

Employees

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Good leadership

Part of the non-financial report

Good leaders are crucial to the success of not only our employees, but also our company. Because they provide our talent with the right framework to unleash their potential and generate new ideas, we place great importance on the continuing education and development of our managers. Within our company, many teams collaborate across sites and national borders, and therefore fostering global collaboration is a central theme in the professional training and growth of our leaders.

Our approach to good leadership

The **People Strategy** serves as a basis for our continuous efforts to attract, retain and develop our leaders and our talent. We place special focus on actively engaging and challenging our leaders to become “leaders of people”.

Our **strategic competency model** describes the core competencies that underpin the conduct of our employees at all levels of the hierarchy (see diagram).

Our competency model



In our day-to-day work, these core competencies play an important role in our success. The competency model provides the foundation for all our Human Resources programs and processes. Employees and supervisors discuss specific growth and development needs, as well as the progress made with development measures already introduced.

Our competency model is also applicable to our leaders. By setting an example, they play a key role in embedding the competencies across our organization. In addition, the model defines the leadership culture through which we intend to grow our business. Building on this framework, we defined **six leadership behaviors** that summarize the way we expect our leaders to act.

By participating in **employee surveys**, our employees can also assess various factors, such as leadership quality within the company.

How we facilitate good leadership

We expect our leaders to be attuned to the needs of their diverse teams and therefore provide them with support in the form of resources and data. At the same time, they can access **transparent feedback through specially developed tools** in order to find out about the impact of their behavior. We work with external providers to train our leaders on approaches to good leadership that are scientifically-based and well-established within the business world.

How we structure our human resources management

The Human Resources (HR) department is responsible for advising all business sectors and Group functions. It addresses the needs of our employees, organization and company culture. Across all our sites, HR employees work hand-in-hand with leaders from the various functions and business sectors to develop attractive compensation models and benefits, along with strategies to engage our people even more strongly and in accordance with Group-wide HR guidelines and requirements. Every two to three years, we carry out internal audits to check that the guidelines are being implemented. As we continue to integrate Versum Materials and Intermolecular, we review our HR policies and guidelines and make adjustments as necessary.

Our Vice Chair of the Executive Board and Deputy CEO is 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 Merck Business Services unit oversees the operational tasks of human resources work, such as drafting contracts and payroll accounting. The Executive Board member and Chief Financial Officer is responsible for this unit.

Our commitment

Our six **leadership behaviors** describe good leadership in our Group. They are based on our corporate strategy, our competency model and our company values. To do this, we analyzed best practices from other companies and compared the leadership behaviors we defined with market standards. We regularly inform executives and employees through global campaigns about the Leadership behaviors.

We also integrated these behaviors into all HR processes, such as training, recruitment, and feedback processes.

The pandemic is bringing about far-reaching changes to the world of work

Since the outbreak of the Covid-19 pandemic, our crisis management has revolved around how best to support our staff.

We developed **Group-wide guidelines**, taking into account the different pandemic histories and regulations from country to country. These guidelines regulate the physical presence of employees at the company workplace and working remotely. They contain generally applicable hygiene regulations, support employees to balance work, childcare and family obligations and protect employees with special personal health risks.

We offer our managers guidelines for team discussions in order to adapt internal team collaboration in light of the crisis situation and the changed working conditions. This is meant to create an inclusive atmosphere. In addition, we offer **Group-wide training courses** on "Virtual Leadership", "Employee Welfare" and "Working remotely". We also extended our **telephone social counseling** to all countries. We offer psychological counseling to our employees and their families in the event of mental stress.

From the very beginning of the pandemic, we recognized that the necessary adjustments to our way of working also offered opportunities – for the future development of our working model. As part of our crisis management efforts, we formed the working group **"Future Ways of Working"** in 2020, which aims to make use of the experience gained during the crisis and it is developing principles for our future cooperation, even after the pandemic. The focus is on:

- **Flexible working models:** We want to expand our existing flexible working models throughout the Group. Depending on the area of activity and in agreement with their supervisors, employees should be able to use a hybrid working model. This means they can divide their work time in a balanced way between their workplace and other locations, such as home. In addition, we want to offer our staff an alternative to full-time employment with part-time or job-sharing models. Furthermore, we are creating location-independent roles with defined job requirements so that we can recruit talent in all parts of the world.
- **New technologies:** We continue to invest in new technologies. For example, by increasing the use of artificial intelligence, we are enabling our employees to develop and build new skills that will be critical in the future.
- **Management training:** We will continue to train our managers so that they acquire the necessary skills. This is the only way they can responsibly lead their employees in challenging times.

Management and talent programs for leaders

To **enhance the skills of our people managers**, we offer three different programs:

- 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.
- Our Global Leadership program focuses on the competencies needed to ensure successful international collaboration.

In 2020, the Managerial Foundation and Advanced Management programs took place worldwide. We conducted the Global Leadership program in China, Germany and the United States.

For 21 years, we have been partnering with top international universities to offer the **Merck University** program. Over a period of one year, senior leaders complete learning modules on management techniques and strategic business development, with 522 senior leaders having participated to date.

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. They present the results of their efforts to the Executive Board. In 2020, 25 of our employees took part in such a project.

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.

Our Expert Foundation Program teaches participants the fundamentals of their role as experts in interdisciplinary project groups.

As a result of the Covid-19 pandemic, we have been offering a majority of programs virtually since spring 2020.

Tapping potential in growth markets

In 2020, 17 participants successfully completed "**Afrika kommt!**", a one-year program offered by the German Society for International Cooperation (**GIZ**). The program **trains experts and leaders from Africa**. In supporting this initiative, we are helping to build a pool of regional partners to encourage economic cooperation between Germany and Africa. 23 former scholarship recipients are now working for us in various specialist and leadership positions,

some of them in African countries and others in Darmstadt. We have selected 11 new candidates for the ninth intake of "**Afrika kommt!**". They will start their new positions within the Group in June 2021.

