

# STRATEGY & MANAGEMENT

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# Company profile

We are a vibrant science and technology company. Science is at the heart of everything we do. It drives the discoveries we make and the technologies we create. We make a positive difference in the lives of millions of people every day.

The digital platform and the products and services in our Life Science business sector make precision research simpler and help speed up scientific breakthroughs. They enable quicker access to healthcare and ensure that analyses are accurate and medications are trustworthy. In the Healthcare business sector, we accompany people in every phase of their life and help them to shape, improve, and prolong it. We enable personalized treatments for serious illnesses and help many couples to realize their wish to have children. In our Electronics business sector, we are the company behind the companies, advancing digital living and changing the way we process information and make it available. Our innovations release the potential of data and open up possibilities for positively influencing the way we live.

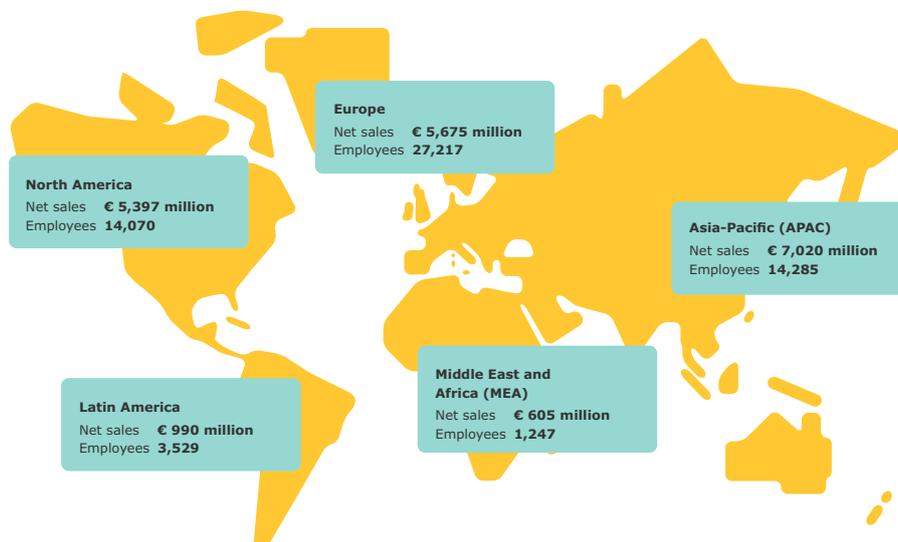
Everything we do is fueled by a belief in science and technology as a force for good. It is a belief that has driven our work since 1668 and will continue to inspire us to find more joyful and sustainable ways to live, because we are curious minds dedicated to human progress.

Merck KGaA, Darmstadt, Germany, holds the global rights to the company name and brand. The only exceptions are Canada and the United States. In these countries, we operate as EMD Serono in the healthcare business, as MilliporeSigma in the life science business, and as EMD Electronics in the electronics business.

Apart from our three business sectors, our financial reporting presents five regions: Europe, North America, Asia-Pacific, Latin America, and the Middle East and Africa. As of December 31, 2021, we had 60,348 employees worldwide. The figure as of December 31, 2020 was 58,127 employees.

In 2021, our 227 subsidiaries with employees in 66 countries generated sales of € 19.7 billion. Our 96 production sites are located across 20 countries.

## Employees and sales by region – 2021



## Group structure

Merck KGaA, Darmstadt, Germany comprises three business sectors: Life Science, Healthcare and Electronics. The Performance Materials business sector was renamed Electronics in March 2021.

In **Life Science**, with our Research Solutions, Process Solutions, and Applied Solutions business units, we are a leading, global supplier of tools, research-grade chemicals, and equipment for academic labs, biotech and biopharmaceutical manufacturers, and the industrial sector. With a strong focus on innovation, we are committed to delivering the products, services, and digital platforms to create a sustainable future for generations to come. Our broad and deep portfolio comprises more than 300,000 products.

Research Solutions provides customer solutions to scientists in academic institutions, government labs, research hospitals, pharmaceutical, R&D, and biotech organizations, empowering their efforts to accelerate science. Process Solutions provides biopharmaceutical manufacturers with process development expertise and technologies, supporting them to develop and manufacture drugs safely, effectively, and cost efficiently. In Applied Solutions, we aim to improve health across many areas of daily life with diagnostic solutions to ensure the safety of vaccines and other life-saving therapies as well as provide testing services to identify contaminants in food, air and water. We supply products and workflow solutions that streamline processes, lower costs and deliver consistent, reliable results for diagnostic, testing and industrial customers.

