

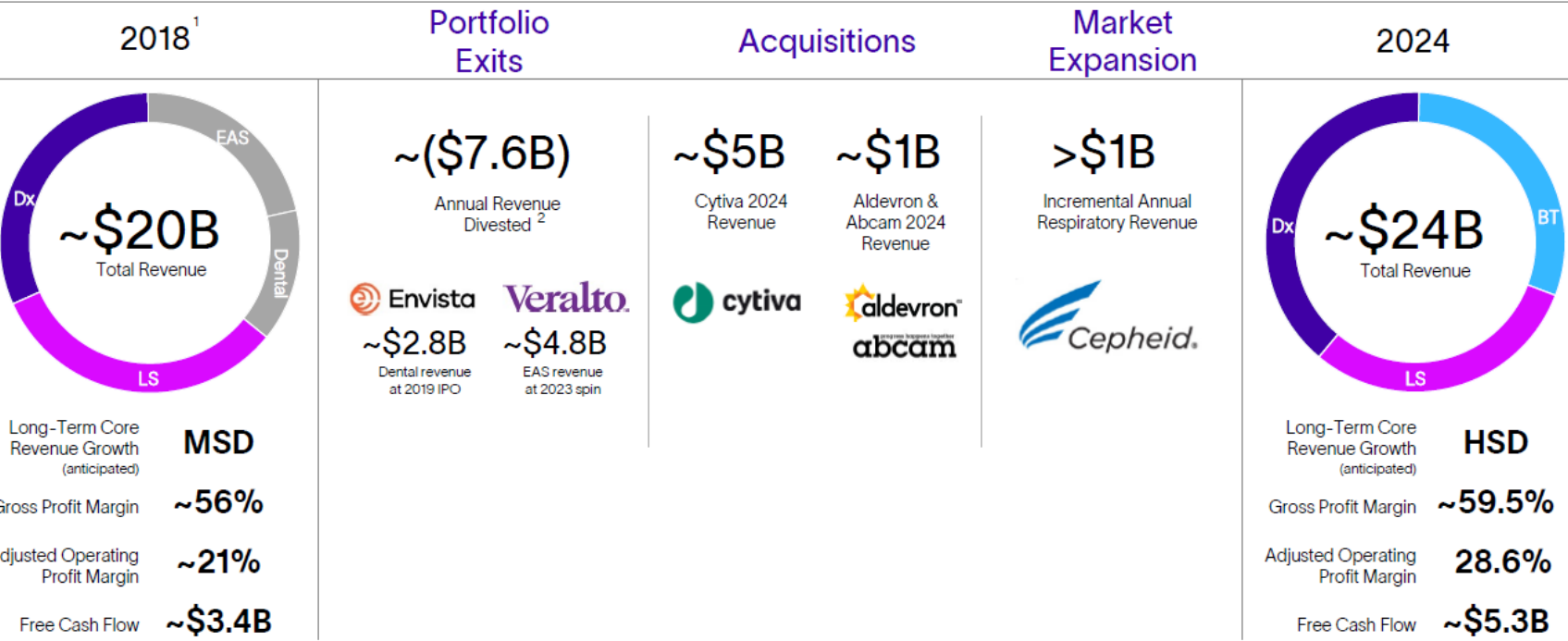
# **Powering innovation on a budget: Aligning global benefits with business transformation**

Anna Hamilton,  
Senior Director, Total Rewards and Wellbeing

# Danaher: journey to date

- Founded in 1984, Danaher evolved across several industries growing through M&As and divestitures
- In 2022, Danaher was formed of four Platforms: Water Quality, Product Identification (later formed Veralto plc), Diagnostics and Life Sciences.
- In 2023, post Veralto spin, Danaher announced their strategic ambition to become Life Sciences Innovator focusing on Diagnostics, Life Sciences and Biotechnology.

