

Employees



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In accordance with the Merck Values, we live a culture of mutual esteem and respect. We want to strengthen our company's ability to act by recruiting, developing and motivating the most suitable employees. In addition, we would like to further enhance the performance culture of our company and promote the diversity of our workforce.

Management

As of December 31, 2012, a total of 38,847 employees worked for Merck at 203 companies in 66 countries. In accordance with the Merck Values, we live a culture of mutual esteem and respect. Through the Merck Social Charter, we commit ourselves to complying with fundamental labor and social standards, as well as the International Labour Organization's (ILO) core labor standards, the UN Global Compact and the Responsible Care® program of the chemical industry. Through global policies and guidelines, we ensure that these standards are implemented at our sites even beyond the legal requirements.



Strategic goals

Our strategic goals for our employees include developing a culture of goal orientation and recognition of performance, combined with a global, systematic talent development process, a performance-related, market-oriented compensation structure, as well as the recruitment and retention of talented people in the long term. For this purpose, Merck has introduced global programs, for example the Performance Management Process and Global Rewards Policy, as well as the Talent and Succession Management Process. In the 2011–2012 period, we focused these programs even more on the needs of a global corporate group.

Since 2011, we have additionally increased our strategic focus on workforce diversity and fostering a culture of inclusion to benefit from that diversity, which we want to promote by means of targeted measures. These include, for example, our intention to increase the percentage of management positions held by women to between 25% and 30% by 2016.

Organization and responsibilities

Kai Beckmann, Executive Board Member and Chief Administration Officer, is responsible for Human Resources (HR). We reorganized our HR units in 2012. Group Human Resources (Group HR) steers all HR activities worldwide. Employees of Group HR in the legal entities are responsible for locally implementing these activities.

Group HR comprises the units Corporate HR, HR Business Partner and HR Services. Corporate HR develops all global policies, programs and guidelines for all HR-related topics. The HR Business Partners provide advice and support to the business units and legal entities; HR Services performs administrative services and supports all employees with regard to HR-related matters. In 2013, we will complete the transition to this structure in all local HR organizations.

Global recording of employee data and controlling

In order to measure the progress we are making in achieving our strategic goals, we collect employee data worldwide, which we record in various systems. This enables global reporting of demographic employee data and reporting lines as well as protection of sensitive data, such as salary information. We are currently introducing an integrated system called HR Suite for our global performance management, as well as for talent identification and assessment, recruitment, learning management, and compensation review. HR Suite will make our processes even more efficient and will further improve data analysis. In addition, Merck regularly monitors HR-related topics by means of internal audits.

Training and sensitizing employees

In the 2011–2012 period, we redesigned our management programs so that all employees with personnel responsibility obtain a uniform understanding of, and common approach to, management activities in the Merck Group. This comprises properly applying HR processes and programs, as well as training in our Values, Code of Conduct, Social Charter, and diversity.

Outlook and goals

At the end of 2011, we launched a transformation program under the name "Fit for 2018" with the aim of securing Merck's competitiveness in the long term. A key goal of this is to anchor an even stronger performance culture in the company. For us, this means setting clear expectations and goals for all our employees, providing regular and transparent feedback, as well as recognizing good performance. To this end, we have redesigned our existing HR programs and processes. Our

→ “Fit for 2018” transformation program

transformation program faces the challenge of driving cultural change while continuing to implement personnel restructuring measures within the scope of the efficiency programs.

“Fit for 2018” transformation program

At the end of 2011, we announced the extensive “Fit for 2018” transformation program, with which we are addressing significant market shifts, increasing competition in key product areas and efficiency deficits in our organization. The aim is to increase the competitiveness of Merck. “Fit for 2018” covers all business sectors and regions of Merck and consists of two phases: In 2012 and 2013, the focus is on establishing a global organization, implementing efficiency measures, and developing a long-term growth strategy. In the second phase, as of 2014, the focus will be on capturing future growth opportunities.

In order to strengthen the leadership to drive the global organization, we made altogether 51 new appointments to key positions in 2011. These included 32 positions that were filled by non-German employees and eight by female employees. In addition, we have redefined the relationships between our divisions, Group functions and legal entities. In this way, we want to streamline our organizational structure and accelerate decision-making processes.



In early 2012, we presented our plans for an efficiency program to our employees and the public. These plans include restructuring as well as reductions of the workforce across all business sectors and regions. Without first announcing detailed plans on cost and workforce reductions, we held consultations with the employee representatives in the countries concerned. A key success factor here was the unbiased approach to these talks. This enabled us to jointly reach an optimal solution for our goals in each respective case. The aim was to find socially acceptable solutions, as far as possible, and to justify them openly and fairly to our employees.

