

Employees

In accordance with our Values, we live a culture of mutual esteem and respect. We strive to bolster our company's performance by recruiting, developing and motivating the best-suited employees. In addition, we would like to further enhance the performance culture within our company and foster the diversity of our workforce.

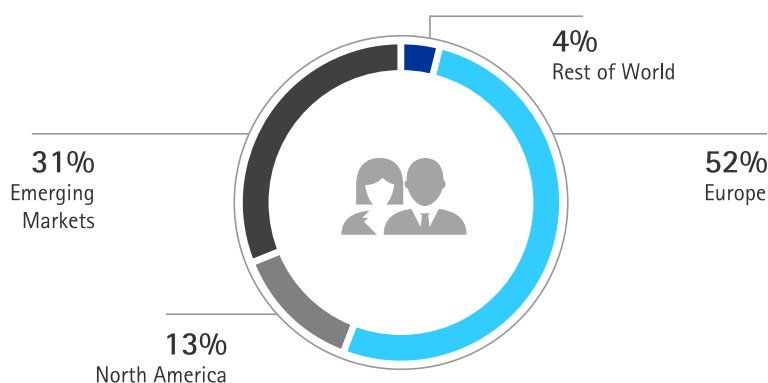


Human resources management

As of December 31, 2014, a total of 39,639 employees worked for Merck KGaA, Darmstadt, Germany across 66 countries. In accordance with our Values, we live a culture of mutual esteem and respect. Through workplace provisions defined in the company's "Human Rights 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. We have put global policies and guidelines in place to ensure that these standards are implemented at our sites, often going beyond the legal requirements.

Distribution of employees (by region, %)



Strategic goals

Our strategic HR goals include developing a goal-oriented, performance-driven corporate culture that features a global talent development process and a performance-related, market-oriented compensation structure. We are furthermore focused on recruiting talent, building their loyalty and retaining them for the long term. For this reason, Merck KGaA, Darmstadt, Germany has introduced global programs, for example the Performance Management Process and Global Rewards Policy, as well as the Talent and Succession Management Process. Through targeted measures, we are also aiming to build workforce diversity and foster a culture of inclusion within our company. For instance, we are thus striving to increase the percentage of management positions (Global Grade 14 and higher) held by women to 25%-30% by 2016 (26% are currently held by women). Through our vocational training and continuing education offerings, we are working to build employee buy-in to our performance culture as well as bolster their professional development.

In order to evaluate the impact of our strategic measures, we conduct surveys on our programs. For instance, in the 2013-2014 period, we surveyed our employees regarding our new flexible working model, in which employees can decide when and where they work. One year after implementing this system in July 2013, we turned our attention to Generation Y employees. The results revealed that far more than 90% of those surveyed consider flexibility in the choice of working hours and work location to be highly important. In addition to a new working model, we also introduced a new comprehensive approach to employee surveys in the 2013-2014 period. The key tool here is the Organizational Health Index, which serves to predict our future performance capacity.

Organization and responsibilities

Kai Beckmann, an Executive Board Member, is responsible for human resources at Merck KGaA, Darmstadt, Germany. The Group Human Resources (Group HR) function manages and coordinates all HR activities

worldwide. Regional employees of Group HR are in charge of implementing the measures in their respective subsidiaries.

Group HR comprises the units Corporate HR, HR Business Partners and HR Services. Corporate HR designs all global HR guidelines, programs and policies. HR Business Partners provide advice and support to business units at all subsidiaries; HR Services performs administrative services and supports all employees with regard to HR-related matters. In the 2013-2014 period, we completed the transition to this structure across all local HR organizations.

Actions taken in 2013-2014

The Group-wide "Fit for 2018" transformation and growth program aims to maintain the Group's competitive edge in the long term. A key goal of this initiative is to bolster buy-in to the company's performance culture. For us, this means setting clear expectations and goals for all our employees, providing regular and transparent feedback, and recognizing good performance. This is why we launched the capability initiative known as ONE Talent Development, Rewards and Performance Management. Part of our Group strategy, this initiative aims to recruit the talent needed for our business success, offer them development and growth opportunities, and retain them for the long term. We are therefore working to establish a talent pool for all critical positions at the company. This includes jobs that, from a strategic standpoint, are absolutely essential to our operations. In addition to this, we are striving to further improve our internal talent pool, as well as to identify and start nurturing talent earlier on in their career.

To ensure that all HR functions partner more closely with the businesses during the growth phase of "Fit for 2018", the HR Business Partner functions that previously operated separately are being consolidated into one single HR Business Partner organization starting in 2015. The Organization Center of Expertise and HR Services are also being consolidated into one organization. The heads of both units will report to Kai Beckmann, Executive Board Member and Head of Group Human Resources.

Global employee data collection and controlling

We collect and assess employee data across the Group in order to check whether we are making progress toward our strategic goals.

Since 2012, all relevant HR processes have been consolidated on a single IT platform: global performance management, development planning, identification and assessment of talent and successors, recruiting, learning management, bonus calculation, and annual compensation review. Called "HR Suite", this platform has harmonized and simplified HR processes Group-wide. Over the 2013-2014 period, we gradually expanded the HR Suite group of users. We will be focusing on further integrating processes and data as well as consistent reporting.

Through internal audits, the company regularly reviews all issues covered in HR guidelines and regulations, such as compliance with the statutory minimum working age among all employees.

Training and educating employees

All new employees at Merck KGaA, Darmstadt, Germany receive training on our Code of Conduct, and are educated on what diversity and inclusion means to us. This is how we convey a common understanding of our Values and reinforce our corporate culture.

In the 2013-2014 period, we adapted our activities and measures in order to meet new challenges such as increased international and Group-wide collaboration, as well as accelerated innovation cycles. Since many teams now feature employees of differing nationalities, we are focusing our education and training activities more heavily on a solid, fundamental understanding of other cultures. In addition to this, Merck KGaA, Darmstadt, Germany has developed a tool kit that aims to improve team performance and collaboration, and features workshop formats and e-learning courses. So far, 35 workshops have been held for various teams from various

units. Furthermore, we have implemented talent identification and development processes across the entire Group.