Leveraging the opportunities of digitalization

In the human resources area, we use new technologies that support our employees and managers with as many processes as possible.

In 2020, we introduced an updated version of "HR4You", our self-service human resources platform. Thanks to the upgrade and improved user guidance, our employees can **administer and manage numerous HR-related processes themselves around the clock**. Our managers can view and independently edit the data of their teams. The new system relieves the burden on both our managers and the HR department, giving them more time to advise employees on strategic decisions.

A complementary function of "HR4You" is the **chatbot "Ad@m"**. Managers can ask questions about selected processes and get answers from the chatbot. The chatbot is designed to be a self-learning system – the more questions it receives, the better it gets over time.

Our managers also use an innovative software application to analyze personnel-related data. This analyzes not only employee master data, but also information on employee compensation, performance and skills, as well as strategic succession and personnel planning. The software uses **Big Data** technology. It links the various data and identifies certain trends at an early stage. The systems adhere to all applicable data privacy rules.

Since 2017, we have been conducting research with the TU Darmstadt on a humanoid intelligent robot. We want to find out how employees and managers respond to intelligent robots and artificial intelligence (AI) in the workplace. Furthermore, we are examining in which areas an application would be conceivable. Our aim is to prepare our workforce for the **introduction of AI** within their working environment. The studies also serve to help make new technologies tangible, thereby paving the way for early acceptance.

career with us

Part of the non-financial report

Globally, our employees drive advances in science and technology. We encourage all of them to pursue the career path that aligns with their individual ambitions, skills and talents. To sustain our success, we endeavor to attract talent who will bring courage, creativity and curiosity to our company.

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 sparks their desire to innovate. Our **employer brand** communicates this mindset to the outside world. Through our slogan "Bring Your Curiosity to Life", we show applicants, whether potential apprentices or university graduates, what they can expect when they join our company. To this end, in Germany we cooperate with regional target universities, student initiatives and associations. In addition, we regularly organize events in order to give students an insight into our company. We also take part in job fairs in Germany and abroad. University graduates can apply for a position with our company directly or complete one of our trainee programs. In addition to recruiting talented students, we also provide financial assistance. For instance, we collaborate with the German Academic Scholarship Foundation (Studienstiftung des deutschen Volkes) and support the scholarships granted by Deutschlandstipendium, an educational initiative of the German federal government.

In addition to our recruiting efforts, the **vocational and advanced training** of our employees also plays an essential role for us. With our **People strategy**, we make it clear how important curious talent and empowered leaders as well as result-oriented teams and networks are to us. We support the personal and professional development of all employees in line with their strengths, ambitions and competencies, thereby laying the groundwork for an enriching and challenging career with our company. We endeavor to find qualified employees at an early stage in their career and systematically advance them.

Apart from dual education programs, we consider vocational training a key way to meet the **current and future need for qualified professionals**. As competition for young talent grows, job security and marketable professional qualifications are crucial, which is why we continuously invest in **new technologies** and integrate these into our vocational training programs. If, after completing their apprenticeship, our young employees in Germany wish to continue studying while working, we will cover 75% of the costs and grant them special leave.

How we organize recruiting, vocational training and advanced training

Group Human Resources (HR) supports and advises all business sectors and Group functions within our organization as regards human resources issues. Moreover, we develop strategies to advance our employees, organization and company culture. More information on the structure of HR can be found under **Good leadership**.

Our **HR4You digital platform**, which can be accessed by all employees, helps us to globally harmonize our HR processes. For instance, the platform allows them to access their personal data. They can use the platform to initiate and steer the Performance and Potential Management Process themselves, participate in online training or apply internally for vacant positions.

Our commitment: Employee development guideline

Our People Development & Learning Policy provides a Group-wide framework within which employees can manage their professional growth. It defines requirements for our development opportunities, roles and responsibilities. The corresponding processes are described in our People Development & Learning Standards.

Providing feedback and supporting development

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

Our people managers and their employees agree on **individual annual objectives**. The annual bonus depends on individual performance and objective achievement. Additionally, the bonus calculation also reflects the company's overall performance, which we determine using various company key indicators.

Once the development direction is defined, our managers and their staff create a **detailed development plan**. When drafting the development plan, all employees have access to the Development Advisor. Building on the **Merck competencies** and **Merck leadership behaviors**, this digital tool provides a selection of development opportuni-

ities that employees can tailor to their own needs. Every employee can thus quickly and easily create their development plan, which displays the respective areas of focus, via HR4You. It is coordinated in accordance with the strategic priorities of the company.

They can additionally collect feedback from selected colleagues and external partners on their personal development. This **360-degree feedback** helps to identify personal strengths and advancement opportunities. Moreover, our people have access to a real-time feedback tool that can be accessed via their PC or smartphone, making it even easier to give and receive feedback. With this tool we intend to help promote a cross-hierarchical feedback culture.

98%

of our employees took part in the Performance and Potential Management Process in 2020, 77% set up an approved development plan.

Employee learning and education

Our Group-wide advanced training and continuing education program ensures that our employees develop the skills and abilities needed to help us realize our company strategy. As part of their **individual development plan**, our employees can use our learning management system to register for seminars and e-learning courses. In 2020, 93% of our employees took part in approximately 4 million training courses.

Due to the Covid-19 pandemic, we reorganized our classroom training courses into virtual formats. These courses are flexible, meaning that while the core curriculum is uniform Group-wide, there is still room for site-specific modifications. Moreover, we launched a new virtual and free learning format: Since the start of 2020, our employees have been able to participate in special courses on the career platform LinkedIn.

We constantly adapt our offers to meet the individual learning needs of our employees and the strategic priorities of our company. We are in the process of revising our advanced training courses. We are planning to develop a new, interdisciplinary program by 2022. This should enable our staff to have the necessary competencies and relevant skills to remain employable in the future. At the same time, we would like our employees to develop according to their individual needs.

