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EDITED TRANSCRIPT

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PRESENTATION

Peter Dannenbaum - Merck & Co., Inc. - VP of IR

Good morning, afternoon or evening, everyone. Welcome to Merck's Inaugural ESG Investor Event. We're excited to speak to you today about how we are building on Merck's 130-year legacy of operating responsibly with our approach to environmental, social and governance management and our related commitments, initiatives and impact.

For today's event, our President and Chief Executive Officer, Rob Davis, will lead off with an introduction to Merck's mission, vision and values. Caroline Litchfield, Executive Vice President and Chief Financial Officer, will then discuss how we deliver long-term business value through ESG. Julie Gerberding, Chief Patient Officer and Executive Vice President, Population Health and Sustainability, will share our ESG approach and strategy. Following Julie, we will take a closer look at the issues we are addressing and the impact we are having within each of our 4 ESG pillars.

Louise Houson, Senior Vice President, Global Market Access; and Eliav Barr, Senior Vice President, Global Medical Affairs, will discuss Access to Health. Steve Mizell, Executive Vice President and Chief Human Resources Officer, will speak to our employees pillar. Sanat Chattopadhyay, Executive Vice President and President, Merck Manufacturing Division, will discuss environmental sustainability. Lastly, Jennifer Zachary, Executive Vice President, General Counsel and Corporate Secretary, will discuss our unwavering commitment to ethics and values. Following Jennifer, Rob will provide some brief closing remarks, and then we will hold a panel Q&A session. (Operator Instructions)

Before we get started, we would like to remind you that some of the statements that we make during today's call may be considered forward-looking statements within the meaning of the safe harbor provision of the U.S. Private Securities Litigation Reform Act of 1995. Such statements are made based on the current beliefs of Merck's management and are subject to significant risks and uncertainties. If our underlying assumptions prove inaccurate or uncertainties materialize, actual results may differ materially from those set forth in the forward-looking statements.

Our SEC filings, including Item 1A in our Form 10-K for the year ended December 31, 2020, identify certain risk factors and cautionary statements that could cause the company's actual results to differ materially from those projected in any of our forward-looking statements made today. Merck undertakes no obligation to publicly update any forward-looking statements. The slide deck being used for today's event has been posted to our website.

With that, let me turn it over to Rob.

Robert M. Davis - Merck & Co., Inc. - President, CEO & Director

Thank you, Peter. At Merck, the spirit of invention drives everything we do. For generations, the people of Merck have brought hope to humanity to the discovery of important medicines and vaccines, exemplary social responsibility and a positive impact on health and health equity. Our purpose is to invent for life, and our mission is to save and improve lives of generations to come.

To us, this means enabling access to health for the patients and communities we serve, investing in and cultivating our human capital, reducing our environmental impact and holding ourselves accountable to the highest standards of ethics and values to drive long-term success for our business and our stakeholders.

At Merck, we aspire to be the premier research-intensive biopharmaceutical company and demonstrate our commitment to patients and population health by being the leader in breakthrough science and innovations to address the most critical health care needs of people and animals around the world.

We are a global company with nearly \$50 billion in revenue, a significant amount of spending in research and development and 68,000 employees. We're focused on delivering on our aspiration by prioritizing our 4 growth pillars: oncology, vaccines, our pipeline and portfolio of hospital and specialty care products, and our Animal Health business. We are prioritizing areas of significant unmet medical need and investing in the solutions that can address them. By following the science, we've been able to consistently deliver value for society and our business.

Our ESG efforts are grounded in the company's values, which have always been core to our mission. Responsibility to people and animals who need our medicines and vaccines, putting them at the center of everything we do. Respect, inclusion and accountability to our employees, innovation and scientific excellence and sustaining the highest standards of ethics and integrity.

Our drive to make a difference for humanity through the responsible invention, manufacturing and delivery of vaccines and medicines has remained constant and central. These values represent the very nature of our character and serve to guide the way we work, the decisions we make and our approach to delivering long-term value to our patients, communities, planet, employees, shareholders and society. Our values are driven by a desire to invent for life. Our ESG efforts helped to fuel the actions necessary for the success of our business and our stakeholders.

With that, allow me to introduce Caroline Litchfield, who will discuss how we see ESG as a vehicle for value creation.

Caroline Litchfield - Merck & Co., Inc. - Executive VP & CFO

Thank you, Rob. At Merck, we recognize the value of prioritizing, investing in and creating accountability for our ESG performance. As a result, we are delivering measurable and relevant impact for our business and our stakeholders. We are investing in innovative medicines and vaccines. We are enabling affordability and accessibility of our products to patients around the world. We are cultivating a diverse, inclusive and healthy workforce. We are responding to public health risks associated with climate change, and we continue to make our values and standards the foundation for our success.

We have responded to opportunities we see across many areas of our pipeline with a growing investment in R&D. In 2021, we had a total R&D expense of \$10 billion. And in 2020, our product and pipeline targeted 88% of the top 20 global burdens of disease to advance health care and help improve global patient outcomes.

Our investments in R&D have resulted in a portfolio of innovative products that have driven revenue growth over the past several years, including KEYTRUDA within our oncology business, which has become foundational in the treatment of cancer with 34 approved indications across 16 tumor types plus 2 tumor-agnostic approvals. GARDASIL, which has seen increased worldwide awareness for its prevention of HPV-related cancers in both women and men. BRIDION with its strong growth and the benefits it brings to patients undergoing surgery. And our Animal Health products, which have driven consistent above-industry average growth due to innovations that benefit the health of both companion animals and livestock.

We remain well positioned to deliver strong revenue growth and believe our science-led approach and robust R&D efforts will continue to deliver important innovations in the years ahead. Our patient access solutions make real contributions to health systems, communities and patients around the world. This includes expanding access to cancer, HIV and other infectious diseases for treatment as well as prevention.

With this strategy, we have been able to extend the reach of our medicines and vaccines to additional populations in over 40 countries by broadening access to our products and services to the patients that need it most, we are expanding our impact to the communities we serve, our business and our shareholders. We are actively cultivating a diverse and inclusive workforce that better represents and can, therefore, better serve our customers, health care providers and patients.

We are also prioritizing our employees' health, well-being and professional development to attract and retain top talent, a competitive necessity for our business. Additionally, we broaden our impact by extending our diversity and inclusion efforts to our suppliers. Doing so adds diversity of thought and perspectives to our supply chain and therefore, enhances our innovation efforts, informs better decision-making and enables cultural agility. We are proud to note that in 2020, we spent \$2.3 billion in the U.S. with diverse suppliers.

Reducing our environmental impact will mitigate climate risk and conserve resources, protecting the health of our planet, people and animals, the future of health care and our immediate and long-term business interests.

Our public climate goals, guide Scope 1 and 2 greenhouse gas emission reduction efforts for our operations and Scope 3 emission reductions across our supply chain. Our recent inaugural sustainability bond further integrates ESG into the core of our business and will further our ESG goals and facilitate financing for both social and environmental projects.

Lastly, we strive to ensure business resiliency, risk management and stakeholder trust by prioritizing ethics and values across our organization. Over 99% of our employees are trained on our ethical expectations and principles found in our code of conduct, which allows us to foster a culture based on our ethics and values. We are proud of the achievements across these pillars, and we'll continue to further the impact of our investments in ESG that drive value for both our business and society.

With that, I will turn it over to Julie to discuss our ESG approach and strategy.

Julie Louise Gerberding - Merck & Co., Inc. - Chief Patient Officer and Executive VP of Population Health & Sustainability

Thank you, Caroline. We have a well-established ESG approach that is fundamental to our long-term success, encompasses our obligation to society and really the health and well-being of patients around the world. We've always been striving for industry leadership by advancing our ESG impact in alignment with really our stakeholders, their expectations, their needs and their priorities. So we do, do a biannual ESG materiality assessment.

