

Employees

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Attractive employer

Part of the non-financial report

Across the globe, our employees drive next generation advancements in science and technology. As they do so, we encourage every one of them to pursue the professional path that aligns with their individual ambitions, skills and talents. We offer flexible working models that allow our people to adjust to the changing priorities in their lives. To continue down the path of success, we endeavor to attract talent who will bring courage, creativity and curiosity to the table.

Our approach to attracting and retaining talent

We believe that curiosity can make great things happen. We therefore seek to provide an environment that gives our employees plenty of **scope for creativity** and awakens their desire to innovate. Our **employer brand** communicates this mindset to the outside world. Through our motto “Bring Your Curiosity to Life”, we show applicants what they can expect when they join our company. We regularly train our employees, managers and recruiters on the characteristics of our employer brand.

In addition to our recruiting efforts, **career development** also plays a key role in attracting and retaining people. Focusing on their individual strengths, aspirations and skills, we support their personal and professional development, thereby laying the groundwork for an enriching and challenging career with our company.

We endeavor to discover qualified employees at an early stage in their career and develop their talents. Within our **succession management process**, we work with leaders and Human Resources to systematically prepare these select candidates for leadership positions. Our goal is to move suitable candidates into vacancies quickly and efficiently.

We furthermore develop our people by transferring them within the company, for instance from one business sector or function to another. To provide a framework for this practice, our company has a Group-wide job architecture in place called Expanding Horizons, which defines three fundamental career types of equal stature: managers, experts and project managers.

We seek to offer our employees **ideal working conditions** including a retirement plan and flextime models, along with social benefits and an attractive compensation package. Compensation is based on both our company’s success and individual performance.

How we structure our human resources management

Human Resources (HR) supports and advises all businesses and units within our organization. Our Centers of Expertise Talent, Development and Recruiting, Compensation and Benefits, and Engagement and Inclusion develop strategies to promote and advance our employees, organization and corporate culture. These units also coordinate the imple-

mentation of necessary measures. Across all our sites, HR staff execute these measures in collaboration with leadership from the business units in accordance with **Group-wide HR guidelines and requirements**. We perform internal audits every two to three years to ensure that all steps taken comply with these guidelines.

Belén Garijo is the Executive Board member responsible for Group Human Resources. Our Chief HR Officer, in charge of the various HR activities, HR experts and HR business partners, reports directly to her. Our Business Services unit oversees the operational tasks of human resources work, such as drafting contracts and payroll accounting. Marcus Kuhnert, Executive Board member and Chief Financial Officer, is responsible for this unit.

Digital HR

To **harmonize our HR processes Group-wide**, in 2012 we launched the HR4You online platform, which can be accessed by all employees. This platform is used to manage central HR tasks such as development and succession planning, job vacancies, continuing education, and employee performance assessments. It moreover helps calculate compensation and bonus payments.

Our commitment: Guidelines for employee development and working hours

In 2018, we updated our People Development and Learning Policy, which provides a Group-wide framework for continuing employee development. For instance, it specifies guidelines for our development opportunities along with roles and responsibilities. The corresponding processes are described in our People Development and Learning Standards.

Also in 2018, we furthermore started drafting a **Group-wide flexible work guideline** that was adopted by the Executive Board at the end of 2018 and is intended to establish and foster a variety of flexible options for working time and location across our organization.

Group-wide work and social standards

We are dedicated to upholding appropriate labor and social standards. Our **Code of Conduct** is a **compulsory set of rules for our entire workforce**. All employees have been provided with a copy of the Code of Conduct, and new employees are supplied a copy with their letter of offer.

Our Code of Conduct explains the principles for dealings with business associates, general partners, co-workers, and employees, as well as the communities in which we operate. It thus supports all employees in choosing an ethical path. Our [Human Rights Charter](#) supplements the Code of Conduct with global human rights principles such as the fundamental conventions of the International Labour Organization (ILO), which cover topics like freedom of association and collective bargaining, forced labor, child labor, anti-discrimination, equal opportunity, equal pay, working hours, occupational health and safety, and the prevention of abuse and harassment. We conduct internal audits to ensure that our local subsidiaries are complying with these standards.

In 2018, we used a benchmark analysis as the basis for drafting a Group-wide guideline governing adherence to additional ILO labor standards. This new guideline is to be rolled out and implemented worldwide in 2019, underscoring our ambition to make international occupational and social standards a pillar of our organization.

Providing feedback and supporting development

We regularly provide our employees performance feedback through our **Performance and Potential Management Process**, which ensures that, in addition to this ongoing feedback, a meeting is held once a year to evaluate their overall performance. This process is applicable to all employees Group-wide with a Role of 2 or higher, and additionally to all non-exempt staff employed by either Merck KGaA or any other subsidiary based in Germany.

Our leaders and subordinates work together to define individual objectives and, in a separate process, create a **detailed development plan** that reflects each employee's core tasks as well as current strategic priorities. In drafting the development plan, all employees have access to the Development Advisor. Building on our [competencies](#), this web-based tool provides a selection of development opportunities that employees can tailor to their own needs, while our digital HR4You platform allows them to create their development plan quickly and easily.

Employees can additionally have their performance assessed by select colleagues and external partners. This **360-degree feedback** helps to identify personal strengths and advancement opportunities. Moreover, our people have access to a real-time feedback tool launched in 2017, that can be accessed via their PC or smartphone, making it easier to give and receive feedback. Intended to help promote a non-hierarchical feedback culture, this instrument has been used since its rollout by 16,183 employees, who have provided feedback 32,743 times. We are constantly updating the tool to make it more user-friendly.

A large, bold, blue graphic of the number '98%' is displayed. The '9' and '8' are stylized with a modern, rounded font, and the percentage sign is also in blue. The graphic is positioned to the left of the text block it represents.

of our employees took part in the Performance and Potential Management Process in 2018, with 70% of our employees creating a development plan.

Employee learning and education

Our **Group-wide advanced training and continuing education program** ensures that our employees develop the skills needed to help us realize our company strategy. We constantly adapt the offerings to meet current learning needs and strategic priorities. Moreover, employees can use our digital HR4YouLearning tool to sign up for events such as seminars and online training courses as set out in their tailored development plan.

In 2018, more than 4,100 employees took part in our Group-wide classroom courses. These courses are flexible, meaning that while the core curriculum is uniform throughout the company, there is still room for adjustments to reflect aspects such as specific local change projects. Along with in-person training, 1,550 employees signed up for **global e-learning courses** and 235 completed online language classes.

Performance-based pay

We endeavor to reward the performance of all our employees and maintain a competitive edge in attracting qualified professionals, which necessitates commensurate compensation. At our company, compensation is based on the requirements of each position as well as each employee's respective performance. In addition to competitive remuneration, we offer attractive fringe and social benefits. Our **benefits4me** package, for instance, encompasses three pillars, namely company-funded benefits including our company retirement plan, health and well-being offerings, and services. To meet the multifaceted needs of our workforce worldwide, we offer a **variety of benefit packages**.

To ensure a **competitive remuneration structure**, we regularly review our compensation policy based on data analyses and benchmarks. In doing so, we take internal factors and market requirements equally into account. When revising this policy, we involve key stakeholders such as [employee representatives](#) in the early stages of the process. The pay structures within our company are gender-neutral and based on defined criteria such as job requirements and performance. Our Group-level analyses show that there is no significant gender-based compensation inequity.