Key developments in 2012

Switzerland

In April 2012, we announced the efficiency measures for the operational business, which include the closure of the sites in Geneva and Coinsins, Switzerland. In accordance with the regulations relevant to such planning measures in Switzerland, Merck called upon the employees there to submit alternative proposals by June 2012 for avoiding or reducing the planned workforce reduction. In the meantime, Merck held talks with the employee representatives called together at short notice at the sites in Geneva and the Canton of Vaud, as well as the UNIA trade union in Geneva and Vaud.

In mid-June, Merck informed the responsible cantonal authorities and its employees of the final decision: A variety of proposals, concerning for example the social plan, had been submitted to Merck Serono. Nevertheless, none of the proposals about retaining the Geneva site could be incorporated into the plans. They were not reconcilable with the goal of eliminating duplicate functions in order to secure Merck's viability over the long term.

Within the scope of restructuring measures, Merck is consolidating all Group functions at corporate headquarters in Darmstadt. Pharmaceutical research and development is to be concentrated at the sites in Darmstadt (Germany), Boston (United States), Beijing (China) and Tokyo (Japan). For this purpose, around 750 of the jobs at the Geneva site are being transferred to other locations. Approximately 500 jobs have been eliminated in order to avoid duplicate structures. Around 80 jobs will be cut at the sites in the Canton of Vaud (Aubonne, Coinsins and Corsier-sur-Vevey). Production in Coinsins is being transferred to Aubonne. The closure of the Geneva site is scheduled for mid-2013, and Coinsins for 2014.

In order to cushion the impact of the changes, Merck worked with the UNIA trade union and employee representatives to reach an agreement on a comprehensive social plan for the affected employees. This includes, for example, severance payments, early retirement arrangements and benefits to support employees transferring abroad or starting up their own businesses. In addition, Merck made CHF 2 million available to mitigate the effects of closing the Geneva site on the local labor market. The sum is administered by a board consisting of the employee representatives and a lawyer appointed by the

→ Attracting and developing employees

State Council of Geneva. Another measure is the Entrepreneur Partnership Program (EPP), which supports employees who have good ideas for starting up their own businesses. We have made € 30 million available for the EPP.

Germany

In September 2012, the company management and employee representatives reached an agreement on an efficiency program for our sites in Germany. The preceding consultation phase with employee representatives had begun in February. The aim is to reduce the workforce by around 1,100 positions in a socially acceptable manner by the end of 2015 – mainly through voluntary leaver and partial retirement programs. Forced layoffs are largely excluded until the end of 2017.

The program comprises around 100 individual initiatives aimed at increasing efficiency and focusing production on value-adding core activities. In order to strengthen the Darmstadt site, at least € 250 million in total will be invested there and at the other German sites in 2013 and 2014. Darmstadt is to be further expanded as Merck's global corporate headquarters, meeting the most stringent competitive requirements as a modern production and R&D site. Industrial salt production in Lehrte will be discontinued.

Attracting and developing employees

As an innovative company, we need talented and well-trained employees. At all sites, we face the challenge of attracting talented people to our company and retaining qualified employees. Particularly in Europe and the United States, but also in China and other Asian countries, we must adapt to stronger competition for specialists. We are constantly seeking chemists, pharmacologists, medical scientists, biostatisticians, biochemists, business administration experts, engineers, and IT specialists, as well as people who are able and willing to take on managerial responsibility. In emerging countries, we face the particular challenge of attracting qualified executives to our company. The Corporate HR unit within Group Human Resources is responsible for developing and steering strategic measures for attracting talent and retaining employees. Employees of Corporate HR at the legal entities are implementing the measures locally.



Attracting young professionals

In 2010, we launched the "Make great things happen" campaign to position ourselves globally as an attractive employer. The campaign highlights our strengths: diverse career opportunities for contributing to the development and marketing of innovative products in an international, motivating and mutually respectful work environment. In addition, "Make great things happen" is also intended to reflect our strong social responsibility and our commitment to reconciling the demands of a career and a family as well as work and leisure. The positive impact of the campaign is confirmed by Merck's ranking among the best employers for experienced scientists in Germany, which was completed between June and November 2012 by the company Universum following a survey of over 5,000 participants. Merck reached sixth place out of 100 companies, which was an improvement of three places over 2011. By 2014, we want to revise the campaign in view of the repositioning of our company within the "Fit for 2018" program. Furthermore, in 2012 we adapted "Make great things happen" in Europe and the United States in order to especially attract potential new employees for R&D.