In that process, we engage with a large and pretty diverse group of our internal and external stakeholders so that we can get some insight into emerging trends and our potential business risks and opportunities, of course. What we want to do is really focus our efforts and remain accountable for the issues that really matter. So our ESG strategy applies resources and investments to the priority topics that matter most to our business and to our stakeholders within each of our 4 pillars, and those are shown here the access to health, our employees, environmental sustainability, and of course, ethics and values.

Under each of these pillars, we're managing our ESG risks and opportunities in alignment with our business objectives and priorities, as well as, of course, the global standards and frameworks, of which there is an ever-increasing number. These pillars guide our commitment and contributions to the United Nations Sustainable Development Goals. This is the international communities plan of action for people, planet and prosperity. And we know that all 17 of the sustainable development goals, otherwise known as the SDGs are critical. But we've prioritized 8 of them for which we are positioned to have the greatest impact. So SDG 3, good health and well-being, for example, is very core to our business and embodies our mission to save and improve lives.

Merck's role and responsibility in helping to reduce the burden of disease and improve access to medicines and vaccines around the world directly aligns with this SDG.

Our work really puts us in a situation where we continuously challenge ourselves to think differently. We want to have a more ambitious profile of ESG commitments and we really strive for strategic partnerships that collaboratively address some of the major global issues and hopefully lead our industry wherever we can.

In 2021, we expanded our ESG goals across all of our pillars. This was really for us an important and necessary step to further integrate ESG into our business operations and to enhance the transparency of our progress. So our goals are really designed to drive transformative change within our business, but also within society.

As my colleagues address our pillars on the call today, we will detail our commitments and the initiatives that help us drive our progress toward achieving them. Our goals are underpinned by a well-established ESG approach that addresses risks and opportunities with concrete strategies and actions as well as the resources and other investments that target our major business and societal trends relevant to each of the ESG pillars.

We're committed to governance policies and practices that serve the interest of the company and our shareholders. And I think our ESG governance framework is really integral to this commitment. Governance of Merck's ESG strategy starts with our Board of Directors, which as a whole and through its committees, has the responsibility for overseeing the company's ESG portfolio. Our executive team is responsible for our overall strategy and provides guidance and input into the specifics of ESG also reviews our progress and performance and addresses the specific issues as they arise.

The following groups of our ESG governance, including our public policy and responsibility council, our strategy management team, the strategy and engagement team and ad hoc working groups helped create a structure that guides and supports the executive team and the Board and making sure that we have the requisite expertise and information resources necessary to focus on specific areas with the appropriate level of engagement.

We really want to highlight the recognition that we've earned this past year as well as the frameworks that we use in our ESG reporting, because we're very proud of our accolades as well as how we continue to prioritize stakeholder needs with regard to our disclosures.

We were humbled to be added to Barron's Most Sustainable Companies list this past year, in which we were evaluated on more than 200 ESG metrics which included things like workplace diversity, data security and greenhouse gas emissions. We will continue to use the global reporting initiative as the foundational framework for our ESG reporting given its broad topic base. And throughout our report, you'll see how we align with the Sustainability Accounting Standard Board's disclosures for our sector.

We report against 4 additional frameworks found in the indices at the end of our report as well as to CDP, which we've done for more than a decade. Obviously, there's still a lot more to be done, but we're very committed to earning the trust and respect of our investors and stakeholders through our efforts to remain transparent and accountable and through the impact and value we're striving to create.

So with that, I'll hand this over to my colleague, Dr. Eliav Barr, who's the Senior Vice President for Global Medical Affairs, and he'll share with you how we're focusing on access to health as part of our ESG approach.

Eliav Barr

Thank you, Julie, for providing an overview of our ESG approach and strategy. As mentioned, the first of Merck's ESG pillars we will introduce and discuss is access to health.

At Merck, we believe that enabling access to innovative medicines and vaccines creates a healthier, more equitable society in which communities and businesses can thrive. Addressing high unmet medical needs around the world is central to Merck's purpose and our ability to sustain long-term growth. This includes not only our investments in developing new innovative products but also ensuring our products reach those who need them. Expanded patient access and reach are at the core of our business and the ESG strategy.

Our approach to access is embedded across our operations and is reflected in our access to health guiding principles, which span the areas of discovery and invention, availability, affordability and strengthening health systems and addressing health and equality. Guided by these principles, we strive to actively address unmet medical needs and improve the lives of generations to come with our multipronged approach, including planning for access during the product development process, enabling patient access to our medicines and vaccines and advancing health equity.

By improving access to health and contributing to a more robust health care ecosystem, we're meeting the needs of more patients and expanding our business opportunities, our social impact and ultimately, our value.

We undertake a systematic evaluation of how we can maximize access of a product candidate to meet unmet medical needs of patients in low and middle-income countries at the onset of Phase II stage gate or earlier. Addressing health care access challenges in these countries requires the collaboration of multiple stakeholders, and we seek partnerships to achieve solutions that enable broad access to our innovation.

One such example of this is our recent access strategy from molnupiravir, an investigational oral antiviral medicines for treatment of mild to moderate COVID-19 in adults. As COVID-19 has devastatingly impact the world, including in low and middle-income countries, we saw the need and opportunity to collaborate with governments and partner with global manufacturers to expand access to this potentially life-saving medicine.

With this strategy, we sought to make molnupiravir available to patients in low-, middle- and high-income countries at fundamentally at the same time. Both through the supply of our medicine, but also through entering into licensing agreements with established Indian generic manufacturers even before we had results of our Phase II study and through a licensing agreement with the Medicines Patent Pool for licensed companies to supply molnupiravir in more than 100 low- and middle-income countries following regulatory authorization.

This collaboration with our bilateral license partners and with the Medicines Patent Pool exemplifies how our tailored solutions and strategic partnerships with key stakeholders enable us to reach patients and populations who can benefit from our innovations.

In addition to our product access planning, we also expand our reach through Expanded Access Programs, also known as compassionate use programs in certain jurisdictions. These programs provide patients with serious or life-threatening disease who are ineligible or unable to participate in the clinical trial with an option to access investigational medicines. While these programs are contingent on a clear path to regulatory approval in the relevant country or region, they offer a second chance to those whose options may be limited.

Another way we address unmet medical need and access as well as equity is by ensuring our clinical trials are diverse and inclusive. Clinical trials function is the gateway to bring effective new medicines and vaccines safely to patients and communities. Therefore, it is vital that we have a diverse representation in our research efforts. We are pursuing new ways, including partnerships with organizations like Black Health Matters, the National Urban League and the Lazarex Cancer Foundation to recruit and engage clinical trial participants who are racially, socioeconomically and demographically representative of the communities we aim to serve.

Our latest sponsorship with the National Medical Fellowships Diversity in Clinical trial research program aims to support and train minority physicians to become principal investigators in clinical trials. Within their many responsibilities, principal investigators oversee the execution of clinical investigations and they are also charged with protecting the rights, safety and welfare of study participants. By expanding our pool of minority principal investigators, we help build trust, improve the diversity of clinical trial participants, and better demonstrate the safety and efficacy of new medicines in all populations.

As of late 2021, we had 26 scholars selected into the inaugural class participating in the National Medical Fellowships program. We're especially proud of this program as it will help drive better representation in clinical studies, enable access to a wider population and drive long-term success for our business. Fulfilling our purpose and sustaining our business in the long-term are dependent on our products reaching those who need them.

And now I'll hand it over to my colleague, Louise Houson, Senior Vice President of Global Market Access, to share additional ways we are addressing access.

Louise Houson

Thanks, Eliav. Our approach to expanding access and patient reach is predicated on the belief that broadening access requires sustained effort and is best achieved through solving the underlying challenges in the health care system.

We address these complex challenges through dedicated solutions, often in collaboration with other stakeholders in the health care ecosystem. This brings me to the second prong of our approach, expanding access to our products through solutions that address affordability and enable patient access.