Performance-based pay

We reward the performance of our employees so as to maintain a competitive edge in attracting qualified professionals. Within our Group, compensation is based on the requirements of each position as well as each employee's respective performance. In addition to competitive pay, we

offer attractive fringe and social benefits. Our benefits package consists of three pillars, namely company-funded benefits, including our company pension plan, health and well-being offerings and services, for instance bicycle or IT hardware leasing offers. To meet the multifaceted needs of our workforce, we offer a **variety of benefit packages worldwide**.

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. Before adapting our remuneration structure, we consult with key stakeholders, such as **employee representatives**. The pay structures within our company are based on defined criteria, such as job requirements and performance. We do not make any distinctions based on gender or other diversity criteria.

Sparking young people's interest in our company

We employ trainees in units such as Inhouse Consulting, Finance, Production, Marketing, Sales, Procurement, Human Resources, as well as Research and Development. Additional functions can be added as required.

Our GOGlobal trainee program **enables university graduates to join our company as trainees**. Within 24 months, these entry-level employees get to know various departments and functions. Centered on China, Germany and the United States, the program offers international assignments, individual continuing education, mentoring, and coaching.

The "OLDP" training program (Operations Leadership Development Program) in our Life Science business sector is structured similarly to the GOGlobal program and offers comparable benefits. However, the focus is on production and logistics.

To cultivate **young academic talent**, we also offer internships in all departments to university students. Interns who perform exceptionally well are enrolled in our talent-retention program. Besides these programs, we also offer university students jobs as working students and the opportunity to complete their bachelor's, master's or doctoral thesis while working at our company. In addition, we regularly invite university students to various events, where we present the different occupational areas within our Group and ways to join the company.

Vocational training and dual education programs

We offer apprenticeships across 28 occupations, primarily in production, laboratory work and office administration. 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 dual**

education programs in occupations for which we have long-term demand. In 2020, the hiring rate for graduates of these programs – taking voluntary terminations into account – was above 90%.

Special vocational training opportunities

In Darmstadt, our “Start in die Ausbildung” and “Integrating refugees through training” programs help prepare young people for the labor market. We offer them the opportunity to complete an 11-month program with our company, **gaining insight into the world of work and improving their qualifications for vocational training**. On the one hand, we support young people who have earned a high school diploma but have searched for an apprenticeship for at least one year without success. On the other hand, we help refugees who had to leave their countries of origin and would like to build a new life in Germany. In 2020, we combined the two programs under the name “Start in die Ausbildung” so that participants can learn and benefit from one another. In 2020, we combined the two programs under the name “Start in die Ausbildung” so that participants learn and benefit from one another. The benefits: mutual cultural sensitization and language support through personal exchange with native speakers and the example set by highly motivated people. In 2020, we hired participants between the ages of 16 and 30.

Digitalization in recruiting, vocational and advanced training

Digital media enabled many things for us during the lockdown phase of the **Covid-19 pandemic**: We paved new paths both in recruiting and in vocational and advanced training.

We are now implementing digital approaches to selected steps of the recruitment process, such as virtual job interviews and assessment centers. This is how we protect the health of our employees and applicants and, at the same time, continue the recruiting process efficiently. As a result, we prevented delays in current selection processes. We created guidelines for candidates and offered time with recruiters, to support them in preparing for video interviews.

To accompany and strengthen our employees during the Covid-19 pandemic, we provide **free digital continuing education and training offers** in addition to the LinkedIn courses: “Self-motivation in challenging times” and “Making responsibility count”.

In professional training, we adapted plans of action in light of the pandemic and increasingly used virtual learning formats. This strengthens us when it comes to integrating topics, such as **robotics, Big Data** or **artificial intelligence** (AI) into our curricula. To learn how to operate plants, our apprentices also use virtual reality environments. Initially, they practice operating the systems using a virtual reality display before applying and furthering their new skills in the actual operating environment.

Fairness and dialogue

Part of the non-financial report

We greatly value the perspective of our employees – which is why we actively engage them in our efforts to advance our company. In this context, feedback from every individual helps us pinpoint the areas where we can do better. At the same time, through an open culture of dialogue, we build a creative and innovative working environment in which our employees can contribute their diverse ideas. Dealing with one another fairly and respectfully always forms the basis of our actions.

Our approach to employee engagement

We seek to understand the needs of the people who work for us and therefore regularly conduct **employee surveys**, both Group-wide and within select countries, individual business sectors or specific projects. These surveys are an important building block of our corporate feedback culture because they help to facilitate communication between managers and employees and also show us areas where we can improve.

Our **Social and Labor Standards Policy** further bolsters the foundation for fair and open interactions with our employees.

How we engage our employees

The **Engagement and Inclusion** unit within our HR organization is responsible for employee engagement, diversity and inclusion, and also develops and manages our employee surveys.

We include **local employee representatives** in our company's decision-making processes, doing so regularly and extensively. Within Germany 13 of our subsidiaries have employee representation, while 26 of our subsidiaries across eight other European nations have employee representative bodies (Austria, Belgium, France, Ireland, Italy, the Netherlands, Spain, and Switzerland). In Germany, 60% of all employees are covered by collective agreements (14% of our workforce). Local works councils as well as a Group works council represent our employees, discussing topics such as compensation, working hours and organizational realignments. The Senior Executives Committee advocates for the interests of our top leaders in Germany, while the Euroforum represents our employees at the European level. Focusing on the economic situation, employment rates and significant changes within our Group, this body covers all EU countries as well as Switzerland and Norway, although not all countries have their own delegate.

Our commitment: Group-wide Social and Labor Standards Policy

We are dedicated to upholding the appropriate and **fair labor and social standards** that are stipulated in our Group-wide **Social and Labor Standards Policy**. It complements the provisions of the **Merck Human Rights Charter** and our **Code of Conduct** with respect to labor and social standards. These include the fundamental conventions of

the International Labour Organization (**ILO**), which cover 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. The Social and Labor Standards Policy makes it clear that we do not tolerate any form of discrimination, physical or verbal harassment or intolerance in the workplace. In this way, it creates the framework for fair and respectful interaction. We conduct internal audits to ensure that our local subsidiaries comply with these principles.

