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Attractive employer

A culture that gives employees a strong sense of belonging is a driving force of our business. Our workplace embeds our values, balances flexibility and focuses on performance, trust and empowerment. This not only increases our employees' productivity, but also creates a competitive advantage to attract potential candidates to join our company while retaining our existing talent.

Our approach to being an attractive employer

Attracting and retaining talent

We believe that curiosity can make great things happen. We therefore aim to provide an environment that gives our employees plenty of **scope for creativity** and sparks their desire to innovate. Our [employer brand](#) communicates this mindset to the outside world. Through our slogan "Bring Your Curiosity to Life", we show applicants what they can expect and what they can contribute when they join our company.

Diversity, equity and inclusion are integrated in our attraction and selection activities. We train our recruiters to avoid unconscious bias during interviews and ensure that all new employer branding campaigns follow diversity criteria.

In 2021, we started using a new technology to support gender-neutral language, for example when creating job advertisements. Additionally, we included a dedicated "diversity" section in our interview guide, helping hiring managers to keep inclusivity top of-mind.

We work across countries to understand cultural norms that allow our colleagues to bring their best self to work. Attracting applicants with diverse backgrounds remains a top priority for us because we believe this gives us a competitive advantage as we expand our employee base.

Employee engagement

We seek to understand the needs of the people and therefore regularly conduct **employee surveys**, both Group-wide and within selected countries, individual business sectors or specific projects. These surveys are an integral component of our corporate feedback culture. They facilitate open communication between managers and employees to identify improvement opportunities and showcase areas where we have listened, learned and evolved.

Work and life in balance

We understand the importance of balancing the demands of work and personal life to ensure a productive and motivated workforce. We focus on creating the best possible working conditions for our people. This includes physical, mental and financial well-being, combined with flexible working options. In many countries, our employees can already set their own working hours by making use of **part-time working models adapted to local requirements**. In Brazil, Germany, India, and the United States, where around 53% of our workforce is based, we offer parental leave conditions that exceed the respective minimum statutory requirements.

Roles and responsibilities

The Human Resources (HR) department is responsible for advising all business sectors and Group functions on matters concerning our human capital. The HR team addresses the needs of our employees, organizational topics and company culture. Across all our sites, HR employees work together with leaders from various functions and business sectors to employ strategies to engage our people in line with Group-wide HR guidelines and requirements, including attractive compensation models and benefits. Every two to three years, we carry out internal audits to check that the guidelines are being implemented.

The Chair of the Executive Board and CEO is responsible for Group Human Resources. Our Chief HR Officer, who leads the HR function and oversees all our HR activities, including Diversity, Equity & Inclusion (DE&I), reports directly to her. Our Business Services unit oversees the operational tasks of human resources work, such as drafting contracts and payroll accounting. The Chief Financial Officer has responsibility for this unit.

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

We include **local employee representatives** in our company's decision-making processes. In Germany, ten of our subsidiaries have works councils and 26 of our subsidiaries across eight other European countries have employee representative bodies (Austria, Belgium, France, Ireland, Italy, the Netherlands, Spain, and Switzerland). In Germany, 58% of all employees are covered by collective agreements (13% of our workforce).

In Germany, local works councils and the Group works council represent our employees, regularly discussing topics such as compensation, working hours and organizational realignments. The Senior Executives Committee promotes the interests of our senior leaders in Germany and meets on a monthly basis. The Euroforum represents our employees at the European level. Focusing on the economic situation, employment rates and significant changes within our Group, this body covers all EU countries, as well as Switzerland, Norway and the United Kingdom, although not all countries have their own delegates. A regular exchange and an annual meeting of the Euroforum delegates also take place.

Our commitment: Group-wide policies and guidelines

We are dedicated to upholding the appropriate and **fair labor and social standards** stipulated in our Group-wide [Social and Labor Standards Policy](#). It complements the provisions of our [Human Rights Charter](#) and our [Code of Conduct](#) with respect to labor and social standards. These include the fundamental Conventions of the International Labour Organization ([ILO](#)), which cover freedom of association and collective bargaining, forced labor, child labor, anti-discrimination, equal opportunity, equal pay, working hours, occupational health and safety, and the prevention of abuse and harassment. The Social and Labor Standards Policy outlines that we do not tolerate any form of discrimination, physical or verbal harassment or intolerance in the workplace. In this way, it creates the framework for fair and respectful interaction. We conduct internal audits to ensure that our local subsidiaries comply with these principles.

We are continuously evolving our approach to when, where and how we perform our work. Our focus is on flexible hours, remote working, job sharing, and part-time working models.

In the majority of the countries in which we operate, local flexible working policies are being rolled out. These policies reflect both legal requirements as well as agreements with works councils, if applicable. Depending on the area of activity and in agreement with their supervisors, employees will be able to adopt a hybrid working model in line with their local flexible work policy. This enables them to divide their work time in a balanced way between designated workplaces and other locations, such as home offices. In addition, we offer our staff alternatives to full-time employment via part-time or job-sharing models, where legally possible. We are also creating location-independent roles with defined job requirements to attract and recruit talent from around the world.