When designing these solutions, we consider the public health need, economic conditions and health care infrastructure, providing flexibility to reach vulnerable populations and patients. With this strategy, we have been able to extend the reach of our medicines and vaccines to additional populations in over 40 countries.

In many markets around the world, including LMICs, one of the recurring access challenges patients face is a potentially high out-of-pocket cost for critical illness treatments, such as treatment for cancer. Recognizing this, we collaborate with reinsurers and insurance companies in several countries to enable them to develop accessible health insurance products that cover innovative cancer therapies and vaccines. This provides options for the population and drive greater health care inclusion.

As this model further expands, it offers the potential to solve one major access hurdle and widen access to vaccines and innovative cancer therapies for patients in a commercially sustainable way. The approach reinforces our commitment to being part of a wider ecosystem, collaborating with others with complementary capabilities to tackle affordability challenges.

Another example of our focus on facilitating affordable access is our approach to vaccine, partnering with organizations to support countries population health aims while improving sustainable program.

For instance, we extended our partnership with GAVI, the Vaccine Alliance, to continue our current prices for GARDASIL through 2025 to GAVI graduated countries based on per-capita gross national income. These prices are significantly less than the value-based price in other high-income countries. This action has facilitated broad access across countries at different income levels while also ensuring affordability and sustainability in the long term.

Another achievement in this area of vaccines partnership is our agreement in 2021 with UNICEF to establish the world's first global Ebola vaccine stockpile with ERVEBO. This agreement represents another landmark milestone in the fight against Ebola. And is the result of breakthrough innovation and collaboration with a diverse set of partners across Africa and the rest of the world. The stockpile inventory will help mitigate the risk of future outbreaks and position us for long-term success in maintaining our reach in the region.

Through these efforts, the total number of doses of our vaccines that have been distributed has increased significantly since 2010, and our global reach has also increased dramatically. In 2020, approximately 74% of our vaccines were distributed outside the U.S., up from 28% in 2010. More than 70 million doses of 2 of our vaccine, GARDASIL and RotaTeg have been distributed in GAVI-eligible countries through 2019.

Our commitment to helping protect global health by improving the affordability, availability, accessibility and use of our vaccines around the world is fundamental to our business and overall mission.

When market-based solutions are inadequate or unavailable, we pursue programs to provide direct access to our medicines and vaccines, including product donations and patient assistance programs. In 2020, we reached an estimated 268 million people globally through product donation and patient assistant programs and partnerships. Our patient access solutions enable us to serve the greatest number of patients today while meeting the needs of patients in the future, which leads me to the next prong in our approach, advancing health equity.

Our long-standing commitment to help equity drive sustainable value for society and for our business. Through our health equity efforts, we improve people's health, contribute to social and economic development and help achieve the United Nations Sustainable Development Goals for good health and well-being.

A significant component of advancing health equity is our social investment, which provide us the ability to bring about positive change by addressing complex global health challenges, improving the quality of life in communities where we have a presence, and maintaining our reputation as a responsible company.

The Merck Foundation is our chief source of financial support for qualified eligible nonprofit organizations and innovative programs. The foundation has contributed nearly \$1 billion since 1957 to support programs that address important global health and societal needs, such as increasing access to high-quality care for noncommunicable diseases such as Alzheimer's, cancer, chronic conditions and diabetes. One notable example is our Foundation \$20 million initiative, the Merck alliance for equity in cancer care.

The alliance aims to address persistent disparities across the cancer care continuum from diagnosis to survivorship and improve patient outcomes among underserved adult populations. Over 5 years, the alliance will support the development and implementation of innovative multifaceted cancer care programs in selected communities across the country.

The Mectizan Donation Program is the longest running drug donation program and partnership of its kind. This program works with partners to achieve a future free of onchocerciasis or river blindness. One of the leading causes of preventable blindness worldwide and lymphatic filariasis or elephantiasis, both of which are on the World Health Organization's list of prioritized neglected tropical diseases. Annually, we reach more than 300 million people in low and middle income countries.

A third effort of advancing health equity is with our impact investments. We continue to generate significant, mutually reinforcing social impact and financial return to our impact investing portfolio. Recently, our company's impact investing program was recognized by the United Nations Department of Economic and Social Affairs as part of the SDG Good Practice Initiative at the UN High-level Political Forum, the annual venue for reviewing global progress towards a sustainable development goals.

Our company has developed a portfolio of investments, focused on improving the global health ecosystem including physical infrastructure, financial inclusion, digital and diagnostic solutions, pharmaceutical and vaccine research and development, and emergency response. In 2019 alone, our impact investments helped more than 9 million people worldwide through diverse health interventions, including thousands of people served through the Evercare Group of diagnostic facilities in Africa and Asia.

Unlike traditional philanthropic approaches, impact investing also seeks to create meaningful financial returns, but we can then reinvest into other funds and companies that are focused on positive social change.

Lastly, Merck for Mothers, our company's \$650 million global initiative to end maternal mortality and improve the quality of maternity care is another notable example of our philanthropic effort. Since 2011, we focused on strengthening health systems to sustain the delivery of high-quality maternity care services that benefit women and their communities. Our goal is to improve the maternal health and well-being of 25 million women by 2025.

Through the program, we have already reached 13 million women in more than 50 countries. These are just a few of our significant social investments that help us advance health equity and differentiate us as a responsible company, driving greater opportunity for the health of our patients and the long-term success of our business.

To achieve measurable progress in expanding access to health, we have made public commitments to hold ourselves accountable. Our access goals include: firstly, we will enable 100 million more people from 2020 baseline to access our innovative portfolio globally through access strategies, solutions and partnerships by 2025. We will make progress towards reaching this goal through our access strategies and solutions, including affordability solutions, voluntary licensing, patient assistance programs and partnerships with organizations such as GAVI.

Secondly, we will reach at least 75% of countries around the world annually with our products. We are currently exceeding this target reaching 78% of countries in 2021.

And thirdly, we will further advance health equity by reaching 30 million people in low and middle income countries and in U.S. underserved population with our social investment by 2025. We are currently on track to exceed this goal with the expectation of reaching over 20 million people cumulatively by the end of this year 2022. These goals and targets support our ESG strategy, focus our efforts in this important ESG area and enable us to better serve patients in need.

With that, I am pleased to introduce my colleague, Steve Mizell, our Executive Vice President and Chief Human Resources Officer, to discuss our efforts and initiatives within our employee focus areas.

Steven C. Mizell - Merck & Co., Inc. - Executive VP & Chief HR Officer

Thank you, Louise, and hello, everyone. I'm pleased to be sharing Merck's commitments, initiatives and impact within the employees pillar of our EST strategy.

At Merck, we recognize that cultivating a diverse, inclusive and healthy workforce improves all aspects of our business and enables us to better address the needs of all stakeholders. We strive to develop a culture of belonging and to ensure the diversity of our employees mirrors the external world. This helps us better understand the unique needs of customers, health care providers and patients we serve including those with different abilities.

To be truly successful, we also understand that we must prioritize the health, well-being and safety of our employees. While our commitment to employee health is long-standing, in the face of COVID-19, we placed special emphasis on mental health of our employees to help them cope with the effects of the pandemic, and we are incredibly proud of our employees' resilience.

7 decades of fostering a culture that embraces different perspectives and values has taught us that this inclusion creates a competitive advantage for the organization. Additionally, by prioritizing our employees' well-being, it supports our ability to continually attract and retain highly qualified people, strengthen our competitiveness, and mitigate employee turnover.

While in the past, we've held ourselves accountable for increasing diverse representation, in 2021, we furthered that commitment by sharing our goals publicly through our ESG Progress Report. We aim to create more opportunities for underrepresented groups by evaluating our hiring processes to determine where we can remove barriers. This includes training our managers on strategies to mitigate unconscious bias in the candidate selection and hiring process. We have also worked with external talent suppliers to ensure they are focused on these priorities as well.

