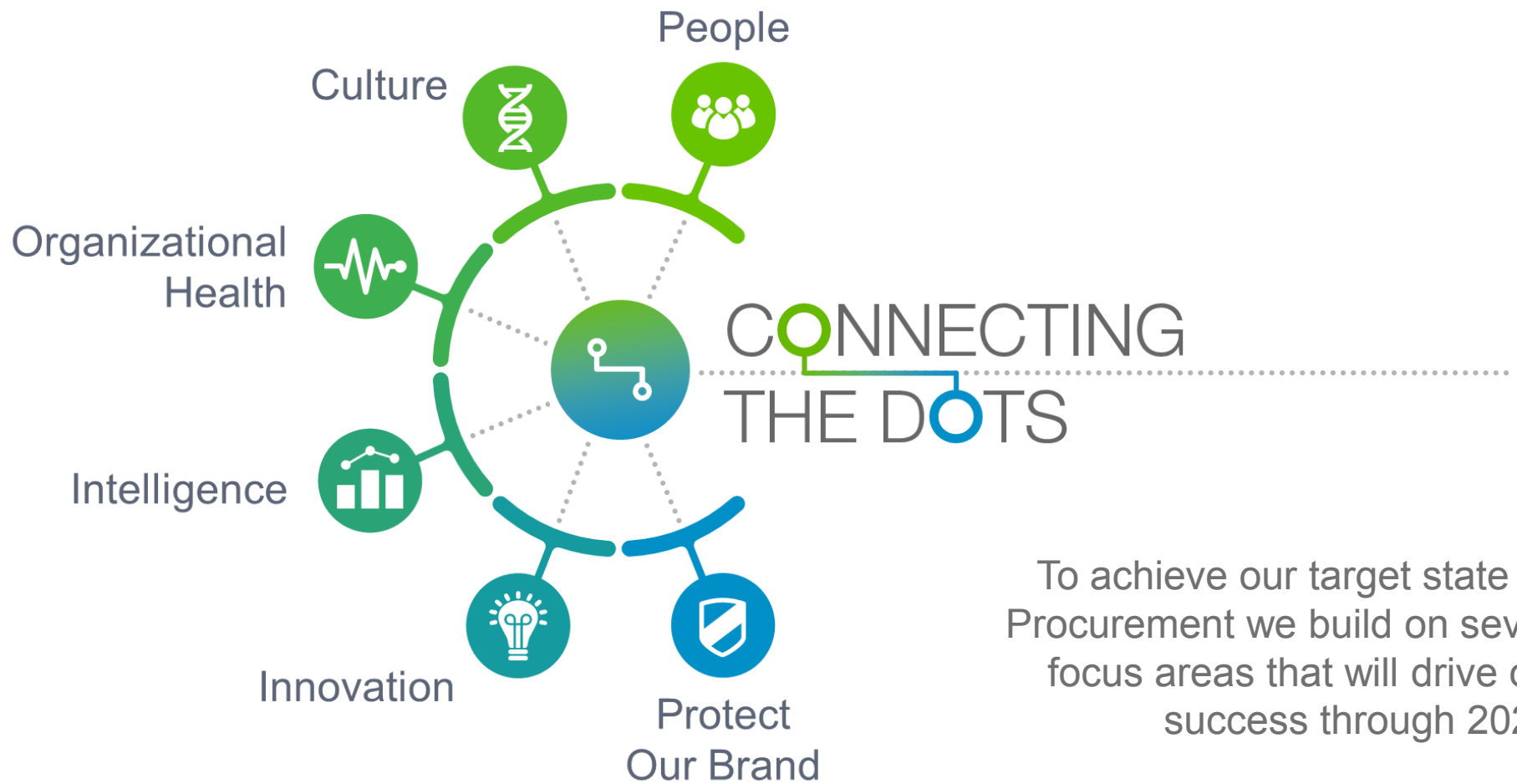
Procurement Enables Profitable Growth

Procurement Value Proposition





Key Procurement Focus Areas



To achieve our target state for Procurement we build on seven focus areas that will drive our success through 2020.

We play to win.



