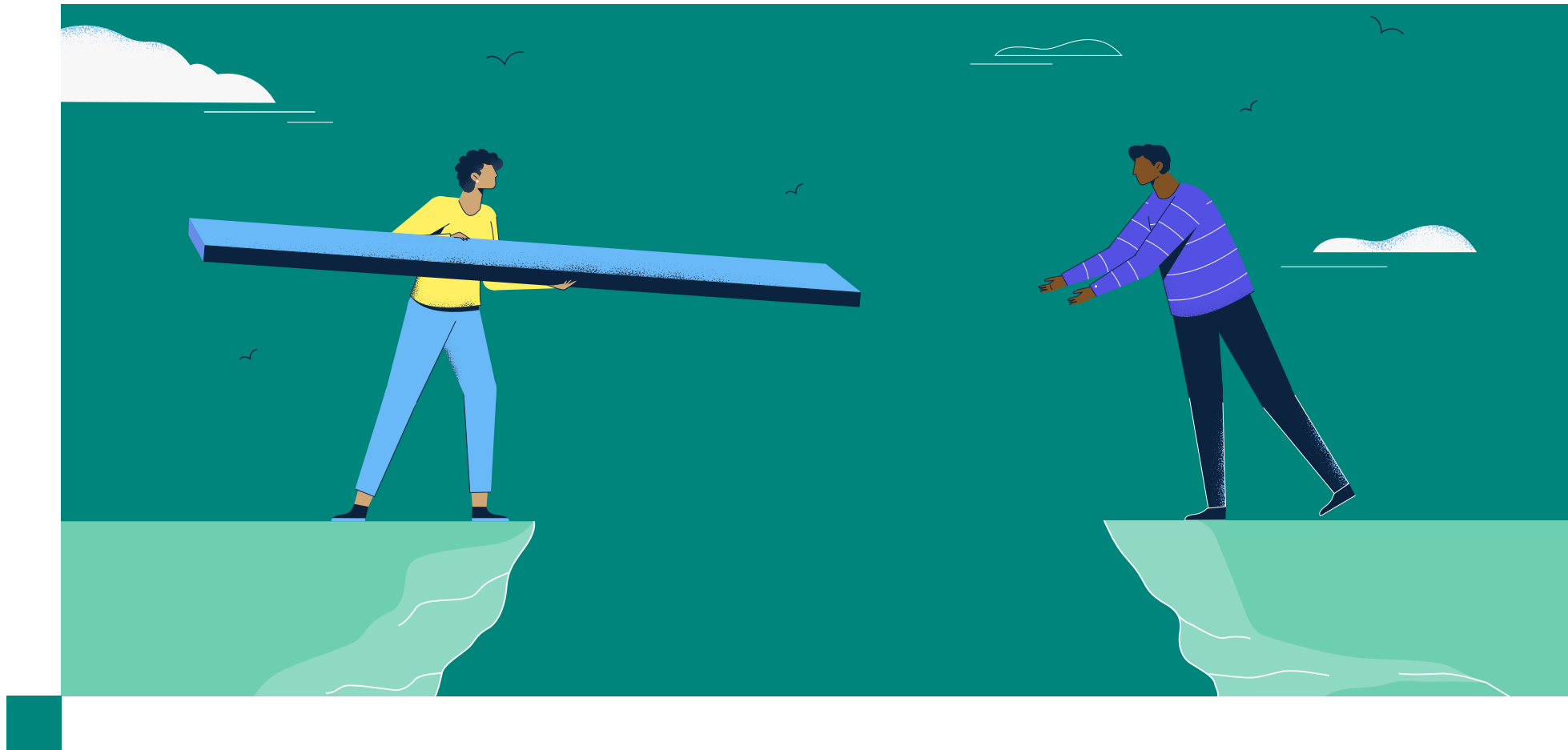


UK Gender Pay 2022



At MSD, we are committed to fostering a more globally diverse and inclusive workforce for our employees by creating an environment of belonging, engagement, equity, and empowerment.