In the coming years, cooperation between HR and the managers of the businesses will continue to grow, which will ensure that all managers and staff worldwide live our Values and strengthen our corporate culture.

Good leadership

Our managers drive our innovative business model by motivating their teams, as well as by recognizing and leveraging the opportunities offered by the diverse cultures and experience of their employees. They furthermore act as role models, bolstering our Values and feedback culture.

In order to reinforce good leadership qualities, we launched the strategic initiative known as ONE Talent Development, Rewards and Performance Management in 2014 as part of the growth phase of our "Fit for 2018" program. We furthermore initiated the Merck KGaA, Darmstadt, Germany Competence Model, which has replaced the Merck KGaA, Darmstadt, Germany Competency Compass and our leadership guidelines. This new model is based on six core competencies: customer-focused, global, innovative, result-oriented, efficient, and engaged. They describe the type of conduct that we expect of and therefore encourage in our employees and managers in order to drive our strategic alignment and business success. This model constitutes the foundation of learning and development activities at the company. In addition to this new model, during 2013 and 2014 the Diversity Council also developed diversity and inclusion expectation criteria for managers.

We offer our top talent and senior managers programs on the topic of "good leadership". For instance, the Future Leaders program helps employees acquire business and leadership skills in the early phases of their career. The participants take on strategic cross-functional projects and work abroad for two years. During the nine-month International Management Program, young talent have the chance to hone their leadership skills as well as their ability to think globally. In addition to this initiative, the Merck KGaA, Darmstadt, Germany University, launched in

1999, offers a multi-regional, modular one-year program in cooperation with top international universities. To date, 284 senior managers have taken part. The company also cooperates globally with universities to support employees who wish to study for an Executive MBA. We plan on further harmonizing our training programs so that all of our managers live the same concept of good leadership.

Our teams are increasingly composed of employees from various sites and various countries. Our management processes must therefore take a global approach, and our managers must possess cross-cultural leadership qualities that are effective across an Internet connection. In the 2013-2014 period, we further harmonized our manager development activities. Since 2013, we have been offering our employees and managers Group-wide an enhanced development portfolio. Take for instance our Emerging Markets Management Program, which we developed in China in collaboration with the renowned China Europe International Business School. This initiative is targeted to young managers in emerging markets in order to groom them and build loyalty to the company. Over a period of up to two years, the program covers business administration content such as marketing and financial analysis, along with topics specific to the company such as our strategy and corporate culture. The goal is to equip participants to work in any of our businesses in an international setting. We launched the Emerging Markets Management Program in China in 2013 and in the Intercontinental region in 2014. Similar programs are being initiated in Latin America in 2015 and in India in 2016.

We gauge the efficacy of our activities through our Performance and Talent Management Process, as well as by the fluctuation rates of managers and top talent in the company. In addition to this, we conduct an organizational health survey as well as an employee engagement survey to get employee feedback on leadership qualities.

Identifying talent

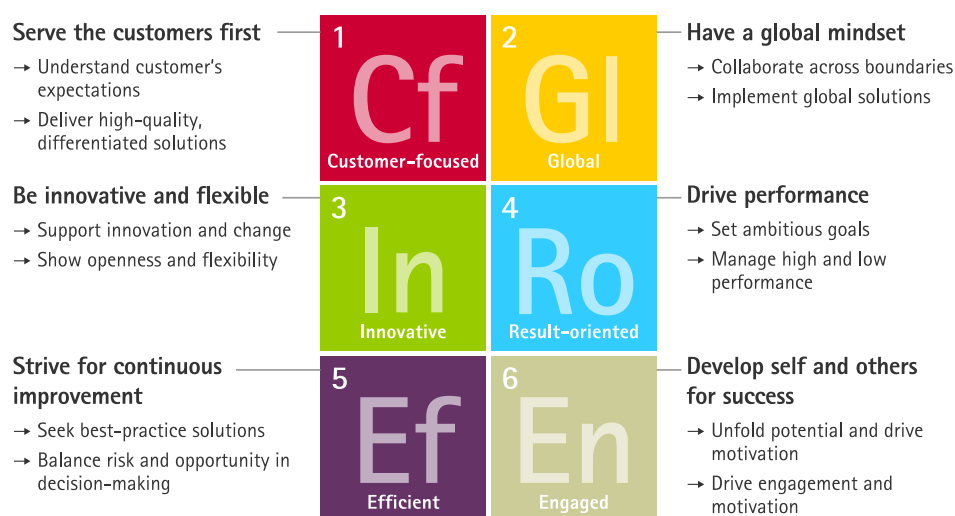
Continuous performance assessment is critical for both individual employees as well as the success of the company. Clear objectives, differentiated feedback, and

individual development plans constitute the foundation of employee development. We utilize the Performance and Talent Management Process to evaluate our employees' performance and identify talent. In doing so, we are bolstering our performance and feedback culture while ensuring that in-house positions are filled more efficiently. This harmonized approach has replaced all previous tools for talent identification, performance evaluation and skill development; it is managed and documented via our HR IT system, known as the HR Suite. Key components of our Performance and Talent Management Process include annual feedback meetings and performance evaluations for employees rated Global Grade 10+ in our position grading system. In 2013, Merck KGaA, Darmstadt, Germany extended the variable bonus model of the Performance and Talent Management Process to include non-exempt employees as well. We are thus encouraging outstanding performance as well as furthering the success of the business and the company.

The Performance and Talent Management Process features three assessment tools that employees can use to systematically advance their development. Line managers, select colleagues, and, as needed, external consultants assess for instance the employee's skills and conduct, thereby helping them better identify their personal strengths and development opportunities. In addition, line managers can utilize the assessment results to create a detailed development plan for their employees.

Around the world, approximately 27,600 employees in 2014 and 31,395 employees in 2014 took part in the Performance and Talent Management Process. In total, we identified 4,200 talented individuals in 2014, which represents around 19% of the participants. These talented employees must work with their line manager to design a development plan. Starting in 2015, we will be expanding the process to include employees rated Global Grade nine or lower.