Science For A Better Life

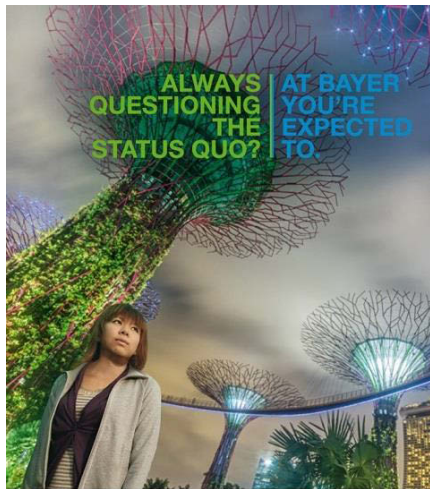


The U.S. Procurement University Engagement & Internship Program

7.29.2016 / Ryan Goodrich / 001

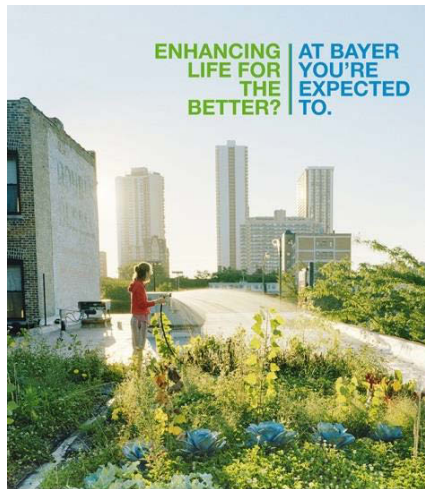
Our Employer Brand

Four Key Promises



ALWAYS QUESTIONING THE STATUS QUO? | AT BAYER YOU'RE EXPECTED TO.

1. At Bayer you have the freedom and the license to question the status quo and think ahead.



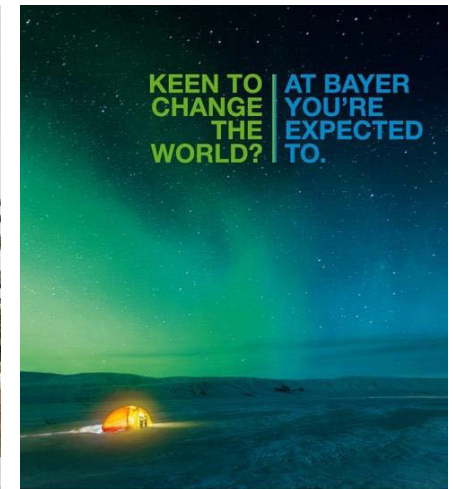
ENHANCING LIFE FOR THE BETTER? | AT BAYER YOU'RE EXPECTED TO.

2. At Bayer you can engage in open and inspiring work with people who share your passion to turn pioneering ideas into life-changing solutions.



DRIVEN BY CUSTOMER NEEDS? | AT BAYER YOU'RE EXPECTED TO BE.

3. At Bayer our ideas are inspired by society's most fascinating challenges to enhance the lives of many, and our thinking is driven by our customers' needs.



KEEN TO CHANGE THE WORLD? | AT BAYER YOU'RE EXPECTED TO.

4. At Bayer you are empowered to make an impact by being part of a leading company that has the power and endurance it takes to improve life – not only in today's but also in tomorrow's world.

U.S. Procurement University Engagement

Our Program Mission



The purpose of the Procurement **University Engagement Program** is to establish Bayer as a premiere Procurement destination for the top Supply Chain Management and MBA students in the United States.



U.S. Procurement Internship Program

The Program Experience



The Test	Mentors	The Think Tank	Investigation	Monthly Reports
Procurement Questionnaire	WeeklyProMT Level Mentoring	Mon “buy in” & Fri “cash out” sessions	1:1 Interviews with the local team	
Rotation	Onboarding	SME Sessions	SAP Access	The Lifestyle
Set time learning all 3 pillars	How Procurement operates	Workshops with toolbox specialists such as Dave Yerow	Opportunity to become familiar with SAP	
The Front Office	BPDN & HOPE	A Special Project	News Articles	
Working through the Source-2-Pay process	Involvement in planning BPDN & HOPE events	Mined from 1:1 interviews. Picked by the intern and Mentor	Complete overview of the Bayer experience	
	The Before and After	The “Pre”	The “Post”	
		Presenting “You” pre-internship	Presenting Lessons Learned and how you grew	