Our aim is to support people to be their best and whole selves in the workplace. Diversity and inclusion (D&I) are not just words at MSD – they are the reason we are able to deliver innovative medicines and services to animals and humans across the globe.

Whilst we are required to conduct annual Gender Pay Gap analysis to meet legislative requirements within the UK, doing so also aligns to our values of transparency and inclusion. The overall numbers presented within this report include data from all of our UK entities MSD UK Ltd, Animal Health UK Ltd, MSD R&D Innovation Ltd and, for 2021 figures, our newly acquired entities of Allflex UK Group Ltd, Antellic Holdings France UK and Sure PetCare.

This year we want to recognise the widened gender pay gaps that we have seen over the 2020/21 reporting period. In the last year, more than a quarter of our MSD population spun-off into Organon as the businesses separated, including employees at our Cramlington manufacturing site who were predominantly male. This has led to a significant change in our UK workforce profile. As we reviewed the data for this year's Gender Pay Gap report, we analysed the impact of this change, and we identified the need for us to work harder to close the gap and to focus on achieving gender balance throughout the company. Please note that the Gender Pay Gap is different to Equal Pay and this is explained in more detail on the following page.

Each year, we respond to our Gender Pay Gap findings and hold ourselves accountable for addressing the gaps we have identified throughout the company. This year's results have highlighted the need for us to increase our efforts and build up female representation in senior roles. We are an organisation whose values are built on respect for people and being innovative within our field. We must do more to uphold the high standards that we have set ourselves.

Despite the headline figures in the report, we have made progress over the last 12 months that we are proud of, particularly in developing policies that better support our people during specific life events. I invite you to read further about our results, understand more about the actions we have taken so far, and our ongoing commitments to closing the gap.

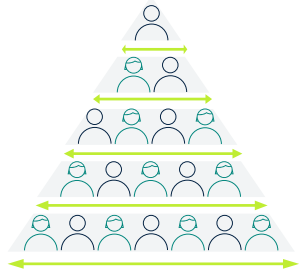
I confirm the data reported is accurate, in accordance with the requirements of the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.

Ben Lucas
Managing Director



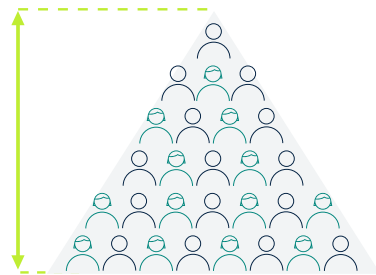
Understanding the calculations

It is important to understand that equal pay is not the same as the gender pay gap, and the two concepts should not be confused.



Equal Pay

Equal pay requires that women and men carrying out the same or similar work in the same employment must receive the same pay.

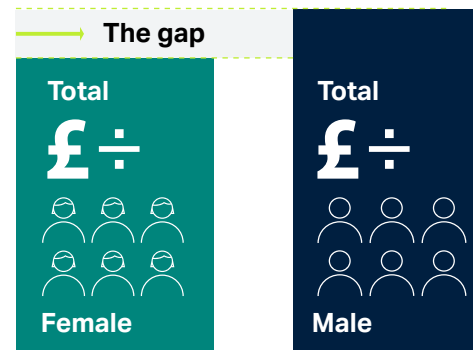


Gender Pay Gap

However, the **gender pay gap** measures the difference between the earnings of women and men across the business, regardless of the work they do. This is expressed in mean and median earnings, based on equivalent hourly rates, and is shown as a percentage of men's earnings. This includes base pay, allowances and any other bonus and incentive paid in April 2021.

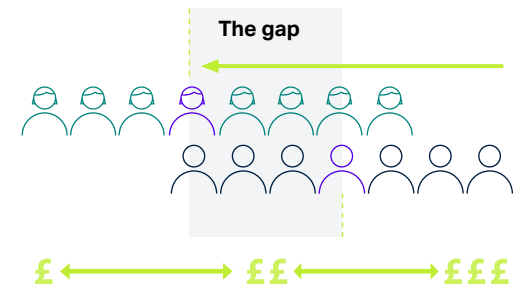
The **gender bonus pay** is the difference in incentive pay received by men and women in the 12 months prior to 5 April 2021. This includes all bonuses and incentives.