Six competencies define important leadership skills



Diversity and inclusion

We believe that workforce diversity and a culture of inclusion lead to greater innovation and better team performance within the company. A good balance between different cultures and nationalities, between different age groups, and between male and female

employees is conducive to the company's success. We have therefore set ourselves the goal of increasing workforce diversity and optimally leveraging this for our business by creating the conditions for each employee to reach their maximum potential. Here, we are focusing our

efforts on promoting women in management positions as well as addressing the topics of internationality and demographics.

Ultimate responsibility for diversity lies with Kai Beckmann, who as an Executive Board Member is responsible for Group Human Resources, among other areas. The Chief Diversity Officer (CDO) is responsible for strategic diversity management and reports directly to the Executive Board Member responsible for Group HR.

In 2013, we instituted the Diversity Council, which consists of managers from all businesses as well as select Group functions. In the 2013-2014 period, the Diversity Council revised Merck KGaA, Darmstadt, Germany's diversity and inclusion strategy. The strategy focuses on four areas:

- Attracting the right employees to the company, fostering them and building long-term loyalty
- Fostering efficient collaboration
- Driving innovation and improvements
- Meeting the needs of our diverse customers

The new strategy places a heavier focus on how a diverse workforce can contribute to the success of our business strategy. Clear goals can be derived from each of the four focus areas, such as promoting intercultural understanding in order to improve the performance of global teams, or promoting managers who drive inclusion and innovation within the company. The Diversity Council is responsible for implementing the new strategy within our various businesses and units, as well as for reviewing it. In the first half of 2015, Group Human Resources will be conducting an audit to check whether all HR programs and processes reflect the new approach. In 2015, the Diversity Council will continue to push ahead with the new strategy across the Group.

Monitoring and controlling

Each quarter, the company compiles data on the gender distribution, nationality, and other demographics of its employees for internal evaluation purposes. We analyze this data at the business and Group function level, as well as by key countries and by groups of young professionals

and managers. We present select data in both our Annual Report as well as our Corporate Responsibility Report. In 2011, Merck KGaA, Darmstadt, Germany joined together with all other DAX® 30 companies to sign a voluntary commitment to increase the proportion of management positions held by women. The companies report on their progress at an annual press conference. With support from the Chief Diversity Officer, the Diversity Council is developing specific performance indicators to assess whether the objectives of the 2015 diversity and inclusion strategy are being attained.

Training and educating employees

In September 2014, we presented our new diversity and inclusion strategy to our employees in Darmstadt (Germany) and Billerica (MA, USA) at our Diversity Days event. Members of the Diversity Council discussed the new strategy with several employees, the results of which were then presented at a panel session. In addition, the topics of diversity and inclusion are also featured in all training courses for employees, as well as in all management seminars for employees with managerial responsibility.

Promoting women in management positions

In 2011, we made the strategic decision to increase the percentage of management positions held by women to 25%-30% by 2016. We reached the lower range of this objective by 2013, having achieved 25%. In 2014, the share of management positions held by women increased to 26%. On top of that, 2014 was the first time that two women assumed leadership of two businesses (Biopharmaceuticals and Consumer Health). At the beginning of 2015, Belen Garijo, a native of Spain and previously CEO of the biopharmaceuticals business, joined the Executive Board and took over leadership of our Healthcare business sector.

At local level, we have implemented numerous measures designed to further increase the percentage of women across the entire workforce and to specifically increase the number holding management positions. For one, we facilitate work-life balance for our employees in many countries, such as by offering flexible working hours and childcare options. Furthermore, women benefit from

special ongoing training and continuing education programs. These measures also include support from in-house networks initiated by our employees, such as Women at Merck KGaA, Darmstadt, Germany. In order to promote exchange among women in management positions within the Group, we support the internal Women in Leadership network at Global headquarters in Darmstadt, Germany, as well as the Group-wide International Women's Network. Our Chief Diversity Officer and Kai Beckmann, an Executive Board member, engage these networks in a regular dialogue. In addition, we also support external global networks that work toward diversity and inclusion in the professional world. Since 2012, the company has been a partner in the Healthcare Businesswomen's Association (HBA). Thanks to this partnership, women in Darmstadt, Lyon (France) and Boston (MA, USA) can take advantage of the organization's seminars, mentoring programs and conferences. In October 2013, Merck KGaA, Darmstadt, Germany in Darmstadt hosted the HBA's European summit. Among other topics, attendees discussed the development and advancement of leadership skills for professionals in the health industry. In the United States, the company sponsored the 10th Massachusetts Conference for Women, which took place on December 4, 2014 and was attended by 150 EMD Millipore and EMD Serono employees.

Employee networks

In order to promote dialogue on diversity, the company supports various employee networks, such as networks for women in management positions (see "Promoting Women in Management Positions"), networks for international employees, and the Rainbow Network for homosexual, bisexual and transsexual employees. Through their involvement in these networks, employees can advance and hone their leadership and organizational skills. In addition to this, in 2014 we launched a project designed to systematically foster individual network members and to better leverage the networks' potential for our business activities. In 2015, these networks will be developing objectives for future planned activities as well as expanding their scope regionally and internationally.

Promoting internationality

Being an international global player, one of our fundamental principles is to recruit employees from the countries in which we operate and offer them career development opportunities. The company currently employs people from 122 different countries, 27% of which come from Germany. Altogether, our managerial staff includes representatives of 67 nationalities. In the 2013-2014 period, 61% of our management positions were held by non-German employees. The Diversity Council is working on a concrete goal for increasing the percentage of managers who come from emerging markets.

In order to promote the internationality of our workforce, we pursue two goals when hiring people for new positions: one, to increase the number of local employees at sites outside of Germany, across all hierarchical levels; and two, to offer our employees international development opportunities. In addition to this recruitment approach, we also require employees in upper management to have acquired international work experience. Furthermore, we help our employees to acquire intercultural competencies. For this purpose, we promote intercultural training courses and international teamwork throughout the entire company. We offer special cultural immersion courses to managers working outside their home countries, which include language courses and international networks.

