

Environmental Health and Safety Management and Governance



Protecting our people, our communities and the environment is fundamentally important to the way our Company operates, and we strive every day to conduct business in a safe and environmentally responsible manner. We are committed to providing a safe and healthy workplace for our employees and to minimizing the environmental impact of our operations around the world. Our core values are focused upon promoting the health and safety of our employees and respect for the environment. This, as well as our key operating principles, are reflected in our Corporate Policy: Respect for EHS.

In addition to complying with all applicable country, regional, state, provincial and local safety, and environmental laws, we strive for environmental, health and safety (EHS) performance that is among the best in the pharmaceutical industry.

EHS Management System

The Global Safety and Environment (GSE) department is responsible for the global EHS Management System which is based on the “Plan, Do, Check, Act” model. This enables us to assess and continually improve our practices over time.

The model is implemented globally through a set of interwoven business processes throughout the Company:

- Our planning process includes developing goals, objectives and metrics based on a review of our performance, EHS programs, applicable regulations and external factors that may impact our business (PLAN)
- Activities are performed by using standards, guidelines and tools that are integrated into the EHS Management System and include specific expectations for sites and operating organizations (DO)
- Governance committees, from the executive-level EHS Council through site-based compliance committees, review business unit performance and progress against objectives throughout the year. EHS

audits and self-assessments are also performed throughout the year. (CHECK)

- Corrective actions and continuous-improvement initiatives are established to resolve EHS concerns that have surfaced during periodic assessments, audits, and routine surveillance of the regulatory landscape. We track our corrective actions centrally to ensure proper oversight. (ACT)

We have robust programs and initiatives to address global challenges and opportunities related to achievement of our short- and long-term environmental management and compliance objectives.

This EHS management system is generally aligned with the requirements of the International Standards Organization (ISO), but we do not pursue certification under the Environmental (ISO 14001) or Safety (ISO 45001) frameworks at the global level. Some of our facilities have individually achieved ISO 14001 certification to meet customer requirements.

EHS Governance

Our commitment to the environment and employee health and safety begins with our Executive Team, which has established the EHS Council. The EHS Council comprises senior-level executives representing all business units, and is responsible for overall EHS governance, as well as for leading and driving enterprise-wide excellence in EHS management and performance.

The EHS Council meets on a quarterly basis. The EHS Council's responsibilities include:

- Establishing EHS strategy, policy, and business risk mitigation controls
- Ensuring cross-divisional engagement in the design and implementation of EHS business processes
- Sponsoring and implementing a sustainability strategy
- Monitoring our EHS performance and establishing continuous improvement targets
- Enhancing visibility and transparency of EHS risks, processes, and issues

An EHS Standards Committee has been chartered by the EHS Council to provide stewardship over our EHS Standards and enable business engagement in the development of new or revised Standards. Each area of the business is responsible for executing against these Standards, contributing to the development of programs, supporting internal audits, and communicating significant EHS events. Divisional EHS committees have also been established to manage, execute, and resolve EHS issues as they arise.

The vice president (VP) of GSE is responsible for communicating to our Board of Directors, Executive Team and the EHS Council regarding progress on

goals, objectives, and metrics, as well as other material issues. In addition, this VP partners with business leaders to establish long- and short-term goals and performance metrics to drive EHS excellence. Safety and environmental performance targets are included in divisional objectives.

Our corporate EHS organization is responsible for:

- Developing corporate policies, procedures, guidelines, standards, tools, and programs to set expectations and to support EHS compliance
- Providing technical and regulatory support to site based EHS staff and operating organizations
- Managing and implementing an internal audit program charged with understanding the current state of compliance and identifying potential issues
- Tracking and communicating internal and external trends that should be addressed
- Anticipating, tracking, and commenting on new regulations affecting our business and, where appropriate, developing plans to address them
- Tracking EHS performance of individual sites, divisions, and the Company as a whole, and communicating performance versus established targets

Our site-based safety and environmental professionals around the world support the EHS needs of their business areas, which include manufacturing, research operations, sales, and administrative activities by:

- Ensuring that line management fully understands EHS requirements, including applicable regulations, permit requirements and EHS Standards
- Establishing, assessing, and improving programs
- Providing regulatory and technical support to employees and the operating areas
- Routinely assessing performance against our standards, regulatory requirements, and performance targets
- Acting as the primary liaison with local regulators and inspectors
- Investigating incidents and near-miss events to identify root causes and developing corrective and preventive actions to prevent recurrence

You can learn more about our corporate governance in our Annual ESG Progress Report.