U.S. Procurement Internship Program

Summer 2016 Alumni



Rachel Gomon
U.S. Procurement
Program Management
UEP Intern



Sarah Kirsch
U.S. Procurement
Program Management
UEP Intern



Kerry Donnelly
U.S. Procurement
Program Management
UEP Intern



Jacquelyn Johanns
U.S. Procurement
Berkeley
UEP Intern



Marco Testa
U.S. Procurement
Berkeley
UEP Intern



Science For A Better Life



The U.S. Procurement Leadership Development / Procurement Trainee Program

Michigan State University

U.S. Procurement Leadership Development Program



Key Elements

- Candidates will be students from the top supply chain management schools or MBA programs in the United States
 - & –
- Preferred candidates would be those who have taken part in the U.S. Procurement University Engagement Internship Program and exceeded expectations while exhibiting strong aptitude and ability.
- Target Skills for acceptance into the LDP:
 - Solid LIFE Competencies
 - Strategic Mindset
 - Initiative
 - Strong Problem Solving Capability
 - Exceptional ability to develop relationships

Phase I UEP Curriculum

- New LDP Hires start in People & Knowledge, Program Management roles
 - Complete Procurement On-boarding and additional training
 - Receive a GLC or USLT Mentor
 - Are assigned VS1.3, 2.0, and 3.0 coaches
 - Are assigned special projects and educational tasks designed to educate them about the U.S. Procurement Organization and CFO Sister organizations while prepare them for upcoming rotations

Phase II Active Rotations

- People & Knowledge: UEP Program Management Role
- The Front Office and Purchasing
- Direct Sourcing
- Indirect Sourcing
- People & Knowledge: Internship Program Manager
- Business Rotation (Marketing, Product Supply)
- FACT Rotation
 - Finance, Accounting, Controlling, or Tax
- Short Term Assignment: Exchange with International Procurement Trainee
- Placement

U.S. Procurement Leadership Development Program



Phase I UEP Curriculum

Time: Months 1-3 of Program

June – August, 2017

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U.S. Procurement Leadership Development Program



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Strategy & Governance

Exploring the Function

1:1 Interviews with US Team

Training

Procurement Tool Box

SAP Access

Become familiar with Procurement Systems

CAPA Projects

Mined from 1:1 interviews

News Articles

Spotlight Articles on US Employees and Experience

Diversity & Inclusion

Integration onto BPDN Leadership team

U.S. Procurement Leadership Development Program



Phase II Active Rotations

Time: Remaining 21 Months

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C2P	Contract to Pay	<ul style="list-style-type: none"> • September – November, 2017 • Learn the backbone of the function • Execution of Purchase Reqs and Purchase Orders
	2 Months	
Direct Materials	Direct Sourcing	<ul style="list-style-type: none"> • December, 2017 – February, 2018 • Introduction to Direct Sourcing • Packaging, Contract Manufacturing or Raw Materials
	4 Months	
MS, TC, or CF	Indirect Sourcing	<ul style="list-style-type: none"> • March – May, 2018 • Introduction to Indirect Sourcing • Marketing Services, Corporate Fxns, or Tech Community
	4 Months	
Strategy & Governance	P&K Intern Manager	<ul style="list-style-type: none"> • June – August, 2018 • LDP obtains Management experience by leading the 2018 Intern crop under P&K guidance and supervision
	3 Months	
Business	Business Rotation	<ul style="list-style-type: none"> • September – November, 2018 • Rotation into Product Supply or Marketing in order to better understand stakeholder needs and improve business accumen.
	3 Months	
FACT	CFO Rotation	<ul style="list-style-type: none"> • December, 2018 – February, 2019 • Rotation into Finance, Accounting, Controlling or Tax in order to better understand the CFO organization reporting into Dan Apel
	2 Months	

U.S. Procurement Leadership Development Program



Phase II Active Rotations

Time: Remaining 21 Months

- People & Knowledge: UEP Program Management Role
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Above Country	STA	<ul style="list-style-type: none"> • March – May, 2019 • International Short-Term Assignment • Special project to be determined through the STA Program administrator (P&K)
	3 Months	
Bayer US	Placement	<ul style="list-style-type: none"> • June, 2019 • After completion of the 24 month program, the LDP will be placed within the U.S. Procurement organization
	Become familiar with Procurement Systems	

**All LDP Hires must commit to completing at least 18 months within the program.*

***At that time, they will be authorized to interview for any Full Time Positions that may come available within the organization*



Bayer U.S. Procurement

Thank You!