

# Environmental, Social & Governance (ESG)

Progress Report Summary 2021/2022

For our full ESG Progress Report, please click [here](#).



*“An ongoing strength of our company has been our enduring commitments to operating responsibly and creating value for society. For more than 130 years, our global team has pursued environmental, social and governance (ESG) excellence. Today, our ESG approach helps propel and enable our business strategy in ways that make us a better company — and a better corporate citizen.”*

**Rob Davis**  
Chief Executive Officer and President

## Key Highlights

Ground-breaking access strategy accelerated the timely distribution of our investigational COVID-19 therapeutic to governments globally

**On track** to achieve carbon neutrality across our operations by 2025 (Scope 1 & 2 emissions)

**>99%**

pay equity achieved in the U.S. for female and male employees, as well as for non-white and white employees in equivalent positions

**\$1 billion**

inaugural issuance of sustainability bond in December 2021

Reflects company’s longstanding ESG commitment in corporate strategic framework

## ESG materiality

Understanding and prioritizing the ESG issues that matter most to our business and stakeholders enables us to focus, act and report on them effectively and transparently. Our ESG materiality assessment process offers insight into future trends and potential business risks and opportunities that influence our ability to create value. It helps us determine where we should be prioritizing our efforts in order to maximize the benefit for our stakeholders, our company and the world.