Understanding our employees

Every year, we conduct Group-wide confidential and voluntary employee surveys. The **regular exchange** between our employees, managers and leaders provides a valuable information base for improving the working environment and business processes. The survey conducted in 2020 revealed that 77% of our employees feel engaged with our company; around 50,500 people (86%) took part in the survey.

The Covid-19 pandemic poses significant challenges for us and our employees. We therefore asked them about their experiences so far and wanted to know how they assess our handling of the pandemic. In 2020, we conducted two additional pulse surveys among our employees worldwide. Among other things, we asked employees whether our internal communication on the pandemic is clear and comprehensible, whether hygiene rules have been communicated sufficiently, and whether supportive training offers are adequate. 90% of the participating employees (53% of all employees worldwide) rated these aspects positively. We also asked whether they felt sufficiently supported by their supervisors and what they had personally learned from the crisis.

Encouraging and rewarding ideas

Our company has a long tradition of rewarding ideas. In 1853, we became the first industrial company in the world to contractually stipulate **bonuses for successful employee implemented suggestions for improvement**, and approximately 60 years ago we laid out company agreements 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 improvement of our company procedures and processes.

Every year, we present **awards** to our employees in recognition of outstanding ideas, teamwork and projects.

Keeping employees informed and encouraging dialogue

We keep our employees throughout the Group up-to-date and encourage **exchange** through a number of formats tailored to specific target groups. Examples include our intranet or our international employee magazine “pro”, which is published in seven languages and is available in a digital format as well as an app. The magazine also offers

podcasts on important company topics. “pro” has a readership covering more than 90% of our approximately 58,000 employees worldwide in their local language. There are also local editions in some countries.

EVA is our global intranet, which is also accessible without PC access via mobile devices. Receiving approximately 2 million visits per month, EVA provides relevant information and materials, organized by business sector, function and strategic topic. A software enables the automatic translation of news articles into 22 languages, making it easier for the people who work for us to communicate worldwide.

Diversity and inclusion

Part of the non-financial report

We believe the diversity of our employees enriches our company, be it with respect to their gender, national or ethnic origin, sexual orientation, religion, or personal life experiences. We advocate for an inclusive culture in which each individual can realize their full potential and bring their own individual perspectives to the table. We are convinced that the diversity of our workforce and our open, international company culture have a positive impact on the business success and innovative strength of our company.

Our approach to diversity and inclusion

We are committed to strengthening and expanding our **inclusive culture** and the diversity of our workforce. That is why we are pursuing our diversity and inclusion strategy (D&I strategy), which consists of three pillars: Firstly, attracting, developing and retaining the best employees, secondly, serving various customers and markets and thirdly, driving forward innovations through inclusion.

In line with our corporate strategy, our objective is to **increase the proportion of women in leadership roles** and offer better opportunities to talent from Asia. Additionally, we want to deepen our understanding of this growth market. In 2020, our Diversity Council expanded its focus to include LGBTQI+, disability and ethnicity issues. In North America and Europe, we concentrated on the topic of ethnic origin in 2020 and organized dialogue in various forums.

Moreover, we take action against all forms of discrimination, build teams with a balanced age structure and a diverse base of educational backgrounds and experience and create an international working environment. As part of our D&I strategy, we also encourage our managers to actively promote diversity. Diversity figures are therefore part of the compensation-relevant corporate goals.

We integrate this inclusion concept into all Human Resources programs and processes. Our **Competency Model** shows how managers and employees can establish an open and inclusive environment. The inclusion concept is thus embedded in our six **Leadership Behaviors**. This concept explicitly calls for open and supportive collaboration.

We advocate for **openness and diversity**. For this purpose, we work on recognizing unconscious bias and its impact on everyday work. We use training courses to raise awareness of this among managers and show how these biases can be actively addressed, both in interpersonal relations and decision-making processes.

Our diverse **employee networks** are a further component for creating an inclusive culture. Several thousand people are members of these networks. We encourage the formation of new networks as the exchange with them

helps us to recognize the challenges our employees face in everyday work.

In addition, we also regularly host our Diversity Days and use various occasions, such as International Women's Day, Pride Month, Coming Out Day, and Black History Month to host further events, where we explain the current developments that are relevant to us. We derive specific measures from the insights gained in order to embed inclusion even more deeply in our company.

Making diversity and inclusion a pillar of the company

Our Chief Diversity Officer is responsible for steering topics of diversity and inclusion. She reports directly to the Vice Chair of the Executive Board and Deputy CEO whose responsibilities include Group Human Resources. The Diversity Council consists of **high-ranking executives** from all our business sectors and select Group functions. The committee has the following mandate:

- The committee members visibly and actively support our diversity and inclusion agenda as well as the Executive Board and the managing directors in the individual countries.
- The members propose strategic goals, initiate measures and ensure within their respective units that line managers meet their responsibilities.
- The members use the Diversity Council to exchange information, discuss the latest challenges and share best practices.
- The members are accessible to all employees.
- As leaders of our company, the members are role models within their units.

In addition, all business sectors and major Group functions have various working groups at management level, which implement the diversity and inclusion strategy in their area of responsibility.

Our commitment: Industry-wide initiatives and regulations

Our **Social and Labor Standards Policy** makes it clear that we **do not tolerate any form of discrimination**, physical or verbal harassment or intolerance. To underscore our commitment to equality, fairness, inclusion, and tolerance in the workplace, we additionally participate in industry-wide initiatives.

- The **Women's Empowerment Principles**, an initiative of UN Women and the UN Global Compact network, are to promote gender equality and women's empowerment in the workplace.
- The "Inclusion Action Plan" of the German Mining, Chemical and Energy Industrial Union (IG BCE) defines concrete measures to create 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.
- The Equal Opportunity Charter, with which we promise to do everything in our power to achieve gender equality within our company.
- The German "Diversity Charter", with which we promise to embed diversity and inclusion in our organization. In 2020, we became a new, official member of the association **Charta der Vielfalt e. V.**

Moreover, we became a signatory to the **Business Coalition** for the Equality Act, an alliance of leading U.S. companies.