Attracting young generations to our company

It is crucial that we are able to attract the next generation of scientists, engineers and data specialists. Our GOglobal trainee program **enables university graduates to join our company as trainees**. Within 24 months, they gain an understanding of various departments and functions. Centered on China, Germany and the United States, the program offers international assignments, individual continuing education, mentoring and coaching. Additionally, our Life Science business sector has a similar training program with comparable benefits. Its focus is on production and logistics.

To cultivate **young academic talent**, we also offer internships in all departments to university students. Interns who perform exceptionally well are enrolled in our talent-retention program.

In addition, we regularly organize events in order to give students an insight into our company. We also take part in job fairs in Germany and abroad. University graduates can apply for a position with our company directly or complete one of our trainee programs. In addition to recruiting talented students, we also provide financial assistance. For instance, in Germany we support the scholarships granted by Deutschlandstipendium, an educational initiative of the German federal government.

Understanding our employees

Every year, we conduct Group-wide confidential and voluntary employee surveys. The **regular exchange** between our employees, managers and leaders provides valuable information for improving the working environment and business processes. In 2021, around 50,800 people (85%) took part, and 77% of respondents are highly engaged with our company.

In addition to our annual Employee Engagement Survey, we developed and conducted pulse surveys to encourage dialogue in specific areas or units within our businesses and functions. These initiatives include monthly mood checks on employee well-being and surveys about specific areas for improvement such as our working conditions, systems and processes.

Encouraging dialogue and rewarding ideas

We keep our employees throughout the Group up-to-date and encourage **exchange** through a number of formats tailored to specific target groups. Examples include our intranet and our international employee magazine. There are also local editions in some countries.

Our company has a long tradition of rewarding ideas. In 1853, we became the first industrial company in the world to contractually stipulate **bonuses for successful employee implemented suggestions for improvement**, and approximately 60 years ago we laid out principles and rules for our ideation efforts. Our idea management program seeks to inspire our employees to think creatively and encourage them to contribute to the continuous improvement of our company procedures and processes.

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

Performance-based pay and social benefits

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

To ensure a **competitive compensation structure**, we regularly review our compensation policy based on data analyses and benchmarks. In doing so, we take internal factors and market requirements equally into account. Before adapting our compensation structure, we consult with key stakeholders, such as [employee representatives](#). The pay structures within our company are based on defined criteria, such as job requirements and performance. We make no distinctions based on gender or other diversity criteria.

In addition to competitive pay, we offer attractive benefits. Our "benefits4me" package consists of three pillars. The pillar "Company Benefits" contains offerings primarily funded by the company (i.e. company pension plans, U.S. healthcare, etc.). The two other pillars ("Health and Well-being" and "Services for Life") cater for prevention and health-related benefits as well as other services (i.e. leasing offers for bicycle or IT hardware) in order to meet the multifaceted and individual life-cycle-related needs of our workforce.

Balancing work and life

Supporting parents

We want to make it easier for our employees to return to work after parental leave and offer a corresponding program for parents in Darmstadt and Gernsheim (Germany). In addition, employees can make use of various related **training and networking opportunities**. We have established a similar program in the United States.

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

In 2021, 617 employees of Merck KGaA, Darmstadt, Germany (around 13% of our workforce) were on parental leave, around 55% of whom were men. In other key countries, we grant additional support benefits that **exceed the legal requirements**, such as unpaid parental leave for employees in Brazil. In India, too, we offer additional benefits with five days of paid paternity leave, although this is not legally required.

In offering these benefits, we do not differentiate between full- and part-time staff or employees with fixed-term contracts. The latter may apply for and take parental leave until the end of their employment contract.

Making sabbaticals possible

In principle, all employees of Merck KGaA, Darmstadt, Germany, Merck Healthcare KGaA, Darmstadt, Germany an affiliate of Merck KGaA, Darmstadt, Germany and Merck Real Estate GmbH, Darmstadt, Germany an affiliate of Merck KGaA, Darmstadt, Germany, in Germany (around 19% of our workforce) can apply for a **sabbatical**, which gives them up to one year off from work. In 2021, 61 employees were on sabbatical. For personal emergencies in which an employee needs an immediate leave of absence, we offer an emergency sabbatical of up to three months. Following the example of Germany, other countries have also introduced sabbatical options (e.g. Brazil, United Kingdom) in an effort to create a better work-life balance.

Saving for retirement through a long-term account

We enable our employees in Germany to reduce their working hours before retirement or retire earlier by drawing on a **long-term account**. For instance, they can deposit salary components or time into the account. Moreover, our company provides subsidies to encourage the use of these long-term accounts. Employees can then use the accrued balance to stop working up to three years before regular retirement or reduce their working hours by 50% for up to six years. In 2021, more than 10,300 employees made use of this option.

In addition, representatives from the German statutory pension insurance system regularly visit our premises to inform interested employees about statutory pension matters.

Diversity, equity & inclusion

At our company, diversity drives progress. It strengthens our ability to innovate and contributes to our success in science and technology. We encourage employees, patients and customers to be their individual, curious and unique selves. The more diverse our people, the better we can succeed in business while making a difference in people's lives.