Our leadership team routinely reviews diversity metrics to ensure progress against our talent goals. We hold the diversity of our Board of Directors to that same standard. In fact, today, 46% of our company's Board of Directors are female and 23% are from underrepresented ethnic groups.

Our second target is focused on ensuring our employees feel a sense of belonging at Merck. That the managers support inclusion and that company's leaders value their perspectives.

Our quarterly pulse surveys allow us to measure our employees' perceptions on inclusion and other critical workforce issues. These surveys are just one of the avenues we use to directly engage employees and remain accountable to their needs. It also allows us to be responsive to employee feedback on workforce issues and integrate their input into decision-making. We are proud of the fact that in the most recent survey, which occurred during a pandemic and in the case of the U.S., the great resignation, 80% of our employees felt a sense of belonging at Merck.

Our global diversity and inclusion ambassador teams and employee business research groups are critical to fostering our culture of inclusion. We have 5 diversity ambassador teams that work with the company's GD&I center of excellence to help embed diversity, equity and inclusion throughout the organization. With more than 19,000 members across 10 groups, the Employee Business Resource Groups promote an inclusive culture, support career growth of employees and drive business value.

Our work in equity does not stop at the doors of our company. It continues outside our employee base and into underserved, underfunded and overall communities all over the world. We engage with partners to advance the efforts of our global diversity and inclusion commitments and to support underserved communities all over the globe. For instance, 4 years ago, Merck signed a pledge to join the CEO Action for Diversity and Inclusion. This commitment extends beyond our employees to supporting businesses around the world by making a difference in global economic inclusion.

In 2020, our company exceeded our corporate goal of \$2 billion spent with minority-owned, women-owned, veteran-owned, LGBT-owned and disability-owned business enterprises, which supports diverse suppliers, positively impacting the communities in which we live and work. Our ongoing economic inclusion and supplier diversity efforts will enable us to continue our membership in the Billion Dollar Roundtable, an exclusive industry organization that recognizes and celebrates corporations that achieved spending at least \$1 billion with diverse suppliers, headquartered in the U.S. and globally. Our membership in the BDR allows us to share and access best practices in supply chain diversity excellence with other organizations that have also achieved this status.

We are proud to be hosting the next Billion Dollar Roundtable Summit in 2022. The summit will provide another opportunity to chart course for the bold transformative steps which are urgently needed to ensure we are optimizing positive economic impact to some of our most distressed areas, share best practices and encourage global partners to continue to deliver on our mission.

The third engagement we want to highlight is the OneTen initiative. In 2020, Ken Frazier, our Executive Chairman and Former CEO, signed on as co-chair for OneTen, a coalition of leading executives helping to create 1 million jobs for Black Americans over the next 10 years. OneTen is a commitment to ensuring that black talent with skills and aptitude to earn success also have the opportunity to achieve success. In the first year alone, OneTen helped hire 17,000 black individuals into family-sustaining jobs with 4,000 promotions and an 89% talent retention rate.

Our third commitment sustains a decade-long practice of understanding, measuring and acting to sustain high employee engagement at the company. Particularly during the pandemic, our employees demonstrated extraordinary commitment to our mission, our customers and our patients. Like many companies, the practice of listening deeply to our employees was critical to our own decision-making and influence leaders across the organization.

Going forward, we publicly committed to maintaining or exceeding our current employee engagement index score through 2025 measured through quarterly pulse surveys.

As mentioned previously, we placed a special emphasis on our employees' well-being during the pandemic, and our commitment will not wane as we continue to reinforce a collaborative culture and ways of working that will drive long-term success for our business.

To deliver on our commitment to maintaining an engaged workforce and ensure that employees were provided the practical resources necessary to adapt to life and work in a pandemic, we continue to focus our comprehensive approach to well-being using 4 pillars: prevention, balance, fuel and movement represent a continuum of actions focused on creating healthy habits and changing behaviors one step at a time. It goes beyond physical health to include emotional and mental health, financial well-being and safety. It gives our employees and their families a wide range of programs, resources, tips and tools to help make healthy choices and enrich their lives.

We've seen a significant impact with initiatives across these 4 pillars. Our culture of well-being is just one way in which we demonstrate our dedication to our employees and their families. And this work has really paid off. According to our recent pulse survey, 84% of our employees felt their manager supports a culture of well-being. By prioritizing our employees, we will continue to attract and retain highly qualified people that better serve our stakeholders and contribute to the long-term success of our business.

With that, I am pleased to introduce my colleague, Sanat, our Executive Vice President and President of Merck Manufacturing Division, to discuss our efforts and initiatives within our environmental sustainability pillar.

Sanat Chattopadhyay - Merck & Co., Inc. - Executive VP & President of Merck Manufacturing Division

Thank you, Steve, and hello, everyone. I'm pleased to have the opportunity to discuss Merck's commitments, initiatives and impact within the environmental sustainability pillar of our ESG strategy.

At Merck, we recognize that mitigating the impacts of climate change and protecting our planet's resources contributes to improved global health and drives long-term business value. Our company has a long history of environmental stewardship and compliance. And we realize that our strategy and efforts need to continuously improve for us to excel in an increasingly resource-constrained world with a rapidly changing climate.

Our environmental sustainability strategy has 3 areas of focus aimed at managing our impact, including: driving efficiency in our operations; designing new products, packaging and facilities to minimize environmental impact; and reducing impacts in our upstream and downstream value chain. Our approach aims to address the physical, regulatory and financial risks to our business from the current and anticipated effects of climate change. Reduce operational costs through driving energy efficiency measures across our facilities, and create opportunities for innovation in the development of our processes and products. Well, in 2021, we adopted a set of new climate goals to address the environmental impact of our operations and supply chain.

By 2025, we have committed to achieving carbon neutrality across our entire operations, which is made up of our Scope 1 and Scope 2 emissions that are either produced by Merck directly or through our purchased electricity from the grid. By 2030, we are committed to reduce our Scope 1 and 2 emissions by 46% and our Scope 3 value chain emissions by 30% from a 2019 baseline.

We have accelerated our previous 2040 goal of sourcing 100% renewable energy for purchased electricity by 15 years as we are now working towards achieving this by 2025. As a company driven by science, we are proud to announce that our greenhouse gas reduction goals have been certified by the science-based target initiative. We also support the global effort to achieve the goals of the Paris agreement and our commitments reinforce our long-standing focus on preventing the worst impacts of climate change by reducing our demand for energy and minimizing our greenhouse gas emissions.

We are performing a gap analysis assessment against the task force on climate-related financial disclosures recommendations to understand how well we align with the framework standards on communicating our company's climate risk exposure. So how do we plan to achieve our climate goals?

Our Global Energy & Sustainability Center of Excellence has created an energy road map to help our facilities reduce energy demand and associated greenhouse gas emissions. Additionally, our new facilities are required to comply with our energy design guide and energy conservation plan. If we purchase a facility, it is evaluated for energy efficiency and assessed against our energy scorecard as part of its integration into our company. All new facilities and major renovations are built according to energy-efficient practices and are designed to meet leadership in energy and environmental design or LEED standards or a comparable country standard. Office and laboratories are expected to achieve LEED Gold certification at a minimum. Our efforts and performance in this area have not gone unnoticed as we have been recognized for 14 consecutive years by ENERGY STAR as a Partner of the Year, Sustained Excellence Award for our energy efficiency achievements.

Our low carbon transition playbook is designed to develop strategies to reduce greenhouse gas emissions across our business. The playbook includes a gap assessment process to evaluate the maturity of each site's energy programs and guidance to create feasible short and long-term plans to reduce sites carbon intensity and transition to a carbon-neutral future. Our virtual power purchase agreements, otherwise known as VPPAs contribute to our goal of sourcing 100% renewable energy by 2025.