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

The deadline set for reaching these targets is December 31, 2021.

Rooting out unconscious bias

We want to raise awareness of **unconscious bias** among our managers and employees. That is why we offer Group-wide training courses on this topic. When filling job vacancies worldwide, the online tool "Job Analyzer" supports **gender-neutral communication** with applicants. This is intended to reduce unconscious bias in the hiring process.

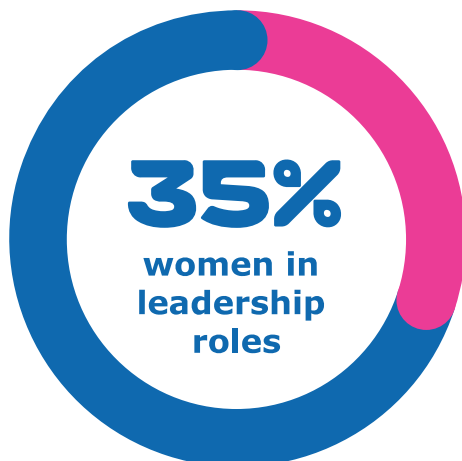
Taking action against discrimination

We do not tolerate any discrimination in our company. This is stipulated with binding effect in our **Code of Conduct** and our **Social and Labor Standards Policy**. If employees feel discriminated against, harassed or not tolerated, they can **report the issue via various channels**: Their first points of contact are either their supervisor or one of the two Group functions Human Resources (HR) or **Compliance**. Alternatively, employees throughout the Group can call our SpeakUp Line anonymously. As part of our "Group Compliance Case Committee", our Group HR function coordinates suspected cases relating to HR. In 2020, 16 suspected cases of discrimination were reported via SpeakUp Line and other channels. Of these reports, two incidents were confirmed.

Fostering diverse talent

HR supports our business units in fostering talent of various origins and increasing the proportion of women in leadership roles. At the end of 2020, 35% of the managers in the Group were women, which means we exceeded our 2021 target of maintaining a 30% representation of women in these positions.

Women in management



22% in
senior management



35% in
middle management



In 2020, we developed Group-wide goals and measures to achieve a more balanced gender structure in various hierarchical levels of our business sectors. For example, we offered numerous **mentoring, sponsoring and talent programs** for women and other target groups, such as ethnic minorities. In doing so, we want to make these target groups more visible when filling vacancies. Mentoring programs help participants to exchange views on solutions for current challenges. Sponsoring programs go beyond this. Here, participants benefit from an experienced people manager who coaches them and prepares them for the next career step.

We are convinced that our talent programs and open discussions about unconscious bias contribute to further increasing the diversity of the workforce in our company. In 2020, we reviewed our Group-wide recruitment processes to identify the measures and products that make our processes even more inclusive.

Our employees have the option of working flexibly – this also contributes to more equal opportunities. During

the Covid-19 pandemic, we expanded our **flexible job offers**. Additionally, we offer our employees information, e.g. about virtual working or mental health, in order to support them in various personal circumstances. Moreover, we supported research on gender-based violence.

Networks strengthen diversity

We support numerous local and global **employee networks**, including our internal women's networks and networks that advocate for the LGBTQI+ community, employees of various ethnic origins and international employees. Networks for people with disabilities and veterans are in development.

Involvement in area-specific or interdisciplinary networks is an opportunity for all employees to acquire leadership competencies. At the same time, they bring their experience into our company. We therefore ensure that the various groups are listened to and incorporated.

Networks for more diversity



WOMEN NETWORKS

Create an inclusive workplace that recognizes, develops and promotes qualified women to achieve gender balance and thus long-term business success



INTERNATIONAL COMMUNITY

A community of open-minded individuals who share experiences, connect, and exchange information to support a soft landing at our site in Darmstadt



EMBRACING CARERS

Focus on improving carer's health and wellbeing, while increasing awareness and support for them within healthcare systems around the globe



RAINBOW NETWORKS

Promote a safe and inclusive network environment and foster a community where LGBTQI+ employees and their allies are recognized and valued



RACE & ETHNICITY NETWORKS

Help solve our diversity and inclusion challenges by proposing solutions to support the attraction, retention and promotion of employees of various ethnic groups

Tapping into external networks

For more than ten years now, our company has been a corporate partner of the Healthcare Businesswomen's Association (HBA). We are represented both in global and European advisory boards. The HBA advocates for women in the healthcare industry – almost exclusively through volunteer work. We explicitly support employees who want to

volunteer for the HBA. In 2020, employees in Germany, the Netherlands, Switzerland, and the United States volunteered for the HBA – some as members of the European Regional Council, some as European Regional Chairpersons and some as heads of a regional HBA group. Moreover, we sponsor the events of the HBA.

Integrating international employees

Our company is becoming increasingly international. We currently employ people from a total of 141 nations. Our leadership (Role 4+) includes representatives of 75 nationalities. In 2020, 66% of leadership positions were held by non-German employees. As of the end of 2020, 9% of our workforce worked outside their home countries.

To best facilitate this international collaboration, we offer **intercultural training** for all employees along with suitable digital tools. For instance, our Cultural Navigator helps prepare our staff for international projects and business trips abroad. To help employees transferred abroad to adjust more quickly, we offer language training and international networks. For instance, more than 700 expatriate employees are members of the International Community, which meets regularly in Darmstadt.

Our business language is English. To ensure that the members of our workforce understand our communications,

we also provide a great deal of information in the respective local languages of our employees.

Good ranking in diversity and equality indices

The American **Human Rights Campaign Foundation** rated our LGBTQI+ activities throughout 2020. We scored 100% in the "Corporate Equality Index" (**CEI**), which measured the equality and inclusion of our LGBTQI+ employees.

In the Financial Times **ranking**, we were selected as one of the leading 100 (out of over 15,000) companies when it comes to the topic of diversity.