## Portfolio Transformation Into a Stronger, Better Danaher



Consolidated medical portfolio, yet diverse and broadly decentralized moder<sup>2</sup>

Confidential - Company Proprietary



# Danaher at a glance

>63K Associates  
>24B Revenue  
>15 Operating companies

Danaher

## 2024 Segment Revenues

Biotechnology



Life Sciences



Diagnostics



Consolidated medical portfolio, yet diverse and broadly decentralized model

# Benefits Operations challenge

1. Decentralized business with 350+ stakeholders
2. Fragmented and disbalanced stakeholders' priorities
3. No corporate mandate
4. Large variety of businesses
5. Blurry corporate role

## Total Rewards ambition:

1. Enable OUS benefits operations stewardship
2. Strengthen purchasing power
3. Ensure compliance
4. Drive operational efficiency

**Cost neutral with no change management budget**

# Operating model - Revision

Model	Portfolio manager (Limited engagement)	Challenger (Influence)	Integrator (Mandate)	Operator (Execute)
Involvement	Oversee enterprise			
	Set portfolio strategy, appointing CEOs to execute	Pressure-test BU strategy and allocate resources	Set BU strategies and allocate resources	Set strategies and allocate resources
	OpCo 1   OpCo 2   OpCo 3	Enable functional scale, shared expertise 1   2   3	Unifying functional practices, shared services 1   2   3	Serving as general manager, typically involved in execution across all function. One Operation
Brands & Typical industries	HITACHI   FUJIFILM Multi-industrial portfolio	3M   Inchcape Operating in 2-3 different industries/platforms	SIEMENS   J&J   GE   ThermoFisher Scientific Vertically integrated or inter-related industries	Ford   ArcelorMittal   HANSA CARBONS   IKEA Single Industry (ex. Production, Retail)
Resources allocation	10% corp / 90% local	30% corp / 70% local	70% corp / 30% local	90% corp / 10% local
Model PROs	Adaptability & Low corporate centre costs	Adaptability & reasonable synergy; Up to 20% more cost-efficient vs Model 1	Fast decision-making, low variability of approaches; Up to 40% more cost-efficient vs Model 1	Low-cost via automation and standardization. 60%+ more cost-efficient vs Model 1
Model CONS	Poor regional cost-efficiency & stewardship, compliance fully relying on local expertise. The most expensive operation out of 4 models.	Hard to sustain balance between corporate and local decision-making authority.	Lower adaptability to the external challenges, efficiency depends on the similarity of practices.	No geographical adaptability, bureaucracy, high costs for corporate centre.
<div>2022</div> <div>Target</div>				

# Added value for variable OpCos

Types of Danaher Benefits operations narratives		Currently available access to 3d Parties support	Project value add	Actions may include*:
1	Majority of locations are under Global Benefits Model  Centralized benefits management in Europe	Renewals management Programs remarketing Regional vendors performance improvement General Market data Support in addressing any legislation change	Strengthened Purchasing power Aligned Danaher pooling strategy On-time access to peer groups/industry data Strong contribution into Danaher global benefits efficiency	Extending brokerage to all locations
2	Decentralized benefits management in Europe challenges practices scaling	In country renewals management In country programs remarketing	European broker will act as governance mechanism supporting European HRD in driving benefits strategy across all locations.  Best purchasing deals  Tier A support (see above)	Appointing European broker in all locations, where currently no brokers in place  In locations, where brokers are in place, start work transfer to be finalized by 2024
3	Mostly relying on small local brokers  HR coordinates most of activities centrally, but unable to improve their purchasing efficiency due to the low HC	Purchasing programs on OpCo's behalf		
4	Acquired local businesses  Mostly purchase insurance programs directly		Getting benefits "minimal standards" in place  Best purchasing deals	Appointing European broker immediately after the acquisition