Attracting qualified university graduates

We endeavor to attract top university graduates. As part of our efforts, we partner with the German online network "careerloft". Furthermore, we regularly attend job fairs to inform potential applicants about job opportunities and career tracks within our company. In countries outside of Germany, particularly the United States and China, we likewise use career fairs as a way of making **initial contact with university graduates**.

In addition to recruiting talented students, we also provide them financial assistance, collaborating with organizations such as the German National Academic Foundation and the Foundation of German Business, as well as supporting the Deutschlandstipendium (German national scholarship program).

University graduates can apply for a position with our company directly or complete one of our trainee programs. Our trainees acquire **international experience** in various business sectors and functions, and take part in tailored continuing education offerings.

Inspiring young people to join our company

We employ trainees in units such as Inhouse Consulting, Finance, Production, Marketing, Sales, Human Resources, and Research and Development. In 2018, we launched a trainee program in Procurement.

Our global graduate program GOGlobal enables university graduates to join our company as a trainee. Within 24 months, the entry-level employees get to know various departments and functions while also gaining international work experience. All ten GOGlobal **trainee programs** provide experience in various units, international assignments, custom-tailored continuing education, mentoring, and coaching. Although the initiatives are largely centered around Germany and the United States, we also have trainees at our sites in China, France and Ireland. In 2018, we employed 114 trainees.

To cultivate young talent, we also offer internships in all departments to high school and university students. Through our **Keeping Ties to Students program**, we stay in touch with talented individuals who perform particularly well during their internship. Besides these programs, we also offer university students work-study jobs or the opportunity to pursue their bachelor's degree, master's degree or doctorate. Furthermore, every year we invite students from Austrian, German and Swiss universities to our company to learn about the various career tracks and job opportunities we have. In 2018, we redoubled our contact with students by expanding our Keeping Ties to Students program and augmenting the number of German national scholarships we sponsor.

The foundation: Vocational training

For us, vocational training is a key way to meet the **current and future need for qualified professionals**. In Austria, Germany and Switzerland, we offer apprenticeships across a number of professions, along with cooperative education programs. We continuously invest in new technologies and integrate these into our vocational training. Young adults can also complete their vocational training on a part-time

basis. If after completing their apprenticeship they wish to continue studying while working, we will cover up to 75% of the costs and also allow them to take special leave. Furthermore, apprentices can take part in community outreach projects.

High hiring rate and dual education programs

In 2018, 604 people were enrolled in vocational training programs at our sites in Germany, with 222 beginning their apprenticeship at our company. In total, we offer apprenticeships across 24 occupations, primarily in production, laboratory work and office administration. In 2018, we launched an animal welfare apprenticeship along with an apprenticeship to become a wholesale and international trade specialist. Furthermore, we enable young adults to pursue a dual education program in the fields of business administration, business IT, process engineering (chemical engineering), and mechanical engineering. Apprentices in the Laboratory group begin their training as chemistry or biology lab technicians and, subject to suitability, may receive the opportunity to start a dual education program after six months. Since 2014, we have been offering **permanent employment contracts** to all apprentices and graduates of cooperative study programs in occupations for which we have long-term demand. In 2018, the hiring rate for graduates of these programs – taking voluntary terminations into account – was over 90%.

Special vocational training opportunities

In Darmstadt, our "Start in die Ausbildung" program helps young people who have a high school diploma but have been searching for an apprenticeship for at least one year without success. We offer them the opportunity to complete an eleven-month program with our company, providing **professional experience** and improving their chances of gaining an apprenticeship. In 2018, 21 participants aged 16-25 started this program. Since its launch in 2006, 223 young people have already taken part; 103 of them have successfully completed an apprenticeship, while 55 are still in a vocational training program.

We also have a similar program for **refugees**. In 2018, the "Integrating refugees through training" initiative prepared 12 young refugees for vocational training, thereby opening the door to the German labor market. The project comprises language, technical, cultural, and career-related training. In 2018, we hired four of the participants from the 2017 program as apprentices and placed three others in apprenticeships with other companies. The five remaining participants are now pursuing further studies at schools or universities.

Leveraging the opportunities of digitalization

The digital transformation has long since overtaken the world of work. New, agile approaches to work are increasingly gaining ground, a shift we are actively supporting within our company by offering our people numerous **innovative digital options to perform their tasks**. Take for instance big data applications such as people analytics, which allow us to analyze Human Resources data. Our Manager Self Services and Employee Self Services also

epitomize a state-of-the-art approach to work, enabling employees to manage their own data, access information and handle HR-related tasks on their own.

Using such **big data applications** developed by our People Analytics HR unit, leaders obtain rapid, specific answers to HR-related questions. Besides gleaning conventional master data, this software also collects information on compensation, performance and potential, along with info on engagement and succession planning, interconnecting this data in meaningful ways. Managers thus have access to an extensive trove of data that they may utilize as long as they comply with data privacy. The analyses are based on algorithms and enable us to conduct predictive analytics and make data-driven decisions.

Digitalization is also impacting our vocational training and continuing education programs, where IT skills are becoming increasingly crucial. At the same time, digital media are creating new opportunities for learning, which is why we are increasingly integrating 3D printing, Big Data and artificial intelligence into our curricula. Moreover, we are testing out **novel learning and innovation methods** such as Scrum and Design Thinking.

To learn how to operate plants and machinery, our apprentices also utilize augmented reality glasses while operating the systems, accessing useful additional information via a display.

In 2018, a Group-wide **HR innovation campaign** also gave rise to an initiative entitled "Ad@m", which features a **chatbot**. Accessible to HR business partners and leaders, it provides support for HR-related issues, among other things. Going forward, the chatbot will be taking over standardized tasks so that managers and HR business partners have more time for other matters.

Good standing in employer rankings

Our company is one of the world's best employers, a fact now officially verified by the **Global Top Employer 2018** certificate awarded by the Netherlands-based Top Employers Institute. Every year, this independent institute organizes an international assessment involving an external audit as well as a detailed survey to determine the processes and structures that make up a company's human resources environment.

The success of our efforts is also confirmed by our **ranking among the 100 most attractive employers** for students and experienced scientists in Germany. This index is published annually by the research and consulting firm Universum and involves a survey of more than 5,000 people. In the category of Natural Sciences, our Group ranked fifth in the student survey and seventh among experienced professionals in 2018.

In addition to this recognition, we were also named a 2018 top employer by Science, a leading peer-reviewed scientific journal. Almost 8,000 employees as well as managers from biotech and pharmaceutical companies took part in the magazine's online survey, ranking our company fourth.

Finding work-life balance

We recognize how important work-life balance is for a productive and motivated workforce. With this in mind, at the end of 2018 our Executive Board adopted a Group-wide guideline intended to facilitate the use of a variety of flexible working time and location options in the twelve countries where the majority of our employees work (75% of our workforce). In many countries, we already allow our employees flexibility in setting their own work schedule, with our people making use of **more than 30 different part-time working models**. In Germany and the United States, where around 45% of our workforce is based, we offer parental leave conditions that go beyond the statutory minimum requirements.