Our company recently signed 3 VPPAs for utility scale energy projects based in Texas and Spain. These projects will address approximately 35% of our company's Scope 2 emissions, by collectively adding 145 megawatts of solar and wind VPPA, which has added 60 megawatts of new renewable energy capacity while providing our company with the associated renewable energy credits. By taking these steps, we are not only minimizing greenhouse gas emissions, but also reducing our operating costs, contributing to grid reliability and also mitigating our business risks associated with climate change.

Let me now talk about our approach to green buildings with specific examples. Our South San Francisco research facility is a great example of our efforts to build in sustainability from the start. It is one of our primary research facilities and has been certified LEED Gold. Green elements include a 235-kilowatt solar panel on the roof, EV charging spaces and solar and wind-powered light poles. In addition, 24% of the 7-acre site is green space to conserve natural ecosystems. Biophilic elements inside the building, such as a living green wall bring nature inside and promote employee well-being. We went over and above the standard LEED certification on this particular project, to achieve LEED Zero carbon and energy, new frameworks from the U.S. Green Building Council to recognize building Net Zero performance.

We are also proud that the building is well certified favorably impacting employee health and well-being. Well, the South San Francisco research facility is just one example of how we strive to reduce our operational footprint. We recognize that some of the possible impacts of climate change to our business operations include potential costs resulting from new regulatory requirements. We have integrated environmental regulatory risks into the company's business planning, which is why we are investing in significantly reducing our carbon, water and waste footprint.

Our Sustainability Capital Fund helps to bring projects to life with project financing aimed at driving efficiencies in these 3 areas. While the fund allocates up to \$12 million per year, which allows us to adopt low-carbon technology, better position the company to respond to climate change impacts and support a more circular economy across our entire value chain.

Since 2015, our sites have completed more than 95 projects through the fund. This has saved us over \$9 million per year, averaging a payback period of about 3.5 years and avoiding the production of 50,000 metric tons of carbon per year. Through these efforts, we are proud to note that we reduced water use by 3.6 million cubic meters, which is 14% below our 2015 baseline.

Furthermore, we have achieved our goal of developing water conservation plans for sites in high water risk locations. Additionally, we continuously strive to reduce the amount of operational waste we generate and to maximize the use of environmentally beneficial disposable methods such as recycling, composting and waste to energy. In 2020, we beneficially reused 57% of our hazardous waste and 80% of our nonhazardous waste.

The second focus area of our environmental sustainability strategy includes our efforts to design new products and packaging to minimize their environmental impact. Our green and sustainable science program uses a green by design approach that reduces the amount of energy, water and raw materials we use to make our products, which minimizes the amount of waste we generate and lowers our production costs.

We are proud of the fact that 90% of new human health active pharmaceutical ingredient processes make internal sustainability targets at launch by 2020. And 100% of our new human health products launched in 2020 were reviewed for environmental impact and improvement in their package.

Furthermore, we aspire to be the leader in the industry for the development of innovative, efficient and sustainable commercial synthesis of small molecule active pharmaceutical ingredients, otherwise known as APIs.

Since 1996, we have been recognized 7x by the U.S. Environmental Protection Agency and the American Chemical Society's ACS Green Chemistry Challenge Awards, perhaps the most in the industry, including awards in 2020 and 2021. For our most recent award in 2021, we were recognized for developing a novel process that increased product yield by 5x, reduced manufacturing time by 25% and reduced waste by 75%.

This ESG work and activity helps reduce our environmental impacts, but just as importantly, it also sends a powerful and visible message regarding the importance of ESG within the company, which resonates with our employees. For example, our company held its second Annual Environmental Sustainability Summit in September, a forum where employees get to hear from leadership on our sustainability journey and share advances and case studies from across the entire organization.

This year, the Summit hosted the finals of our Green Innovation Challenge a crowdsourcing initiative to foster employee involvement in our sustainability efforts that culminated in a judging of projects to be financed that drew from over 200 entries.

The last focus area I will address includes our efforts in reducing impacts in our upstream and downstream value chain. Our company, co-leads the pharmaceutical supply chain initiative known as PSCI environment task team, which helps to develop supplier surveys, training and tools. Since

2016, this team has been working together to standardize the environmental supplier data request to reduce the different requests to suppliers and minimize data fatigue.

The survey covers greenhouse gas emissions, energy, waste and water across 4 sections: one, alignment with the code of conduct; two, data for each environmental indicator; three, environmental targets; and four, supplier emissions that are specific to our company.

In 2020, we updated the survey to include questions related to science-based targets for greenhouse gas emissions reductions. By continuously engaging with our suppliers, we have also seen success in helping them to set goals and targets around areas like greenhouse gas emissions and water use reductions.

Most recently, Merck co-launched a global collaborative effort, named [Energize] to engage suppliers in climate action and decarbonization efforts across the pharmaceutical value chain. The program will serve as a leading model for carbon reduction methods through accelerating green power procurement for pharmaceutical suppliers, many of whom would not otherwise have access to such opportunities.

Through our 3 focus areas of improving efficiency in our operations, lowering the environmental impact of our products and packaging and reducing environmental risks across our supply chain, we are further contributing to the sustainability of our business by reducing risks, lowering costs and presenting opportunities for innovation.

With that, I'm pleased to introduce my colleague, Jennifer Zachary, our Executive Vice President, General Counsel and Corporate Secretary, to discuss our efforts and initiatives within our ethics and values pillar.

Jennifer L. Zachary - Merck & Co., Inc. - Executive VP, General Counsel & Corporate Secretary

Thank you, Sanat, and hello, everyone. I'm pleased to be addressing Merck's commitments, initiatives and impact within the ethics and values focus area of our ESG strategy.

Our ethics and values focus area is foundational to our work in the other 3 pillars that we've discussed today: access to health, employees and environmental sustainability. The initiatives within these pillars are drivers of innovation and long-term value creation for our business. Our unwavering commitment to ethics and integrity is essential to building on our strong heritage of innovation.

At Merck, we recognize that when we invest in compliance, risk management and transparency, it enhances stakeholder trust and confidence in our ability to consistently deliver high-quality products and services for future generations to come.

We maintain our reputation as a company worthy of trust by ensuring compliance with our code of conduct and values and standards, reducing risk in our supply chain and promoting trust with our data protection and privacy program.

Our office of ethics ensures that our employees are aware of and trained on our code of conduct, values and standards, which sets clear expectations to our employees worldwide on how to navigate everyday decision-making in an ethical and compliant manner. To ensure that all employees understand our ethical expectations and principles, we have a code of conduct annual training series that has been completed by over 99% of our employees. As part of the annual training, employees must certify compliance with the code of conduct prior to completing the course.

In addition to setting clear standards, our office of ethics acts as a channel for the receipt, triaging and redress of ethics and compliance-related concerns. A major component of maintaining a transparent work environment and mitigating regulatory risk is by fostering a speak-up culture. That is one where employees feel they can freely voice their concerns and report incidents that are potentially inconsistent with our code of conduct and policies.

We hold ourselves accountable to this standard by committing to our goal of maintaining or exceeding our current percentage of employees responding favorably to the Speak Up question in our employee pulse survey. This survey question asks, I feel free to speak my mind without fear

of negative consequence. On a 5-point agreement scale, we seek to meet or raise on an annual basis the percentage of employees who give the top 2 positive response options.

We also strive to maintain a transparent work environment by offering multiple channels for employees to raise their concerns. Our reporting process gives employees the ability to share their concerns through their manager, next level manager, human resources, global security, legal, compliance, the office of ethics or the Speak Up tool at MSDethics.com.