Demographic change

In Germany, Switzerland, several other EU countries, Japan, and the United States, demographic change is already underway. At our sites in industrialized countries, the average age of our employees is already more than 40, and we expect this to continue rising in the coming years. In Germany, the company has implemented various programs to respond to demographic change. For instance, we are fostering the employability of our workforce and working to build employee loyalty. This includes adapting workplaces to the needs of older employees and establishing a health management program to maintain their health, as well as their ability to do their job. Take for example the health intervention program that we are running in cooperation with the

company health insurance fund at our facility in Darmstadt, Germany. When they resume exercising and sports activities, employees older than 40 receive special support in the form of the "Leben nach Herzenslust" (Living Life to the Fullest) program. Furthermore, the Darmstadt site offers courses specifically for employees over 40 and for employees over 50, such as the "Dranbleiben - aber wie? Learning 40+" course ("How to stay sharp - Learning at 40+").

On top of this, health counseling sessions between managers and employees also help reinforce healthy behaviors and promote good health. In training sessions on healthy leadership, we educate managers on the connection between management culture, managerial conduct and employee stress. In addition, in 2014 we issued our "Group Health Policy", which promotes and maintains employee health as well as their ability to perform.

Preventing discrimination

Our commitment to diversity also means that we do not tolerate discrimination anywhere within our company – whether based on gender, age, ethnicity, skin color, nationality, religion, sexual orientation, or disability – a stance that is mandated by our Code of Conduct. If an employee feels they have been discriminated against, they can report the issue via various channels. Their first point of contact is their manager, but they can also contact Group Human Resources, Legal, or Compliance. If an employee prefers to anonymously report their case, they can call our free hotline from anywhere in the world. Our compliance organization is responsible for processing suspected cases. Confirmed cases of discrimination can lead to disciplinary action or consequences stipulated by labor law. In 2013 and 2014, one suspected case of discrimination was reported via the SpeakUp Line. After thoroughly examining the case, legal steps were taken.

Goals: Diversity & inclusion

Goal	Action	By?	Status in 2013 and 2014	Status
Increase the percentage of management positions (Global Grade 14+) held by women to at least 25%-30%	Increase the percentage of management positions held by women through numerous initiatives that move women into those positions	End of 2016	Institute communication measures and utilize HR processes such as Talent Management 26% of management positions were held by women in 2014, which means that we have already reached the bottom range of our target. We will continue to pursue this goal in order to further increase the percentage of management positions held by women.	

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

Recruiting and retaining talent

In order to maintain our position as a successful, innovative company, we need talented and highly qualified employees. Across all our sites, we face the challenge of attracting talent and retaining them. Particularly in Europe and the United States, but also in China and other Asian countries, we are seeing growing competition for specialists and experts, primarily the consequence of demographic change. 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 markets, we face the particular challenge of recruiting qualified executives for our company.

Merck KGaA, Darmstadt, Germany is striving to build its reputation as an attractive employer for potential employees. Our goal here is to recruit and retain employees who represent our Values and show the potential for growth. For instance, we are systematically driving the development and growth of our internal talent pool, thereby reducing the risk of vacancies. In addition

to personal development opportunities, a competitive compensation policy is also instrumental to recruiting and retaining talent.

The Center of Expertise (CoE) for Strategic Talent and Performance, part of Group Human Resources, is responsible for developing strategies and leading initiatives for attracting talent and retaining employees. The measures devised by this CoE are implemented by local HR personnel.

Attracting young professionals

In 2010, we launched the "Make great things happen" campaign to position the company globally as an attractive employer. This initiative highlights our strengths. For instance, we offer diverse opportunities for employees to contribute to the development and marketing of innovative products, as well as career opportunities in an international, motivating and modern work environment. Furthermore, the claim of "Make great things happen" is also intended to reflect our strong sense of social responsibility as well as our commitment to maintaining work-life balance. The positive impact of the campaign is confirmed by the company's ranking among the best employers for senior scientists in Germany, which is published every year by the company Universum following a survey of over 5,000 participants. In 2013 and 2014, the company ranked fifth out of 100 companies, versus sixth in 2012. As part of our realignment under our "Fit for 2018" transformation and growth program, we have revised our commitment to existing and potential employees, known as the Employee Value Proposition, along with its key statements. Furthermore, we have expanded our employer branding campaign to cover a broader target audience, an effort to prepare us for issues such as greater future demand for engineers.

Our primary target groups are university graduates and young professionals such as MBA graduates. For instance, in China, Germany, various other European countries, and the United States, we have selected universities with whom we will be cooperating more closely in the future. These institutions were chosen based on their courses of study and degree programs, their student body diversity, and the distinctions their courses have received. Our partner universities include, among others, the London School of Economics. In February 2014, Executive Board Chairman Karl-Ludwig Kley attended a networking event at the London School and held discussions with a select

group of students. In addition, the company regularly exhibits at recruiting fairs, which offer a suitable platform for directly interfacing with young talent, advising them on career choices, and providing them information on job opportunities at Merck KGaA, Darmstadt, Germany. A company's visibility and image are also key criteria used by our target group to search for and decide on an employer. In the 2013-2014 period, we furthermore compiled a campus recruiting interview guide, which aims to help graduates identify their personal strengths, such as leadership potential or outstanding dedication.

University graduates can join us via direct hire or through a trainee program. Our trainee programs enable participants to switch between different projects over a period of two years and include continuing education opportunities as well as mentoring programs. In the 2013-2014 period, we further increased the number of trainee positions. In 2015, Merck KGaA, Darmstadt, Germany has around 50 trainees, primarily employed in Inhouse Consulting, but also in IT and Finance as well.

To further increase our reputation as an employer, we have also expanded our loyalty-building Student Excellence Program to include a larger target audience. This program is now open not just to our work-study students, but to all interested university students. In order to reach out to university students, we launched a new event format in November 2014, which aims to give people a chance to experience our company first-hand. The Discovery Day held in Darmstadt in November 2014 was attended by 35 process engineering students from various German universities. Moreover, around 500 university students and 321 high school pupils completed an internship at our German sites in 2013, with 316 university students and 312 pupils in 2014.