Flexible working models

We offer our employees various flexible and innovative working models. Our mywork@merck program, for instance, is available to employees at our Darmstadt and Gernsheim sites in Germany along with many other facilities across Europe, Asia and Australia. It is open to both exempt and non-exempt employees. In agreement with their teams and supervisors, employees can freely choose their working hours and location. Together with their respective supervisors, the teams can decide for themselves when and how often fixed physical presence in the office is necessary for all members. Working hours are no longer recorded or monitored. This approach aims to strengthen the **culture of performance and trust** within the company. At the end of 2018, a total of 5,698 employees in Germany were making use of this model.

In 2018, 4.8% of our employees worked part-time, 12.5% of whom were men. We believe that with these flexible working models, we are on the right track to achieving a better balance between the expectations we set as an employer and the home life demands of our employees. Ideally, such a balance should also lead to greater **employee satisfaction** and increase our appeal as an employer.

Supporting mothers and fathers

We endeavor to make it easier for our employees to return to work following parental leave, which is why in 2016, we launched Parents@Merck in Darmstadt and Gernsheim (Germany). By the end of 2018, 100 employees had signed up for this program, which gives mothers and fathers on parental leave the chance to talk and interact while also helping them keep in touch with the company. Moreover, they can make use of the various **training and networking opportunities**. We have established a similar program in the United States.

In the United States, we offer the female employees in our Life Science and Healthcare business sectors eight weeks of paid maternity leave. In Life Science, fathers are eligible for two weeks of paid paternity leave, which also applies when adopting a child, while Healthcare staff are given five weeks of paid paternity or adoption leave. In 2019, we intend to standardize paternity leave across all our subsidiaries in the United States, setting it at five weeks. By contrast, the statutory minimum only provides for 12

weeks of unpaid parental leave per year. Furthermore, we also reimburse up to US\$ 5,000 in adoption fees.

At our sites in Germany (around 25% of our workforce), 326 employees were on parental leave at the end of 2018, 42% of whom were men. In other key countries, we go **beyond the legal requirements** to offer other kinds of new parent support such as extended leave for employees in Brazil. In India, too, we offer five days of paid paternity leave even though it is not legally required. In offering these benefits, we do not differentiate between full- and part-time staff. Employees with fixed-term contracts may apply for parental leave until the end of their term of employment, with their employment continuing as agreed until the contract terminates.

Daycare support

For 50 years our headquarters in Darmstadt has featured a **daycare center for children** aged 1-12. This facility is funded by the Merck family (Merck'scher Kindertagesstätten-Verein e. V.) and offers 150 slots. Since 2013, we've been providing year-round care from 6:30 a.m. to 7 p.m. For the children of our employees in Gernsheim, five places are available at a public daycare center.

Our Darmstadt site also offers **provisional daycare services** to cover times when an employee's regular childcare falls through. During school breaks in the German Federal State of Hesse, we host a number of vacation camps focused on sports, art, research, and nature for up to 450 children. We also provide temporary care for sick children. For up to two days a year, parents throughout Germany can engage the services of an education specialist free of charge to look after their children at home.

Our facility in Mumbai, our main site in India, also has a **daycare center** that our employees can use. In the United States, parents can go to www.care.com to find external childcare. Furthermore, we offer up to ten days of provisional childcare, as well as daycare center slots at special rates and home childcare.

Saving for retirement through a long-term account

We enable our employees in Germany to reduce their working hours before retirement or to retire earlier through a **long-term account**. For instance, they can deposit part of their salary or comp days into the account. Our company additionally makes contributions to the account to supplement the balance. Employees can then utilize the accrued balance to retire up to three years before they are due to start their regular retirement plan, or to reduce their working hours by 50% for up to six years. In 2018, 9,214 employees made use of this option.

Taking a sabbatical

In essence, all employees of Merck KGaA and Merck Real Estate GmbH in Germany (22% of our workforce) can request a **sabbatical**, which allows them a break of up to one year. At the end of 2018, 22 people were on sabbatical. For personal emergencies in which an employee needs to leave immediately, we additionally offer an emergency sabbatical of up to three months in duration.

Assistance with family and elderly care

For our employees in Darmstadt who are caring for family members, we provide **special seminars and family care services**. Moreover, through our "Family leave" model, we offer people throughout Germany the option of taking a short- or long-term break from work, whether partial or complete. We are thus enabling employees to organize and provide care for their loved ones, in line with the German Family Leave Act and the German Home Care Leave Act.

Twice a year, we offer our employees in Germany family care seminars on a range of topics. In 2018, these addressed work-life balance, the financial and legal issues involved when family members require care, and age-related dementia and depression. An external associate provides advice on all issues relating to family care and guides employees in their **search for suitable options**. In Darmstadt, our company health insurance fund also puts people in touch with nurses and, in the United States, our employees can use the online portal care.com to locate family care services.

Diversity

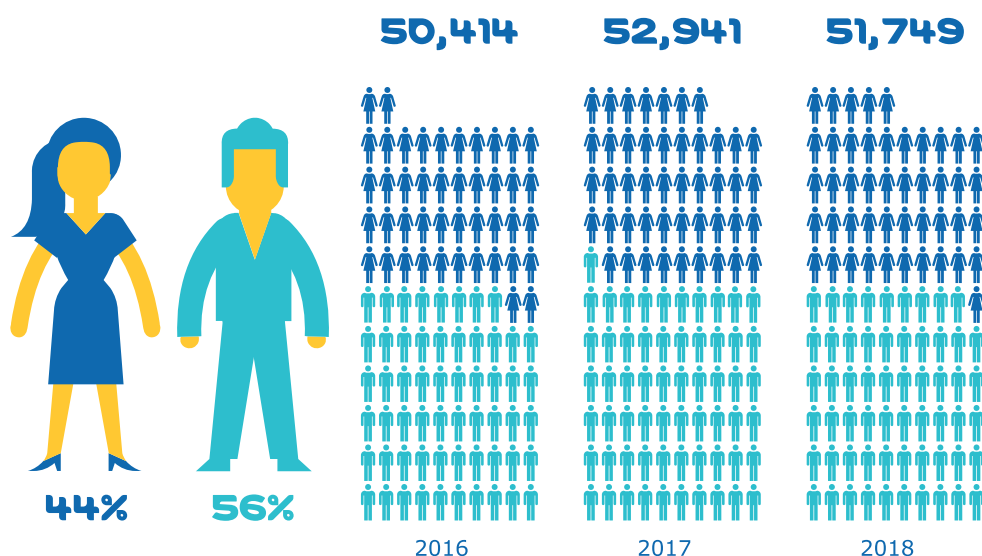
Part of the non-financial report

We are a global science and technology company with employees who represent a varied cross-section of gender identities, nationalities, cultures, religions, and age groups, as well as different sexual orientations. They bring their professional backgrounds, life experience and point of view to the table, incorporating this richness into their work. We believe that a diverse workforce – paired with a respectful corporate culture – strengthens our ability to innovate and contributes significantly to our business success.

Our approach to diversity and equal opportunity

We are dedicated to creating **an inclusive culture** that reflects our values and enables every employee to unlock their potential. Our goal is to further drive diversity across our workforce and offer all our people equal opportunities for advancement.