Mean:



The mean is calculated by adding up the total pay of employees and dividing by the number of employees. The calculation is completed separately for men and women and the means are compared.

Median:



The median is the middle number of a ranking of pay from lowest to highest and gives us the best view of 'typical' pay. The calculation is completed separately for men and women and the medians are compared.

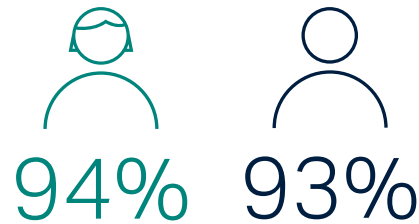
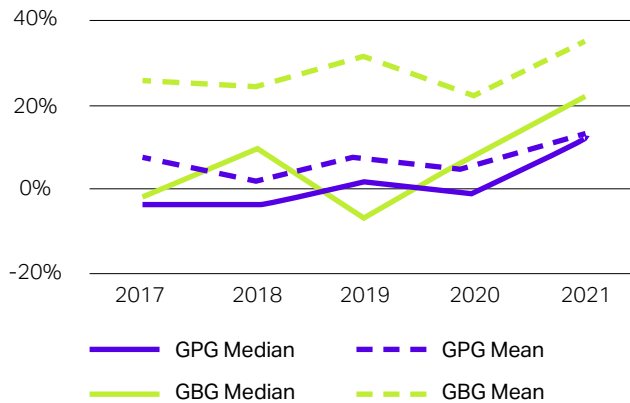
Information on wage elements included in the calculations are included in the Appendix.

It is important to note that the UK Gender Pay Gap legislative requirements are binary in regards to gender (specifying female compared to male). Whilst we are reporting our statistics in accordance with the legislation, at MSD, we recognise and support all gender identities.

MSD Overall Gender Pay Gap Results 2021

Gender Pay Gap and Gender Bonus Gap: The below chart shows our MSD Overall Gender Pay Gap and Gender Bonus Gap results for 2021 compared to the previous year's results, which included individuals that have now spun off into Organon.

MSD overall Gender Pay Gap Results from 2017 to 2021

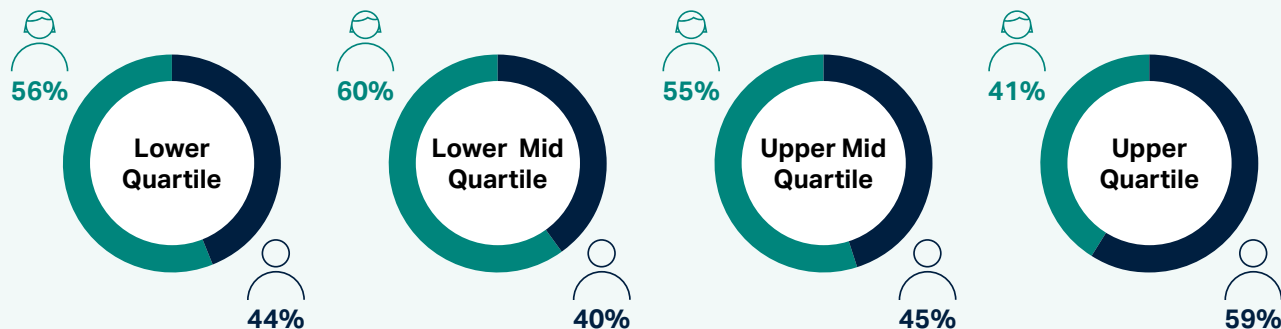


Proportion of employees receiving a bonus: This remains consistent pre- and post-spin off, at approximately 94% for females and 93% for males. In 2019 and 2020, the proportions were equal at 94% for both females and males.

The widening of our Gender Pay Gap is disappointing, and while some of this has been driven by the immediate impact of the Organon spin off, the data has also identified the need for greater female representation in key areas of our business.