We continued to engage in combating Covid-19 in 2021, including accelerating the supply of urgently needed lipids as part of our strategic partnership with BioNTech and comprehensively expanding our production capacities for technologies and solutions that are required for the manufacture of Covid-19 vaccines and treatments. To date, our products and services have supported more than 80 vaccine developers, more than 35 solutions for testing, and more than 50 monoclonal antibodies, plasma products, and antiviral drugs. You can find more information on our [website](#).

Our **Healthcare** business sector discovers, develops, manufactures, and markets innovative pharmaceutical and biological prescription drugs to treat cancer, Multiple Sclerosis (MS), infertility, growth disorders, and certain cardiovascular and metabolic diseases. Healthcare operates across four therapeutic areas: Neurology and Immunology, Oncology, Fertility, and Cardiology Metabolism & Endocrinology with a clear ambition to become a global specialty innovator. Our R&D pipeline positions us with a clear focus on strengthening our leadership positions in oncology, neurology, and immunology.

Since the start of the Covid-19 pandemic, we have been continuously making every effort to proactively handle the situation and minimize the impact of the pandemic on the supply of our medicines locally and globally through three main levers: the thorough implementation of our business continuity plans across our network, the active management of our stocks, and the assessment of alternative transportation routes to reach our customers and patients.

With our **Electronics** business sector we are the company behind the companies, advancing digital living. Our primary focus is on the electronics market with our materials and solutions changing the way we generate, access, store, process, and display information. In addition, our highly specialized, application-driven Surface Solutions business makes life more colorful. The business sector consists of three business units: Semiconductor Solutions, Display Solutions, and Surface Solutions. Comparing Electronics with a smartphone, Display Solutions represents the user interface, Semiconductor Solutions the intelligence, and Surface Solutions the aesthetics. We offer innovative solutions especially for the electronics industry – for microchips and displays – and for surfaces of every kind.

## Net sales by business sector – 2021



## Governance

Based in Darmstadt, Germany, the legal form of our company is a corporation with general partners (Kommanditgesellschaft auf Aktien – KGaA). The Merck family holds around 70% of the equity capital of Merck KGaA, Darmstadt, Germany (equity interest) via the general partner E. Merck KG, Darmstadt, Germany; the shareholders hold the remainder, which is divided into shares (subscribed capital). Our shares have been a constituent of the DAX®, the blue-chip index of the Deutsche Börse, since 2007. In September 2008, our company was added to the FTSE4Good Index, a sustainability index that assesses the social, ecological and ethical conduct of companies.

## Group strategy

We are curious minds dedicated to human progress. We believe that scientific exploration and **responsible entrepreneurship** are key to technological advances that benefit us all. As a company, we have a strong foundation. These fundamentals have been defined by the Merck family. We always take them into consideration when discussing and deciding on our Enterprise strategy.

- We follow a risk diversification strategy with three distinct business sectors, and we avoid overexposure to any single customer, industry, or geography. We ensure resilience against business disruption and deep crises.
- With our science and technology focus, we want to be leaders in our fields of expertise and markets, always pushing the boundaries to find new solutions and drive innovation. We aim to create value for our business and for society.
- We continue to operate under our current ownership with the Merck family as the majority owner.
- We deliver sustainable value, and we want to maintain an attractive financial profile (for example, a strong credit rating) while assessing and considering the ESG (environmental, social, governance) impact of our growth ambition.
- Mergers and acquisitions (M&A) are an important driver of our long-term value creation strategy with a focus on innovation-driven technology.

Our ambition is to become the global 21st century science and technology pioneer, and we have four key priorities to deliver on this ambition.

- Mobilizing for Efficient Growth
- Leveraging Innovation in the “Big 3” (Process Solutions & Life Science Services in Life Science, new Healthcare products and Semiconductor Solutions in Electronics)
- Driving Culture & Leadership
- Focusing on Sustainability

In all three business sectors – Life Science, Healthcare and Electronics – the course has been set for sustainable, profitable growth.

Additionally, we have made clear progress on our sustainability strategy, incorporating sustainability even more strongly as an essential component of our corporate strategy and all company processes.

You can find more information on our company strategy in our [Annual Report 2021](#). Details on the sustainability strategy can be found there and here in the [report](#).

# Letter from the CEO

## Dear Readers,

Humanity made a bold commitment in 2015 to end poverty and hunger, protect the planet, and ensure healthy lives for all. The adoption of the U.N. 2030 Agenda for Sustainable Development was a call to action for governments, companies and citizens worldwide to contribute to 17 Sustainable Development Goals (SDGs) by 2030.

We are now at the halfway point for this historic 15-year initiative. Therefore, it is timely to reflect upon where things stand. Sadly, the Covid-19 pandemic has affected much more than our global health. The U.N. SDG 2021 report highlighted how progress on many other SDGs, including poverty, education, and gender equality, has stalled or reversed since 2020. Meanwhile, global CO<sub>2</sub> emissions are nearing record highs once again.