# VOC, meetings with TR & HR leads: problem statement

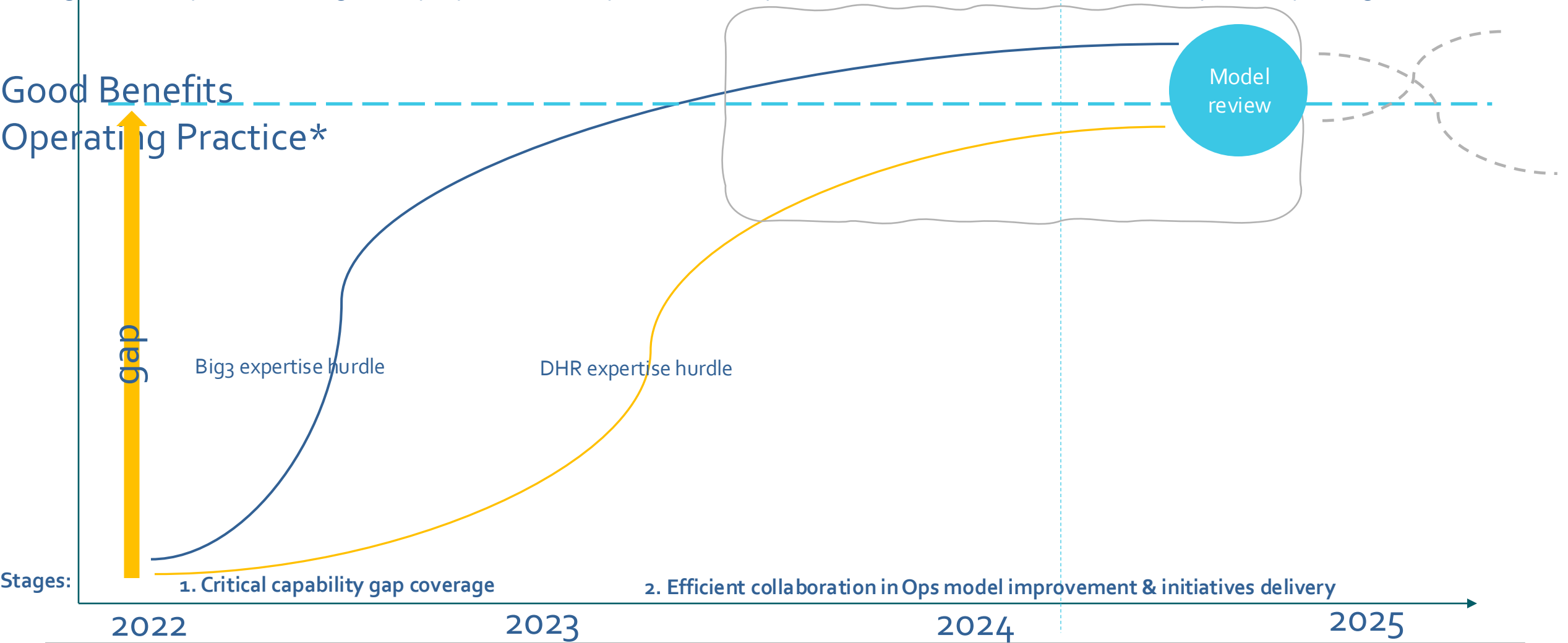
Development of the benefits operating model in Europe is aimed to address a broad range of key problems named by internal stakeholders, such as

Critical pain points	TR Platform Leads	TR OpCo Leads	EU HR Operations
1. Poor or no local internal expertise	V	V	V
2. Purchasing efficiency	V	V	V
3. Absence of “core” benefits offer	V	V	
4. Transparency in providers’ management process			V
5. Benefits administration efficiency			V
6. Cross-OpCo and External market benchmarking		V	V

The state of local expertise requires immediate action in creating COE inside or outside the organization. From the headcount management perspective and speed & quality of COE creation, the outsourced COE at this stage seem to be more rational.

# Operating Model evolution

The approach is aimed to build the evolving model, which at first stage immediately starts to *cover the gap between the current benefits operations and the good market practice\**, and gradually *improve internal operations and expertise* to desired state to fit Danaher and OpCo HR operating model(s).