We know that narrowing the gap will take time, as there is no single answer or solution. But based on our data, we have worked hard to identify the key areas within MSD that need to be improved. We have the full partnership of our leadership teams and together, we are prioritising our actions as part of a country-wide effort. This will take time but our expectations are high, and we commit to being proactive, to regularly reflect and communicate what we are doing.

Population by pay quartiles: Overall, our workforce is balanced. However we acknowledge there is room for improvement, in particular in creating opportunity for women at more senior levels within the organisation and building up the male workforce at lower pay levels.



Our Diversity & Inclusion Commitments

We aim to build a more globally diverse and inclusive workforce for our employees by creating an environment of belonging, engagement, equity, and empowerment. To do this, we are focusing on four globally strategic actions that will help us to achieve success:



Build diverse representation across the business



Continue to leverage diversity and inclusion to ensure our teams can thrive



Ensure accountability to drive an inclusive culture



Transform the environment, culture and business landscape to support our colleagues, customers and community

UK Diversity & Inclusion

We have always believed that creating and modelling the behaviours of a diverse and inclusive workforce are not simply 'nice' for us to have; they form a core part of our everyday culture and who we are.

But diversity is only half of the story. Inclusion is just as important. Inclusion means a sense of belonging. We actively encourage everyone to be themselves and bring their whole selves to work every day. When our employees know they are respected for who they are, and crucial to our purpose, not only will they thrive, but our company will too.

Our UK workforce

Employee Age Range

18 – 70



Our workforce is multigenerational with employees ranging in age from 18 – 70. We truly represent the diverse population that we serve and are proud to have employees who have been with us 10, 20 and even more than 30 years.

Women in Senior Roles

31%



We're committed to diversity and inclusion, with 31% of senior roles across the UK at present filled by women (45% in our Human Health Division) and half of our UK Human Health Senior Leadership Team are women.

What we are doing to support our people to be their best and whole self

2021 – Actions with Intent

We launched two new policies in September 2021 to better support our employees in times of need: **Menopause**, to raise awareness of the type of effects going through menopause can have on people and how we can support our employees in the workplace; and **Transitioning at work**, to define the support we provide to employees transitioning at work.

We have enhanced our **family friendly policies** to support equal parental responsibility and to ensure that all parents and carers (direct or indirect) are recognised in our policies.

We have redesigned our **flexible working policies** to ensure work works for our employees including flexible working arrangements, sabbaticals and hybrid working models.

Personalised D&I Learning Journeys

We have created learning resources to build confidence and capabilities around D&I across the organisation. Each journey is personalised to our employee personas, covering four critical capabilities below.

And to ensure a consistent understanding of D&I across our entire workforce, we run three compulsory learning modules:

- Foundations of Diversity & Inclusion
- Preventing Harassment & Discrimination
- Understanding Your Role in Creating a Diverse and Inclusive Workplace



Our external achievements



2022 – And we're not stopping there

We commit to:

1. Conducting an ongoing **listening programme**, using periodic pulse surveys to help us continue to build a culture where we all live our values.
2. Using any **diversity data** gathered via the self-ID campaign to provide insights into the makeup of our organisation, and to identify the areas where we can make the biggest impact in accelerating our D&I journey.
3. **Reviewing our recruitment processes** and policies to ensure these are equitable and fair for all employees.
4. Using our cross-divisional working party, sponsored by the leadership team and partnering with MSD Women's Network, to look into the Gender Pay Gap analysis and to report back to the company with a **3-5 year action plan**.

In conversation

As part of our Gender Pay Gap process, we interviewed Managing Director, Ben Lucas, alongside Sarah Valente-Smith and Adele Marshall from the MSD Women's Network, to better understand their thoughts on Gender Equality and what we are doing as an organisation to address the Gender Pay Gap.

What does Diversity, Equity & Inclusion mean to you?

Adele: To me it means, people regardless of their background, their gender, ethnicity, sexual orientation, or disabilities are equally respected, heard, and valued. They should feel comfortable and confident in bringing their whole selves to work, to enable them to contribute their diverse thoughts leading to innovative ideas and robust problem solving. Which in turn will allow us to better support our patients and customers.