Our approach to diversity, equity and inclusion

In 2021, we strengthened and expanded our commitment to **diversity**. While we have always been a diverse organization – today spanning 66 countries, with more than 60,000 employees – we recognize that the success of our organization depends on our ability to foster an environment that promotes **equity** and cultivates **inclusion**.

Together, we are building **one culture in which we care** about one another and are solidifying a sense of belonging for all so that our different voices are heard to drive better business outcomes. Ultimately, we are creating opportunity and enabling advancement for employees around the globe.

To reflect our expanded DE&I commitment, we are focused on three critical priority areas:

Gender

We are aiming for **gender parity in leadership positions by 2030**. In 2021, we increased the share of women in leadership roles to 36% (2020: 35%) and maintained a stable 43% proportion of women in the global workforce.

Women in leadership



Culture and ethnicity

By 2030, we plan to increase the proportion of colleagues in our United States leadership teams who are members of underrepresented racial and ethnic groups from 21% to 30%. We continue to pursue self-identification efforts to help us further understand our **organizational structure as regards culture and ethnic representation**.

With 23% of our employees based in the United States, it is crucial that we become an **employer of choice among racial and ethnic minorities** in this market. We continually listen and learn from our colleagues in the market to ensure our workforce reflects the talent currently available in the marketplace.

Share of underrepresented racial and ethnical groups in US leadership



Additionally, due to our current performance and future growth in Asia, Latin America and the Middle East and Africa (MEA), accounting for 40% of our Group sales, we aim to increase the global share of nationals from Asia, Latin America, and MEA in leadership positions from 16% to 30% by 2030.

Global share of nationals from Asia, Latin America, Middle East & Africa in leadership



Inclusion

For us, inclusion means creating a culture and environment where everyone can **reach their full potential** and is able to add value. Our leaders are key to achieving this. In 2021, we began rolling out a Group-wide program to help leaders reflect on how they can lead more inclusively. All leaders, including new ones, are required to actively participate. In the reporting period, 37% of our leaders participated in this inclusion training. We also monitor progress using our Employee Engagement Survey inclusion score. Additionally, countries and sectors can focus on further diversity dimensions such as LGBTQI+, different abilities, age diversity, or veteran/military status.

A cornerstone of our DE&I strategy is to foster an inclusive culture in partnership with **over 40 employee resource groups** (ERGs) across the globe. With nearly 4,500 employees involved in one or more ERGs, we are able to build awareness of matters impacting our diverse workforce through programs and open dialogue. Our ERGs range from Women in Leadership to our Black Leaders Network and our Leaders of Ethnicity Allies and Faith.

We take action against all forms of discrimination, aspire to build teams with a balanced age structure, diverse educational backgrounds and experience and create an international working environment. As part of our DE&I strategy, we also encourage our managers to actively build diverse teams by considering training opportunities to raise awareness and working to have diverse candidates in the selection process when interviewing for roles. Diversity figures are part of compensation-related corporate goals. In 2021, we developed a prediction algorithm to support the modeling and tracking of our DE&I KPIs.

We integrate our inclusion concept into all Human Resources programs, training offerings and processes. The inclusion concept is embedded in our [company's behaviors](#) and explicitly calls for open and supportive collaboration.

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

Roles and responsibilities

Our Chief Diversity, Equity and Inclusion Officer is responsible for our global Diversity, Equity and Inclusion (DE&I) strategy and steering related activities. In this role, she reports directly to the Chair of the Executive Board, whose responsibilities include Group Human Resources.

In addition, we have a centralized Diversity Council that consists of **high-ranking executives** from all our business sectors and select Group functions. The Diversity Council members:

- Visibly and actively support equity and inclusion across a corporate strategy and related activities.
- Act as ambassadors and advisors to the Executive Board and managing directors in country organizations.
- Propose strategic goals, initiating measures and ensuring within their respective units that line managers meet their responsibilities.
- Exchange information, discuss the latest challenges, share best practices, and align on next steps.
- Act as role models within their business units and among our workforce.
- Work across businesses, functions and countries to integrate DE&I within our daily work for the benefit of our employees and customers.

In addition, all business sectors and major Group functions have various working groups at management level that implement the Diversity, Equity and Inclusion strategy in their area of responsibility.

Our commitment: Industry-wide initiatives and regulations

Our [Social and Labor Standards Policy](#) spells out that we **do not tolerate any form of discrimination**, physical or verbal harassment or intolerance. To underscore our commitment to equality, fairness, inclusion, and tolerance in the workplace, we also participate in industry-wide initiatives.

- The “[Women’s Empowerment Principles](#)”, an initiative of UN Women and the UN Global Compact network, help to promote gender equality and women’s empowerment in the workplace. In 2021, we joined the “UN Target Gender Equality Programme”, which supports companies in achieving gender balance in business.
- The “Inclusion Action Plan” of the German Mining, Chemical and Energy Industrial Union ([IG BCE](#)) defines concrete measures to create a more inclusive workforce for employees with disabilities. In endorsing this plan, we are meeting the requirements of the United Nations Convention on the Rights of Persons with Disabilities.
- The “Equal Opportunity Charter”, through which we promise to do everything in our power to achieve gender equality within our company.
- The German “Diversity Charter” a corporate initiative with over 4,500 signatories to promote diversity in companies and institutions; we signed their Charter back in 2013 and became a full member of the association [Charta der Vielfalt e. V.](#)

Moreover, we are a signatory to the [Business Coalition](#) for the Equality Act, an alliance of leading companies in the United States. Additionally, we participate in various causes near our sites. Thereby, our employees can support our efforts towards an inclusive workplace and community. In 2021, we **partnered with [Disability:IN](#)** to promote the full inclusion of people with disabilities.