We also regularly present ourselves as an employer at recruitment fairs. In the 2011-2012 period, we focused our presence at fairs more strongly on potential young professionals for R&D. In addition, we make targeted use of new media, for example the business networks LinkedIn and Xing, in order to recruit experienced professionals and executives. We engage in a dialogue with students via our Facebook page. For this target group, we offer internships and mentoring programs within our company. In 2012, around 500 students completed an internship at Merck in Germany. Moreover, in 2012 Merck participated as a founding partner in the "Careerloft" initiative – an online and offline exchange platform for students, graduates and companies.

In 2008, we launched a global electronic recruitment management platform. In 2011 and 2012, we introduced it across all business sectors and legal entities in Europe (except for Austria) as well as in Singapore and Thailand. At the end of 2013, it will be incorporated into the HR Suite integrated data management system and thus be available Group-wide.

→ Attracting and developing employees

Identifying talent within the company

To ensure the long-term success of our company, it is important to not only attract new, talented employees to our company, but also to retain existing staff and enable them to participate in continuing education. Here, our focus is on the personal and professional development of employees as well as career opportunities within the company.

Regular feedback discussions and employee performance evaluations are essential to a systematic development process. For this purpose, we introduced the Performance Management Process at Merck in 2008, which provides for annual feedback discussions and performance evaluations for employees rated Global Grade 10 and higher in our position assessment system. Apart from evaluating employee performance, it helps us to identify individual development opportunities. In addition, we assess whether our employees' performance conforms to the Merck Values. The legal entities are responsible for applying the process also to employees in positions rated Global Grade 9 and lower. In many cases, these are subject to the regulations of the collective agreement and specific local statutory requirements. In 2011 and 2012, a total of 23,800 employees took part in the Performance Management Process.

In 2012, we refined the Performance Management Process in order to better identify new talent within the company by means of performance evaluations. The new Performance and Talent process is also meant to strengthen the performance culture at Merck and to ensure that internal positions are filled in an even more efficient manner. It will be introduced incrementally starting in 2013 and is to be completed for the entire Merck Group by the end of 2014. The process will thus replace all previous tools in the areas of talent recruitment, performance evaluation, skill development, and compensation, and will likewise become an integral element of the new HR Suite. In 2012, we were already able to fill 88% of leadership positions with internal candidates.

2012

88%

of leadership positions filled with internal candidates

Vocational and advanced training

Advanced training for our employees is an investment in our future. Additionally, we want to support our employees in optimally developing their personal and professional strengths. In 2012, we continued with our advanced training approach and harmonized it globally. The objective was to ensure that employees and managers around the world develop the skills that we need in order to implement our business strategy and strengthen the Merck culture.

This also includes offering a catalog of advanced training courses that can also be adapted to specific regional needs if required. At the same time, we also redefined good management practices based on five criteria and adapted our seminars for all management levels accordingly. This approach will be introduced globally in 2013.

The U.S. magazine "Training"  named EMD Serono in the United States as one of 125 companies that excel in employer-sponsored training and development programs.

Apart from our advanced training options, we also offer three programs designed to develop and strengthen the leadership skills of future executives. The Future Leaders program supports employees in acquiring business and leadership skills in the early phases of their career. The participants take on strategic and cross-functional projects, and they work abroad for two years. Within the scope of the nine-month International Management Program, managers are to strengthen their ability to think globally. In cooperation with top international universities, the Merck University offers a multi-regional, modular one-year program. In 2011 and 2012, a total of 118 employees classified as "talent" took part in these programs. Additionally, Merck cooperates globally with universities in order to support employees who wish to study for an Executive MBA. In 2011 and 2012, five employees in Europe graduated from the Executive MBA program at Ashridge Business School in the United Kingdom and the WHU-Otto Beisheim School of Management in Germany.

We view company vocational training of young people as one of the most important ways to prevent a potential shortage of trained staff due to demographic change. In Germany alone, more than 500 young people completed an apprenticeship in one of 23 vocations at Merck in both 2011 and 2012. Moreover, in Darmstadt we offer our one-year in-house work preparation program called "Start in den Beruf" (Preparing to join the workforce). In the 2011-2012 period, ten secondary school students who were previously unable to find an apprenticeship qualified themselves for the job market.

In order to ensure the quality of vocational training in technical production occupations in Darmstadt, during the 2011-2012 period Merck modernized the vocational training school pilot plant at the Peter Behrens School in Darmstadt for more than € 1 million. At the vocational training facility, which spans around 200 square meters, future chemical technicians and chemical production specialists use computer simulations and technical apparatuses to familiarize themselves with large-scale production processes.