Sarah: It's providing a voice to everyone regardless of their background. As a business how can we listen out for different perspectives, thoughts, and ideas. The highest performing teams are the most diverse.

Ben: Following on from what Sarah and Adele have said, it's important to me that we create an environment in which people feel like they can bring their authentic selves to work and to share their diverse perspective to solve our complex and challenging business needs.

What are your reflections on this year's gender pay gap results?

Ben: As an organisation that prides itself on inclusivity and prides itself on ensuring that we have a diverse workforce, it's disappointing when you see our gender pay gap results for this year as they can potentially detract from what we have achieved so far and our ongoing efforts in diversity and inclusion.

A part of our organisation spun off to create a new company and following this change we've realised that some of our remaining employee populations are not as gender diverse as they could be, especially at the senior level and we need to explore the reasons behind this.

We can't let these results distract us, we appreciate the insight they have provided, and we are committed to exploring our results further so that we can take action to reduce the pay gap.

Adele: As leaders of the Women's Network, we are always trying to gain further insight into how we can really make a difference to the organisation and although our results from previous years have been better, this year's results have highlighted to us that there is more we can do to support women in leadership and to also attract women into leadership roles.

Sarah: We need to dive into the data so that we can ensure our policies, processes and programmes are effectively supporting employees at all the levels of the organisation. We have some fantastic programmes to support career acceleration but by design are they limiting who they provide opportunities to, and this is something we need to review.



Sarah Valente-Smith
Oncology Brand Manager



Ben Lucas
Managing Director



Adele Marshall
Oncology Brand Manager

In conversation

What are you most proud of during your time at MSD?

Adele: The launch of our Sexual Harassment Road Map. There has been little done in this space and the engagement from employees and leadership teams to bring this policy together has been huge and I'm proud to be introducing such a progressive policy to the organisation.

Also, the ongoing traction of the Women's Network. We see a yearly increase in membership, especially for males. I'm pleased to see so many male allies coming forward to play an active role in our initiatives and that we can gain that gender parity across the network.

And finally, the privilege to attend the National Diversity and Inclusion awards on behalf of the company, where we were listed as a finalist in the 'Best Company' category, which is a huge achievement.

Sarah: Echoing Adele's comments, the Sexual Harassment Road Map has received a lot of engagement across the business and I'm proud this will be a legacy piece of work that will support future employees across the business.

Secondly, the launch of our apprenticeship program and recruiting an apprentice marketer. It's great that as an organisation we are supporting individuals to join our organisation through different career paths and on a personal note, I am privileged that I have been given people management responsibilities so early in my career.

Ben: It makes me proud when I see employees developing in their careers at MSD. It's rewarding as an employer to be able to provide various development opportunities to individuals starting their career, through our Early Talent programmes and to our existing workforce through our internal development programmes, such as MSD Advance and our Leadership Programmes.

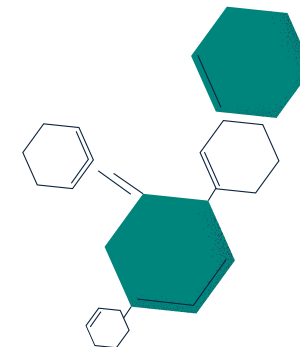
Why did you get involved with the Women's Network? What are the network's goals for 2022?

Sarah: I'm passionate about equality for women and feel that women should be able to achieve their career aspirations and I felt the Women's Network gave me a platform outside of my day job to promote change and have an impact on the business.

For 2022 our focus will be on our two core strategic pillars, personal development, and business development:

- Personal development, which includes personal branding, networking, and mentoring.
- Business development, partner to the business, gender policies and drive active male allyship.

Adele: I joined the Women's Network as a placement student and discovered I had a passion for diversity and inclusion and that I really wanted to make a difference for the women in the organisation. I've now been leading the Women's Network for 3 years and my goal for 2022 is to see us partner with the business more, especially across all our divisions.