We ranked third in the 2020 "BCG Gender Diversity Study" by the Boston Consulting Group and the Technical University of Munich. This study rated management board and supervisory board gender diversity among Germany's largest publicly listed companies.

These rankings show us that we are on the right track when it comes to successfully living diversity and an inclusive work environment.

work-life balance

Part of the non-financial report

We know that priorities in life can shift. That is why we are considerate of such changes, offering our employees a range of options, such as flexible working hour models, working hour accounts for early retirement or the possibility to take an extended leave of absence. As regards family topics, we support employees through generous parental leave, childcare and assistance in finding nursing care for family members.

Our approach to ensuring a good work-life balance

We realize how important work-life balance is for a productive and motivated workforce, which is why we seek to offer our people the best possible working conditions. This includes both company health and pension benefits as well as flexible working hour models. In many countries, our employees can already flexibly set their own working hours, making use of **more than 30 different part-time working models**. In Germany, the United States, Brazil, and India, where around 53% of our workforce is based, we offer parental leave conditions that exceed the respective minimum statutory requirements.

How we strengthen work-life balance

Group Human Resources (HR) develops and also implements measures for a healthy work-life balance. For instance, it provides relevant support and advice to employees throughout the Group.

In personal appointments, company experts assist our employees with retirement planning matters, for instance company pension benefits or **long-term accounts**. Representatives from the German statutory pension insurance system also visit our premises regularly to discuss statutory pension matters with employees.

More information on the topic of healthcare benefits can be found under **Health and safety**.

Our commitment: Group guidelines and local regulations

Our **Social and Labor Standards Policy** harmonizes certain labor standards Group-wide, for instance on working hours and parental leave options. It is oriented towards the labor standards of the International Labour Organization (ILO).

At the end of 2018, our Executive Board had already adopted a Group-wide guideline on flexible working models. As a consequence, this created even greater working hour and location flexibility in the 13 countries where around 75% of our employees work. We are currently revising this guideline in order to expand it by 2021 to all countries in which we operate (more details can be found in the following section).

Flexible working models

Prior to the Covid-19 pandemic, our employees could choose between various flexible working models. Our exper-

iences in terms of employee performance and engagement during the pandemic were positive across the board. That is why we will launch our well-established "mywork@Merck" program at all our sites around the world by the end of 2021. At the end of 2020, 22 countries were already using our flexible working model.

The mywork@Merck program allows employees to freely choose their working hours and location (in the same country) in agreement with the teams and supervisors. Together with their respective supervisors, the teams can decide for themselves when and how often physical presence in the office is necessary for all members. We no longer record or monitor working hours. The model applies to non-exempt and exempt employees and strengthens the **culture of performance and trust in** our company. It is also part of our Group-wide **"Future Ways of Working"** program, through which we are developing principles for our future collaboration.

Supporting mothers and fathers

We want to make it easier for our employees to return to work after parental leave, which is why we offer a program for parents in Darmstadt and Gernsheim (Germany). It gives mothers and fathers on parental leave the chance to interact while also helping them stay in touch with the company. In addition, they can make use of various **training and networking opportunities**. We have established a similar program in the United States.

Moreover, we offer female employees in the United States eight weeks of paid maternity leave. In addition, we have introduced five weeks of paid paternity or adoption leave there. By contrast, the statutory minimum requirement only provides for 12 weeks of unpaid parental leave per year. In the case of an adoption, we also reimburse up to US\$ 5,000 in adoption fees.

In 2020, 538 employees of Merck KGaA (around 15% of our workforce) were on parental leave, around 50% of whom were men. In other key countries, we grant additional support benefits that **exceed the legal requirements**, such as unpaid parental 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 or employees with fixed-term contracts. The latter may apply for parental leave until

the end of their employment contract, with their employment continuing as agreed until the contract ends.

Childcare and support

For more than 50 years, a **daycare center for children** aged 1-12 has been located at our global headquarters in Darmstadt. It offers 150 places in the crèche, nursery school and school aftercare program. The current building will make room for a new one, which is scheduled for completion in early 2021. The capacity of the daycare center will then increase to 270 places.

In Darmstadt we furthermore offer an **emergency childcare service** to cover when regular childcare is not available. In addition, we offer the possibility of in-home care for acutely ill children. For up to two days a year, parents throughout Germany can engage the services of a trained educator free of charge to look after their children at home. Five places at a public daycare center are reserved for the children of our employees in Gernsheim.

Our facility in Mumbai, our main site in India, also has a **daycare center** for the children of our employees. In the United States, parents can visit the digital platform [care.com](#) to book external childcare. Furthermore, in the United States, we offer up to ten days of emergency childcare, as well as discounted daycare center places and childcare in the home.

Saving for retirement through a long-term account

We enable our employees in Germany to reduce their working hours before retirement or retire earlier by drawing

on a **long-term account**. For instance, they can deposit salary components or comp days into the account. On top of this, our company provides subsidies to encourage the use of these long-term accounts. Employees can then utilize the accrued balance to stop working up to three years before regular retirement or reduce their working hours by 50% for up to six years. In 2020, more than 10,000 employees made use of this option.

Making sabbaticals possible

In principle, all employees of Merck KGaA, Merck Healthcare KGaA and Merck Real Estate GmbH in Germany (around 20% of our workforce) can apply for a **sabbatical**, which gives them up to one year off from work. At the end of 2020, 62 employees were on sabbatical. For personal emergencies in which an employee needs an immediate leave of absence, we additionally offer an emergency sabbatical of up to three months.

Assistance with family nursing and elder 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 employees throughout Germany the possibility to take a short- or long-term leave of absence, either part-time or full-time. Our employees in the United States can use the platform [care.com](#) to find information about nursing care services.

Health and safety

Part of the non-financial report

We take responsibility for the health and safety of our employees every single day, especially when faced with new challenges such as the Covid-19 pandemic. We do everything we possibly can to safeguard them against both accidents and work-related illnesses. With a view to stress prevention, nutrition and exercise, we help our people avoid health problems 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 and well-being of our employees and sustain their ability to perform over the long term, which necessitates a safe workplace. We are therefore constantly working to take our **safety culture** to the next level.