Fortunately, the global response to the pandemic has demonstrated that humanity can achieve tremendous things when science and technology are harnessed for the common good. There is a renewed sense of purpose within society and optimism that we can overcome other major challenges such as climate change. A critical mass of people and organizations are now willing to demonstrate this commitment to sustainability with their money, votes, loyalty, and actions. We must all try and seize this moment to aim higher.



That is why this Sustainability Report carries extra significance for our company and me personally. Our three core sustainability goals reflect our accountability to make an impact. First, we will achieve climate-neutral operations by 2040. Second, we will integrate sustainability into all value chains by 2030. And third, we will achieve human progress for more than one billion people through sustainable science and technology in 2030. We are on track to meet these goals.

Furthermore, we will continue to support the United Nations Global Compact. Its principles of human rights, labor standards, environmental protection, and anti-corruption are part of our social license to operate.

Here are just a few examples of our sustainable leadership during 2021.

Last year, we committed to a 50% reduction in our direct (Scope 1) and indirect (Scope 2) greenhouse gas (GHG) emissions by 2030 compared to 2020. In 2021, these GHG emissions decreased by 9% compared to the prior year.

Converting 80% of our purchased electricity to renewable sources by 2030 is one way we will achieve these GHG targets. Last year, our electricity purchased from renewable sources increased from 27% to 30%. And in Brazil, our sites were fully powered by renewables for the first time. The process to join the Science-Based Targets Initiative also began last November. This will commit us to help achieve the goals of the Paris Agreement through science-based emission reduction targets.

In global health, we provided 182 million praziquantel tablets – and our 1.5 billionth tablet overall – to the World Health Organization (WHO) to treat schistosomiasis in endemic African countries. The Lancet confirmed last December that the prevalence of this neglected tropical disease had already decreased by 60% between 2000 and 2019. We remain on track to helping achieve its elimination as a public health problem by 2030.

Regarding social governance, we are harnessing our workplace diversity and inclusive culture to help unlock tremendous value for patients, customers, colleagues, and partners. Last year, we announced our intention to achieve gender parity in all leadership positions worldwide by 2030. We have made good progress since 2020, increasing the percentage of females in leadership roles from 35% to 36%. Underrepresented racial and ethnic groups will also comprise 30% of all leadership positions in the United States, Asia, Latin America, the Middle East, and Africa by 2030.

These sustainability efforts represent some of the contributions being made *within* our organization. However, I believe we can make an even greater contribution *beyond* it – through science and technology innovations that enable others to achieve their sustainability targets faster. Accordingly, last year we agreed to make sustainability a cornerstone of future growth and innovation.

One early demonstration of our pioneering spirit is to create a more sustainable future for food that disconnects animals from the supply of meat and other proteins. Customer projects are underway to develop and commercialize cultured meats and other products. Last year, we also awarded the Future Insight Prize of € 1 million to the inventors of a process that transforms plastics and other non-edible biomass into food.

In this report, you will discover many other insights about how our company is creating long-term sustainable value. Together with our committed global team of nearly 60,000 employees, we will continue raising the bar.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Belén Garijo', with a long horizontal stroke extending to the right.

**Belén Garijo**

Chair of the Executive Board and CEO

# Sustainability strategy & goals

Numerous global challenges such as climate change, resource scarcity and unequal access to health in various countries are also decisive for our company. In order to address them, we continuously seek solutions made possible by science and technology. At the same time, we are working to make our business models more resilient.

## Our approach: sustainable progress

Our ambition is to leverage science and technology to achieve progress for mankind. For us, sustainable entrepreneurship and profitable growth go hand in hand; we can remain competitive only by creating **added value for society**. Through our innovative and high-quality products, we want to help meet global challenges. At the same time, our products secure our financial performance capability.

**Responsible action** is an integral part of our company culture. This also includes respecting the interests of our employees, customers and investors, as well as society. For more than 350 years, our company has been shaped and **guided by strong values**. Our success is built on courage, achievement, responsibility, respect, integrity, and transparency – values that underpin our understanding of sustainable entrepreneurship.

Safety and ethics matter just as much to us as business success. We **mitigate ethical, economic and social risks** as far as possible. During the manufacture of our products, we aim to keep our impact on the environment as low as possible, which is why safe production techniques, high environmental standards and strict quality management are of course so important to us. Furthermore, we aim to strengthen our company by recruiting, developing and motivating talented employees. We want to set an example for ethical conduct.

We closely monitor new **global trends and challenges**. For example, in order to clearly understand the complex nature of the expected changes, we make use of the so-called scenario technique, which enables us to identify and incorporate aspects of strategic relevance. We also participate in dialogues and initiatives, consult with other organizations in our industry and assess media and news coverage. This allows us to minimize risks while also leveraging **new business opportunities**.