Spotlight

At MSD we are proud to offer diverse career paths that can enable our people to reach their full potential.

Two colleagues share their stories:



Samatha Humphries
Regional Marketing Lead, EUCAN Oncology

In my 14 years at MSD, I've been lucky to work in many different roles across a number of divisions in the organisation.

I started my career at MSD in the Medical Information and Market Access teams during which the opportunity came up to apply for the General Management Acceleration Programme (GMAP).

I took on two rotations as part of the programme, in European and Global teams, which took me outside of my comfort zone, enabled me to experience working in different cultures, and helped me develop my leadership skills.

On completing GMAP, I held two Franchise Manager positions, and had my first experiences of people management. These roles were certainly steep learning curves, but I was lucky to have excellent team members and peers to support me.

Shortly after returning from maternity leave, I secured my current role in the EUCAN Oncology Marketing team. One thing I've enjoyed most about my career at MSD so far is the breadth of opportunities that exist across the organisation and the great people who have been willing to support me in taking on new and different roles. Going forward I hope to continue to make the most of the diverse opportunities available at MSD and to help others do the same.



Mohammed Wahab
HR Assistant

I look forward to furthering my career at MSD as a HR professional.

I was attracted to an apprenticeship at MSD because I consider myself to be a practical person, who thrives by learning on the job and I knew that an organisation like MSD would be able to provide me with a wealth of experiences to support my studies as well as my career development. I also feel that MSD's values and culture resonate with me on a personal level, and it's been easy for me to adapt to work life here.

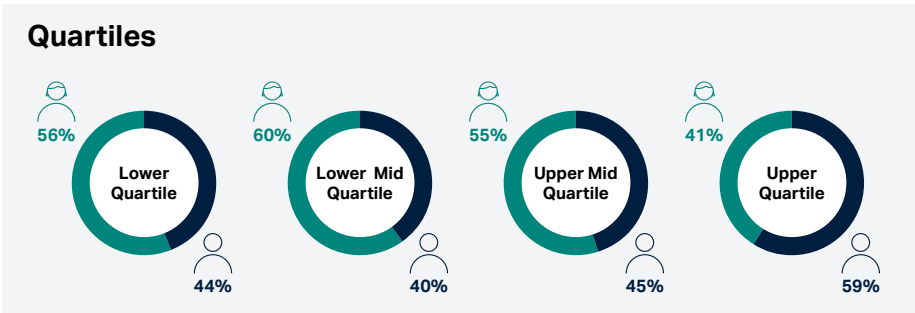
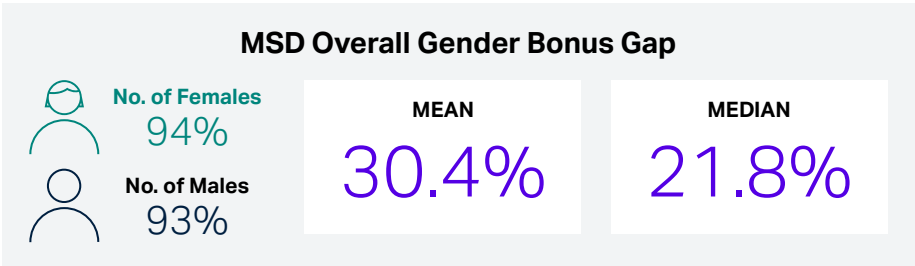
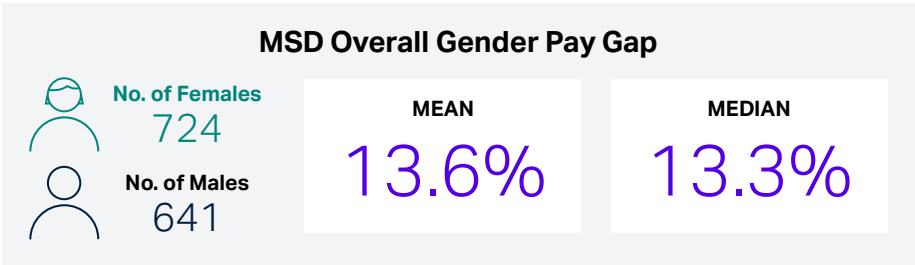
During my 6 months with the organisation, I have improved my skills and capabilities especially in communication. I am now familiar with using a plethora of digital platforms to communicate with my team and stakeholders. I have also been given the opportunity to work on a few complex projects which have given me a newfound confidence in my abilities to work under pressure and to deadlines.