\*to be defined based on internal stakeholders' expectations and external practices of Big 3 BoB



# MVP of Providers' Operating model framework

MVP to reflect all BIG 3 types of operations by OpCo by Country for the initial expectation alignment & compliance risk management purposes. Any Big3 may currently have different arrangements in place with the same DHR OpCo in different locations. At first stage of benefits model establishment all the current brokers' relationships would need to be classified and standardised according to the principles in the table, and standard work needs to be created.

Comments:

(1) Upper tier solution by default include all the lower-tier deliverables.

(2) Any upper-tier work may be performed at OpCo-by-OpCo basis upon OpCo request at additional cost

Optional

Must-have

TIER	Benefits Offer	Benefits Management Compliance & Efficiency	Expertise & Analysis	Administration	Who applies the best	Danaher Interface	Cost dependency and estimated average per capita
A	Attractiveness level: Developing & Managing best in class benefits offering, complex flex benefits offers & sustaining one benefits philosophy internationally	Internal paperwork with associates	1.Monthly status reports for OpCoTR/HR leadership. Complex analysis and ongoing recommendations 2. W.C. direct collaboration on OpCo behalf	Full end providers and associates-related paperwork administration	Centralized OpCo (ex. Cytiva)	1.Legislation issues in-country – escalation to DHR resource 2. Admin – Local OpCo  Provider is a PMO for any in-OpCo projects related to benefits	1.Nimber of end-providers 2. Associates' Headcounts 3. \$\$\$
	Efficiency level: + In-country and/or in-OpCo benefits harmonization	End providers price negotiations and OPCO pooling for	1.Quarterly status reports for OpCo TR/HR leadership. Occasional Advisory support. 2.Occasional W.C. collaboration support	+full end-providers administration + internal associates-related paperwork audits	Countries and OpCo with some supplementary benefits offerings	1.Legislation issues in-country – escalation to DHR resource 2. Admin – Local OpCo  Provider is a PMO for any major cross-OpCo projects related to benefits	1.Number of end-providers 2. Associates' Headcounts 3. \$\$\$
C	Compliance level: 1.Meeting statutory governmental requirements of benefit provision. 2.Ownership of any benefits-related legislation changes alerts	On-boarding of any new end-provider: 1. Ensuring compliance with end providers' selection procedures (bids/tenders' procedure to be developed) 2. Managing & auditing standard contracts with end partners, regarding standard contract terms, terminations, cancellation fees, force major, tax implication et) 3. Any end-providers DD & yearly risk assessment	1.Benefits prevalence yearly reports 2.Market trend reports and cross-OpCo country meeting or privileged participation in market trend broker's event	End-providers contracts only	1. Decentralized OpCo, and/or 2.Countries with low or no supplementary benefits offer <b>3.All Countries, including countries with low headcounts of local operations</b>	1.Legislation issues in-country – escalation to DHR resource 2. Admin – Local OpCo  DHR and OpCo work together on any major projects related to benefits. Provider is leveraged at ad hoc basis.	1.Number of end-providers 2. Associates' Headcounts 3. \$\$\$

# 3 Levels Model



3 Level model is aimed to standardize and improve 3 Types of benefits management operations: Essential (C-Level), Extended (B-Level) and Advanced (A-Level) across our countries and OpCos.