Our employee numbers



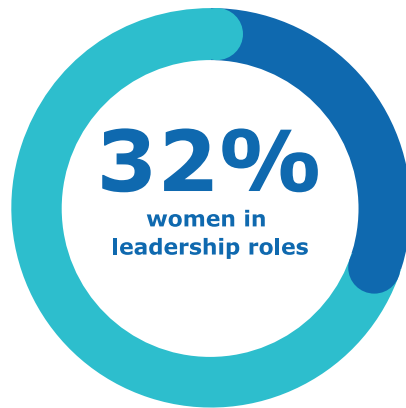
In 2018, we reviewed our **Diversity Strategy** and revised parts of it. Going forward, we will continue to focus on promoting women in leadership roles. Because Asian markets are becoming increasingly important to us, we have set the new goal of offering better opportunities to talent from the Asia-Pacific region. We are also continuing to pursue the other goals of our strategy: cultivating an international work environment, taking action against all forms of discrimination, creating teams with a balanced age structure, and building a diverse base of educational backgrounds and experience.

The strategic competencies that guide our employees and leaders in their tasks are set out in our **Competency Model**, a fundamental element of HR processes such as recruitment, feedback and training for supervisors and

leaders. Building on this model, we defined six leadership behaviors in 2018, and also started to educate our people Group-wide on **unconscious bias**. We endeavor to help leaders recognize and reconsider these thought patterns in their daily routines and interactions as well as their decision making, ultimately making a lasting change to their approach.

In 2018, we also **expanded a variety of HR tools and software** that help leaders manage diverse teams. This allows them to quickly and reliably analyze their personnel and team data in terms of diversity and inclusion, and foster an inclusive culture that helps all team members contribute. Selected data on topics such as diversity are also presented in this report.

Women in leadership roles: Requirements and targets



thereof **19%** in
senior management



thereof **33%** in
middle management



At the end of 2018, women occupied 32% of leadership roles Group-wide, which means that we exceeded our 2021 target of maintaining a 30% representation of women in these positions. Although these figures are increasing steadily across the company, this is not the case within certain business units, Group functions and hierarchical levels. We are therefore working to further increase the **representation of women** in leadership positions and in those business units where they are still underrepresented. To achieve this objective, in 2018 we formed special teams responsible for developing goals and measures at a departmental level to help us advance female candidates into roles in different areas and hierarchies. In the units where the 30% target has been achieved, we are working to further increase the percentage of leadership positions held by women. In cultivating talent, for instance, we focus on promoting top-performing women in an effort to place more women in leadership positions.

How we are making diversity a pillar of the company

Our Chief Diversity Officer is responsible for overseeing our Group's diversity strategy and reports directly to Belén Garijo, the Executive Board member whose responsibilities include Group Human Resources. Consisting of executives from all our business sectors and select Group functions, our **Diversity Council** performs four key tasks:

- It is responsible for implementing our strategy for greater diversity and inclusion.
- It evaluates and develops proposals to increase diversity submitted by our business sectors, Group functions and employee-organized networks.
- Council members ensure implementation of the Diversity Strategy in their respective areas, monitoring the progress of the initiatives.
- Members act as direct points of contact for the employees in their respective areas.

Group Human Resources (HR) has also implemented a number of programs and processes in order to further enhance diversity within the company. In our business units, work teams assess special requirements and devise a corresponding course of action.

Our commitment: Industry-wide initiatives and regulations

In an effort to drive diversity across our organization and underscore our **commitment to fairness, inclusion and tolerance** in the workplace, we support industry-wide initiatives:

- In 2017, we adopted the new Inclusion Action Plan of the German Mining, Chemical and Energy Industrial Union (IG BCE), which sets out concrete measures and provides guidance for creating a more inclusive workforce for employees with disabilities. In endorsing this plan, we are meeting the requirements of the United Nations Convention on the Rights of Persons with Disabilities.
- In 2015, we signed the IG BCE Equal Opportunity Charter, thereby promising to do everything in our power to achieve gender equality within the company.
- In 2013, we endorsed the German industry-wide "Charta der Vielfalt" (Diversity Charter).
- In 2011, we joined other DAX[®] 30 companies in signing a declaration committing to advance women in leadership roles and have been regularly reporting on our progress.

Meeting statutory requirements

The German Law for the Equal Participation of Women and Men in Leadership Positions in the Public and Private Sector has been in effect in Germany since 2015. Owing to our legal form as a KGaA (corporation with general partners), this law also applies in part to us. Detailed information can be found on our [website](#).

Consisting of 37.5% women (six out of 16 members), our Supervisory Board already meets the stipulations of German legislation on the **gender quota**. Owing to our legal form as a KGaA (corporation with general partners), we are not required to set targets for our Executive Board. For the two management levels below the Executive Board of Merck KGaA, however, the Executive Board set the following targets in 2016:

- 21% women on the first management level below the Executive Board of Merck KGaA
- 26% women on the second management level below the Executive Board of Merck KGaA

We have set a deadline of December 31, 2021 for reaching these targets.

Revealing unconscious bias

We seek to **raise awareness for diversity and inclusion** among our employees. In a bid to educate people on unconscious bias, in 2018 we conducted pilot projects Group-wide involving a variety of training seminars and plan to roll out this training curriculum Group-wide in 2019. Approximately 380 employees took part in 2018. Through these workshops, we helped participants recognize unconscious thought patterns and stereotypes, thereby preventing any unfair treatment. To support these efforts, in 2018 we developed a new training concept and accompanying programs to drive awareness of unconscious bias across our organization.

In 2018, for instance, we rolled out the Job Analyzer, an online tool that helps us maintain **gender neutrality when communicating with applicants**. The algorithms assist our recruiters and leaders in reducing potential unconscious bias during the hiring process. The online tool is currently available in English, with a German and French version currently in the works.

Promoting women leaders and talent

We support our business units in their efforts to advance more female candidates into leadership roles. Since the end of 2017, we've been utilizing the [Healthy Women, Healthy Economies toolkit](#), whose guidelines help us identify methods of promoting the **health of our female employees**.

In 2018, we furthermore hosted a variety of events on the topic:

- Under our Women in Leadership pharmaceutical initiative, we hosted an internal conference for our Healthcare leaders based in Darmstadt, Switzerland and the United States. This workshop aimed to educate people on gender equality in leadership roles.
- Partnering with external organizations, we hosted an event series on "Women in Science and Technology Companies".
- In 2018, our Life Science business sector also organized 14 Diversity Days.

In the United States, we sponsored the [Big Sisters initiative](#) to commemorate International Women's Day, a program that offers mentoring for **young women from underprivileged communities**. Among the mentors are employees from our company. In mid-2018, we furthermore launched an internship program in Italy for women with MS. On average, women develop multiple sclerosis (MS) twice as often as men. Unique to this program, it not only provides MS patients a stepping stone into the working world, but also helps us understand their needs and expectations concerning working life.

Networks to bolster diversity

Creating an inclusive work environment that promotes mutual respect is a particular focus of our Diversity Strategy. We support specific employee networks in order to foster **exchange among like-minded individuals**. Apart from our internal women's network in various countries, we also promote networks that further the interests of the LGBTIQ (Lesbian, Gay, Bisexual, Trans, Intersex, Questioning) community, Afro-American employees and international staff. Owing to the acquisitions we have made in recent years, there has been a steady increase in the number of our employee networks. Going forward, we intend to better leverage the potential of these networks to benefit our business activities. Networks with similar objectives are to be merged and expanded internationally. Moreover, we want to help establish leadership structures within these networks and define their goals. In 2018, the networks made great strides in sharing lessons learned and synergizing efforts.