→ Attracting and developing employees

"Merck Zeitservice" – Supporting the restructuring process

With the personnel restructuring currently underway as part of "Fit for 2018", it is particularly important to be able to find new placements for employees in other positions and units. Functioning as a hub, Merck Zeitservice – Merck's own internal temp agency – helps to find new jobs within the Group for employees whose positions have been eliminated. In addition, we support employees who need specific advanced training in order to meet the requirements of a new position. A team of HR staff and works council members are overseeing the entire process.

Performance-based pay

Competitive salaries and additional social benefits increase not only our attractiveness as an employer, they also serve to motivate and retain employees. At Merck, compensation is based exclusively on market analyses in the relevant field and the degree of responsibility, as well as the competence and performance of the relevant employee. Initial analyses of the salaries paid to men and to women do not reveal significant differences at the same hierarchical level.

The Global Rewards Policy introduced throughout the Merck Group in 2011 defines the framework for compensation and additional benefits. Additional social benefits orient toward local legal and market conditions. These may include, for instance, sick pay or a retirement pension.

Goals: Attracting and developing talent

Strategic goal	Action	By?	Status in 2011 and 2012	Status
Introduce a performance management system	Introduce performance management systems for all employees with target agreements, feedback and coaching	End of 2013	In 2012, 98% of employees took part in a performance and development evaluation.	
	Introduce development plans for all employees with performance evaluations, target agreements, feedback and coaching	End of 2013	By the end of 2012, development plans had been instituted for 77% of employees.	
	Introduce development plans for all managers from Millipore Corporation, which was acquired in 2010	End of 2011	The Global Grading System was introduced incrementally for the employees of Millipore Corporation, which was acquired in 2010. This process had not yet reached completion as of the end of 2011, which is why the status cannot be specified for the end of 2011. At the end of 2012, development plans were instituted for 85% of the management; this process is to be completed by the end of 2013.	
Talent & Succession Management: Fill at least 2/3 of positions at global grade 16+ with internal candidates	Use the Talent & Succession Management Process to identify suitable employees with management potential and define a process to systematically develop employees	Ongoing	In 2011, we initiated the Performance & Talent Process to systematically develop management. In 2012, 88% of the vacant management positions were filled internally.	

Legend:  Achieved  In progress  Not achieved  New goal

Occupational health and safety

As a responsible employer, it is especially important to us to prevent workplace-related illnesses and accidents.

Our Group-wide guidelines and management structures ensure uniform standards for occupational health and safety. They are oriented to the requirements of the International Labour Organization (ILO) and the Responsible Care® program of the chemical industry.

For example, in 1995 we instituted our Group-wide "EHS Policy" (Principles and Strategies for Health, Safety and the Environment), which is implemented through numerous other guidelines. At our individual sites, we furthermore have company agreements on occupational health and safety that have been entered into by employer and employee representatives.



Central EHS management with local managers

At Merck, occupational health and safety is an integral part of our EHS management system. Ultimate responsibility for environmental, health, and safety matters lies with Executive Board Member Bernd Reckmann. The Group function Environment Health Safety Security Quality (EQ) manages all global activities, and local EHS managers implement them at the individual sites.

EQ monitors adherence to local environmental protection laws, regulatory requirements, standards and business requirements at our individual sites through internal and external audits oriented to the requirements of OHAS 18001 , one of the international standards for occupational health and safety management systems. We conducted 44 audits in 2011 and 17 in 2012.

Via the LION electronic data management system, data on workplace accidents is compiled at the individual sites and reported to EQ on a monthly basis. The sites are required to immediately report relevant accidents to EQ. EQ evaluates all data and informs other sites about preventive measures as needed.

We provide continual training to all employees who perform occupational healthy and safety tasks. Besides local programs, this training also includes the annual EHS congress in Darmstadt as well as the regional EHS forum. Both events inform attendees about new EHS topics as well as updated guidelines and laws, and furthermore encourage best practice sharing at an expert level.

Reducing behavior-related workplace accidents

Preventing behavior-related workplace accidents is an important aspect of operational occupational health and safety at Merck. We aim to accomplish this by sensitizing our employees worldwide to potential hazards in the workplace. In 2009 and 2010, we launched the "selbst sicher" program at our Darmstadt and Gernsheim sites, and in 2011, we instituted this program Group-wide under the name "BeSafe!". It features numerous activities and awareness campaigns that are intended to reinforce our safety culture. This includes workshops for managers at the individual sites and an information exchange among EHS managers at a regional level, who then instruct employees at the sites. In addition, individual legal entities in Latin America, such as in Brazil and Mexico, hold safety competitions at specific sites that also help bolster our safety culture.

Since 2010, EQ has been presenting the Safety Excellence Award to all sites with no workplace accidents. Altogether 29 sites from all regions received this award in 2011 and 42 in 2012. We are particularly pleased that many sites were awarded this recognition for the third time.