The Speak Up tool is operated by an independent third party and is available 24 hours a day, 7 days a week to allow employees and suppliers to raise concerns or ask questions confidentially and anonymously in their chosen language via the telephone or the Internet. In order to foster a strong culture of compliance and ethics in markets outside of the U.S., we have 3 regional ethics officers. These officers manage a network of site-based ethics ambassadors. The ethics ambassadors are trained to answer employee questions about the company's reporting and investigation process, guide employees to appropriate channels for raising concerns and actively support the Speak Up culture.

Another important component of our corporate ethics and compliance program is our annual ethics and policy certification. The annual review process requires selected company employees to certify adherence to the code of conduct and corporate policies on preventing bribery and corruption, antitrust-law compliance, conflict of interest and insider trading. Where potential conflicts are identified, our office of ethics will work with management to take actions to mitigate the potential conflict. Through these efforts, we foster a culture of ethical behavior, which allows us to reduce our risk of regulatory action due to noncompliance and safeguard our reputation as a company our stakeholders can trust.

We hold our suppliers to the same high ethical standards as we do with our employees, and we strive to conduct business with third parties who share our commitment to operating ethically and responsibly.

We use our business partner code of conduct to communicate our expectations for human rights, labor unemployment, health, safety and environment and ethical business practices. Our business partner code of conduct, along with our company's supplier performance expectations are communicated to existing and potential third parties. We offer these documents in 26 different languages to promote these standards to our more than 40,000 suppliers.

We manage and further mitigate risk in our supply chain with the guidance of our third-party risk management team, chaired by our Senior Vice President of Global Procurement. This team establishes, implements and monitors environmentally sustainable, socially responsible and ethical sourcing practices to ensure the performance is aligned with our mission. This cross-functional team includes leaders from our business areas as well as functional areas that monitor risk, including compliance, global safety and the environment, IT risk management and security, business development and ESG strategy and engagement.

Representatives from each function meet regularly to discuss, assess and manage issues on a risk-driven basis. We further mitigate our risk by conducting supplier due diligence assessments and audits based on multiple factors. For example, risk profile, engagement, activity type and geography. These assessments and audits evaluate a supplier's ability to meet both industry standards and our own standards for quality, safety and ethical business practices, and the results are reviewed by senior management across the company.

Where assessments and audits identify deficiencies or opportunities for improvement, we monitor suppliers to ensure that our concerns are addressed in a responsible and compliant manner. The emphasis we place on ensuring our ethical values and standards are met, both within our company and across our supply chain helps to mitigate our regulatory risk and supports a solid reputation of trust across all aspects of our business.

We recognize that cybersecurity events and innovative uses of data pose an increased risk to our business and stakeholders. So we have developed and continually evolved our global privacy program over the last 20 years. The program's purpose is to promote organizational accountability for privacy, data governance and data protection across our business and with our collaborative partners and suppliers. This program helps us to uphold our commitment of maintaining 100% compliance to regulatory requirements for active incident monitoring, risk/harm analysis and on-time notification of data breaches.

Information about our company, products and people is one of our most valuable assets, and we're committed to ethical use, management and protection of these data. Our commitment applies not only to our company's information, but also to the information entrusted to us by others. Our tools, processes and procedures ensure that we appropriately collect, use and safeguard information throughout its life cycle to ensure the integrity of information and to prevent its unauthorized access and disclosure. We take our efforts in this area seriously and are proud of the fact that we were the first company in the world to obtain regulatory approval in the EU for Binding Corporate Rules based in part on our existing Asia Pacific Economic Cooperation Cross-Border Privacy Rules certification program. This achievement demonstrates that organizations can rely on robust internal standards and processes to govern international data transfers across both the European Union and Asia to uphold their ability to address the growing regulatory challenges globally.

Furthermore, it adds to our competitive advantage by harmonizing our data protection requirements, promoting long-term cost efficiencies by eliminating negotiation of other data transfer mechanisms and enhancing transparency within the company when dealing with data subject or government access requests. We take great pride in our global privacy efforts and recognize the value in promoting ethical and compliant behavior. These and other initiatives within our ethics and values focus area will continue to be the bedrock of all that we do to reduce our risks and maintain our reputation of trust.

With that, I'm pleased to reintroduce our CEO and President, Rob Davis, for closing remarks.

Robert M. Davis - Merck & Co., Inc. - President, CEO & Director

Thank you, Jennifer. Since our founding, our salient purpose in the world has been consistent, to save and improve lives. Our Founder, George W. Merck famously said, "We try never to forget that medicine is for the people. It is not for the profits. The profits follow, and if we have remembered that, they have never failed to appear. The better we have remembered it, the larger they have been." By following the science and operating responsibly, Merck has delivered consistent, sustainable financial returns and created a meaningful legacy of helping society.

We remain committed to a healthier and more inclusive future for business and society and will continue to drive impact and value on the issues that matter enabling access to health, cultivating a diverse inclusive and healthy workforce, reducing our environmental impact and operating with the highest standards of ethics and values.

I'm proud of the accomplishments we've made to realize a better future for generations to come.

With that, I'd like to thank you again for joining us today. We look forward to sharing more on the progress we're making on our ESG journey.

Now I would like to pass it off to Peter, who will moderate our panel Q&A session.

QUESTIONS AND ANSWERS

Peter Dannenbaum - Merck & Co., Inc. - VP of IR

Thank you, Rob. We've assembled our speakers on the panel here on stage today, and we're happy to now get to your questions. There are quite a few questions that have come in already. And as a reminder, you can enter your questions on the webcast page.

I'll start with a question for Rob. Rob, how important of a strategic priority is Merck's long-term ESG efforts to your agenda as CEO?

Robert M. Davis - Merck & Co., Inc. - President, CEO & Director

Yes. Well, thanks for the question, Peter. I would say it's very important. Obviously, and maybe stepping back from where we are today, the reality is that Merck has focused on what really are the tenets of what you think of as ESG today throughout its entire history of the company. It's been a

long part of the value system, part of the mission of the company to focus on solving the most pressing unmet medical needs for the patients that need them. And we also have a long history of corporate and civic responsibility, probably the best example of that is the long-standing program we've had to eradicate river blindness with Mectizan. That is a program going back to the '80s that Merck continues to focus on.

These are all efforts that are part of who we are as a company, and I'm very proud of that. And I think it's really what draws a lot of our employees to us is that purpose. But importantly, as we now start to see ESG become a more formalized endeavor in the corporate environment, I think it's important that we continue to focus on this and to adopt it as we think about how we measure performance and how we tie it to our strategy and really delivering value. I truly believe, and this is something that's very important to me that focusing on and ensuring you have a good corporate responsibility, you're a good environmental steward, you understand the importance of access to medicines.

You embrace the ideas of equity, inclusion and diversity, all of the elements of what we think about as ESG is not only the right thing to do, it is the good thing to do for the business because it will create long-term value, and that's why I'm committed to it. And that's why, frankly, we're having this inaugural ESG event to start to really talk about this more proactively because it is so important to us.

Peter Dannenbaum - Merck & Co., Inc. - VP of IR

That's actually a good segue to another question that's come in for Caroline. So Caroline, how does Merck balance achieving short-term financial results with its long-term ESG priorities?

Caroline Litchfield - Merck & Co., Inc. - Executive VP & CFO

Thank you, Peter, for the question. As a company, we're obviously very focused on delivering our financial results, but doing so in a way that's consistent with our long-term goals, including the priorities of ESG. And if we do that well, we believe we will continue to be an industry leader.

Now at Merck, we're focused on driving our financial results by growing our revenue, by also improving our operating margins, and also ensuring that we're managing the risks in our company. And the way our company achieves that is we increased the number of patients around the world that have access to our medicines.

We also improve employee engagement in our company and we're taking many actions to really try and ensure we reduce the drain on the planet's valuable resources. And we do all of that while operating with the highest level of integrity and ethics.

Peter Dannenbaum - Merck & Co., Inc. - VP of IR

Great. Thank you. And then Julie, how do you see Merck's ESG strategy and priorities evolving over the next 5 years?