- Our **women's networks** offer women within our company a forum to discuss professional possibilities and best practices, providing each other mutual support in building their own competencies and advancing their careers. These networks also seek to identify, consolidate and maximize synergies between the global groups, transcending business sectors and hierarchies.
- Through our **Rainbow Network** for homosexual, bisexual and transsexual employees, we supported the 2018 Christopher Street Day in Frankfurt and Darmstadt (Germany). As well as taking part, we were the official corporate sponsor of the event in Darmstadt. Since 2016, the Rainbow Network has also been active in the United States and Canada, engaged in activities such as internal and external forums.
- Our U.S.-based **Black Leadership Network** is dedicated to advancing and developing African American employees, offering its members advanced training and continuing education programs, tailored career planning and networking opportunities.
- In our **Carer Network**, we bring together employees from across the globe who are caring for family members. The network helps people share lessons learned and best practices, as well as helping them process the personal and professional experiences that arise every day while caring for their loved ones. To raise awareness for the often overlooked needs of carers, the network also supports the general mission "[Embracing Carers](#)".

Tapping into external networks

We are a corporate partner of the Healthcare Businesswomen's Association ([HBA](#)), a non-profit organization committed to furthering the **advancement and impact of women** in the healthcare industry. We encourage our female employees to get involved in this network because it gives them access to mentoring programs as well as the opportunity to attend various seminars and conferences at our global headquarters in Darmstadt (Germany), as well as in Lyon (France), Lausanne (Switzerland) and Boston (Massachusetts, USA). Two of our female employees are

board members of HBA Europe. In autumn 2018, 35 of our employees participated in the HBA's European conference in Berlin (Germany) as well as five female employees in its annual conference in Washington D.C. (USA). Moreover, we were the main sponsor of the HBA's European Leadership Summit, which was held in Berlin in 2018.

In 2018, we also sponsored the Women's International Networking (WIN) Conference in Rome (Italy); 16 of our employees attended, with several of them giving talks. The **network connects women in leadership roles** with the aim of helping them gain more influence. In 2018, one of our female employees participated in the Task Force Summit held by the Center for Talent Innovation in New York City (USA).

Taking action against discrimination

As stipulated in our [Code of Conduct](#), we do not tolerate any form of discrimination within our company. If an employee feels they have been discriminated against, they can report the issue **via various channels**. Their first point of contact is either their supervisor or one of three Group functions, namely Human Resources, Legal or Compliance. Alternatively, employees can call our SpeakUp Line anonymously from anywhere Group-wide. Group Compliance is responsible for investigating alleged cases, a process coordinated by the Group Compliance Case Committee. In confirmed cases of discrimination, a subcommittee provides a recommendation for disciplinary action that is implemented by our management team. In this way, we ensure that similar cases are dealt with consistently across the company. Details on alleged cases can be found under [Compliance](#).

Successfully integrating international employees

Our company is becoming increasingly international. We currently employ people from a total of 136 nations, 24% of whom are German citizens. Our leadership (Role 4+) includes representatives of 70 nationalities. In 2018, 64% of leadership positions were held by non-German employees. As of the end of 2018, 74% of our workforce was working outside their home countries.

To best facilitate this international collaboration, we offer **intercultural training for all employees along with suitable online tools**. For instance, our Cultural Navigator helps prepare our staff for international projects and business trips abroad. We also provide the majority of our company-related documents in English, and support employees posted to other countries through language courses and international networks to help them adjust more quickly to their new country. For instance, more than 700 expatriate employees are members of the International Community that meets regularly in Darmstadt.

Addressing demographic change

Another issue we are tackling is demographic change. We expect the average age of our workforce to continue to rise in the coming years. In Germany, we are responding to this trend with various initiatives including our [corporate health management program](#). A case in point is BELS, the tool for strain evaluation we use to design ergonomic work spaces that boost performance. BELS accounts for demographic change by **assessing a range of stressors through the lens of age**. This approach allows us to adapt our workplaces to suit the needs of older individuals. In addition to modifying physical working environments, we also offer innovative shift models and a prevention program for shift workers.

In 2018, our company health insurance fund (Merck BKK) partnered with our Health Management organization to conduct a **year-long campaign** entitled "I got a check-up". This initiative sought to educate people about metabolic syndrome, a combination of multiple risk factors that can lead to serious conditions such as diabetes, heart attacks or strokes. To raise awareness for the issue, we employed a variety of media such as flyers on mobility, nutrition, stimulants, and relaxation, along with an online self-test. In Darmstadt and Gernsheim (Germany), our Site Medical Center offered check-ups for heart attack and diabetes risk factors, along with blood lipid, blood sugar, body weight, and body composition screening. A total of 900 employees received a check-up.

Health and safety

Part of the non-financial report

When it comes to the health and safety of our employees, we take our responsibility very seriously, doing everything in our power to safeguard them against work-related illnesses and accidents. With our top priorities comprising issues such as stress prevention, nutrition and mobility, we help our employees prevent acute or chronic health issues through steps that are easy to integrate into their daily work routine.

Our approach to preventing accidents and promoting health

We seek to promote the health of our employees and maintain their ability to perform over the long term, for which a safe workplace is paramount. One of our Group-wide objectives is therefore to step up our **safety culture**, with our goal for 2020 to keep our lost time injury rate (LTIR) under 1.5. At all our sites, we conduct hazard assessments even before a new plant is commissioned to minimize or eliminate any potential safety risks to our employees. Furthermore, we are working to make workplace health management a greater part of our corporate culture and leadership.

In 2018, we developed a **key performance indicator management system** to review the effectiveness of our occupational health practices and identify opportunities for improvement. In addition, for the first time we included questions regarding employee health in our 2018 Employee Engagement survey. The input from this survey is used to calculate our company's Healthiness Index, which is due to be published after completing the analysis in 2019. The index should reflect the general state of health of our employees.

Our health projects are tailored to the needs of our employees. In 2018, we refined our objectives, creating a roadmap for the next several years that will concentrate on shift work, office work, mental stress, and demographic change, as well as analyzing key disease occurrence information to draw up appropriate measures. We regularly evaluate the success of our individual efforts.

How we manage occupational health and safety

Our Environment, Health, Safety, Security, Quality (EQ) Group function is responsible for our Environment, Health and Safety (EHS) management system. Since October 2018, this unit has been reporting to Executive Board member Belén Garijo, who took over the position from Walter Galinat on his retirement at the end of September 2018. EQ sets objectives, oversees global initiatives and conducts internal audits, while local EHS managers ensure that each individual site adheres to occupational safety laws and regulations. All new EHS managers are required to complete EHStart-up!, a three-day orientation held in Darmstadt that covers topics such as occupational health and safety as well as our **BeSafe!** safety culture program.

We collect workplace accident data from our sites on a monthly basis. Every facility is required to immediately report relevant accidents to EQ, where the cases are investigated and assessed. If necessary, we implement additional safety measures at our sites. In addition, our German sites in Darmstadt and Gernsheim have an occupational safety committee in place that meets four times a year and makes decisions on current EHS issues. In 2018, their agenda included health management along with relevant accidents and incidents. They also discussed the status of the roll-out of an IT system for hazard assessment and contingency planning processes. Beyond all these safety mechanisms, our Life Science business sector holds monthly safety calls with all local EHS officers to share lessons learned and discuss recommended actions for comparable situations. If employees are worried about their health or safety, they are encouraged to use our global **SpeakUp Line** and are moreover entitled to take a temporary leave of absence.