The lost time injury rate (LTIR) is the indicator used to assess the success of our measures; our goal for 2015 is an LTIR of 2.5. We achieved an LTIR of 2.0 in 2011, and 2.3 in 2012. This shows that our activities for preventing behavior-related accidents are making a positive impact.

Goal 2015

2.5

Reduce LTIR throughout the entire Merck Group

Promoting employee health

People are facing longer work lives as well as increasing demands from their careers. In view of this, we would like to bolster our employees' health as well as their capacity to perform their jobs through a wide array of health-promoting measures. Ergonomic evaluation of the workplace is one of the tasks our global EHS Management organization. At our Darmstadt site, our company medical center offers check-ups and medical services such as the early detection of diabetes and cancer, travel health advice as well as sociomedical and psychosocial advice. The medical center also provides training seminars and lectures on health-related topics.

We rely on our employees' personal responsibility and support their health awareness through local programs. At the Darmstadt site, for instance, we work with the Merck company health insurance fund (called Merck BKK) to offer programs and courses on healthy nutrition, exercise and relaxation. These range from back training, to yoga, to courses on how to quit smoking. We also offer courses on occupational health promotion activities, such as movement and back exercises.

Another important component of Merck's health promotion activities is our "Fit@Merck" program, which enables employees to participate in select health courses. Some of these are offered free-of-charge, and others cost a nominal fee. The courses focus on prevention through movement and back health since a large percentage of missed work is attributable to back pain. Take for example the Fitback program, in which employees can consult a physical therapist free-of-charge and have their backs examined.

Furthermore, employees in Darmstadt can participate in our company sports program. As of the end of 2012, it featured 23 different types of activities, including badminton, fitness training, ping-pong, golf, diving, and tennis.

At our company cafeterias, we furthermore offer our employees healthy food that meets the requirements of the German Society of Nutrition (DGE).

Employees of EMD Millipore at the Massachusetts and New Hampshire, USA sites can participate in a comprehensive health intervention program offered within the company. This program aims to prevent, detect early on, and/or treat diseases and injuries, especially those pertaining to the musculoskeletal system. It includes services such as special exercise/training programs, seminars, sport competitions, and ergonomic reviews of work areas. Employees who attend health intervention courses can receive up to US\$ 300 in financial incentives.

Goals: Occupational health & safety

Strategic goal	Action	By?	Status in 2011 and 2012	Status
Reduce work accidents throughout the entire Merck Group (lost time injury rate = 2.5)	Implement the BeSafe! program; hold EHS forums on "Safety Behavior Change"	End of 2015	In 2011, we launched the BeSafe! program. Through systematic accident prevention measures (such as training and campaigns to strengthen our corporate safety culture), we attained an LTIR of 2.0 in 2011 and an LTIR of 2.3 in 2012. We are working to lastingly stabilize our LTIR.	

Legend:  Achieved  In progress  Not achieved  New goal

Diversity and inclusion

We believe that workforce diversity promotes innovation and better team performance. A good balance between different cultures, nationalities, and age groups as well as between male and female employees is conducive to our entrepreneurial success. We have therefore set ourselves the goal of furthering workforce diversity and including all employees in company operations in the best possible way (workforce inclusion). Increasing the proportion of women in management positions is important to us. Internationality and demography are two further areas of focus of our diversity activities. During the 2011–2012 period, we launched a wide variety of measures to achieve our goals.



New responsibilities – Chief Diversity Officer

Ultimate responsibility for diversity lies with Kai Beckmann, Executive Board Member and Chief Administration Officer. The Chief Diversity Officer (CDO) within Group Human Resources is responsible for strategically managing diversity. We established this new position during the 2011–2012 period. The CDO reports directly to the Chief Administration Officer.

In order to promote diversity to an even greater extent, in 2013 we plan to set up a Diversity Council comprising executives from all divisions and multiple Group functions. Its tasks will mainly include refining the diversity and inclusion strategy.

Systematically promoting women

We want to increase the percentage of female employees wherever they are underrepresented. In 2012, the 42% of the positions in our company were held by women. The ratio of female to male employees varied among the individual businesses, functions and regions. In 2012, women made up 46% of the workforce in Pharmaceuticals, 37% in Chemicals, and 42% in Group functions. In North America, 46% percent of the workforce is female, Europe 45%, the Emerging Markets 37% and Rest of World 37%. At 51%, the percentage of research and development positions held by women is highest, followed by administrative positions with 50%. The lowest percentages of women are in production (34%) and infrastructure (30%).

In 2011, we decided to increase percentage of management positions held by women to 25%–30% by 2016. In the same year, Merck joined with all 29 other DAX 30 companies in signing a voluntary commitment to increase the proportion of management positions held by women. The participating companies report on their progress every year.