## Implementing the strategy globally

The rapidly growing challenges facing society and the environment require a clear objective for the coming years. That is why we have integrated sustainability into our enterprise strategy as an essential component and have set ourselves three strategic sustainability goals.

**Our sustainability strategy**

The infographic is divided into three vertical panels, each representing a sustainability pillar. The first panel, 'Dedicated to Human Progress', is blue and focuses on 2030 goals. The second, 'Creating Sustainable Value Chains', is purple and also focuses on 2030 goals. The third, 'Reducing our Ecological Footprint', is green and focuses on 2040 goals. Each panel lists specific focus areas and the corresponding Sustainable Development Goals (SDGs) that are central to that pillar.

In order to achieve our sustainability goals, we have defined seven focus areas. Within these focus areas we are currently implementing numerous initiatives and projects and are measuring our progress.

**Measuring progress made with the sustainability strategy**

In 2021, we defined various key indicators in order to record and measure progress made through our three sustainability goals.

As of 2022, we will be adding a sustainability factor to our Long-Term Incentive Plan (LTIP). The 2021 Annual General Meeting approved a revised compensation system for the members of the Executive Board. For the sustainability factor, the company uses the three key indicators marked in the table. Details on how this sustainability factor is calculated can be found in the [Compensation Report](#).

## Our key indicators

**Goal 1:** In 2030, we will achieve human progress for more than one billion people through sustainable science and technology.

Focus area	Sustainability key indicators	Further details
Sustainability innovation and technology 	◆ Percentage of newly published patent families with positive sustainability impact	Sustainable innovation & technologies
Health and wellbeing impact 	◆ People treated with our Healthcare products <sup>1</sup>	SASB index

**Goal 2:** By 2030, we will integrate sustainability into all our value chains.

Focus area	Sustainability key indicators	Further details
Sustainability culture and values 	◆ Percentage of women in leadership positions	Diversity & inclusion
	◆ Percentage of employees trained on sustainability	Reporting as of 2022
Sustainable and transparent supply chain 	◆ Percentage of relevant suppliers (in terms of number and purchase volume) that are covered by a valid sustainability assessment <sup>1</sup>	Supply chain management
Securing our social license to operate in all regions 	◆ Environment, Health and Safety (EHS) Incident Rate	Process, plant & transport safety
	◆ Incidents related to Global Social and Labor Standards Policy"	Human rights
	◆ Lost Time Injury Rate (LTIR)	Health & safety

### Goal 3: By 2040, we will achieve climate neutrality and reduce our resource consumption.

Focus area	Sustainability key indicators	Further details
Climate change and emissions 	◆ Greenhouse gas emissions (Scope 1+2) <sup>1</sup>	Climate action
	◆ Indirect greenhouse gas emissions (Scope 3)	Climate action
	◆ Percentage of purchased electricity from renewable sources	Climate action
Water and resource intensity 	◆ Waste Score	Waste & recycling
	◆ Water Intensity Score	Water management
	◆ Water quality	Reporting as of 2022

<sup>1</sup> The key indicator is used to determine the sustainability factor for the Long-Term Incentive Plan (LTIP) of Merck KGaA, Darmstadt, Germany.

In order to assess the sustainability of our products, technologies and business activities, we developed the Sustainable Business Value (SBV) method. It enables us to evaluate the positive and negative **impacts of our activities** on society along our entire value chain. This gives rise to a monetary value that quantifies the societal benefits a product offers, for instance. In addition to ESG (Environmental, Social, Governance) parameters, SBV also incorporates economic and ethical aspects as well as digitalization and the benefits of the product itself. The data help us drive sustainability across our business operations and position ourselves for future success. At the end of 2021, we launched a computer app that enables us to further embed this Sustainability Impact Valuation method in the company. This provides employees with a structured process that they can use to assess the sustainable contribution to value made by their product or project.

## Our operational sustainability goals

Our three strategic goals make our long-term sustainability ambition clear. In order to achieve them, we have also defined [operational sustainability goals](#). These are more specific, may apply for a shorter time frame and are aligned with our current business activities.

## Roles and responsibilities

Our Executive Board has Group-wide responsibility for our sustainability strategy. It has adopted our three strategic goals (see above).

The Group Corporate Sustainability unit is responsible for developing and shaping the sustainability strategy and regularly informs the Executive Board about the progress made and the need for action. It is part of the [newly created Group function](#) "Corporate Sustainability, Quality and Trade Compliance", which reports to the Chair of the Executive Board. Consequently, overarching Executive Board responsibility for Environment, Social, Governance (ESG) also lies with the Chair of the Executive Board.