A-level

- A-scope:
- Benefits philosophy and strategy development support
  - All-benefits management & advisory
  - Extensive benefits administration outsourcing
  - Etc

B-level

- B-Scope:
- Benefits offer harmonization
  - Outsourcing of more benefits administration work
  - Improving benefits policies

C-level

- C-Scope (Pension, Health, Life):
- Legislative compliance of OpCos
  - Benefiting from purchasing scale
  - Good local market trends awareness & benchmarking
  - Access to the best expertise when needed

Optional based on OpCo's priorities

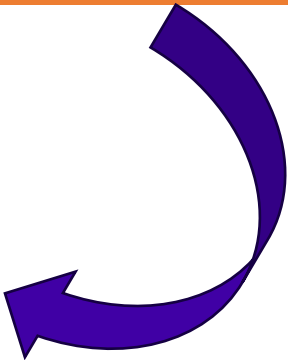
Building Standard Work for C-Level model will be part of the Pilot

All OpCo to contribute

# Clarifying model’s elements, steps and KPIs

Main purpose:	Core support (Tier C): elements			Extended support (Tier B): elements	Advanced support (Tier A): elements
	Standard Operating Process in place	Must-have SW elements in place by 31th Dec 22	Steps	<i>in addition to Tier C</i>	<i>in addition to Tier C &amp; Tier B</i>
				"Vanilla" scope	"Vanilla" scope
	the content to be used for (1) standard work to develop, (2) templates (3) learning materials for OpCo associates involved into Benefits Management	(1) for broker's pilot scope formalization; (2) to evaluate "as is" state with OpCo prior to the pilot (3) to track pilot progress by country (4) to evaluate country pilot's success	(1) to feed pilots roadmap and drumbeat calls sequences (2) to split broker/corp/OpCo roles and responsibilities (3) to estimate resources required for delivery from all sides (4) to plan wider functions & stakeholders' engagement	Suggested "bundle" For OpCo ready to upgrade/develop benefits offering in the country Countries and/or OpCo with some supplementary benefits offering	Suggested "bundle" For OpCo with extensive supplementary benefits offering
Compliance					
I_End-providers management					





Compliance
I_End-providers management
Ia. Good selection process
Ib. Successful new benefits partners integration
Id. Risk-free contract renewals
Ie. Maintaining Sustainable Broker <=> End Provider's servicing quality
If. Efficient Broker<=>OpCo Communication
II Internal OpCo policy compliance
OpCo Benefits Policies Audit
OpCo New benefits policies development support
III Associates compliance
Efficiency
Continuous improvement: Reporting & KPIs
Cost efficiency
Inventory Confirmed
Benefits Offering / Legislative & Market Trends Confirmed
Upgraded Market Expertise - Benchmarking
OpCo Supplementary Offer Development
OpCo Environment Awareness: market trends events
OpCo Environment Awareness: legislative updates Confirmed
OpCo Environment Awareness: market trends events



- ✓ Identifying core areas of Corporate added value
- ✓ Clear breakdown of elements, steps, sign off steps and KPIs per element
- ✓ Identifying Pilot partners and geographies of their remit
- ✓ Aligning with pilot partner(s) to ensure consistent HR experience and project messaging
- ✓ Framing partner’s assessment (next slide)

# European Pilot - Partners' evaluation scorecard

Embracing DHR's complexity	Coordination of multiple activities in region leveraging synergy without GBM model	Expertise and business acumen of partner's Regional Leadership	Pricing principles (without GBM model)	Results delivery
9 - Development of Opco-facing infrastructure, agility to OpCos needs, building regional stakeholders' network to enable alignment within OpCO and delivery of regional OpCos' strategies	9 - Ability to manage multiple projects at regional/country/ OpCo level; finding synergy opportunities within OpCo, delivering sustainable results across the region	9 - Ability to advise on OpCo country and regional strategy leveraging learnings from all activities in the region without being assigned broker for each of them	9 - Delivering additional value at the average market cost/delivering core results at cost below average and "Do now, Pay later" principle	9 - Results delivered on time with extra value for separate OpCos
3 - Good In- country coordination, wider regional strategy requires central coordination from DHR and/or increased internal OpCo workload	3 - Ability to deliver in-country coordinating activities	3 - Ability to build cross-OpCos regional strategy being an assigned broker for each of them	3 - Costs fluctuate by country challenging OpCo regional benefits operations cost efficiency and Payments aligned with work delivery	3 - Most of the results are delivered on time, delays are not critical for the project timeline
1 - In-country coordination requires central DHR support and/or significantly increases internal OpCo workload	1 - Delivering separate activities with strong direction from the Corporate functions with low or no synergy with other projects	1 - Ability to build single OpCo regional strategy being an assigned broker	1 - Costs are usually above market average and Payments upfront	1 - Results delivery is not sustainable