Apprenticeships and vocational training

We view the vocational training of young people as one of the most important ways to prevent a shortage of trained staff resulting from demographic change. 2013 was the first year in which the number of high school graduates who went to university exceeded the number of high school graduates who entered a traditional dual vocational training program. Merck KGaA, Darmstadt, Germany will nevertheless need not just academics in the future, but also specialists trained via the dual system. In the 2013-2014 period, we therefore launched various initiatives and activities in order to make our vocational

training programs more attractive. For instance, young people can now do an apprenticeship part-time. In addition to this, our apprentices can also collaborate on charitable projects. In October 2014, for instance, nine apprentices built a dormitory for homeless children in Kenya. We furthermore help our apprentices pursue a work-study program after completing their apprenticeship.

In 2013 and 2014, we filled all the apprenticeship slots that we offered in Germany. More than 450 young people completed an apprenticeship in one of 24 professions; more than 60 young people completed a dual degree program in Business Administration, Business IT, Chemistry/Process Engineering, and Mechanical Engineering. Since 2014, the company has been giving unlimited employment contracts to all apprentices working in occupations for which we have sustained demand. The hiring rate – taking into account voluntary terminations – has been around 90% for several years now. As part of the MobiPro-EU program of the German Federal Ministry of Labour and Social Affairs, for the first time five young people from Spain started an apprenticeship at our headquarters in Darmstadt in 2014. Moreover, in Darmstadt we offer our own one-year work preparation program called "Start in den Beruf" (Preparing to join the workforce). Thanks to the time spent at Merck KGaA, Darmstadt, Germany, 20 secondary school students previously unable to find an apprenticeship successfully qualified themselves for the job market. Since the program's launch in 2006, 92% of the participants have started an apprenticeship, 32% of which have now successfully completed said apprenticeship.

Professional development

Fostering talent, developing our employees and providing ongoing training – this is an investment in our future and a key factor in our entrepreneurial success. The company strives to help its employees optimally develop their personal and professional strengths. Satisfied employees who grow within a company are a critical prerequisite for the success of our businesses.

Key features of employee development are clear objectives, differentiated and open feedback on performance, as well as individual development plans. The Performance and Talent Management Process at Merck KGaA, Darmstadt, Germany therefore mandates an annual overall performance assessment for all employees.

In addition we offer a catalog of continuing education courses throughout the company that is adapted to specific regional participant needs. On top of this, we gather feedback from our employees on seminars and workshops across the Group in order to gauge and compare their efficacy as well as ensure their quality.

In 2014, for the first time our employees had the opportunity to utilize the Development Advisor, an online tool that promotes lifelong learning. The Development Advisor offers individual employees suggestions on development opportunities that build on our competency model. This tool is part of our Performance and Talent Management Process, helping employees and line managers identify suitable development options during the target agreement process.

In 2014, the U.S. magazine "Training" named EMD Serono and EMD Millipore in the United States as one of 125 companies that excel in employer-sponsored training and development programs. The Training Top 125 winners were officially announced at an award gala held on February 9, 2015.

Performance-based pay

Competitive salaries and additional benefits increase not only our attractiveness as an employer; they also motivate employees and build loyalty to the company. At Merck KGaA, Darmstadt, Germany, compensation is based on market analyses in the relevant field and the value of the position, as well as the employee's competence and performance. Our "Global Rewards Policy" defines the framework for compensation and additional benefits across the entire company. In order to harmonize our compensation structures at a regional and global level, we are constantly implementing measures to improve processes and boost efficiency. Our goal here is to offer all employees the most comparable compensation structures possible.

When reviewing and optimizing our compensation policies, we engage relevant stakeholders early on in the process. We coordinate closely with employee representatives to define our Group-wide compensation policy. In order to achieve competitive compensation structures, we consider both internal and external factors, assessing market requirements every year with regard to income developments and positioning. Controlling for

hierarchy level and value, current analyses of job conditions indicate no gender-specific differences in compensation.

Work-life balance

As a family-friendly company, we strive for our employees to achieve a good balance between work, family and leisure time. We are thus helping maintain and strengthen their motivation and performance potential. Besides this, we build their trust in our company. Our employees can therefore take advantage of flexible working models and diverse childcare options, making it easier for them to schedule their lives and achieve their personal goals. We furthermore offer our employees various health management programs along with ways to better reconcile the demands of a career while caring for family members. In addition to this, employees at all German sites can make use of a referral service that advises them and connects them with home service providers. We conduct regular surveys to gauge employee satisfaction with the respective services.

In 2012, berufundfamilie GmbH, an initiative of the Hertie Foundation, certified our Darmstadt and Gernsheim sites as being "family-friendly" for the third consecutive time (following 2005 and 2008). This distinction is based on a family-friendliness audit conducted in accordance with predefined criteria and is valid for three years. In 2013, the company submitted an interim report for the 2015 audit cycle. The Hertie Foundation has already certified that Merck KGaA, Darmstadt, Germany is continuously working to adapt its operations and strategy to help employees reconcile the demands of a career and family.

Flexible work hour models

In Germany and other countries, we offer numerous options for employees to flexibly structure their work, including choice of working hours and locations. In 2013 and 2014, our employees made use of more than 30 different part-time models, such as varying weekly work hours and individually agreed working days. Globally, approximately 5% of our employees worked part-time.

In 2013, Merck KGaA, Darmstadt, Germany officially implemented a flexible working model for all exempt employees at its Darmstadt, Gernsheim and Grafing sites in Germany. This flexible working hour model aims to bolster the performance and trust culture within the company. Employees have the flexibility of selecting when and where

they work. Working hours are no longer clocked – the important thing is that employees meet performance expectations. To this end, line managers and employees work together to define targets. In October 2014, the program was opened up to non-exempt employees whose position suited the working model. When the working model was introduced, employees and line managers were given access to an e-learning program. In addition, supervisors, HR business partners, members of the Works Council, and employee representatives met to discuss open issues pertaining to this flexible working model. By the end of 2014, around 3,500 employees in total were taking advantage of the new model.

Entitlement to parental leave

At numerous sites, our employees are able to take parental leave; this option 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 addition to this, EMD Millipore also provides its employees with financial support. In total, the company 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.