Before starting any activity worldwide, we perform a hazard assessment to identify risks and do everything possible to eliminate them before commencing the activity or commissioning a plant. If this is not feasible, we put measures in place to minimize the potential impacts. Such hazard assessments are the responsibility of our individual sites and are therefore conducted by them. We are in the process of establishing this procedure at our Versum Materials and Intermolecular sites.

The **lost time injury rate** (LTIR) is the indicator used to gauge the success of our occupational safety efforts. This figure is a global measure of the number of accidents resulting in at least one day of missed work per one million man-hours. We track the LTIR for both employees and temporary staff. Our previous goal was to lower our LTIR to 1.5 (accidents resulting in at least one day of missed work per one million man-hours) by 2020. Having achieved an LTIR of 1.3 in 2020, we once again succeeded in remaining below the ambitious target. We are now working on a new target for the future.

We use our Environment, Health and Safety Incident Rate (EHS IR) to track unplanned **accidents**. Alongside this indicator, since 2019 we have also been using the Occupational Illness Rate in the United States to monitor work-related illnesses and their long-term effects.

At our Darmstadt and Gernsheim sites, we continued to pursue our BeSafe! program in 2020, giving it new direction and impetus. In line with the motto "Let's keep each other safe", we are striving to bolster team spirit and empower our people to be mindful of one another.

Through the efforts of our Health Management (HM) unit, we are bolstering our company and leadership culture at Darmstadt and Gernsheim. To verify the efficacy of HM's initiatives and programs, we have developed a **performance indicator system**. In 2020, we once more included questions regarding employee health in our Group-wide, anonymous **employee engagement survey**. In the long run, we intend to use this input to calculate our Healthiness Index, which should reflect the general state of health of

our workforce at both of these sites. HM utilizes the health-related results of the employee engagement survey, the findings from our company health insurance fund's health report, and evaluations from our Site Medical Center to advise the leadership at Darmstadt and Gernsheim. When specific indicators such as workplace stress start rising, Health Management meets with the respective units to discuss ways to rectify the situation. We utilize all the findings in the creation of **prevention programs tailored to specific target groups or facilities**.

In the coming years, we will be focusing particularly on shift work, mental health issues and demographic change. Moreover, we plan to identify in which working areas certain illnesses occur frequently so that we can take targeted steps to eliminate the root causes.

How we manage occupational health and safety

Our Environment, Health and Safety (EHS) management system is the responsibility of our Group Environment, Health, Safety, Security, Quality (EQ) function, which reports to the Vice Chair of the Executive Board and Deputy CEO. EQ sets objectives, globally oversees the respective initiatives, and conducts internal EHS audits, while **local EHS managers** and their teams ensure that our individual sites comply with occupational safety laws and regulations. They are also responsible for local projects, campaigns and programs.

Employees worried about their health or safety are encouraged to use our global SpeakUp Line and are also allowed to temporarily step back from their work until the issue has been resolved.

At our Darmstadt site, we also have safety councils and committees that meet to address health and safety issues, discussing strategy and focus areas with senior leaders, health and safety experts, and employees.

At our Darmstadt and Gernsheim sites, our **Health Management unit** helps embed health awareness in our company culture. The appropriate strategy, individual focal areas and steps required are developed by an interdisciplinary steering committee consisting of various senior leaders. Meeting six times a year, the committee discusses topics such as workplace health fundamentals, good leadership and tailored approaches to promoting employee health. After implementing each measure, Health Management team asks all participants for their anonymous feedback and

suggestions for improvement, which help shape the evolution and growth of the initiatives.

At both of these sites, our **interdisciplinary Mental Health Team** is working to tackle the growing challenges surrounding mental health in an effort to protect our workforce against psychological stress. Our Mental Health Team provides our people interdisciplinary support from a single source. In 2020, for instance, we offered mental health seminars. With the Covid-19 lockdown causing many of our employees anxiety and uncertainty, our Mental Health Team published extensive information on coping with the situation and maintaining a healthy mental state on our intranet. Moreover, we set up a telephone hotline for each country. Since then, our employees and their families have had access to confidential counseling services around the clock.

Safety officers and health partners

At our sites worldwide, we have employees who, in addition to their usual duties, help their supervisors ensure compliance with safety regulations and requirements. At the same time, they also act as points of contact for their colleagues regarding safety-related matters. In 2020, we surveyed our safety officers about their roles and responsibilities in order to identify unmet needs and determine the necessary steps going forward.

At our sites in Darmstadt and Gernsheim, we also have health partners in place who are the interface between our employees and Health Management. They function as a health-related liaison for their colleagues while also informing their teams about the health programs and services on offer. They furthermore make recommendations to Health Management regarding employee needs.

Our employees undergo training before taking up their role as safety officer or health partner.

Our commitment: Policies and company agreements

Defining our principles and strategies for environment, health and safety (EHS), our Group **EHS Policy** is an integral part of our EHS management system, which undergoes an external ISO 45001 audit every year.

Our Group Health Policy details our approach to ensuring workplace safety for our employees while also promoting their health and well-being. This document sets out our **Group-wide approach to health and safety management**, which is aimed at preventing workplace accidents and occupational illnesses. One component of the policy is our Global Well-being 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.

In 2020, we furthermore introduced our internal Contractor EHS Management standard, which has replaced EHS Compliance for Contractor Management. This new standard helps us ensure that our contractors adhere to environment, health and safety requirements throughout the entire process, from starting a task to completion. Alongside this document, our new standard operating procedure entitled "Procedure Construction Safety" clearly lays out practices for safe conduct on construction sites.

At most of our facilities in Germany, we work in partnership with employee representatives to draw up **company agreements** on occupational health and safety. For instance, our Occupational Integration Management company agreement, which applies to all our sites in Germany, governs the procedure for employees who have been on extended sick leave. This approach aims to retain an employee's position while also helping to prevent adverse health impacts after the respective employee returns to work.