Goal 2016

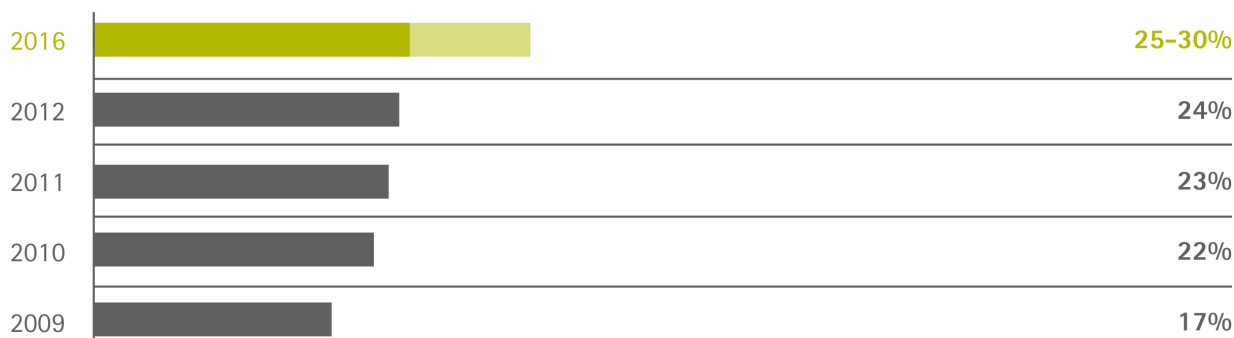
25–30%

Management positions held by women

At local level, we have implemented numerous measures designed to increase the percentage of women in the entire workforce and to specifically increase the number holding management positions. For one, we facilitate the work-life balance for our employees in many countries, for instance by offering flexible working hours and childcare options. Furthermore, women benefit from special advanced training measures, seminars, mentoring programs and networks. During the 2011–2012 period, we conducted the "Women in Mentoring" program. Altogether, 15 women took part, with each being mentored by a female executive. Since 2000, Merck has been supporting local mentoring programs such as the "**Cross-Company Mentoring**  industry initiative or the "Hessisches Mentorinnen Netzwerk für Frauen in Naturwissenschaft und Technik", a local German initiative. In order to promote exchanges among women in management positions within the Merck Group, we initiated an internal "Women in Leadership" program at corporate headquarters in Darmstadt. In addition, we set up the Group-wide "Merck International Women's Network" in 2012. Our Chief Diversity Officer and the Executive Board Member with responsibility for Human Resources engage in regular exchanges with these groups.

The overall percentage of management positions held by women was 24% in 2012. The percentage was higher at the legal entities than at corporate headquarters in Darmstadt; it is also higher in Pharmaceuticals than in Chemicals. In certain Group functions such as IT, women account for a lower proportion of management positions. The results in the 2011–2012 period show that we are not far from achieving our strategic goal of 25%–30% women in management positions by 2016. In 2013, we will launch further local and global measures to promote women in management with a special focus on women with little or no management experience.

Management positions held by women



Percentage of management positions held by women

Promoting internationality

As a global company, we promote the international and intercultural diversity of our workforce. People from a total of 121 different nations work at Merck. Only 26% of our workforce is from Germany. Altogether our executive staff includes representatives of 57 nationalities, and 61% of our management positions were held by non-German citizens.

In order to promote the internationality of our workforce, we pursue two goals when making appointments to new positions. Firstly, we aim to increase the number of local employees at all sites across all hierarchical levels. And secondly, we want to offer our employees international development opportunities. Furthermore, we help our employees to acquire intercultural competencies. For this purpose, we promote intercultural training courses and international teamwork throughout the entire Merck Group. We offer special cultural immersion courses to executives working outside of their home countries. This includes for example language courses and international networks.

Demographic change

In Germany, several other EU countries and the United States, we must prepare ourselves for demographic change. In these countries, the average age of our employees exceeds 40 – and we assume that this average will continue to increase. In Europe, we are using various programs to address these demographic challenges. We seek young professionals for our company in order to meet our long-term human resources needs. We also promote the employability of our workforce and are active in the area of employee retention. This includes adapting workplaces to the needs of older people and establishing a health management program to maintain their ability to do their job. One example is the health management program in cooperation with the company health insurance fund at the Darmstadt site in Germany. Employees older than 40 receive special support in the form of the "Leben nach Herzenslust (Living Life to the Full)" program when starting or resuming sports activities.

Monitoring and controlling

Each quarter, we collect data on gender distribution, nationality and demographics for internal evaluation purposes. We analyze these data at divisional and Group function level, as well as for key countries and groups of young professionals and executives. We present selected data in our Annual Report and Corporate Responsibility Report as well as jointly with the other 29 DAX 30-listed companies.