As of December 31, 2013, 433 of the employees working for our subsidiaries in Darmstadt, Gernsheim and Grafing – representing around 24% of our total employees globally in 2014 – were on parental leave, with 507 on parental leave as of December 31, 2014. Fathers represented 33% of this total in 2013 and 31% in 2014. We provide parents returning to work after parental leave with information on childcare support services. In addition to this, our sites in Germany also hold presentations and meetings with parents, and the Darmstadt site furthermore offers contacts for individual consultation.

Childcare options

At various sites, our employees benefit from childcare options that we subsidize. A daycare center for children aged 1-12 has been operating at our headquarters in Darmstadt, Germany for more than 40 years. It is supported by the family of owners. In the 2013-2014 period, we extended the hours of operation and added an additional 50 daycare spots. The center is now open

year-round from 6:30 a.m. to 7:00 p.m. and offers 150 slots total. In Darmstadt, employees can furthermore take advantage of our emergency service if their regular childcare provider falls through. 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 Darmstadt site employees since 2008 and considerably expanded the program in 2013 and 2014. In 2014, we offered a total of 365 spots that employees could book in weekly increments. The vacation camp includes sports programs, art and research projects, as well as numerous outdoor nature activities.

Since 2013, employees throughout Germany have had access to an external partner to advise them on childcare options, helping them find a suitable childcare solution. The service connects employees with nannies, "loaner" grandparents and tutors, among others.

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

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, the company has therefore been offering special information and consultation services since 2009. This includes the offerings of Merck KGaA, Darmstadt, Germany's company health insurance fund (BKK), which provides informational material and connects employees with nursing staff. Furthermore, we regularly hold training seminars in Darmstadt on the topic of nursing care. Since 2013, an external partner has also been available to advise employees in their search for suitable nursing care. This includes finding day nurses or setting up an individual nursing network.

In the United States, EMD Millipore supports its employees financially by enabling nursing care to be paid out of gross pre-tax income.

Goals: Good leadership

Goal	Action	By?	Status in 2013 and 2014	Status
Talent & Succession Management: Fill at least 2/3 of positions ranked 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 them	Ongoing	In 2013, we introduced the Talent & Succession Management Process in order to systematically foster and develop talent. In 2014, 74% of our vacant management positions were filled internally.	—
Have least 50% of managers rated Global Grade 14+ take part in a management program	Expand the geographical range of the programs to reach a broader target group Have senior management act as the official program sponsors	End of 2018		+
Build a talent pool that reflects the demographic structure of the company	Identify talent, inform managers on current demographics (e.g. age, nationality, gender)	Ongoing		+
Competency-based interviews with 20% of the talent	Nominate suitable talent within the scope of the Talent & Succession Management program	Ongoing		+
Have 80% of all employees using the HR Suite IT system for their annual Performance Management Process assessment	Expand the HR Suite user group to new target groups	Ongoing		+

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

Employee engagement

As a global, science-based company, we strive to create a working environment that nurtures innovation and continual improvement. In this approach, our employees take center stage. Their dedication and skills are crucial to our company's success. We therefore aim to foster a culture that broadens the knowledge base of our employees that creates opportunities and motivates them to take a proactive role in our success.

We want our employees to take an active interest in our goals and Values, to engage in shaping processes and ideas. Dedicated, strong managers as well as self-motivated employees both contribute equally to our success. We have built a framework of clearly defined, clearly communicated strategic goals, using this foundation to design measures that promote employee engagement and incorporate it into our processes. Through our idea management programs, we nurture and reward unconventional thinking, while our state-of-the-art internal communication processes encourage interdisciplinary collaboration. Employee surveys allow us to better understand the needs of our employees.

Our global Center of Expertise for Development and Engagement designs and steers our approach to conducting employee engagement surveys. We utilize survey results to devise concrete measures for our businesses, the implementation of which is steered by Group Human Resources.

Idea management

At our Darmstadt site, we utilize an employee suggestion system to leverage our employees' ideas for the benefit of our business. Here, Merck KGaA, Darmstadt, Germany rewards employee suggestions that have been brought to fruition. The amount of money awarded depends on the actual cost savings achieved and/or the idea's contribution to occupational safety, environmental protection, or quality improvement. Our employees submitted a total of 3,460 suggestions for improvement in 2013 and 3,590 in 2014. These led to savings amounting to € 3.4 million in 2013 and € 2.8 million in 2014. In exchange, the company paid out prize money of € 0.96 million in 2013 and € 1.0 million 2014. Around 75% of the suggestions for improvement related to production; approximately 25% comprised suggestions relating to analysis, technology and logistics. The ideas helped significantly in many instances to

optimize production processes and occupational safety, as well as to lower waste output and emission levels. For instance, one group of employees modified the standard packaging for liquid crystals in such a way as to cut down on packaging material.

In addition to this, we also reward the outstanding ideas of our employees with Merck KGaA, Darmstadt, Germany Awards. Every year, recognition is given in the categories of Change, Innovation, and Customer Orientation, along with the special prize, the CEO Award.

Through the strategic initiative known as ONE Global Headquarters, the company is striving to transform the Darmstadt site. In line with our approach to employee engagement, we are focusing heavily on meeting the requirements of a changing working world. This initiative aims to create an attractive environment for existing and potential employees that offers scope for creativity and promotes innovation. In September 2014, for instance, we started construction on a modular Innovation Center. This is where teams will have a place to work for the duration of their innovation projects, where interdisciplinary collaboration will flourish amidst a creative atmosphere. We sincerely believe that this will tangibly improve our employees' performance and productivity.

In order to involve employees in helping decide the company's strategic alignment, we provide an internal online forum in which they can engage in a dialogue and discuss new ideas. This forum is one of the many tools of our "Fit for 2018" transformation and growth program. In 2014, we hosted a major employee celebration at our Darmstadt site as thanks for the successes achieved thus far under "Fit for 2018". The event also provided an opportunity for around 5,000 employees to learn about ongoing strategic initiatives as well as to interact with people from other departments and units.