Julie Louise Gerberding - Merck & Co., Inc. - Chief Patient Officer and Executive VP of Population Health & Sustainability

Yes. Thank you, Peter. I was just thinking, as Rob was talking, I mean, in a sense, we really are a social impact business. It's kind of been an implicit part of our history for 130 years. But what we're doing now is really making that explicit as we take on some of the really big challenges that we face in the world. I think what we expect to see as we go forward is an increasing emphasis on health equity. It's one thing to invent important medicines and vaccines for humans and animals, but it's another thing to make sure that not only are they available and affordable but that they're actually trusted and used by the people who need them.

So I think we're seeing this already come into our business planning for some of our pipeline and current products where we're bringing that view of the whole continuum of access into the way we're approaching the markets. And we are also using those same principles when we think about what's an unmet need and where do we go from here?

Peter Dannenbaum - Merck & Co., Inc. - VP of IR

Great. And maybe a follow-up on that topic. Are there additional areas, 1 or 2 key areas do you think that will become increasingly important over time?

Julie Louise Gerberding - Merck & Co., Inc. - Chief Patient Officer and Executive VP of Population Health & Sustainability

Well, there's -- the external perspective, which is obviously the interest and focus on ESG among our stakeholders, our investors, our consumers. That clearly is going to drive increasing transparency and accountability in what we're doing. And we're up for that. I think that will help everyone. But the other piece of this is what's happening to our employees.

We're not going to be able to recruit and retain our top talent if we don't really excel in ESG performance because it really speaks to people's inner sense of purpose. So it's kind of a mutually reinforcing situation. We have a business plan that really emphasizes the importance of ESG as a business driver but we also have the human factor, just the motivation of knowing that not only are you doing something that's good for business, but you're doing something that's good for our planet and for the people we care about.

Peter Dannenbaum - Merck & Co., Inc. - VP of IR

Thank you, Julie. Julie mentions our employees, and there's quite a few questions around employees and our diversity and inclusion strategy. So Steve, one in particular, has the great resignation related to the pandemic here in the U.S. Has that impacted Merck's D&I strategy in the U.S.? And if so, how?

Steven C. Mizell - Merck & Co., Inc. - Executive VP & Chief HR Officer

Well, thank you, Peter. Merck has had a long history of focusing on diversity and inclusion has had a long-standing strategy that's really been tied to our purpose and mission of being extremely inclusive.

And I think if you listen to some of the media characterization of the Great Resignation, many companies have struggled with that. We've been very fortunate, our turnover has remained in the single digits within the United States and outside of the U.S. And I do think that the efforts of really building an inclusive workforce, really making sure that we focus on our employee needs have been extremely helpful with our retention efforts. And I don't want to be complacent because you never can take your eye off of this ball and you have to really remain diligent and focused on that. And that's what we continue to do.

Peter Dannenbaum - Merck & Co., Inc. - VP of IR

Great. Thank you. So shifting gears a little bit. Sanat, a question for you. Going forward, does Merck plan to increase disclosures on climate risk management, including additional details on integration of climate risk into business strategies focused on assets, operations, products and services and R&D?

Sanat Chattopadhyay - Merck & Co., Inc. - Executive VP & President of Merck Manufacturing Division

Yes, indeed. If you look at our history, we have always believed in evolving and improving our climate risk disclosures. In 1993, we issued our first environmental report. And then since 2005, we have been providing disclosures on greenhouse gas emissions. But then if you look at our intent, as described by Rob, Caroline and Julie, it goes beyond disclosures.

Not only are we disclosing our climate risk management approach to the investors through CDP climate and we'll continue to do so. But more importantly, at this point of time, we're also performing what we call gap analysis assessment, and that's against the TCFD, which is otherwise known as the Task Force on Climate-Related Financial Disclosures. And this is very important because this will help us to understand what the gaps are and how well we are aligning the framework. And this framework is important before we communicate our company's climate risk disclosure. And once the exercise is completed, I'm sure we'll be able to adjust the disclosures accordingly.

Peter Dannenbaum - Merck & Co., Inc. - VP of IR

Great. Thank you. Questions on risk management, Jennifer. How is ESG factored into Merck's enterprise risk management strategy?

Jennifer L. Zachary - Merck & Co., Inc. - Executive VP, General Counsel & Corporate Secretary

Thanks, Peter. We engage in a materiality assessment process that yields insights for us into our business risks and opportunities. And then we take the highest of those ESG risks, and we actually manage them through the enterprise risk management process. So I think a nice example of this is how we perform from a social perspective with respect to our labor and our human rights audits. We actually go and we take third parties, we have them go into key suppliers, particularly suppliers in areas that we know have a history of human rights abuse issues.

Peter Dannenbaum - Merck & Co., Inc. - VP of IR

Great. There's actually a related question. What actions is Merck taking to protect against cybersecurity risks?

Jennifer L. Zachary - Merck & Co., Inc. - Executive VP, General Counsel & Corporate Secretary

Again there, Peter, we have a cyber-resiliency risk management process. We continue to review risks and remediation actions with all of our key suppliers. We've expanded that program recently, and now we do these joint cyber-resiliency tabletop exercises. We've also importantly rolled out new contractual language with our key suppliers to make sure that, that's included from a cybersecurity perspective. And finally, we're continuing to enhance that program to drive operational excellence and [really] continuous monitoring.

Peter Dannenbaum - Merck & Co., Inc. - VP of IR

Okay. So maybe we'll scope back out a little bit for Rob. Rob, can you provide detail on the Board of Directors' oversight of ESG at Merck?

Robert M. Davis - Merck & Co., Inc. - President, CEO & Director

Yes. Well, clearly, given the priority on ESG, our Board -- the overall Board does have responsibility for oversight. But actually, the way we manage it, while the Board has overall responsibility, we take specific tenets within the ESG framework and then have that go to different committees. So for instance, our governance committee of the Board would be focusing on things like public policy, like environmental issues, safety. How do we think about the employees? How do we think about policy matters affecting the company?

So in a broad sense, that's where they're thinking. And then our audit committee also gets very involved from a compliance perspective, from a safety perspective and increasingly ensuring that how we measure and monitor our performance relative to the metrics we put in place that we feel we have something that's auditable, and that we can be held accountable to and feel good about that.

And then lastly, from a talent perspective, as you think about the issues around diversity, equity and inclusion and overall talent management, our compensation and management development committee of the Board involves in all of those decisions. So really, between each of the committees looking at it in depth and then bringing it together to the full Board, that's how we manage or manage this situation with the Board of Directors.

Peter Dannenbaum - Merck & Co., Inc. - VP of IR

Great. Thank you. So several questions around access. So Julie, Merck's focus on affordability and sustainable access solutions to reach specific underserved populations was mentioned during the presentation. Can you provide an example of a success story?

Julie Louise Gerberding - Merck & Co., Inc. - Chief Patient Officer and Executive VP of Population Health & Sustainability

Thank you. First, let me just explain a little bit about how we think about access because it's kind of a jargon word, and it means a lot of things to a lot of different people. But I think we think of it in 3 dimensions. The first is the actualization of products that address important unmet needs, particularly in underserved or vulnerable populations. So when you see that we contributed to the development of a vaccine for Ebola or we make our GARDASIL vaccine available to GAVI countries. These are parts of developing products that actually meet needs of people who aren't necessarily just in developed markets. So that's the first part about access.

The second piece is really creating the availability of these medicines or vaccines in markets where they're needed. And that means the policies and the reimbursement dimensions of getting things into the market in a timely way. But it also means innovative financing and other measures to strengthen the health system so that they can be used and that the systems are able to accept. We have an innovation fund, for example, that supports health system strengthening through strategic investments and trying to build up the capacity. There's no point in having a great drug for cancer if the hospital system is unable to use it effectively.