Training and sensitizing employees

The topics of diversity and inclusion are integral components of all training courses for Human Resources staff. For instance in 2012, we informed our international recruiting team on the relevance of these topics to Merck and trained them accordingly. The aim of the workshop was to develop a common understanding of diversity and to discuss measures to adapt our recruiting activities. In addition, we have added the topics of diversity and inclusion to the curricula of our management courses offered to all employees with leadership responsibility.

→ Work-life balance

Preventing discrimination

Our commitment to diversity also means that we do not tolerate discrimination anywhere in the world within our company – whether based on age, ethnic origin, skin color, nationality, religion, sexual orientation or disability.

This rule is defined in our Code of Conduct. Cases of discrimination can be reported to supervisors or to Group Human Resources, Legal or Compliance. Employees can also report discrimination cases anonymously via the Speak-up Line, a global, toll-free telephone hotline. Our compliance organization is responsible for processing the cases. Confirmed cases can lead to disciplinary measures or consequences stipulated by labor law. In 2011 and 2012, two cases of suspected discrimination were reported via the Speak-up Line. However, a review of the cases revealed that our regulations were not breached in either of them.

Goals: Diversity and inclusion

Strategic goal	Action	By?	Status in 2011 and 2012	Status
Increase the percentage of management positions (Global Grade 14+) held by women to 25%-30%	Increase the percentage of management positions held by women through numerous initiatives that move women into those positions	End of 2016	23% of management positions were held by women in 2011; 24% were held by women in 2012, a 2% increase over 2010.	

Legend: ■ Achieved ■ In progress ■ Not achieved + New goal

Work-life balance

As a family-friendly company, we want to help our employees to achieve a good balance between their professional and personal objectives. For instance, we help them to maintain and strengthen their motivation and performance potential. In addition, we further their trust in our company. Therefore, our employees can make use of flexible working models and childcare options, making it easier for them to achieve their personal goals. We also offer our employees ways to better reconcile the demands of a career while caring for family members as well as health management support.



Flexible working models

In Germany and other countries, we offer numerous working model options. These include individualized working hours and locations.

In 2011 and 2012, our employees made use of more than 20 different part-time models, for instance varying weekly working hours and individually agreed working days. Globally, approximately 6% of our employees worked part-time.

At the Massachusetts sites of EMD Millipore in the United States, we introduced a new work concept called "FlexWorks". Participation is voluntary and enables both full-time and part-time workers to decide for themselves when and where they work while meeting their contractually agreed working hours. In our view, this not only promotes the work effectiveness of our people, it also enables us to lower power consumption for unused offices and helps our employees avoid the stress of commuting. As of the end of 2012, 147 employees were taking part in the program. Only one month after the project started, the commuting savings amounted to an average of 72 km (or 70 minutes) per participating employee.

→ Work-life balance

In 2012, Merck introduced a new working model at the Darmstadt, Gernsheim and Graefing sites in Germany based on a working time honor system. Initially, we piloted the "mywork@merck" model in 14 areas of the company. Altogether, 350 non-exempt and exempt employees took part in the program, enabling them to flexibly shape their working hours and location. As of mid-2013, all exempts in Germany with qualifying positions can make use of mywork@merck.

Entitlement to parental leave

At numerous sites, our employees are able to take parental leave; this possibility is also provided for by law in some countries, such as Germany and the United States. Often, we offer our employees better conditions than those required by law.

In the United States, employees are legally entitled to a 12-week unpaid leave of absence per year in the event of the birth of a child or illness of a family member. In these cases, EMD Millipore offers its employees financial support. Overall, EMD Millipore offers eight weeks of paid maternity leave, two weeks of paid paternity leave, and five weeks of paid leave when adopting a child. Moreover, EMD Millipore will reimburse up to US\$ 5,000 in adoption fees.

The number of employees working for German Merck companies in Darmstadt, Gernsheim and Graefing (representing around 24% of Merck Group employees in 2012) who were on parental leave totaled 401 as of December 31, 2011 and 434 as of December 31, 2012. Fathers represented 30% of these totals. Parents returning to work after parental leave can find information on possible childcare options on the intranet. In addition, presentations and meetings with parents are held by Merck in Germany. Contacts are available at the Darmstadt site for individual consultations.