At our Darmstadt and Gernsheim sites, our Health Management unit helps weave health awareness into our corporate culture. The appropriate strategy, individual focal areas and measures required are developed by an interdisciplinary steering committee consisting of various senior leaders such as the head of Occupational Health & Safety, the chairman of the Works Council, the head of Health Management, and the production heads of our business sectors. Meeting six times a year, the topics discussed include workplace health fundamentals, good leadership and tailored health programs.

On top of their usual tasks, some of our production employees at our sites in Darmstadt and Gernsheim are also responsible for health matters. After completing a training course, these health partners act as a liaison between our employees and Health Management, providing a channel through which they can voice their ideas and suggestions for workplace health management strategy and initiatives. Since our production employees have shown great appreciation for these health partners, we have decided to start introducing this practice in other departments as well.

Our commitment: Policies and bylaws

Our approach to occupational health and safety is detailed in our Corporate Environment, Health and Safety (**EHS**) **Policy**. This is an integral part of our EHS management system, which undergoes an external OHSAS 18001 audit every year.

Our Group Health Policy defines how we ensure workplace safety for our employees while also promoting their health and welfare. This document details our **Group-wide approach to safety and health management** as well as our comprehensive behavioral modification program to prevent workplace accidents and occupational diseases. One component of the policy is our Global Wellbeing and Health Promotion Framework, which describes the differing requirements in a wide array of countries. Our individual sites are responsible for performing local workplace risk assessments and hazard analyses.

At most of our sites in Germany, we work in partnership with employee representatives to craft comprehensive **bylaws** on occupational health and safety. Our Employee Care bylaw defines processes such as employee care conversations, which help our leaders to promptly identify health risks and mental stress in their employees. In 2017, this bylaw was extended by an additional three years. Introduced in 2017, our Occupational Integration Management bylaw governs the procedure for protracted employee illness and applies to all our facilities in Germany. This bylaw aims to help keep the employee's position open while also helping to prevent adverse health impacts after their return to work.

Renewed safety certification

In 2018, we inspected and recertified the safety management systems at all our Performance Materials production sites. The Healthcare facilities at our Darmstadt site were also recertified, along with those of other units. Furthermore, our Life Science facilities in Bangalore (India), Buchs (Switzerland), Irvine and Haverhill (both in the United Kingdom), and Jerusalem and Rehovot (both in Israel) once again obtained OHSAS 18001 certification. Also in 2018, our site in Arklow (Ireland) was incorporated into our Group certificate, meaning that **31 of our sites are now OHSAS 18001 certified**. At 30 of these sites, 100% of employees are covered by a certified safety management system, with such a system including around 70% of employees at our Darmstadt facility. The certification process helps us pinpoint weak areas, identify opportunities for improvement and take suitable measures. Other sites are also required to apply this standard.

In 2020, we plan to migrate to the **new ISO 45001 certification guideline**, which will replace OHSAS 18001.

Accident rates

The **lost time injury rate** (LTIR) is the indicator used to assess the success of our safety efforts. This figure measures the accidents resulting in at least one day of missed work per one million man-hours. We track the LTIR for both employees and temporary workers. Having achieved the target we set in 2010 for a 2.5 LTIR, in 2015 we set a new ambitious goal of permanently lowering this figure to 1.5 by 2020. After all, we believe that nothing is worth an accident. In 2018, our LTIR was 1.3. The majority of incidents resulting in lost time were slips, trips and falls, along with accidents involving the operation of machinery and equipment. In 2018, there were no fatal accidents.

Clear rules of conduct

Experience shows that most workplace accidents can be prevented by proper conduct. Through our **"BeSafe!" safety culture initiative**, we are working to educate our employees on dangers in the workplace and provide them with rules of conduct that help keep them safe. All production and warehouse sites have now been incorporated into the program. 60% former Sigma-Aldrich facilities have likewise implemented BeSafe! since being acquired by our company in 2015. The rollout at these newly acquired sites will continue until 2020.

In 2018, we conducted **awareness campaigns across the Group** as part of our BeSafe! program. For instance, we once again used a video in German, English and Spanish to increase employee awareness in a bid to further bolster our safety culture. The video forms part of our BeSafe! training and is also available on our Intranet. In 2018, we translated the video into Chinese, French and Japanese in order to reach more of our employees in their local language. In addition, several subsidiaries again held safety competitions. To underscore the importance of safety, in 2010 we launched the Safety Excellence Award, which is presented annually to all production sites that have no workplace accidents on record for the year. In 2018, 62 of 90 facilities achieved this honor. Furthermore, we conducted two refresher courses on key content from our BeSafe! program, as well as occupational safety training in individual countries in accordance with the statutory requirements and specific risks of each country. It is the responsibility of each facility to conduct this training.

Workplace health management

At our Darmstadt and Gernsheim sites, our Health Management unit conducts an array of campaigns and programs to promote the health of our workforce. These activities are based on health indicators derived from sources such as the health report issued by our company health insurance fund, evaluations from our Site Medical Center and, since 2018, our employee surveys. We utilize the findings in the creation of **prevention programs tailored to specific target groups or facilities**. Moreover, our Health Management unit offers specific health programs such as mindfulness courses and workplace ergonomics consultation. Along these lines, we have a standard procedure in place for continuously assessing the working conditions and environment, making state-of-the-art updates wherever needed. If other sites express interest, our Health Management unit will advise on potential improvements or health programs. When requested, we also provide local consultation and operate campaigns by means of an internal service contract.

Since 2013, Site Catering at our Darmstadt facility has held the "Job&Fit Premium" certification from the German Nutrition Society e. V. (DGE). To obtain this certification, a strict set of regulations regarding food selection and meal planning must be met. In 2018, we received the Dr. Rainer Wild Prize for the design and realization of our new employee cafeteria in Darmstadt. In particular, we were praised for the **variety and balance of the food on offer**, as well as for our Job&Fit certification. This prize recognizes outstanding projects, individuals and initiatives that support

and raise public awareness of healthy eating. We also offer a variety of nutritious options for our staff at our other sites.

Our employees have access to a health catalog detailing our Health Management services in both English and German. Created together with our Social Counseling and our Site Medical Center, it contains information on ergonomics, nutrition, stress, and mental health issues.

We hold the "Excellence" certification for our Germany-wide health management efforts. Sponsored by BKK Dachverband e. V., this certification is granted in recognition of companies that have implemented **exemplary health management** programs and met the quality criteria of the European Network for Workplace Health Promotion (ENWHP).

Our **program to minimize chronic back pain** is an integral component of our workplace health management efforts in Darmstadt and Gernsheim. This initiative, which also takes mental health factors into account, is offered in units with demonstrable need, such as a relatively high number of employees suffering from these sorts of symptoms. In 2018, we ran the program over a period of seven weeks at our site in Gernsheim, with 17 logistics employees taking part in an effort to prevent their back pain from becoming a chronic issue. Held weekly, the 90-minute sessions focused on various topics such as exercise, self-management and relaxation. We also offered one-on-one telephone coaching sessions.

Beyond this initiative, throughout Germany we offer our employees services such as our **Fit@Merck company fitness program**, which provides them with up to € 195 per year towards health prevention classes. In Darmstadt and Gernsheim, we furthermore run a company sports program that currently features 25 different activities such as tennis, volleyball, strength training, triathlon, yoga, and bouldering.