Training

Training is critical to building worldwide employee competencies that will improve compliance, reduce risks, and drive continuous performance improvement.

We have a global standard that defines the EHS training expectations for employees in three categories:

- Manager training covers specific management responsibilities regarding safety and environmental compliance and promoting a “safety-first” culture
- EHS professional training designed to expand technical expertise and improve our EHS capabilities around the world
- Employee training covering the specific information our employees need to perform their jobs in a safe and environmentally compliant manner, focusing on hazards they encounter on the job and the corresponding control measures

These training programs are updated when there are changes to our EHS Standards and/or applicable national, regional, state, or local requirements, and are reviewed periodically to ensure that they remain current. Our EHS training program materials are available in both instructor-led and e-learning formats.

See our Environmental Social Governance (ESG) Annual Progress Report, for more information on worker training on health and safety.

Internal Auditing

We have a detailed and rigorous EHS audit program. Our audit leaders are full-time professional EHS auditors with extensive experience in auditing a broad range of EHS programs. The individual audit teams consist of EHS professionals with extensive site and subject-matter expertise. In many cases, particularly outside of the U.S., our internal auditors work with independent consultants who have regulatory expertise in the laws of the host country.

All audit findings are addressed through the development of corrective and preventive action (CAPA) plans, which are reviewed, approved by the audit leader and regional EHS leader, and tracked to completion. This process includes senior management oversight. Findings from our audit program are communicated to appropriate parts of the organization so that learnings may be shared, and preventative actions can be taken. Audit performance and key program metrics are reviewed as part of our governance process.

We use multiple factors to determine the audit frequency of our facilities, including facility size, operational complexity, compliance status and performance history. Our most complex operations are audited every year, and all manufacturing and research operations are audited at least every three years. Less complex facilities, such as sales and business offices, are audited less frequently. Regular internal Quality Assurance Reviews of the program are performed by our Corporate Audit and Assurance Services at least every three years.

In addition to our corporate EHS audit program, our sites regularly perform self-inspections and review compliance with permit conditions, regulatory requirements, and Company EHS Standards, with all programs being evaluated at least once every three years.

Remediation

Environmental management practices have evolved significantly over the past few decades.

With research and manufacturing operations dating back more than 100 years, some of our facilities operated at a time when there were few regulations and little understanding of good environmental practices. Because we are responsible for remediation of these sites, we have launched investigations, developed science-based remediation plans, and implemented cleanup projects to protect the health and safety of our neighbors, communities, employees, and the environment, and comply with all applicable requirements. Over time, we have acquired properties and manufacturing facilities that may not have been subject to the same EHS management standards that we have in place today. We are also investigating and remediating those properties where necessary. To learn more about expenditures for remediation and environmental liabilities please see our 10-K report.

Notices of Violations, Fines and Settlements

We report all forms of EHS compliance notices using the term Notices of Violation (NOVs), which includes citations, letters of warning and notices of noncompliance from environmental and safety-focused regulatory agencies. For more information on this topic please refer to our Annual ESG Progress Report.

Environmental Data Collection

We measure and monitor environmental data for all global manufacturing and research sites, as well as large office buildings. All metrics are entered quarterly by sites into an enterprise data collection and reporting software system as part of our internal Environmental Data Collection (EDC) process. The data is reviewed at the corporate level on a quarterly basis to monitor sites' progress and assist the sites as needed to support work toward our goals.

Our centralized EHS information system allows us to collect, manage, learn from, and share our safety and environmental performance data more efficiently. We collect and analyze data in both leading and lagging metrics to

identify potential trends and opportunities that can help drive performance improvement. We continuously explore new ways to learn from and report on our performance. Safety and environmental performance targets are included in divisional objectives. In addition, all employees are eligible for special recognition for innovative ideas and projects related to improving EHS aspects of our operations.

Additional resources and public policy position statements are available on our corporate website [msd.com](https://www.msds.com).