Childcare options

At various sites, our employees benefit from childcare options that we subsidize. A daycare center for children from the ages of one to twelve years has been operating at the Darmstadt site in Germany for more than 40 years. It is supported by the family of owners (Merck'scher Kindertagesstätten-Verein e. V). The center is open year-round from 6:30 a.m. to 5:15 p.m. and offers 100 daycare slots. At the end of 2013, a further 50 slots are going to be made available. In addition, the operating hours will be extended. At our headquarters in Darmstadt, employees can also make use of our emergency childcare service if their regular childcare provider happens to be unavailable. For employees at the Gernsheim site in Germany, five slots are available at a public daycare center.

We have been offering vacation camps for the children of employees at the Darmstadt site since 2008 and considerably expanded the offer in 2011 and 2012. In 2012, a total of 275 vacation camp slots were available to parents, who could book them either on a daily or weekly basis. The vacation camp program consists of sports activities, art and research projects.

In the United States, EMD Millipore offers its employees assistance in finding the best childcare solution.

Reconciling demands of career and family

In an aging society, more and more employees will be required to care for family members with special needs. In Darmstadt, Merck has therefore been offering special information and consultation possibilities since 2009. This includes the services of the local Merck company health insurance fund, which provides information such as contacts to nursing staff and offers seminars on the challenges and costs of nursing care. In the United States, EMD Millipore supports its employees financially by enabling nursing care to be paid out of gross income.

Award for family-friendliness

In 2012, the charitable Hertie Foundation recognized the Merck sites in Darmstadt and Gernsheim, Germany for the third consecutive time as being "family-friendly". The distinction is based on an audit on family-friendliness, which was conducted using predefined criteria and is valid for three years.

Dialogue and co-determination

We believe that we can strengthen our employees' trust in the company through open and honest communication. We therefore inform them regularly about the latest developments.

Information and communication channels

We provide employees Group-wide with a broad range of information on the latest topics, which we publish in different languages on the intranet. In 2012, we introduced the possibility for our employees to comment on the news items directly online. We set up an additional intranet platform for the "Fit for 2018" transformation program; the platform provides information as well as a discussion forum. In addition, numerous additional information media and dialogue forums are in place. Examples include the international employee newspaper "pro" as well as newsletters issued by the divisions and Group functions. Our "ChemForum", a dialogue-promoting event for all employees working in the Chemicals divisions, was held 13 times in the 2011–2012 period.



Employee representatives and co-determination

We foster employee participation, co-determination and dialogue in our company. The Merck Euroforum is our employee representative body at the European level and also serves as an information and advisory platform for a direct dialogue between employees and senior management up to the Executive Board level. Topics that are addressed regularly include the economic and financial situation of the Merck Group in Europe, the employment situation, and also significant changes within our company.

Moreover, the individual sites have other forms of employee representation, such as local works councils and unions. Local works councils as well as a central Group works council represent our employees in Germany, for instance. Senior executives are represented by the Senior Executives Committee.

During the 2011–2012 period, the "Fit for 2018" transformation program was a topic debated extensively by all employee representative bodies. In May 2012, around 30 Euroforum participants from 14 countries spoke with the Executive Board about the impact of the program on the workforce. In 2013, our employees at the Aubonne, Coinsins, Eysins and Corsier-sur-Vevey sites in Switzerland elected employee representative bodies for the first time in order to utilize this communication channel with a view to the further implementation of "Fit for 2018".

Employee surveys

We introduced the "Pulse" survey in 2009, initially conducting it every year and as of 2011 every two years. Through this survey, our employees have the opportunity to rate Merck as an employer and to express their concerns anonymously. The results are used to devise and implement concrete measures. In 2011, the results of the survey were slightly inferior to those of previous years. We ascribe this sentiment to "Fit for 2018"; at the time of the survey, the first measures from the program had already been instituted at Merck Serono. The next Group-wide survey will take place in 2014. We are monitoring employee sentiment during the current reorganization process by conducting smaller, short-term surveys. For example, Merck Serono conducted this type of survey in 2012. We are planning to conduct employee surveys in additional units in 2013.

→ Dialogue and co-determination

Further possibilities for dialogue and exchange

Our employees have other options for dialogue and feedback, for instance the annual employee appraisal.

At the Darmstadt site in Germany, we want to use the company suggestion scheme to hone Merck's competitive edge. We reward employees for the suggestions that are implemented by paying them bonuses based on the cost savings or the contribution to occupational safety, environmental protection and quality improvement. Merck employees submitted 4,111 suggestions in 2011 and 3,128 in 2012 for improvement. These led to savings amounting to € 1.9 million in 2011 and € 2.0 million in 2012. For this, they received bonuses totaling € 1.1 million in 2011 and € 0.8 million in 2012. Around 70% of the suggestions for improvement related to production areas; the remaining 30% comprised suggestions pertaining to analysis, technology and logistics. The suggestions helped significantly in many instances to optimize production processes and occupational safety or to lower waste quantities and emission levels.