Meeting statutory requirements

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

With a 37.5% share of women (six out of 16 members), our Supervisory Board already meets the stipulations of German gender quota legislation. As a KGaA, we are not required to set targets for our Executive Board. Our Executive Board currently has a 20% share of women (1 out of 5). Detailed information can be found in the [Statement on Corporate Governance](#) in our Annual Report.

Rooting out unconscious bias

We seek to raise awareness of **unconscious bias** among our managers and employees, also through Group-wide training courses on this topic. Since 2021, we have been using new technologies in the context of recruitment in order to support the use of **gender-neutral language**, for example when creating job advertisements. This is intended to reduce unconscious bias in the hiring process and ensures that our job advertisements are attractive to diverse talent.

Pay Equity Analysis

Our commitment to pay equity is an important aspect of our DE&I strategy. In order to create transparency on unexplained pay gaps and their underlying root causes, we conducted a pay equity analysis in 2021. In this first step, we analyzed our top ten countries covering roughly 80% of our employees. The focus of the analysis was on pay gaps based on gender. The detailed data analysis had not yet been completed at the end of 2021. Based on the initial findings, we continue to create a detailed action plan and work on business alignment to ensure fair pay for all our employees.

Inclusive leadership

We provide a framework for DE&I education and empowerment to support inclusive leadership strategies and tactics. To maximize the impact of our leaders in building diverse and inclusive teams, our Executive Board approved the launch of the **Inclusive Leadership Program (ILP)** as part of our global inclusion KPI. The ILP combines global leadership interactions, peer coaching, continuous self-reflection, and leadership accountability. It is mandatory for all our leaders, including new leaders. In 2021, 37% of our leaders took part in the course.

Fostering diverse talent

HR supports our business units in fostering talent of various origins and increasing the proportion of women in leadership roles. At the end of 2021, 36% of leadership roles were held by women and we are on track to achieve gender parity by 2030.

We continue to create a strong internal female talent pipeline and promote women into leadership positions while also actively sourcing female talent externally. We focus on internal development and external sourcing of international and underrepresented ethnic talent. In an effort to improve balance referrals, in the reporting year we piloted a 25% increase in bonuses for employees in the United States for successful referrals of qualified diverse candidates. We monitor diversity in succession planning, particularly for senior positions. To help understand demographics, we conducted self-identification campaigns in certain regions to encourage employees to voluntarily provide information on ethnicity, different ability or veteran status in 2021. To help promote diversity in hiring for internal roles, we also offered numerous **mentoring, sponsoring and talent programs** for women and other target groups, such as underrepresented ethnic groups.

We are convinced that our talent programs and open discussions about unconscious bias contribute to further increasing inclusivity and sense of belonging among our workforce.

Our employees have the option to flexibly calibrate their working time and to work remotely, which also contributes to greater professional and personal opportunities for more colleagues. Additionally, we offer our employees information on remote working and mental health, for example, in order to support their lifestyles, well-being and personal circumstances.

Integrating international employees

Our company is becoming increasingly international. We currently employ people from 142 nations. Our leadership includes representatives of 79 nationalities. As of the end of 2021, 10% of our workforce worked outside their home countries.

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

Networks strengthen diversity, equity and inclusion

We support more than 40 local and global **employee resource groups (ERGs) and action networks**, including our internal women's networks and networks that advocate for the LGBTQI+ community, employees of various ethnic origins, international employees, and employees with care responsibilities. In 2021, we created new networks for people with different abilities and veterans. In collaboration with our networks in North America, we established **24 Site Inclusion Teams** across our locations, focusing on driving inclusion at our manufacturing sites.

Involvement in area-specific or interdisciplinary networks is an opportunity for all employees to acquire leadership competencies. At the same time, these employees bring their experience and perspectives to our company. We therefore ensure frequent touch points and communication with these groups.

Our networks drive inclusion



CAREGIVERS

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



MULTI-ETHNIC NETWORKS

Help propose solutions to support the attraction, retention, and development of our employees of color as well as other cultural and ethnic minorities



GENERATIONAL NETWORKS

Raise awareness, drive development, and encourage a culture where everyone has the same career opportunities regardless of their age and stage of life



RAINBOW NETWORKS

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



I'M ABLE

A community for people with disabilities, and their allies and help break the stigma surrounding disabilities topics and instead, provide resources and support



WOMEN NETWORKS

Create an inclusive workplace that recognizes, develops, and advocates for the promotion of qualified women to achieve gender balance and thus long-term business success



INTERNATIONAL COMMUNITY

A community of open-minded individuals who connect, and exchange resources, knowledge, and information to support a soft landing at our local sites in Darmstadt, Germany and Switzerland



ADDITIONAL INCLUSION NETWORKS

Veterans, Flexibility, and Responsibility with the Community are employee networks that focus on local specific needs for the respective target groups

Tapping into external networks

For more than ten years, our company has been a corporate partner of the Healthcare Businesswomen's Association ([HBA](#)). We are represented both in global and European advisory boards. The HBA advocates for women in the healthcare industry almost exclusively through volunteer work. We explicitly support employees who want to volunteer for the HBA and sponsor various events. In 2021, employees in Belgium, France, Germany, the Netherlands, Switzerland, and the United Kingdom volunteered for the HBA – some as members of the European Regional Council, some as chairpersons or chapter president and some as leaders or committee members of regional or local HBA teams.