Group Corporate Sustainability is also responsible for the Corporate Sustainability Council. The committee consists of representatives from our business sectors and from key Group functions, such as Procurement, HR and Strategy. Council members from various countries provide input on regional sustainability aspects. The Corporate Sustainability Council steers and monitors the Group-wide **implementation of the sustainability strategy**. It aligns the strategy with the individual business strategies, defines priorities, specifies globally applicable sustainable guidelines, and recommends corresponding initiatives to the Executive Board. With their respective area of responsibility, each Executive Board member is also responsible for sustainability.

Moreover, the Corporate Sustainability Council ensures that the initiatives of our various business sectors, Group functions and subsidiaries align with our Group-wide sustainability strategy. In 2021, the Corporate Sustainability Council met four times by video conference. The participants addressed the following topics: Implementing the sustainability strategy in the business sectors, key indicators for measuring and steering sustainability within the company, lowering greenhouse gas emissions, and developing reporting requirements.

The measures adopted by the Corporate Sustainability Council are implemented by our line managers as well as by interdisciplinary project teams. To achieve our operational sustainability goals and depending on the topic, responsibility is assigned to specific teams, functions and business units. Those responsible for implementation exchange ideas and coordinate actions in an overarching committee. They identify synergies between the projects and tailor their direction to our sustainability goals.

In November 2021, we established an **external expert committee for sustainability issues**. The Sustainability Advisory Panel of Merck KGaA, Darmstadt, Germany (MSAP) consists of six independent international experts on sustainability-related topics. They advise the company on selected issues and assess related sustainability aspects as well as the company's planned activities. Moreover, they apply their knowledge to help address societal and political challenges and developments that could have strategic relevance for our businesses. This panel is chaired by the Head of Group Corporate Sustainability.

### Members of our Sustainability Advisory Panel



#### Glynda Bathan-Baterina

Deputy Executive Director of Clean Air Asia



#### Michael Braungart

Founder and Scientific CEO of EPEA Internationale Umweltforschung, Professor at Erasmus University Rotterdam and Leuphana University Lüneburg



#### Todd Cort

Faculty Co-Director of both the Center for Business and Environment (CBEY) and the Initiative on Sustainable Finance (YISF) of the Yale School of Management



#### Maja Göpel

Scholar, speaker, author, advisor, Expert for sustainability policies and transformation research, Honorary Professor at Leuphana University Lüneburg



#### Ioannis Ioannou

Visiting Associate Professor of Management, Miami Herbert Business School, Associate Professor for strategy and entrepreneurship at the London Business School



#### Huiyao (Henry) Wang

Founder and President of Center for China and Globalization (CCG)



# Sustainable Development Goals

The United Nations (UN) 2030 Agenda is a global plan to promote sustainable peace and prosperity and to protect our planet. Since 2016, countries and organizations have been working to implement this agenda with its 17 Sustainable Development Goals (SDGs). Our aim is for our business activities to create shared value that is both measurable and makes a recognizable contribution to society. We rely on the power of science and technology to make a positive impact.

## Doing our part

As part of our [sustainability strategy](#), we focus on the five SDGs on which we have the strongest impact through our entrepreneurial actions.

Our contribution can be summarized as follows:

### SDG 3 – Good health and well-being

With our products, we positively impact the health and quality of life of people around the world. Through technological and scientific innovations, we are also helping to improve the health of underserved populations in low- and middle-income countries.

### SDG 8 – Decent work and economic growth

We see it as our responsibility to respect human rights both within our company and along our supply chain. That is why we are dedicated to upholding appropriate and fair labor and social standards. We want to drive sustainable economic growth through progressive resource efficiency.

### SDG 9 – Industry, innovation and infrastructure

We use our expertise in science and technology to make our products, processes and infrastructure sustainable. In addition, we want to promote the work of scientists worldwide with our innovations and support programs.

### SDG 12 – Responsible consumption and production

We use resources efficiently and reduce waste and emissions. We pay attention to this in our product development and in our manufacturing activities. We also help our customers to manufacture their products more sustainably and efficiently and to achieve their own sustainability goals.

### SDG 17 – Partnerships for the goals

We need strong partners in order to drive sustainable development within our company and beyond and to better meet societal challenges. We therefore collaborate with a wide range of organizations, companies, federations, and networks.

Through our sustainability strategy, we help **to solve challenges globally**, and not only within these five SDGs. Our management approaches and projects also support **SDG 4** (Quality education), **SDG 5** (Gender equality) – supplemented by diversity and inclusion, **SDG 6** (Clean water and sanitation), **SDG 7** (Affordable and clean energy), and **SDG 13** (Climate action).