And then the third piece of access really relates to something that's become very apparent during the COVID pandemic, and that is that we have to have people willing to take the medicines, the trust, the confidence that this medicine really will help me, and I can take it compliantly. So that uptake piece often is not considered when people talk about access. But all 3 phases of this are really relevant. And I think if you read our ESG report, and I hope you do because we're very proud of it. You'll see that we have specific activities that target all of these dimensions.

Robert M. Davis - Merck & Co., Inc. - President, CEO & Director

Sure. I think all the examples that Julie laid out are very important. But I'll just tell you one I'm very proud of, which is really in the here and now, and that's what we've done with molnupiravir here. We really, I believe, took really a first of its kind approach to accelerating access to this important antiviral through licensing it to important voluntary licensees who would be able to bring it to those lower and middle-income countries faster.

We did a deal with the Medicines Patent Pool to expand that even further. And then we've put in place tiered pricing to make sure that as we look at the affordability within each of the markets that we will serve directly, that we match what we charge to the affordability to ensure access is available.

And then most recently, we announced that we are now in a deal with UNICEF to give 3 million courses to help accelerate getting the drug to the low and middle-income markets as our voluntary licensees are ramping up production. So I'm really proud of the company and what we did here and a lot of credit to our policy, our access and our commercial teams who all came together and said, "How do we really do this differently." And I just wanted to say that because it is something I think that is where we did take a leadership position, and I feel very good about.

Peter Dannenbaum - Merck & Co., Inc. - VP of IR

Great. Thank you. So some questions regarding the ESG goals that Merck has announced. So maybe a question for Steve and Sanat given employee goals and environmental goals. So Merck publicly announced new ESG goals in its 2020, 2021 ESG Progress Report. How has that impacted your operations? And how do you plan to achieve them?

Steven C. Mizell - Merck & Co., Inc. - Executive VP & Chief HR Officer

Yes. Thanks again. Thanks for the next question. It's -- as I mentioned earlier, we've had a long history of really focusing on diversity and inclusion across the entire company. And back in 2019, we took a look at our diversity over the past few decades, just to see where we are. We always like to look at the actual numbers and quantify that. We looked at progress that we made with advancing women and it had been extremely, extremely proud of the progress that we've made with women. But we also took a look at a couple of other of our groups, and we had not made substantial progress with African-Americans and the Hispanic population.

So our leadership team, beginning with the executive team just took a real active focus on, how do we improve representation? And let's make sure we expand our efforts to broaden those groups being represented throughout the company. So we really decided that the commitment from the executive team would lead, and then we would process and drive that through the rest of the organization. And you can see that we've really tried to reflect that commitment in our goals.

Peter Dannenbaum - Merck & Co., Inc. - VP of IR

And Sanat, maybe on the climate environment?

Sanat Chattopadhyay - Merck & Co., Inc. - Executive VP & President of Merck Manufacturing Division

Sure. Well, we took a second look at our new climate goals, and that encouraged us to take a much closer look at our operational energy use and how we practice all of that. And it's been a long-standing priority of the company to reduce our demand for energy, and we have been doing that for a long period of time.

So what we're doing right now is taking a close look at all the different equipment, buildings, plant, all the different operations, which use energy at the sites and then minimize the greenhouse gas generation throughout the company.

And I'm glad to report that by taking all of these steps that we have taken so far, not only have we been able to minimize the emissions and both from a gaseous emission or even affluent treatments, all of these areas. But more importantly, that has also helped us to reduce the operating costs, and that has also further reduced or helped us to reduce the impacts that it could have around business. And therefore, we think that it's very synergistic to be able to take care of the emissions while being able to be operationally efficient and that has worked very well so far.

Robert M. Davis - Merck & Co., Inc. - President, CEO & Director

And Peter, I might add, it's not only what we're doing in our own facilities. If you look in our sustainability report, we also have taken on targets to reach into our suppliers to also manage down emissions in those people that supply us. So we recognize the impact we bring is not only in our operations, it's in the entirety of the supply chain that affects us, and we're focusing on both.

Peter Dannenbaum - Merck & Co., Inc. - VP of IR

Thank you. So I think this is a question for Caroline and Eliav both. So getting back to the pandemic. The COVID-19 pandemic was an unforeseen risk that had devastating effects to the world. What ESG-related actions did your company take to be responsive to the changing conditions from the pandemic?

Caroline Litchfield - Merck & Co., Inc. - Executive VP & CFO

So that's a really important question and something I think we're all really proud of. Our company right from the start of the pandemic laid out 3 priorities: the first was the health and well-being of our own people, the second was ensuring the continuity of supply of the life-saving and life-enhancing medicines and vaccines that Julie just talked about to the world, and the third was to try and find a solution for COVID-19.

So as we think about the employees, we really did look to expand the health and well-being programs that we have in place to really support our employees through this very challenging time.

And so with that, we've improved upon programs that were helping with medical efforts, financial efforts, how we were supporting caregiving, looking after our children at home and indeed doing exercise classes virtually, so we could take a break from the office environment in our homes. So we've done a lot in that space but we've also supported mental well-being, which is so important at this time when our colleagues have felt anxious, felt stressed, and felt isolation, not being with their colleagues. So a lot has happened to really support our employees during this time.

We're also proud that during this time, we have continued to supply our medicines and vaccines to the world. And finally, as Rob has already touched on, we're so proud that we have an oral agent to help treat COVID-19, to help reduce death by 90% but importantly, available to the world.

Peter Dannenbaum - Merck & Co., Inc. - VP of IR

Eliav, from a clinical standpoint?

Eliav Barr

Sure. I think what the pandemic has taught us is that the world is very small, but it's also a world in which access to health care differs quite a bit. At Merck, we've always been committed to ensuring that we enable access to all the populations that we seek to serve. And -- but there's a lot of work that we need to do, not only in that, but also in our clinical trials and making sure that our drugs and vaccines are being evaluated in those populations who we seek to help.

So we've got a long history of efforts to achieve the proper representation of people in our clinical trials but we've not been -- but we -- and we've done a really good job with that, but I think there's a lot more to go.

We're really doubling down on the kind of diversity that we're -- we want to include in our trials, whether it's both ethnic, regional, international diversity, but also supporting organizations to increase access to health care throughout the world and to improve the ability of these patients to participate in the trials by being able to actually access hospitals and care centers.

Peter Dannenbaum - Merck & Co., Inc. - VP of IR

Great. Thank you. So maybe a final question, and I'll bring it back to Rob because there is some questions around compensation. Do you have plans to incorporate ESG into the annual or executive remuneration?

Robert M. Davis - Merck & Co., Inc. - President, CEO & Director

Well, obviously, we all know that what gets measured gets changed and addressed. So it is important that we do think about how to both measure it and then hold people accountable and reward for the types of behaviors we want to see. It's important to understand today, actually, we have, as our core priorities, our core strategic priorities for the company. ESG as one of those priorities.

And in that sense, it's already embedded in everyone's objectives, the specific tenets of it, obviously, it applies to the areas as they go about their yearly performance planning and then performance measurement. So in that sense, it's already part of what we do. But I recognize and I think

actually support that we need to go further. And in that sense, we are currently working through developing how can we adopt a more formal compensation measure that we bring in to the compensation -- into the compensation planning processes, and we would expect to see that rolled out in 2023.

But obviously, more work to do as we work through really making sure we have it nailed down during the year '22. So we're ready then to implement that next year. And as that evolves, obviously, we'll share the details of that in the future.

Peter Dannenbaum - Merck & Co., Inc. - VP of IR

Great. Thank you, Rob. And with that, I think we're going to close today's event. I want to thank you all very much for your time and attention and the good questions. As always, reach out with any follow-ups you have for us, and we'll be happy to try and get back to you and answer any additional questions. But thank you all very much. Have a great day.

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