Taking action against discrimination

We do not tolerate any kind of discrimination in our company. This is stipulated with binding effect in our [Code of Conduct](#) and our [Social and Labor Standards Policy](#). Should employees experience harassment or discrimination in the workplace, they can report the issue via various channels. Their first points of contact are either their supervisor or our Human Resources (HR) or [Compliance](#) teams. Alternatively, employees throughout the Group have the possibility to call our [Compliance hotline](#) anonymously. As part of our "Group Compliance Case Committee", HR coordinates suspected cases relating to human resources topics. In 2021, seven suspected cases of discrimination were reported via the compliance hotline and other channels. Of these reports, six incidents were confirmed.

Solid ranking in diversity, equity and inclusion indices

We continue to make progress on integrating diversity, equity and inclusion within our business.

The American [Human Rights Campaign Foundation](#) rated our LGBTQI+ activities. We scored 100% in the "Corporate Equality Index" ([CEI](#)) 2022, which measured the equality and inclusion of LGBTQI+ employees.

We ranked seventh in the "[World's Top Female Friendly Companies 21](#)" list by Forbes, which identifies the companies leading the way when it comes to supporting women inside and outside their workforces.

In the Financial Times [ranking](#), we were selected as one of the leading 150 (out of over 15,000) companies on diversity.

We scored sixth in the "[German Diversity Index](#)" published in June 2021 by BeyondGenderAgenda. The index reflects the transparency of the diversity commitment of the DAX 30 (as of September 2021: DAX 40) companies in their annual and sustainability reports of 2020.

We ranked eighth in the 2021 "[BCG Gender Diversity Study](#)" by the Boston Consulting Group and the Technical University of Munich. This study rated management board and supervisory board gender diversity among Germany's largest publicly listed companies.

Leading & developing employees

Good leaders are crucial for the development of employees and the success of our company. That's why we place great importance on the continuing education and development of our managers. Many of our teams work across sites and national borders, which is why fostering global collaboration is a central theme in the professional training and growth of our employees and leaders.

Our approach to leading and developing employees

Our [People Strategy](#) serves as a basis for our continuous efforts to attract, retain and develop our leaders and talent. It highlights the importance of curious talent and empowered leaders as well as results-oriented teams and networks.

We place special focus on actively engaging and challenging our leaders to become "leaders of people". By participating in [employee surveys](#), our people can also assess various factors such as leadership quality within the company.

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

Based on the introduction of our high-impact culture and new behaviors in late 2021, the competency model will be refreshed in 2022 to reflect these updates.

Our competency model



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

Based on our current competency model, we have six **leadership behaviors**, which summarize our expectations towards leaders, who play a key role in embedding the competencies across the organization.

However, since our culture is constantly evolving and to support our business growth ambition, we need a culture that is consistent, complementary to our scale and relevant to our organization and the environment we are operating in. This is why we aim to establish an inclusive high-impact culture that is understood and supported by our diverse workforce of more than 60,000 employees.

In order to bring our high-impact culture to life, we have defined a new set of standards that we should all aspire to every day: our company's behaviors.

With our six new behaviors, in October 2021, we began moving from multiple frames to one simplified framework. The new behaviors represent an evolution towards what is needed in the future. They are as follows:

- Obsessed with customers and patients
- Act as the owner
- Be curious and innovate boldly
- Simplify and act with urgency
- Raise the bar
- Disagree openly, decide and deliver (3Ds)

From October 2021 onwards, our high-impact culture along with our behaviors are being embedded in the foundations of Human Resources programs and processes to be implemented throughout 2022 and beyond.

We support the personal and professional development of all employees in line with their strengths, ambitions and competencies, laying the groundwork for an enriching and challenging career with our company.

In addition to dual education programs, we consider vocational training to be crucial in order to meet the **current and future need for qualified professionals**.

As competition for young talent grows, job security and marketable professional qualifications are vital, which is why we continuously invest in [new technologies](#) and integrate these into our vocational training programs. If, after completing their apprenticeship, our young employees in Germany wish to continue studying while working, we will cover 75% of the costs and grant them special leave.

Roles and responsibilities

Group Human Resources (HR) supports and advises all business sectors and Group functions within our organization around our human capital, in particular on topics related to recruiting, vocational training and advanced training. Moreover, we develop strategies to advance our employees, organization and company culture.

We expect our leaders to understand the needs of their diverse teams and provide support in the form of resources and data. Additionally, the ability to have access to **transparent feedback through specially developed tools**, allows leaders the opportunity to gain further insight into the impact of their behavior on their teams. We work with external providers to train our leaders on science-based, proven approaches to good leadership.