Safety certification at our sites

In 2020, we transitioned our occupational health and safety management system to the new **ISO 45001 occupational health and safety certification guideline**, which has replaced the previously applicable OHSAS 18001. Our occupational health and safety management system is currently ISO 45001-certified at 42 sites. At 41 of these facilities, 100% of employees are covered by this certified system. At our global headquarters in Darmstadt, ISO 45001 covers around 70% of the workforce; the occupational health and safety of the remaining 30% of Darmstadt employees, who do not work in operating units, are safeguarded by our company's management system. The certification process helps us pinpoint weak areas and identify scope for improvement, allowing us to take the necessary steps in a timely fashion to ensure the health and safety of our employees going forward. Other sites are also urged to apply this standard.

Accident rates

At our sites, we track occupational safety data on a monthly basis. Our employees are required to immediately report relevant occupational accidents to EQ, where the incidents are assessed. If necessary, we then implement additional safety measures at our sites. This procedure is an integral practice across all of our production facilities around the world.

The majority of incidents resulting in lost time were slips, trips and falls, along with contusions and lacerations from the operation of machinery and equipment. In 2020, we recorded no fatal accidents.

Clear rules of conduct

Experience shows that most workplace accidents can be prevented by proper conduct. For our occupational health and safety, it is therefore essential that our employees have the relevant EHS training and certification. We educate our employees on occupational health and safety, actively engaging them in our efforts. For instance, we invite them to participate in inspections together or in the selection of personal protective gear. This involvement is crucial because our people best understand their actual working conditions and what is needed, enabling us to constantly improve our occupational health and safety practices and performance.

Group-wide, all new EHS managers must complete a three-day EHS onboarding that covers topics such as occupational health and safety as well as our **BeSafe! safety culture program**. Through this initiative, we raise employee awareness of workplace dangers and teach them rules for safe behavior. Nearly all our manufacturing and warehouse facilities have now been incorporated into the BeSafe! program. In addition, our sites regularly conduct occupational safety training that covers both the specific local risks and legal requirements. Due to the Covid-19 pandemic, we had to cancel many on-site activities in 2020 and instead held all BeSafe! workshops virtually.

Promoting employee health

For employees at our sites in Darmstadt and Gernsheim, our Health Management unit offers specific health services such as mindfulness courses and workplace ergonomics consultation. Moreover, we use a standard operating procedure to continuously assess the working conditions and environment of our employees and improve these in line with the latest scientific findings. We publish a health catalog in both English and German detailing our Health Management services, which cover topics such as ergonomics, nutrition, stress, and mental health issues.

During the Covid-19 pandemic, we have been educating our employees on a wide array of health matters, including recommendations on ergonomic design of the remote office setting, nutrition and fitness.

Fitness initiatives

Across Germany, our people can take advantage of offerings such as our company fitness program, which encompasses a range of **health prevention courses** that are subsidized by our company. Moreover, in Darmstadt and Gernsheim, we have a company sports program that currently features 33 different types of athletic activity.

In 2020, we continued our Training Island project. Featuring buses converted into **mobile gyms**, participants

are able to work out twice a week with a professional trainer in close proximity to their workplace. The program is designed in particular to prevent musculoskeletal disorders while also educating employees about exercise and nutrition. In March 2020, we had to suspend this offer due to the Covid-19 pandemic. However, in its place, we offered the option of personal training sessions via video chat.

In Taiwan, we offer an array of fitness programs under the banner of "Enrich your health deposit". Our site in Gillingham (United Kingdom) has an initiative in place that encourages employees to cycle to work and do something good for their health. In Tokyo (Japan), we offer special anti-stress programs to promote employee mental health.

Ergonomics training

We regularly assess the ergonomics of individual workstations, taking appropriate measures as required. Our employees also receive training on **occupational ergonomics** tailored to specific areas, whether manufacturing, administration, laboratories or when working from home. Moreover, we offer employees at many sites the opportunity to participate in special ergonomics training courses such as the Industrial Athlete program in the United States, which helps employees improve their physical and general well-being.

Examinations and support for our employees

Our Physical Ability Test and Health Preservation process allows us to ensure that all employees meet the health requirements for their particular tasks and duties. Due to new laws and stricter data privacy requirements, only some of our employees are required to undergo **pre-hiring physicals and physical aptitude examinations**. In light of these changes, we have adapted our approach. Our Travel Health & Medical Advisory Service, another program we offer, assists employees who spend time abroad on company business, providing them with recommendations on necessary vaccinations and advice on hygiene risks.

Rising to the challenges of demographic change

We expect the average age within our Group to continue to rise in the coming years. In Germany, we are responding to this trend by designing workspaces that help employees stay healthy and physically fit, thereby maintaining their performance. To inform our approach, we utilize an analysis tool that takes demographic shifts into account by assessing various age-related stress factors, which in turn enables us to **adapt our workplaces to suit the needs of older individuals**. Furthermore, we also offer innovative shift models and a prevention program for shift workers.

Handling Covid-19

To cope with the Covid-19 pandemic, we have established **global and local work groups** to develop risk scenarios and action plans. Among other measures, we have set up **internal Covid-19 testing centers** at Darmstadt and other sites, where our business critical employees undergo regular testing or have access to special testing in cases of suspected infection.

Enhanced protective measures

During the pandemic, we have developed **special occupational safety standards** for numerous sites covering all functional units (offices, laboratories and manufacturing facilities). We have used our intranet along with notice

boards to keep our workforce informed of specific behavioral protocols.

To mitigate our employees' risk of infection during the pandemic, we have been offering them personal protective equipment (PPE). A special PPE work group has ensured that the equipment be distributed in the correct quantity according to specific needs. For instance, we shipped face masks for personal and work use to the home addresses of our employees working at the Darmstadt and Gernsheim sites.

In 2020, we furthermore tightened up our travel guidelines Group-wide in order to protect our workforce.

In India and Italy, for instance, we expanded our insurance coverage to ensure additional financial support for hospital stays.