# Our strategic framework

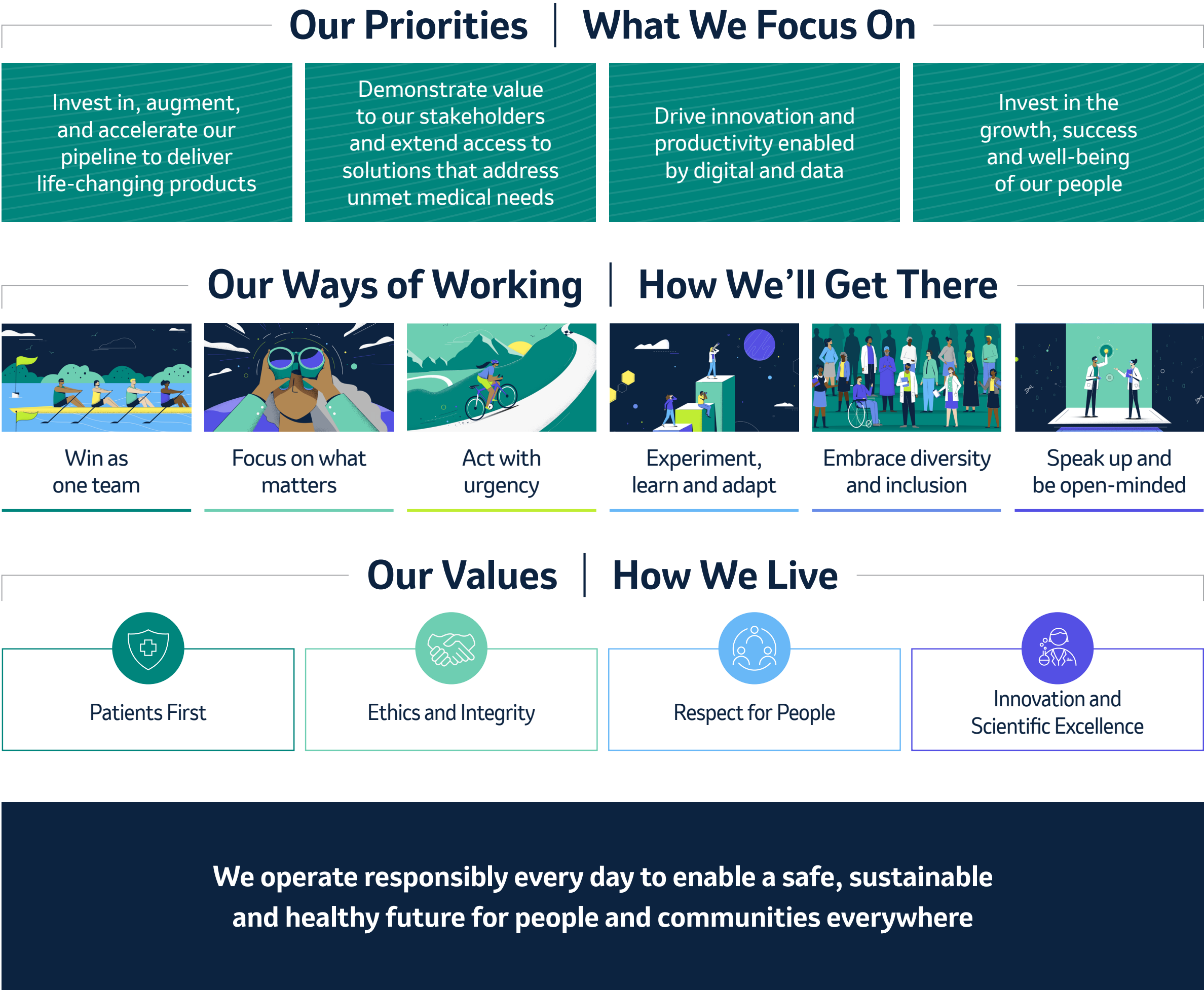


## Our Purpose Why We Exist

We use the power of leading-edge science to save and improve lives around the world

## Our Aspiration What Our Ambition Is

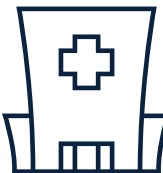
We aspire to be the premier research-intensive biopharmaceutical company



# Our ESG focus areas, goals and performance




Our ESG goals represent our public commitments to delivering greater value to society. Included below is the progress we made on our ESG goals in 2021.



### Access to Health

In collaboration with key stakeholders, we work to ensure our science advances health care, and our products are accessible and affordable to those in need.


GOALS	2021 PROGRESS
Further advance health equity by reaching <b>30 million</b> people in low- and middle-income countries and in U.S. underserved populations with our social investments, by 2025. <sup>1</sup>	<b>15 million</b> people reached <sup>2</sup>
Reach at least <b>75%</b> of countries around the world annually with our products. <sup>3</sup>	<b>79%</b> of countries reached in 2021
Enable <b>100 million</b> more people to access our innovative portfolio globally, through access strategies, solutions and partnerships, by 2025. <sup>4</sup>	Enabled access for <b>66.7 million</b> people <sup>2</sup>



### Employees

We recognize that our ability to excel depends on the integrity, knowledge, imagination, skill, diversity and wellbeing of our employees.


GOALS	2021 PROGRESS
Increase representation in senior management roles, <sup>5</sup> by 2024: Women globally to <b>40%</b> , up from 31% in 2020.	<b>36%</b> women
Black/African Americans in the U.S. to <b>10%</b> , up from 3% in 2020.	<b>7%</b> Black/African Americans in the U.S.
Hispanics/Latinos in the U.S. to <b>10%</b> , up from 5% in 2020.	<b>6%</b> Hispanics/Latinos in the U.S.
<b>Maintain or exceed</b> our current inclusion index score, by 2025. <sup>6</sup>	<b>On track</b>
<b>Maintain or exceed</b> our current employee engagement index score, by 2025. <sup>7</sup>	<b>On track</b>



### Environmental Sustainability

We consider the impacts of our operations and strive to operate our business sustainably to support the health of our planet and its people.

GOALS	2021 PROGRESS
Reduce our operational greenhouse gas (GHG) emissions (i.e., Scopes 1 & 2) <b>46%</b> by 2030, from a 2019 baseline. <sup>8</sup>	<b>9% reduction</b> in Scope 1 and 2 emissions from 2019 baseline
Achieve <b>carbon neutrality</b> across our operations by 2025 (Scopes 1 & 2 emissions). <sup>8</sup>	In progress. Any remaining emissions will be offset with <b>high-quality offsets</b> in 2025
Source <b>100%</b> of our purchased electricity from renewables by 2025. <sup>9</sup>	<b>41%</b> of purchased electricity sourced from renewables in 2021
Reduce our value chain (Scope 3) GHG emissions by <b>30%</b> by 2030, from a 2019 baseline. <sup>10</sup>	<b>9%</b> increase in Scope 3 emissions from 2019 baseline



### Ethics & Values

Through our unwavering commitment to transparency, we earn the trust and confidence of our stakeholders.