In an effort to improve our workplace, we regularly analyze the ergonomics of individual workstations, implementing appropriate measures as required. Our workers also receive **training on occupational ergonomics** tailored to specific areas, whether manufacturing, office work or the laboratory. Moreover, we conduct wellness programs at many sites, for instance the Industrial Athlete Program (IAP) we offer to our Life Science employees in Danvers (Massachusetts, USA). Open to all workers who wish to improve their general and physical wellbeing through exercise in small groups, this initiative proved very popular and was attended by 60 people in 2018. Starting in 2019, we will be expanding the services we offer to include individual personal training sessions. This will be aimed in particular at employees with a medical certificate from a physician, but also shift workers who aren't able to take part in group courses.

Training in mobile gyms

In September 2018, we launched and started expanding the Training Island project, which centers around **mobile gyms** located in renovated buses. Featuring state-of-the-art equipment and experienced trainers, participants can work out close to their office twice a week for twelve minutes. The program was designed in particular to prevent musculoskeletal disorders and to motivate employees to exercise. In addition to working out, participants can also receive an individual consultation on topics such as food and nutrition, while screening at the beginning and end of the project highlights personal successes. Initially available to Life Science and Performance Materials employees, the training islands will be open for a period of twelve months. In 2018, 300 employees made use of this offer, with 450 already having registered for 2019.

Weight Watchers at Work for shift workers

From April to July 2018, 31 Life Science and Performance Materials shift workers in Darmstadt and Gernsheim took part in the Weight Watchers at Work – Shift program. Run by Weight Watchers and redesigned in partnership with our Health Management, our company is the first to test this program. Aimed at employees with a body mass index (BMI) equal to or greater than 25, which is considered overweight, Weight Watchers coaches provided in-depth seminars on making **healthy nutritional choices and leading a more active lifestyle**. The course was offered at the workplace and focused particularly on living and coping with shift work, with the schedule planned around the participants' shifts. As well as attending seminars, employees could download the Weight Watchers app to scan the bar codes of packaged food and find out its nutritional information. This tool also provides tips on losing weight and contains thousands of healthy recipes. On average, participants lost seven kilograms during the program.

Testing and supporting our employees

Our Physical Ability Test and Health Preservation process ensures that all employees meet the health requirements for their particular tasks. This test helps us implement targeted intervention as necessary.

Our Travel Health & Medical Advisory Service assists our employees who spend a lot of time abroad on business, providing them with recommendations on necessary vaccinations and advice on hygiene risks.

Employee engagement

Part of the non-financial report

As a science and technology company, we are always looking for new solutions and constantly working to evolve our approaches. Motivated, curious employees are key to our ability to innovate, and therefore also to our success. However, we also need a corporate culture that broadens our employees' knowledge and skills, one that creates exciting opportunities and encourages them to take a proactive role in shaping the development of our company. Open feedback from every individual helps us pinpoint the areas where we can do better.

Our approach to engagement

We strive to create a work environment that empowers our employees to **truly think outside the box**. An environment that is conducive to developing ideas, seeking creative solutions and discovering new market opportunities. To better engage employees, we have set clear goals and defined the steps necessary to achieving them.

We seek to understand the needs of the people who work for us and therefore regularly conduct **employee surveys**, either Group-wide or within individual countries, businesses or projects. These surveys help to facilitate communication between leaders and employees and show us ways we can improve. Moreover, they are paramount to a company culture that values dialogue and employee input.

How we engage our employees

Engagement and Inclusion, a unit within our HR organization responsible for areas such as employee engagement and diversity and inclusion, creates and oversees our employee surveys.

In addition to conducting employee surveys, we regularly include **local employee representatives** in our decision-making processes. Within Germany, 13 of our subsidiaries have employee representation, while in Europe 27 of our subsidiaries have employee representation bodies across eight countries (Austria, Belgium, France, Ireland, Italy, the Netherlands, Spain, and Switzerland). In addition, 63% of all our Merck KGaA employees are subject to collective agreements. Local works councils as well as a Group works council represent our employees, discussing topics such as compensation, working hours and organizational realignment. The Senior Executives Committee represents the interests of our top leaders, while the Euroforum represents our employees at the European level. Focusing on the economic situation, employment rates and significant changes within our company, this body covers all EU countries as well as Switzerland and Norway, although not all countries have their own delegate.

Our commitment: Corporate Volunteering Guideline

At the end of 2018, the Executive Board adopted a Group-wide guideline governing volunteer work, which grants our employees up to two days of **paid leave** per year to volunteer. This time can be used to support the local community through

charitable activities that are offered or supported by our company.

Understanding our employees

To give us a better sense of the situation within our company as a whole and to benchmark against our competitors, we conduct Group-wide employee engagement surveys on an annual basis. These surveys provide a platform for employees, managers and executives to engage in a regular dialogue, sharing ideas and experience. The 2018 employee engagement survey revealed that 61% of employees feel engaged at work, with around 45,000 people (86%) having taken part. In response to the 2016 survey, in 2018 we continued a series of measures to **improve our work environment**, which focused on our IT infrastructure as well as our recruiting and onboarding processes.

In addition to taking the pulse of our workforce, we continued work on our Science Network project. Due to the broad positioning of our company, we do not have a central research and development organization that unites **expertise across our businesses**. In building the Science Network, our primary aim is thus to accelerate the exchange of innovative ideas and facilitate collaboration among all our R&D employees. One of the components of the project is the Continuous Performance Dialogues held between 1,300 employees and their supervisors in order to align performance and potential appraisals with research and development needs.

Encouraging and rewarding innovative ideas

Our company has a long tradition of rewarding ideas. In 1853, we became the first industrial company in the world to introduce a contractual **bonus for employees who made suggestions for improvement**, and approximately 60 years ago we set down bylaws stipulating principles and rules for our ideation efforts. Our idea management program seeks to inspire our employees to think creatively and encourage them to contribute to the continuous evolution of our procedures and processes. We reward all ideas that are successfully implemented by offering employees a bonus based on how much the suggestion enhances our processes or cuts down our costs.

In 2018, our employees submitted approximately 1,500 suggestions for improvement via our **Germany-wide ideation program**. These ideas are expected to yield around € 1.6 million in cost savings in the first year. As a reward for

their proposals, our employees received around € 300,000 in bonuses.

In addition to rewarding good suggestions, we also regularly hold a **Group-wide innovation competition called Innospire** that allows employees to submit ideas for new products, services and business models. Through this competition, we target ideas in specific areas such as biointerfaces and biosensing, enablers of precision farming, and artificial intelligence. However, we also welcome ideas outside of these target areas. In 2017, nearly 900 ideas were submitted. After choosing the top eight proposals at the end of 2017, we held a boot camp in 2018 with the aim of developing these ideas in a quick and agile manner. In May 2018, each team presented its project to the Executive Board. Three winners were then chosen, whose ideas were incubated at our Innovation Center in Darmstadt. Along with the three winning proposals, a further three projects from our Healthcare and Life Science business sectors were selected.

Besides Innospire, we annually present **awards in recognition of outstanding ideas**, teamwork and projects. In 2018, the Executive Board presented four teams consisting in total of 34 employees with awards in the categories of Performance, People, and Technology, along with a special CEO Award. Projects were submitted Group-wide by 80 teams from various countries, Group functions and businesses.