Channels of communication

Internal Communications develops and steers global communications activities within the company, providing tools such as target group-specific media. For instance, communication packets and information are posted on the online "pro Manager" portal in order to improve manager discourse with employees. In the 2013-2014 period, we conducted two employee surveys on internal communications and then used the results to design new media that better

satisfy the needs of employees and managers. One example is "pro", our international employee publication that has transformed from a newspaper into a magazine. It has been available in seven languages since September 2014 and is now also available as an online magazine and app. It is thus reaching more than 90% of our approximately 39,000 employees worldwide in their local language. For our employees in Germany, we have also been publishing the "pro vor Ort" newspaper. In addition to this, our businesses and Group functions issue their own newsletters to update their employees on progress and changes. Starting in 2015, we will be launching our new online collaboration platform known as EVA, which will replace our former Intranet. Here, we will be focusing more on video communication to convey information quickly, concisely and directly to the desired target group.

Employee surveys

We are striving to incorporate the ideas and know-how of our employees more heavily into our business operations. Because our company has changed greatly in the course of our "Fit for 2018" transformation and growth program, we developed a new approach to employee surveys in 2014. Through this, the company is aiming to strengthen its corporate culture and help managers create a motivating work environment that will increase its success. The new approach includes a survey that is part of the Organizational Health Index (OHI), along with another survey that specifically addresses employee engagement. Together, these will be taking the place of the "Pulse" employee survey that we conducted in 2009, 2010 and 2011. Because of the broader-based approach of these surveys, their results cannot be compared against Pulse results. Both surveys are being implemented globally at the business level as well as the Group function level.

The OHI survey results serve to predict our future performance capacity as well as indicate aspects that are particularly important for the success of the company. The OHI survey is based on nine dimensions: direction, accountability, coordination and control, external orientation, leadership, innovation and learning, capabilities, motivation and culture and climate. The OHI Score reveals how well employees think the company is doing in each of the dimensions. In 2014, 4,251 the biopharmaceuticals business employees and 2,600 Performance Materials employees took part in the survey.

Results show that employee motivation at the company is above average relative to other companies. In response to the OHI survey, Biopharmaceuticals has introduced initiatives to promote more motivational management styles and to foster talent. Performance Materials utilized the results in planning the integration of AZ Electronic Materials.

Building on the OHI survey, Biopharmaceuticals and Performance Materials will be conducting the second employee engagement survey in 2015. The survey will cover topics such as leadership, performance, reward, and career and development, along with content specific to Merck KGaA, Darmstadt, Germany such as inclusion. By the end of 2015, the life science business, Consumer Health and all Group functions will be starting with the new employee survey approach by taking the OHI survey.

Engaging employees in corporate responsibility

We educate our employees on corporate responsibility through events and communication campaigns. For instance, in September 2013 we hosted an Africa Week at our Darmstadt and Gernsheim facilities in Germany. CR employees manned booths at site cafeterias, spreading information on our CR projects in Africa. In addition to this, the cafeteria menu featured ethnic African dishes.

As part of Earth Month, Energy Month and World Water Week, the life science business hosted environmental awareness campaigns that provided tips on how employees can minimize their impact on the environment at both work and home. During the Earth Month campaign in 2014, employees also took part in numerous volunteer activities. In Temecula, California (USA), for instance, employees worked together to clean the beach, while staff in Cork, Ireland cleaned the river bank; in Quito, the capital of Ecuador, they planted trees, and in Massachusetts (USA) they picked up trash in parks and on roadsides.

The life science business furthermore utilizes volunteer work as part of its global team building activities. For instance, at a gathering of the life science business leadership team, 130 managers built 26 bikes for children at the East Boston YMCA.

Corporate Responsibility Ambassador Network

In April 2014, the life science business launched the Corporate Responsibility Ambassador Network, a global employee network for CR-related issues.

Members view themselves as role models of proactivity, getting fellow co-workers involved in CR initiatives such as on-site recycling or community engagement in the vicinity of our sites. Thus far, eight sites have CR Ambassador teams: Jaffrey (NH, USA), Billerica (MA, USA), Bedford (MA, USA), St. Charles (MO, USA), Temecula (CA, USA), Cork (Ireland), Amsterdam (Netherlands), and Molsheim (France). For instance, the network in Jaffrey invited people to a Biomass Lunch & Learn aimed at educating co-workers about the site's new biomass central steam plant along with its benefits for the environment. During Earth Month, CR Ambassadors in Cork organized a corporate responsibility open house to spread information on wastewater management, recycling and the "Bike to work" program.

In addition to this, Merck KGaA, Darmstadt, Germany fosters its employees' ideas for new businesses through its Innospire program. In 2014, the program centered on the topics of energy conservation, conversion and efficiency, water treatment, water quality analyses, and efficient water consumption, along with patient focus, personalized medicine and digital/mobile health. Our employees were called upon to submit suggestions for new materials and systems, as well as for new business models. During the 2014 Innospire program, 300 ideas were submitted, including some that pertained to the above-mentioned topics.

Employee co-determination

We foster employee participation, co-determination and dialogue in our company. For this reason, we regularly involve local employee representative bodies, relying on them extensively for input. Take Germany for instance, where 11 subsidiaries have employee representative councils. Here, local works councils as well as an overall Group Works Council represent our employees' interests, discussing issues such as compensation, working hours, and realignment. The Senior Executives Committee represents the interests of senior management.

The Merck KGaA, Darmstadt, Germany Euroforum is our employee representative body at the European level and also serves as an information and advisory platform. Topics that are addressed regularly include the economic and financial situation of the company in Europe, the employment situation, and also significant changes within our company, such as acquisitions.

For its work on the "Fit for 2018" program, the Darmstadt Works Council was awarded the German Works Council Prize in 2013.

Occupational health and safety

As a responsible employer, it is especially important to us to prevent workplace-related illnesses and accidents. To this end, our Group-wide guidelines and management structures establish uniform standards for occupational health and safety that are oriented to the requirements of the International Labour Organization (ILO) and the Responsible Care® program of the chemical industry.