Every employee can access their personal data via our **HR4You digital platform**, which globally harmonizes basic HR processes. For instance, the platform also enables employees to initiate and steer their Performance Management Process themselves, participate in online training courses or apply internally for vacant positions.

Our commitment: Structured development

Our six behaviors form the basis of our high-impact culture. They describe good leadership in our Group and are based on our corporate strategy and our company values. We regularly inform executives and employees through global campaigns about the behaviors. We integrate these behaviors into all HR processes, such as training, recruitment and feedback processes.

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

Providing feedback and supporting development

We regularly provide feedback to our employees. The **Performance Management Process** ensures that in addition to this regular feedback, a meeting is held once a year to evaluate employees' overall performance. This process is consistently applied across our company. Our people managers and their employees agree on **individual annual goals**. The annual bonus depends on individual performance and achievement. Additionally, the bonus calculation also reflects the company's overall performance, which we determine using various company key indicators.

Once the development direction is defined, our managers and their staff create a **detailed development plan**. To help create this, all employees have access to the Development Advisor. Building on our competencies and our leadership behaviors, this digital tool provides a selection of development opportunities that employees can tailor to their own needs. Every employee can therefore rapidly and easily create their development plan, which displays the respective areas of focus via our HR4You digital platform. It is coordinated in line with the company's strategic priorities. 98% of our employees took part in the Performance Management Process in 2021 and 74% set up an approved development plan.

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

Employee learning and education

Our Group-wide advanced training and continuing education program ensures that our employees develop the skills and abilities needed to help us realize our company strategy. As part of their **individual development plan**, our employees can use our learning management system to register for seminars and e-learning courses. For example, we offer **Group-wide training courses** on “Virtual Leadership”, “Employee Welfare” and “Working Remotely”. In 2021, 100% of our employees took part in a training. Overall, more than 6.5 million training courses were completed. Additionally, our employees can participate in special courses on the career platform LinkedIn Learning.

In professional training, we use virtual learning formats. This strengthens us when it comes to integrating topics such as robotics, Big Data or **artificial intelligence** into our curricula.

We continuously adapt our offers to meet the individual learning needs of our employees and the strategic priorities of our company. This will help our employees to develop the relevant competencies and skills we need for our business, while contributing to their personal and professional development.

Vocational training and dual education programs

In Germany, we offer apprenticeships across 30 occupations, primarily in production, infrastructure, laboratory work, and office administration. Furthermore, we enable young adults to pursue a dual education program in the fields of business administration, business IT, process engineering (chemical engineering) and mechanical engineering. Apprentices in the Laboratory group begin their training as chemistry or biology lab technicians and, subject to suitability, may receive the opportunity to begin a dual education program after six months. Since 2014, we have been offering permanent employment contracts to all **apprentices and graduates of dual education programs** in occupations for which we have long-term demand. In 2021, we had a 95% hiring rate for graduates of these programs (including those who chose to leave the company).

Digitalization and virtual learning continue to play an increasing role in vocational training. To learn how to operate plants, machines or lab equipment, our apprentices also use virtual reality environments. For example, in process engineering, they practice operating the systems using a virtual reality display before applying and furthering their new skills in the actual operating environment.

Special vocational training opportunities

In Darmstadt, our “Start in die Ausbildung” program helps prepare young people for the labor market. We offer them the opportunity to complete an 11-month program with our company, **gaining insight into the world of work and improving their qualifications for vocational training**. On the one hand, we support young people who have earned a high school diploma and searched for an apprenticeship for at least one year without success. On the other hand, we help refugees who had to leave their countries of origin and would like to build a new life in Germany. Participants of our “Start in die Ausbildung” program can learn and benefit from each another with regard to cultural and language skills. In 2021, we hired 20 participants between the ages of 15 and 33.

Management and talent programs for leaders

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

- The Managerial Foundation Program imparts the basics of leadership, such as communication techniques, leadership styles, conflict management, motivation, and emotional intelligence.
- The Advanced Management Program covers topics such as change management, self-reflection and resilience.
- Our Global Leadership program focuses on the competencies needed to ensure successful international collaboration.

The rapidly changing environment has led us to overhaul our leadership program landscape, including virtual and purposeful leadership. We tested two new programs in the second half of 2021. Both newly developed programs cover the same core cultural topics to create a joint understanding of leadership on all organizational levels. The program “Empower Your Team” provides an introduction to our leadership culture, along with basics of leadership, such as decision-making, feedback, motivation, and emotional intelligence. “Empower Your Organization” aims at more experienced leaders and focuses on the capabilities needed to shape our future culture, covering topics such as inclusiveness, psychological safety and transformation.

Based on a pilot project in 2021, we developed the Group-wide Inclusive Leadership Workshop. In line with our communicated KPIs on inclusion, we aim to have 100% of our leaders participate in the Inclusive Leadership Workshop by 2026.

For 22 years, we have been partnering with top international universities to offer our **company’s University** program. Over a one-year period, senior leaders complete learning modules on management techniques and strategic business development, with 552 senior leaders having participated to date.

We also offer promising leaders our long-standing International Management Program. Through this, participants work on an interdisciplinary project over a period of eight months. They present the results of their efforts to the Executive Board. In 2021, 26 of our employees took part in such a project.