Appendix – Our Full Results

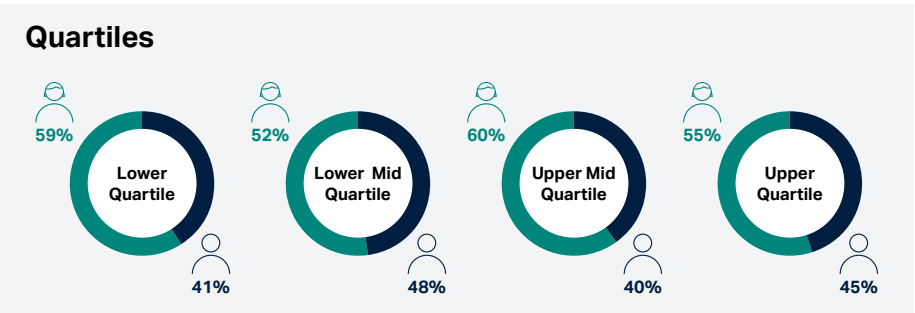
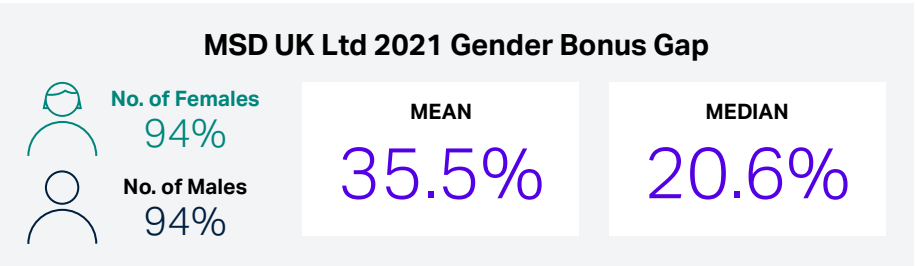
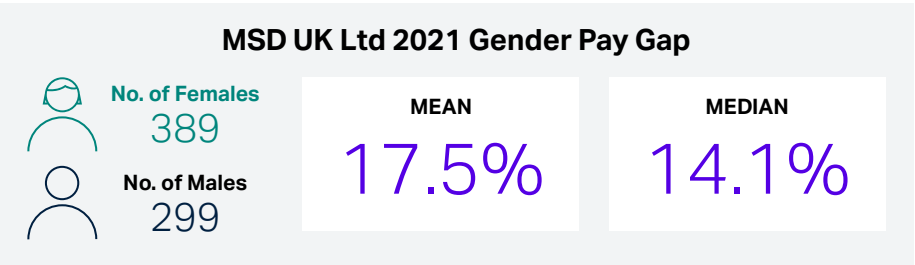
MSD Overall 2021

Includes the following entities: MSD UK Ltd, Animal Health UK Ltd, MSD R&D Innovation Ltd and the newly acquired entities (Allflex UK Group Ltd, Antelliq Holdings France UK and Sure PetCare).



MSD UK Ltd 2021

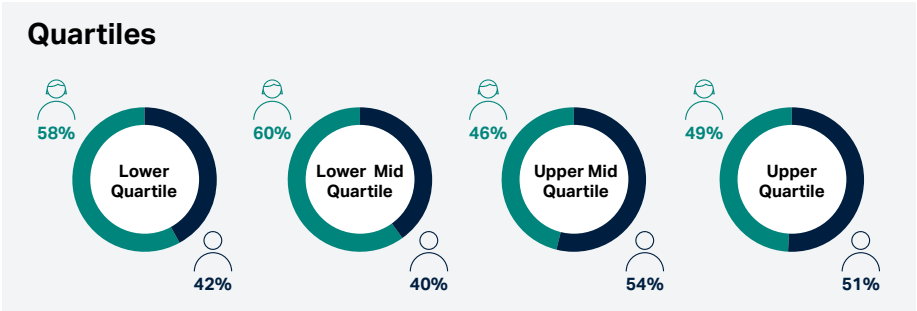
Includes MSD UK Ltd only.