GOALS	2021 PROGRESS
Foster a “Speak Up” culture by maintaining or exceeding our current percentage of employees responding favorably to the “Willingness to Report” question in the Pulse survey as an annual average. <sup>11</sup>	<b>On track</b>
Maintain <b>100%</b> compliance to regulatory requirements for active incident monitoring, risk/harm analysis and on-time notification of data breaches. <sup>12</sup>	<b>100%</b> compliance maintained

# Select awards and recognition



## Fortune

### World’s Most Admired Companies 2021 and 2022

Ranked #2 most admired company in the Pharmaceutical category for both years

## Just Capital/Forbes

### Just 100 List 2021 and 2022

Ranked #1 in the Pharmaceuticals & Biotech category for both years

## The Human Rights Campaign Foundation

### Best Places to Work for LGBTQ+ Equality 2021 and 2022

9th year in a row

## Disability:IN®

### Best Places to Work for Disability Inclusion 2021 and 2022

8th year in a row

## Newsweek

### America’s Most Responsible Companies 2021 and 2022

Ranked #9 in 2022

## Bloomberg

### Gender-Equality Index 2021 and 2022

3rd year in a row

## 3BL Media

### 100 Best Corporate Citizens of 2021 and 2022

Ranked #1 in the Pharmaceuticals, Biotechnology & Life Sciences category

## Forbes

### America’s Best Employers 2021 and 2022

8th year in a row

## Barron’s

### 100 Most Sustainable Companies 2021 and 2022

Ranked #1 in the Pharmaceuticals category



# References

<sup>1</sup> Social investments include Merck’s philanthropic partnerships, programs and impact investments. Underserved populations are defined as those that face health disparities due to disadvantages related to insurance status, social determinants of health, race, ethnicity, gender identity/sexual orientation, age and/or language preference. The goal is cumulative across the reporting period of 2021–2025, and is independent of a baseline period.

<sup>2</sup> Third-party reporting is used to calculate the number of people reached through social investments. In some cases, third-party reports may include cumulative people reached for the reporting period, and/or data that is attributable to other partners as well as our company’s philanthropic investment.

<sup>3</sup> Includes reach for all products. Countries are as defined by the World Bank Country and Lending Groups. Includes only human health products.

<sup>4</sup> 100 million total is cumulative. Access strategies, solutions and partnerships include U.S. patient assistance programs, voluntary license agreements and partnerships. “Enable more people” is defined as implemented and launched in market and is in comparison to the baseline in 2020. “Access” is defined as products registered, launched and available in the market. Portfolio of products include Oncology, Vaccines, HIV treatments and COVID-19 treatments.

<sup>5</sup> Senior management roles reflect Band 700, which comprises our vice presidents and senior vice presidents.

<sup>6</sup> The Inclusion Index is the average favorability score for employees’ responses to three items in the employee pulse survey (manager supports inclusion, sense of belonging, leaders value perspective) across all surveys in that year.

<sup>7</sup> The Employee Engagement Index is the average favorability score for employees’ responses to items in the employee pulse survey (Happiness, Recommend the company, Intent to Stay).

<sup>8</sup> Scope 1 emissions are direct greenhouse gas (GHG) emissions that occur from sources that are controlled or owned by an organization (e.g., emissions associated with fuel combustion in boilers, furnaces or vehicles). Scope 2 emissions are indirect GHG emissions associated with the purchase of electricity, steam, heat or cooling.

<sup>9</sup> We have defined “purchased electricity” as electricity sourced from external suppliers as well as renewable electricity that was generated and utilized onsite where we retained the renewable attributes or where we have obtained renewable attributes through contract.

<sup>10</sup> Scope 3 emissions are the result of activities from assets not owned or controlled by the reporting organization, but that the organization indirectly impacts in its value chain.

<sup>11</sup> Favorable response indicates the percentage of respondents who respond “yes” to the question stating, “I am willing to report employee misconduct and potential ethics or compliance issues.” To align with where the industry is moving regarding future-oriented ethics and business integrity metrics, we have selected a different Pulse Survey question directly focused on measuring how well company culture aligns with ethics and integrity principles.

<sup>12</sup> Regulatory requirements differ by region.



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Risks and uncertainties include but are not limited to, general industry conditions and competition; general economic factors, including interest rate and currency exchange rate fluctuations; the impact of the global outbreak of novel coronavirus disease (COVID-19); the impact of pharmaceutical industry regulation and health care legislation in the United States and internationally; global trends toward health care cost containment; technological advances, new products and patents attained by competitors; challenges inherent in new product development, including obtaining regulatory approval; the company’s ability to accurately predict future market conditions; manufacturing difficulties or delays; financial instability of international economies and sovereign risk; dependence on the effectiveness of the company’s patents and other protections for innovative products; and the exposure to litigation, including patent litigation, and/or regulatory actions.

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The information contained in this publication was current as of the date presented. The company assumes no duty to update the information to reflect subsequent developments. Consequently, the company will not update the information contained in the publication and investors should not rely upon the information as current or accurate after the presentation date.

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