Occupational health and safety are an integral component of our Environment, Health, Safety (EHS) management system, which is aligned with the OHSAS 18001 standard. The Group function Environment, Health, Safety, Security, Quality (EQ) is responsible for this management system; they define goals, steer Group-wide measures, and conduct internal audits to check that the management system is functioning. In addition to this, the EHS management system is also audited every year by independent experts. Local EHS managers are responsible for compliance with occupational safety laws and regulations, as well as for the implementation of measures at individual sites.

We compile data on workplace accidents at the individual sites on a monthly basis. The Group function EQ evaluates all data and informs the other facilities about preventive measures as needed. In turn, all sites are required to immediately report relevant accidents to EQ.

Issued in 1995, our "Environment, Health and Safety Policy" describes our approach to occupational health and safety and is the basis for numerous other guidelines. In 2014, we drafted our "Group Health Policy", which defines the manner in which we promote occupational health and safety as well as the welfare of our employees. One component of this policy is the "Global Wellbeing and Health Promotion Framework", which describes the requirements of each individual country in which we operate. In line with this framework, the interdisciplinary Health Management steering committee designs and implements measures to promote good health, such as a health prevention program for shift workers. Furthermore, at our individual sites, employee and employer representatives have reached company agreements on occupational health and safety. For instance, in October 2013 such an agreement was reached on health counseling at our German sites. Among other measures, this document covers counseling training for managers so that they learn to promptly recognize health risks and psychological strain in their employees. Reached in September 2014, the agreement on health prevention for shift workers includes an extensive health intervention program. The goal here is to educate shift workers and make them aware of the adverse effects of such work, providing them with the tools to minimize these effects.

The key performance indicator for the success of our EHS measures is the lost time injury rate (LTIR), which means the number of workplace accidents resulting in lost workdays per one million hours worked. This indicator is applied to both Merck KGaA, Darmstadt, Germany employees and temps. Our goal is to achieve a lost time injury rate of 2.5 by the end of 2015. In 2014 we outperformed this goal, achieving an LTIR of 1.8. In addition to slips, trips and falls, the primary causes of lost time incidents were accidents involving the operation of machinery as well as business travel incidents, primarily car crashes.

Despite our efforts to prevent accidents, there were unfortunately two workplace accidents resulting in fatalities in 2014. In Venezuela, an employee died in a car accident, and in Pakistan, one employee was killed while performing maintenance work on a scissor lift.

The BeSafe! program

In order to prevent behavior-related workplace accidents, we have implemented the BeSafe! Program. This initiative works to continually educate and train our employees – in particular those at production sites throughout the Group – on potential workplace hazards, thereby reinforcing our safety culture. In 2014, Merck KGaA, Darmstadt, Germany rolled out the BeSafe! program across our warehouse sites as well, which means that all of our production sites and warehouses are now part of this program.

At our annual EHS congress in Darmstadt as well as EHS forums in North and South America, Europe and Asia, EHS managers share best practices and learn from one another. In the 2013-2014 period, EHS forums were held in Poseung (South Korea), San Diego (CA, USA), and Bari (Italy), which particularly focused on health management, occupational exposure limits, and safety management for temp employees. At our Darmstadt and Gernsheim sites in Germany, we hosted an EHS training seminar for 18 EHS managers from 15 countries in 2014. In addition to this, in December 2014 at our Bari site we held our fourth EHS Best Practice Sharing Meeting. Participants included EHS managers from various European sites as well as representatives from local and international companies, industry associations, and academia.

In 2014, we continued to educate our employees worldwide on workplace hazards through initiatives, training seminars, awareness campaigns, and educational activities. In addition to this, individual subsidiaries in Latin America, such as in Brazil and Mexico, hold safety competitions at specific sites that help reinforce our safety culture.

In 2014, the company presented the Safety Excellence Award for the fifth time, which recognizes those production sites with no workplace accidents on record for the year. 42 out of 69 sites received the award in 2014, with 38 out of 63 production sites in 2013.

Health management

Merck KGaA, Darmstadt, Germany issued its "Group Health Policy" in 2014, which aims to maintain and continually nurture employee health and performance.

In line with this policy, we have implemented health-promoting programs to bolster employee welfare and performance. To this end, we have established a Group-wide occupational health management system that aims to incorporate health-related goals into our corporate culture. Our health promotion activities focus on health fundamentals (e.g. workplace ergonomics), healthy leadership (e.g. managerial approaches that maintain employee health), and individualized health intervention (e.g. offering health promotion courses, encouraging employees to take responsibility for their own health).

At our Darmstadt site, we furthermore offer numerous other activities and programs to promote good health. Our company medical center offers services such as check-ups, medical care, and psychosocial counseling. Through local offerings, we raise employee health awareness and encourage them to take responsibility for their own health. Merck KGaA, Darmstadt, Germany's company health insurance fund (Merck KGaA, Darmstadt, Germany BKK) supports these programs across all areas of

the company and additionally offers special courses and health care programs. In addition to this, Merck KGaA, Darmstadt, Germany BKK runs the Fit@Merck KGaA, Darmstadt, Germany program on behalf of our Health Management unit. This program enables employees to participate in health prevention classes and will subsidize up to € 195 in costs. In addition to this, employees can take part in our company athletics program. At our cafeterias, we furthermore offer our employees meals that meet the requirements of the German Society of Nutrition (DGE).

EMD Millipore employees at the Massachusetts and New Hampshire facilities in the United States can take advantage of a comprehensive health intervention program offered within the company. This program aims to prevent, detect, and/or treat diseases and injuries early on. It includes special exercise/training programs, seminars, sports competitions, and ergonomic workplace assessments. Employees who attend health intervention courses can receive up to US\$ 300 in financial incentives.

Goals: Occupational health & safety

Goal	Action	By?	Status in 2013 and 2014	Status
Reduce occupational accidents throughout the company (lost time injury rate = 2.5)	Implement the BeSafe! program; hold EHS forums on safety behavior change	End of 2015	Through systematic accident prevention measures (such as training and campaigns to strengthen our corporate safety culture), we attained an LTIR of 2.2 in 2013 and an LTIR of 1.8 in 2014. We are working to lastingly stabilize our LTIR.	

Legend:  Achieved  In progress  Not achieved  New goal