

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 approach

- Our purpose, which serves as the foundation of our company's overall strategic framework, is to use the power of leading-edge science to save and improve lives around the world.
- Encompassing our commitment to ESG, the strategic framework sets our growth and direction against the backdrop of a rapidly changing health care ecosystem.
- Our company's strategic framework includes our commitment to operate responsibly to enable a safe, sustainable and healthy future for people and communities.
- Building on our legacy of stewardship, and in line with our ESG materiality assessment, we direct resources to drive progress in the four longstanding ESG focus areas that matter most to our company and create value for our stakeholders: Access to Health, Employees, Environmental Sustainability and Ethics & Values.
- We continue to strategically embed actions in each of these areas across our business operations to support and lift our purpose through our ESG approach.

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



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, ⁵ by 2024: Women globally to 40% , up from 31% in 2020.	36% women
Black/African Americans in the U.S. to 10% , up from 3% in 2020.	7% Black/African Americans in the U.S.
Hispanics/Latinos in the U.S. to 10% , up from 5% in 2020.	6% Hispanics/Latinos in the U.S.
Maintain or exceed our current inclusion index score, by 2025. ⁶	On track
Maintain or exceed our current employee engagement index score, by 2025. ⁷	On track



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) 46% by 2030, from a 2019 baseline. ⁸	9% reduction in Scope 1 and 2 emissions from 2019 baseline
Achieve carbon neutrality across our operations by 2025 (Scopes 1 & 2 emissions). ⁸	In progress. Any remaining emissions will be offset with high-quality offsets in 2025
Source 100% of our purchased electricity from renewables by 2025. ⁹	41% of purchased electricity sourced from renewables in 2021
Reduce our value chain (Scope 3) GHG emissions by 30% by 2030, from a 2019 baseline. ¹⁰	9% 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. ¹¹	On track
Maintain 100% compliance to regulatory requirements for active incident monitoring, risk/harm analysis and on-time notification of data breaches. ¹²	100% compliance maintained

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



- ¹ 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.
- ² 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.
- ³ Includes reach for all products. Countries are as defined by the World Bank Country and Lending Groups. Includes only human health products.
- ⁴ 100 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.
- ⁵ Senior management roles reflect Band 700, which comprises our vice presidents and senior vice presidents.
- ⁶ 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.
- ⁷ 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).
- ⁸ 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.
- ⁹ 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.
- ¹⁰ 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.
- ¹¹ 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.
- ¹² 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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