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

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

Tapping potential in growth markets

In January 2022, seven participants successfully completed “[Afrika kommt!](#)”, an eight-month program offered by the German Society for International Cooperation ([GIZ](#)). The program **trains experts and leaders from Africa**. In supporting this initiative, we are helping to build a pool of regional partners to encourage economic cooperation between Germany and Africa. 34 former scholarship recipients have taken on a specialist or leadership position, some of them in African countries and others in Darmstadt. We have selected ten new candidates for the tenth intake of “Afrika kommt!” starting in February 2022.

Health & safety

We take responsibility for the health and safety of our employees every single day, especially when faced with unexpected challenges such as the Covid-19 pandemic. Because we want to prevent health issues from even arising in the first place, we do a great deal to safeguard our people against both accidents and work-related illnesses.

Our approach to preventing accidents and promoting health

We seek to promote the health and well-being of our employees and sustain their ability to perform over the long term, which necessitates a safe workplace. We are therefore constantly working to take our **health and safety culture** to the next level.

The lost time injury rate (LTIR) is the indicator used to gauge the success of our occupational safety efforts. This figure is a global measure of the number of accidents resulting in at least one day of missed work per one million hours worked. We track the LTIR globally for both employees and supervised temporary staff. In 2021, we set a new workplace accident reduction target, specifically to bring our LTIR below 1.0 by 2025.

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

Through the efforts of our **Health Management (HM) unit**, we are bolstering our company and health culture at Darmstadt and Gernsheim. To verify the efficacy of Health Management initiatives and programs, we have developed a **performance indicator system** based on data such as the health-related responses from our annual anonymous [Employee Engagement Survey](#). We use this survey to calculate our work-balance index and our healthiness index, which should reflect the general state of health of our workforce worldwide and their ability to manage the demands of their professional and personal lives. These indices allow us to assess the data at team level (groups of at least ten), a minimum threshold that enables us to protect people's anonymity. In 2021, we introduced an overarching health question to the survey to document and track our company's health culture and its development in the coming years.

Besides the health-related responses from our employee survey, Health Management at our Darmstadt site also makes use of the findings from our company insurance fund's health report, along with evaluations from our Site Medical Center. We utilize all of this input both to create **target group-specific or unit-specific prevention programs** as well as to advise local leadership. When specific indicators such as workplace stress start rising, Health Management meets with the respective units to discuss ways to rectify the situation.

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

Roles and responsibilities

Our Environment, Health and Safety (EHS) management system is the responsibility of Corporate Sustainability, Quality and Trade Compliance, which reports to the Chair of the Executive Board. This Group function sets objectives, globally oversees the respective initiatives, and conducts internal EHS audits, while **local EHS managers** and their teams see to it that our individual sites comply with all occupational health and safety laws and regulations. They are also responsible for local projects, campaigns and programs.

Employees worried about their health or safety are permitted to temporarily step back from their work until the issue has been resolved. Across the Group, they are encouraged to report such concerns via our [compliance hotline](#).

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

At our Darmstadt and Gernsheim sites, our Health Management unit helps embed health awareness in our company culture. After implementing each measure, the Health Management team asks all participants for their anonymous feedback and suggestions for improvement, which help shape the evolution and growth of the initiatives.

At both of these sites, our **interdisciplinary Mental Health Team** is working to tackle the growing challenges surrounding mental health in an effort to protect our workforce against psychological stress. Our Mental Health Team provides our people with interdisciplinary support from a single source. In addition to this service, we offer a telephone hotline in all 66 countries in which we operate, giving our employees and their relatives access to confidential counseling services around the clock.

Safety delegates and health partners

At our sites worldwide, we have safety delegates who, in addition to their usual duties, help their supervisors ensure compliance with safety regulations and requirements. At the same time, they also act as points of contact for their colleagues regarding safety-related matters.

At our Darmstadt and Gernsheim sites as well as several other German facilities, we also have health partners in place who are the interface between our employees and Health Management. They function as a health-related liaison for their colleagues while also informing their teams about the health programs and services on offer. They furthermore make recommendations to Health Management regarding employee needs. Our employees undergo training before taking up their role as a safety delegate or health partner.

Our commitment: Policies and company agreements

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

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

To complement this policy, our Contractor EHS Management standard helps us ensure that our contractors adhere to environment, health and safety requirements throughout the entire process, from starting a job to completion.

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

We also have occupational health and safety company agreements in place at 13 other sites in Europe. These cover all those activities required to comply with national occupational safety regulations, such as workplace hazard assessments and regular occupational safety surveys. These company agreements also include local health services and programs for our employees.

Safety certification at our sites

As part of a [group certificate](#), our occupational health and safety management system was ISO 45001-certified at 46 sites at the end of 2021. At 45 of these facilities, 100% of employees are covered by this certified system. At our global headquarters in Darmstadt, ISO 45001 covers around 70% of the workforce; the occupational health and safety of the remaining 30% of employees, who do not work in operating units, as well as all other non-certified sites are safeguarded by our company's global integrated management system, which covers EHS requirements. The certification process helps us pinpoint weak areas and identify scope for improvement, allowing us to take the necessary steps in a timely fashion to ensure the health and safety of our employees going forward. Other sites are also urged to apply this standard.