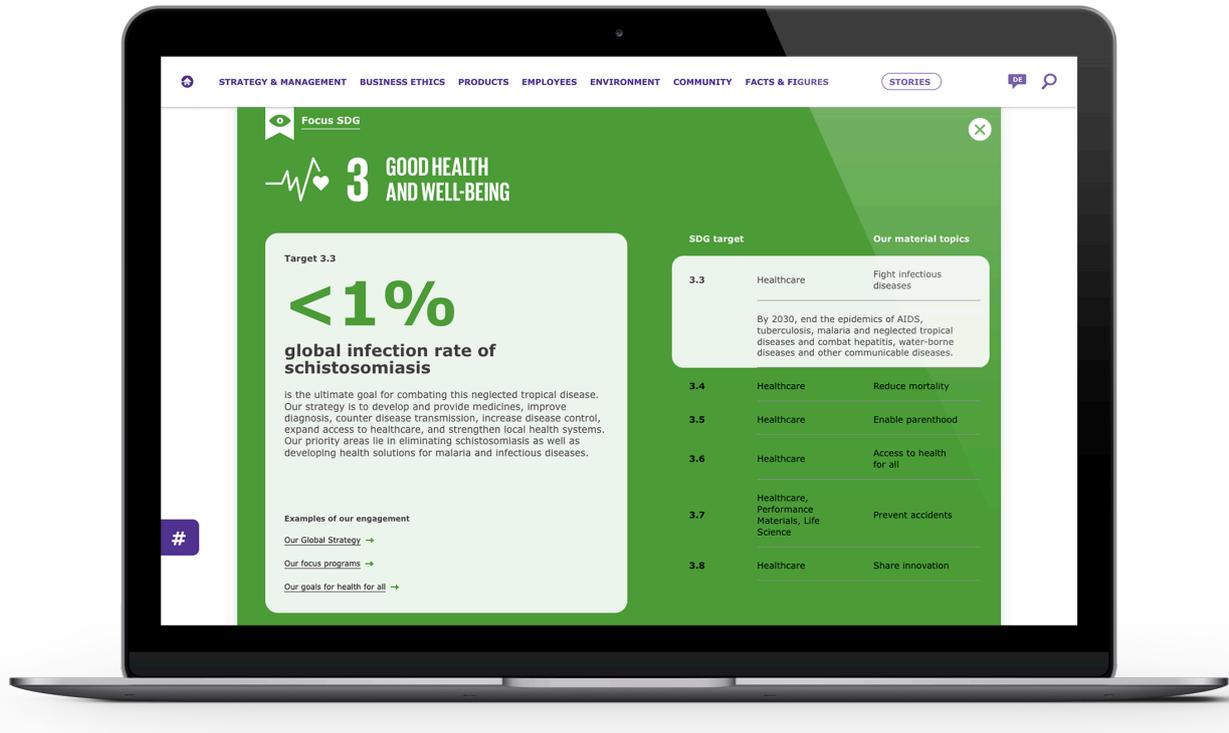
Detailed information on our quantitative and qualitative contributions to the SDGs is provided in our **interactive tool**.

## Our contribution in detail

In our online report, we offer an [interactive tool](#) to visualize how we contribute to the SDGs in qualitative and quantitative terms.



Clicking on one of the highlighted SDGs provides further information for each of the targets on how we specifically support them through our management approaches, initiatives and projects.



# Stakeholder dialogue

Engaging our various stakeholders is highly important to us. Through this dialogue, we communicate our decisions and actions transparently in order to secure our social license to operate. We aim to unite divergent interests, as well as build and sustain trust.

## Dialogue at various levels

Our key stakeholders include our employees, customers and business partners, patients, the Merck family as the majority owner of the company, shareholders, and our suppliers. We pursue a continuous dialogue with our stakeholders and use these exchanges to identify important trends and developments in society and in our business fields so as to incorporate these into our corporate responsibility endeavors.

### Our stakeholders

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We regularly conduct a systematic [materiality analysis](#) to learn about our **stakeholders' expectations**. In doing so, we identify the economic, social and environmental issues that are important to our stakeholders – and thus also to us.

We have established [guidelines and principles](#) for interactions with certain stakeholders, with a focus on compliance. For example, we have defined internal policies and review processes for [patient relationships](#), interactions with [healthcare stakeholders](#), and [business partnerships](#).