-  Informed Associates who could benefit from having general awareness about the project for heads ups and internal alignment (non-HR functions, non-contributors from HR function)
-  Contributor Key project team members from OpCo in the country, subject matter experts/process owners.
-  Influencer Senior European OpCo/platform HR leadership, providing perspective and feedbacks on key project decisions
-  Champion Senior Global OpCo/platform HR leadership, championing the project and providing regular alignment with OpCo business leadership

# Vendors consolidation activity across Phase 1 countries

Sweden, Denmark, Netherlands, Belgium, Norway, Finland, Luxembourg, Poland, UK, France

Topic	Lead	Danaher OpCo/ Platform participation	DD	March				April				May			
8 countries research insights (presented by WTW project leadership) <i>UK and France reports to be shared by email</i>	DHR	Joined meeting with European Benefits Influencers - senior European HR and C&B leadership All EU HR Leads (Cytiva/Pall LS, Cepheid, Pall Ind optional)	10 March												
"European Benefits Operating Guidelines"	DHR	Shared with European HR and C&B leadership by email for the high-level review & internal OpCo distribution All OpCos	20 March												
2023 European benefits plan presentation	DHR, WTW Europe	Joined informational call with all European contributors (Cytiva/Pall LS, Cepheid, Pall Ind optional)	24 April												
"European Benefits Operating Guidelines" discussions to tailor to country/OpCO specifics	Local WTW teams	Country Cross-OpCo teams & Local WTW team - Q&A call All OpCos	20 May												
Vendors consolidation plans for 2023	Local WTW teams	Local OpCo team & Local WTW team Suggested plans feasibility & and feedback on SW and legacy local partner's work All except Cytiva/Pall LS, Cepheid, Pall Ind	30 May												
Monthly vendors consolidation status calls	Local WTW teams	Country Cross-OpCo teams & Local WTW team All except Cytiva, Cepheid, Pall Ind and those adopting WTW as broker immediately	June+												

Topic	Lead	Danaher OpCo/ Platform participation	DD	May				June				July			
<b>Phase 2 large headcount countries research</b> Germany, Ireland, Austria, Spain, Italy, Portugal, Switzerland	WTW	Local HR to receive research authorisation letter drafts from WTW.	5 May												
	Internal OpCo activity	Local HR to sign authorisation letters and share current local 3d parties' list supporting pension, life (+disability), health (+dental, vision) To return to local WTW contact	19 May												
	WTW	WTW to outreach to local 3d parties to gather information from them directly.  OpCo involvement is likely not required unless 3d party is not responsive	30 June												
<b>Phase 2 small headcount countries research</b> Turkey, Czech Rep, Hungary, Croatia, Slovakia, Romania, Greece, Bulgaria, Slovenia, Latvia, Lithuania, Malta, Cyprus	WTW	WTW to send questionnaire for HR to fill in	15 May												
	Internal OpCo activity	OpCo HR to fill in the questionnaire covering countries' benefits state regarding supplementary pension, life (+disability), health (+dental, vision)	15 July												
Reporting	WTW	WTW to produce cost containment strategy reports: For Danaher FutureCo and Veralto 1) All Europe (Phase 1+2) 2) Phase 2 large headcount countries (1cross OpCo report per country)	1 Aug												