Appendix – Our Full Results

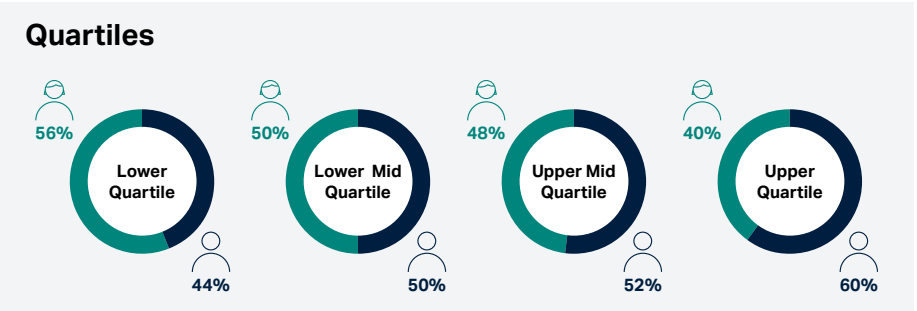
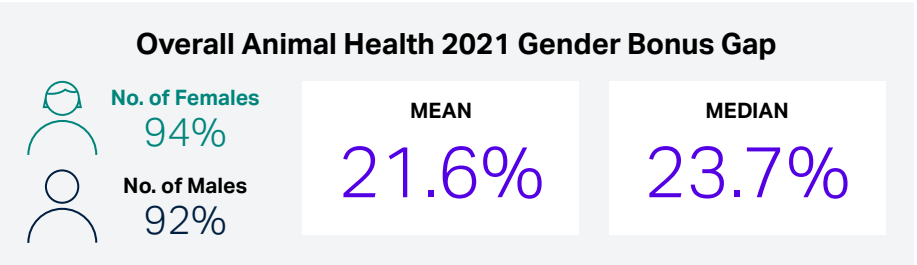
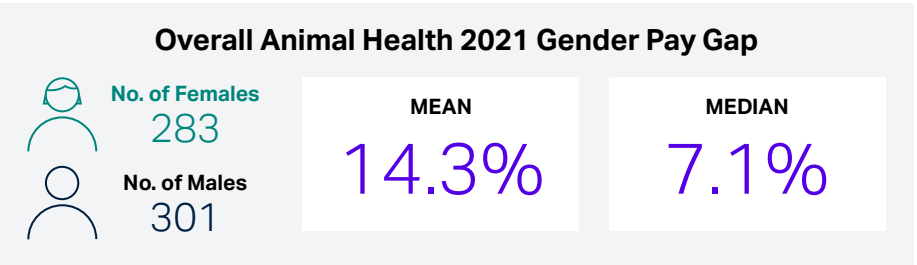
MSD Animal Health UK Ltd 2021

Includes MSD Animal Health UK Ltd only.



Overall Animal Health 2021

Includes MSD Animal Health UK Ltd and the acquired entities (Antelq Holdings France UK, Sure PetCare and Allflex UK Group Ltd).



Wage elements included within the calculations

Gender Pay Gap (GPG): To determine the Gender Pay Gaps, as defined in the regulations, the following pay elements have been used, as provided by MSD: basic pay, unpaid leave deduction, car allowance, parental leave pay, shift pay, long service award and referral bonus received in April 2021.

Gender Bonus Gap (GBG): All bonuses paid to relevant employees in the 12 months prior to the 5th April 2021 have been included for the gender bonus gap metrics. Bonuses included were: Annual Incentive Plan, Sales Incentive Plan, retention bonus, sign on bonus, achievement award, long service award, lump sum award, referral bonus, and Restricted Stock Units; inclusion of these is defined in the regulations.