We communicate regularly with our stakeholders through a variety of channels. For instance, we conduct stakeholder surveys and organize topic-specific dialogues at regional, national and international level. We also participate in discussions and informational forums as well as through our advocacy work and industry coalitions. Here are some examples of the dialogue formats used:

## Employees

### **Employee engagement surveys**

- [Understanding our employees](#)
- [Our approach to preventing accidents and promoting health](#)

### **Intranet "EVA"**

- [Encouraging dialogue and rewarding ideas](#)

### **Germany-wide ideation program**

- [Encouraging dialogue and rewarding ideas](#)

### **Career fairs**

- [Attracting young generations to our company](#)

## Patients

### **Patient Advisory Boards (PAB) to engage patient organizations in our clinical research**

- [Close dialogue with patients and advocacy groups](#)

### **Member of various initiatives on the quality and efficiency of clinical trials**

- [Close dialogue with patients and advocacy groups](#)

## Employee representatives

### **Involvement of local employee representatives in company decisions**

- [Roles and responsibilities](#)
- [Performance-based pay and benefits](#)

## Scientists

### **Ethics Advisory Panel (MEAP); Digital Ethics Advisory Panel (MDEAP)**

- [Ethics Advisory Panel](#)
- [Digital Ethics Advisory Panel](#)

## Communities

### **Discussion and information forums for residents in the vicinity of our sites**

- [Roundtables and informational forums](#)

## Healthcare systems

### **Collaboration with health agencies and other stakeholders, network meetings**

- [Global Health: Engaging stakeholders](#)

## Industry coalitions/Advocacy groups

### **Collaboration in working groups**

- [Advocacy groups and industry coalitions](#)

## Suppliers

### **Supplier surveys**

- [Supply chain assessments and audits](#)

### **Knowledge sharing**

- [Ambassadors of sustainable procurement](#)

## Shareholders

### **Annual General Meeting**

- [Investor Relations](#)

### **Events for investors**

- [Capital market days](#)

## Public agencies

### **Subject-specific cooperation**

- [Pharmacovigilance in Access to Health](#)
- [Monitoring drug safety](#)

Further information on stakeholder dialogues can be found in the individual report chapters.

## Roundtables and informational forums

We hold roundtable discussions and informational forums for local residents at our major sites. Since 1994, we have been holding an annual public planning forum in Darmstadt to discuss the development of our site with members of the city council, local authorities and the community.

## Involvement in initiatives

We collaborate with an array of civic organizations such as the World Environment Center ([WEC](#)) and also participate in other [initiatives](#) that share our commitment to responsible corporate conduct, such as [Chemie<sup>3</sup>](#) and [Responsible Care®](#).

## Advocacy groups and industry coalitions

We actively participate in the **political process** and advocate our positions and views by engaging policymakers in a direct dialogue as well as through our work with industry coalitions. The major national and international industry associations in which we are members and also hold positions include:

- The German Federation of Chemical Employers' Associations ([BAVC](#))
- The European Federation of Pharmaceutical Industries and Associations ([EFPIA](#))
- The International Federation of Pharmaceutical Manufacturers & Associations ([IFPMA](#))
- The German Chemical Industry Association e. V. ([VCI](#))
- The European Chemical Industry Council ([Cefic](#))
- National Association of Manufacturers ([NAM](#))
- United States Chamber of Commerce ([USCC](#))
- Association of International Chemical Manufacturers ([AICM](#))

## Political contributions

Our interactions with actors in the political sphere focus on political dialogue, information exchange and open and transparent knowledge sharing. Our guidelines stipulate that our interactions and contributions must comply with all applicable laws and must never aim to inappropriately influence or compensate officials for political favors. Even if permitted by local law, we do not make contributions in the form of donations to or sponsorships of political parties or related organizations. Furthermore, we do not make donations to or sponsor holders of public office or candidates for such, nor do we make other types of financial contributions.

In the United States, political action committees (PACs) have been set up through which our employees can donate money to support political candidates and organizations. These are not donations made by our company, but rather contributions made by employees. The contributions donated are reported to the U.S. Federal Election Commission and are fully disclosed.

# Materiality analysis

By conducting an annual materiality analysis, we can ascertain the social, economic and environmental issues that matter most to our stakeholders – and thus to our long-term business success. This assessment also allows us to see whether we are helping achieve the UN Sustainable Development Goals (SDGs) and the areas in which we are doing so.