Accident rates

Our employees are required to immediately report any relevant occupational accidents to Corporate Sustainability, Quality and Trade Compliance, where the incidents are assessed. If necessary, we then implement additional safety measures at our sites. This procedure is an integral practice across all of our production facilities around the world.

We track the following occupational safety data across our sites worldwide:

- The LTIR measures the accidents resulting in at least one day of missed work per one million hours worked. In 2021, our LTIR was 1.2, an improvement over 2020 (1.3). The majority of incidents resulting in lost time were slips, trips and falls, along with contusions and lacerations from the operation of machinery and equipment. In 2021, we once more recorded no fatal accidents.
- We use our Environment, Health and Safety Incident Rate (EHS IR) to [track accidents](#).
- Alongside this indicator, we also use the Occupational Illness Rate in the United States to monitor work-related illnesses and their long-term effects.

Clear rules of conduct

Experience shows that most workplace accidents can be prevented by proper conduct. For our occupational health and safety, it is therefore essential that our employees have the relevant EHS training and certification. We not only educate our employees on occupational health and safety, but actively engage them in our efforts. For instance, we invite them to participate in inspections and involve them in selecting personal protective gear. This involvement is crucial because our people best understand their actual working conditions and what is needed, enabling us to constantly improve our occupational health and safety practices and performance.

Group-wide, all new EHS managers must complete a three-day EHS onboarding that covers topics such as occupational health and safety as well as our **BeSafe! safety culture program**. Through this initiative, we raise employee awareness of workplace dangers and teach them rules for safe behavior. Despite the ongoing pandemic, in 2021 we managed to integrate four legacy Versum sites into “BeSafe!”, conducting the training online. In addition, we regularly provide occupational safety training at our sites covering both legal requirements as well as the specific local risks.

Promoting employee health

For employees at our sites in Darmstadt and Gernsheim, our Health Management unit offers specific health services such as mindfulness courses and workplace ergonomics consultation. Moreover, we have a standard operating procedure in place to continuously assess the working conditions and environment of our employees and improve these in line with the latest scientific findings. We publish a health catalog in both English and German detailing all our Health Management services, which cover topics such as ergonomics, nutrition, stress, and mental health issues. In addition, we are tackling demographic change by utilizing a tool to assess various age-related stressors, which in turn enables us to **adapt our workplaces to suit the needs of older individuals**.

Protective measures and vaccination campaigns

Our measures to protect our employees against Covid-19 at our sites in Darmstadt and Gernsheim are based on three pillars:

- **Testing:** By the end of December 2021, we had performed approximately 35,000 antigen rapid tests at our in-house company testing centers.
- **Walk-in clinic for cold symptoms:** Since November 2020, employees with unclear complaints and symptoms have been able to consult the walk-in clinic for cold symptoms for advice on how to best protect themselves and colleagues and to prevent infection.
- **Vaccinating:** In February 2021, our Site Medical Center initiated a Covid-19 vaccination campaign at the Darmstadt and Gernsheim sites. It started with personnel involved in the production of lipids, which are an important component of mRNA vaccines. Over the summer, we expanded the vaccination campaign initially to all other employees and later to their family members. By the end of December 2021, we had administered more than 17,800 vaccine doses to our employees in Darmstadt and Gernsheim as well as their families.

We also offered vaccinations to employees at other sites, such as those in India and Indonesia.

In addition to Covid-19 vaccinations, we also offered flu shots to employees at our Darmstadt and Gernsheim sites in autumn 2021, vaccinating more than 2,600 employees.

Fitness initiatives

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

Step-counter fitness campaign and health app

We want to encourage our employees across all our sites to maintain an active, healthy lifestyle and, especially in the era of Covid-19, to promote social interaction with one another. Approximately 16,000 employees have downloaded a health app that offers a variety of health-related information on topics such as stress, nutrition and social contact. In 2021, we also held **two step counter races** that motivated around 13,300 employees to get physically active together. Using the health app, team participants tracked their physical performance based on their step count. As an additional incentive, we tied the number of steps taken in the second pedometer race to donations to charities. Altogether, participants walked their way to € 100,000, € 70,000 of which went to Save the Children and € 30,000 of which went to local charitable causes chosen by the winning teams.

Boosting well-being

In March 2021, our Global Healthcare Operations (GHO) unit kicked off its “Feel well” initiative. Over a period of seven months, GHO staff participated in webinars in which experts advised them on how to enhance their well-being and eliminate stress. They also took a closer look at topics such as personal habits, sleep and slowing down. In total, more than 1,000 GHO employees participated in the events. Afterwards, the materials were posted on the intranet so that the participants and all other employees could access them and take steps to prevent stress-induced illnesses.

Examinations and support for our employees

Our Physical Ability Test and Health Preservation process allows us to ensure that all employees meet the health requirements for their particular tasks and duties. Depending on the job profile, some of our employees undergo **pre-hiring physicals and physical aptitude examinations**. Our Travel Health & Medical Advisory Service assists employees who spend time abroad, providing them with recommendations on necessary vaccinations and advice on hygiene risks.