On top of these mechanisms, all employees have the opportunity to submit ideas related to human resources to our **HR innovation campaign**, with a total of 146 proposals submitted in 2018. The ideas are evaluated by a jury of top executives from our various business sectors, who then select the two most interesting approaches to be further explored and advanced by interdisciplinary teams. A prime example of such a proposal is the "**Ad@m**" project, a chatbot developed to support standardized workflows.

Above and beyond our internal initiatives, we also collaborate with the nonprofit organization TED, one of the most distinguished global platforms devoted to **developing new perspectives and innovative ideas**. Through this partnership, we aim to share ideas worth spreading with the world. In November 2017, we joined forces to host **TED@Merck** in London, an event featuring talks that have since been watched online by more than eight million people. In November 2018, we again hosted a TED event, this time in Darmstadt. Entitled "The Art of Possibility", ten of our people from a pool of 110 applicants presented their ideas.

Making room for ideas: Our Innovation Center in Darmstadt

Over the last several years, we have undergone a major evolution and grown through acquisitions. We are now transforming our site in Darmstadt into a global headquarters that will bolster our ability to innovate, enabling us to respond **flexibly to growth** while also reflecting our corporate identity.

Opening its doors in early 2018, our **Innovation Center** is the heart of our global headquarters. Replacing the previous modular innovation center, this new facility **gives our employees room to explore their creativity** by joining interdisciplinary teams and collaborating on pioneering projects – all with the aim of cultivating new businesses that transcend our existing ones.

At the end of 2018, 22 project teams were hard at work in the Innovation Center, where they have access to a maker space. Equipped with the resources to quickly develop prototypes, this space is also open to all our other employees. Besides taking part in our Innospire competition, employees from around the world wishing to get involved at the Innovation Center can apply for a three-month think tank program that will allow them to drive innovation beyond our existing businesses. By analyzing current trends and technologies in select fields of innovation, the program aims to generate **new ideas and initial business plans for innovation projects**. Four think tanks were held in 2018 and focused on topics from areas such as biosensing and interfaces, liquid biopsy technologies, and clean meat.

Beyond facilitating cross-collaboration and creativity, the Innovation Center team regularly conducts events, workshops, seminars, and webinars. Through these channels, we introduce our employees to innovation methods such as design thinking and working out loud, which have proved very popular.

Keeping employees informed and encouraging dialogue

We keep our employees up to date and encourage exchange through a number of formats tailored to specific target groups. Take, for instance, our **international collaboration platform EVA** or our international employee magazine "pro", which is published in seven languages and is available in digital format as well as an app. "pro" has a readership covering more than 90% of our approximately 52,000 employees worldwide in their local language. Several subsidiaries also publish local editions of "pro", for example in Germany, Korea, Mexico, and Russia. In addition to these formats, a variety of newsletters is also published by our business sectors.

Our collaboration platform EVA encompasses our global Intranet for all subsidiaries and business sectors and furthermore consolidates numerous collaboration applications in one central location. EVA ranks as one of the most important internal communication media – second only to e-mail – receiving approximately 1.89 million hits per month. In 2018, we rolled out software that automatically translates **news in 22 languages**, thus facilitating digital participation and worldwide understanding.

Moreover, we publish articles on EVA and host various events to raise employee awareness of **corporate responsibility issues**. In 2018, for instance, we ran an internal communication campaign entitled "You're part of it". In addition, employees had the opportunity to engage in community outreach through our [350 Good Deeds project](#).

Deepening employee engagement

SPARK is a global volunteer program in which our Life Science employees conduct scientific experiments with school children around the world in an effort to **ignite a passion for science** in the next generation. Benefiting both urban and rural schools, this initiative also gives our employees the opportunity to pass on their knowledge. You can find more information on SPARK as well as our myriad education projects in the communities in and around our global headquarters under [Community involvement](#).

Good leadership

Part of the non-financial report

We believe it is essential for our leaders to develop and grow so that they can lead all employees Group-wide to the best of their ability. Within our company, many teams collaborate across sites and international boundaries. While the variety of skills, strengths and experience these teams bring to the table creates great potential for our leadership to leverage, global collaboration too plays an increasingly important role in the development of our next generation of leaders.

Our approach to good leadership

Our **strategic competency model** describes core competencies that should underpin the conduct of employees of all levels. Our six core competencies are Purposeful, Future-oriented, Innovative, Results-driven, Collaborative, and Empowering. In our day-to-day work, they play an important role in our success. This model provides the foundation for all development activities within our HR work, including leadership and management programs, talent development

strategies, our [360 degree feedback tool](#), and career management services. It applies to all employees but particularly to our leaders, who act as role models and are therefore key to building employee buy-in for the competency model. In addition, the model defines the leadership culture through which we intend to grow our business. Building on this model, in 2018 we defined six leadership behaviors that outline the way we expect our leaders to act.

Our Competencies



During career advancement discussions, employees and supervisors review specific growth and development needs, as well as the progress of development measures. Through [employee surveys](#), our people moreover have the opportunity to evaluate various factors such as leadership quality within our company.

How we facilitate good leadership

We expect our leaders to be attuned to the needs of our diverse workforce and therefore provide them support in the form of resources and data. At the same time, they can access transparent feedback through specially developed tools in order to track the impact of their decisions.

Management and talent programs for leaders

In recent years, we have initiated three programs to **enhance the skills of our people managers**. The Managerial Foundation Program imparts the basics of leadership, such as communication techniques, leadership styles, conflict management, motivation, and emotional intelligence. The Advanced Management Program covers topics such as change management, self-reflection and resilience. In addition, it teaches coaching methods that help leaders transition from their first management role to positions leading cross-functional and international teams. The third initiative is our Global Leadership program, which focuses on competencies needed to ensure successful international collaboration. In 2018, the Managerial Foundation and Advanced Management programs were offered at several of our sites worldwide, while the Global Leadership program was held in Germany and the United States.

Since 1999, we have been partnering with top international universities to offer an international and modular **Merck University** program. Over a period of ten months,

senior executives take classes on management techniques and strategic business development. To date, a total of 397 executives have completed this program.

Another initiative we have been offering our up-and-coming leaders since the 1990s is our **International Management Program**, where participants work on an interdisciplinary project over a period of eight months. The results are then presented to the Executive Board. In 2018, 26 of our employees took part in this program.

In addition to these various programs, we partner with universities across the globe to enable our employees to obtain qualifications such as an Executive MBA.

In 2015, we launched a Growth Markets Management Program (GMMP) covering business administration topics and content specific to our company for **local leaders** in Africa, China, Latin America, and the Middle East.

By the end of 2018, 59% of our people managers rated Role 3+ had taken part in one of these management and talent programs.

Leveraging growth market potential

In 2018, six of our employees successfully completed "[Afrika kommt!](#)", a one-year scholarship offered by the German Society for International Cooperation ([GIZ](#)) that trains young experts and leaders from Sub-Saharan Africa. In supporting this initiative, we aim to build a pool of **regional partners to encourage economic cooperation between Germany and Africa**. 17 former scholarship recipients are now working for us in various specialist and leadership positions, some of them in various countries in Africa and others in Darmstadt. Nine new candidates were chosen for the seventh round of "[Afrika kommt!](#)". They took up their positions at our company in November 2018.