## Identifying the material issues

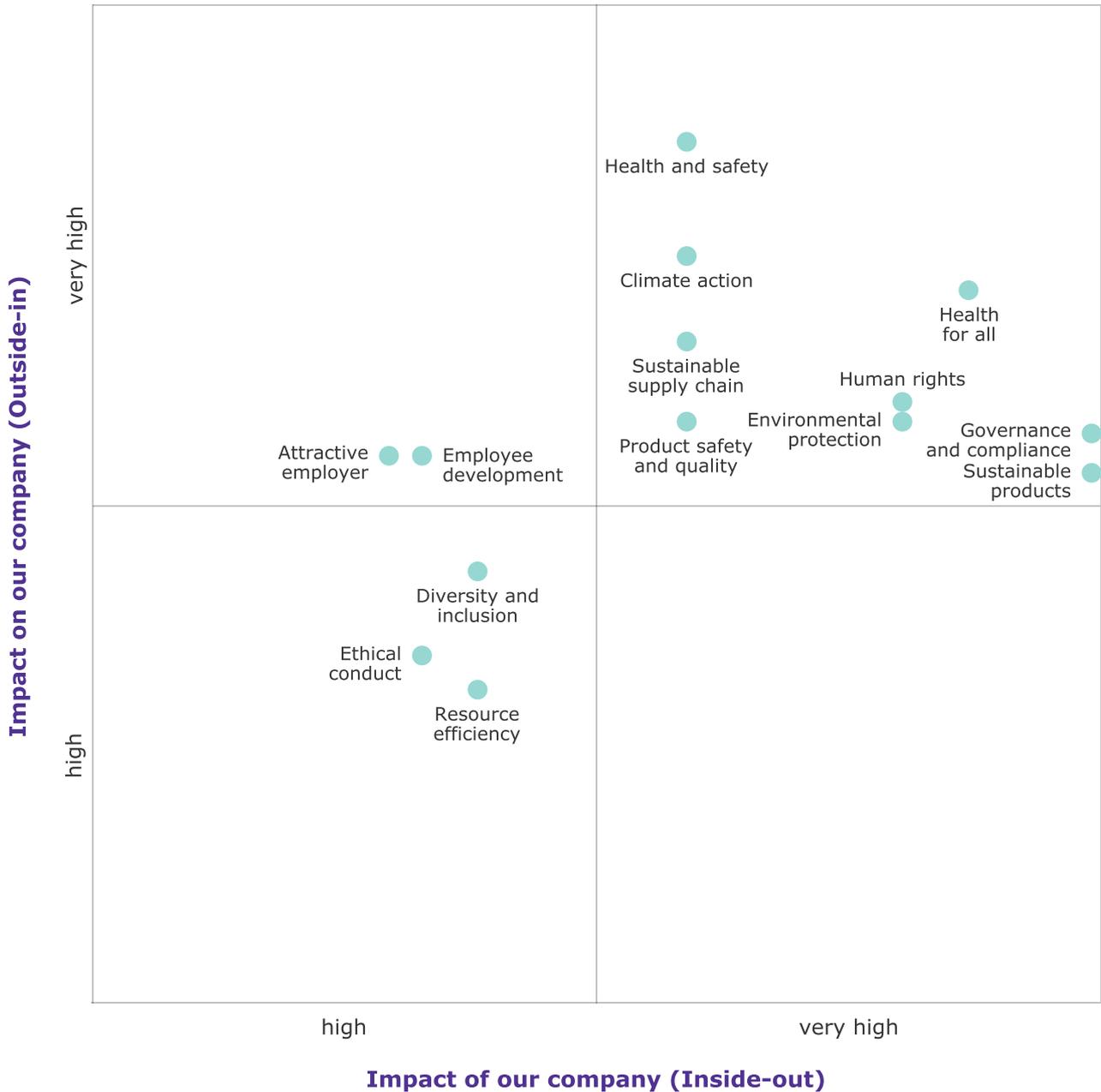
Materiality assessments help us define and verify the focus of our sustainability management efforts and the contents of our reporting. In 2021, we conducted a comprehensive analysis in order to meet the applicable reporting requirements of the Global Reporting Initiative ([GRI](#)). The analysis identified topics that our stakeholders view as impacting our business operations as well as influential external factors such as regulatory requirements. It also pinpointed areas that are in turn affected by our business activities.

Our most recent analysis partially took a Big Data approach, and we also qualitatively assessed a variety of sources, such as scientific journals, sustainability reports and databases. We furthermore interviewed primarily external experts in order to substantiate the results of the analysis. These interviews focused on aspects such as **opportunities, risks and potential future developments** for our operations that could result from the material topics. Moreover, the findings were validated by an interdisciplinary sustainability work group.



We consolidated the issues assessed in our materiality analysis into 14 topic clusters that are material to our company. Although “Tax Governance” and “Community engagement” fell below the materiality threshold, we have included information pertaining to these two issues in our report because we expect [tax matters](#) to become increasingly relevant to our stakeholders going forward. Furthermore, we have worked hard to help [support communities](#) worldwide over the years. We would like to continue playing an active role in these communities and to continue reporting on our outreach efforts.

**Our material topics in 2021**



Section 289c(3) of the German Commercial Code requires us to report on topics of double materiality in a [non-financial statement](#). The principle of double materiality requires companies to disclose non-financial information when the following two criteria are met: First, the information makes it possible to understand how the company’s business activities affect non-financial aspects, and secondly, the information is necessary to understand the company’s business performance, business results and financial situation.