## Pilot's outcomes: understanding potential

- We discovered 200+ vendors across Europe
- Each HR managed at least 50+ vendors contracts
- Small OpCos paid at least 2x of large OpCo for the same offer
- We assessed Insured Policies and Pensions across 400+ entities
- We created Operating Guidelines and critical RACI to enable OUS governance
- We created the online benefits inventory and benchmarked offering in each country
- Each OpCo received individual advisory and were able to contribute into their benefits inventory. Two OpCos received support with their regional benefits strategy delivery
- After 6 months from activities development, Danaher hit \$500K savings thresholds and were able to immediately reinvest savings to enhancing their benefits offering
- **Pilot activities estimated \$10M+ savings potential across Europe within 3 years time**



**GLOBAL  
BENEFITS  
MANAGEMENT**

**GLOBAL BENEFITS MODEL**

- Global Benefits philosophy and EVP
- Extensive benefits administration outsourcing

**SUPPLEMENTARY**

**MARKET PREVALENT BENEFITS**

- Addressing legislative changes
- Benefits offer harmonization support
- Improving administration
- Improving benefits policies
- Regional and country cross-OpCo vendors' performance KPIs

**BASICS**

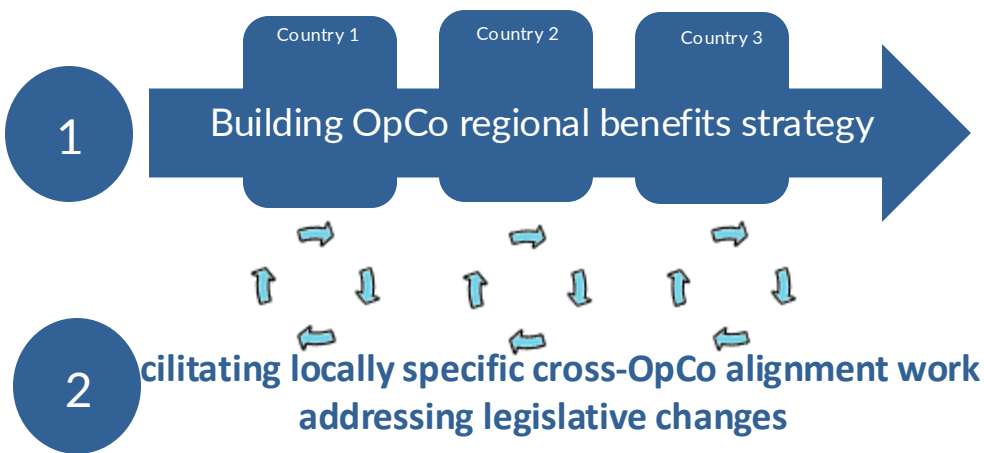
**PENSIONS, HEALTH, LIFE (incl Long/Short term disability/ Income protection)**

- Legislative compliance
- Global pooling strategy & Purchasing scale
- Global & Regional KPIs
- Market awareness & core benchmarking

+Global wellbeing strategy coordination

**Global benefits management model including Europe**

(Includes in-country cross-OpCos collaboration and alignment regarding Basics)



Centralized corporate purchasing coordination and stewardship via single regional benefits broker & administrator

Administration improvement

Collaborative “minimal standard” offer development

# UK progress over 12 first months since project kick off

**1.** Moving on a single broker to support purchasing power goal, from over seventy-five unique brokers & insurance carriers' tandems to one broker, WTW, with one carrier of Medical and one Life insurance carrier, undertaking **75 individual OpCo complex transition projects**.

**2.** Consolidation of fringe benefits platform **with 85% of associates engagement** score:

- A fringe benefits platform change within an urgent timeline which **was thirty percent faster than market norm**, under four months instead of 6 months (mostly summertime), which included offering harmonization over design phase within 2.5 weeks versus 8 weeks as per project standard;
- Harmonization of fringe benefits offering, vendors and restructuring of contracts across gym, cash medical plan, spouse life assurance, critical illness, charity, will writing, income protection and cycle to work schemes and kids pass **boosting "fairness" and "transparency" scores** across associates.

- Contracts transition to the Corporate entity or individual OpCo contracts to ensure the setup is **M&A and divestiture proof**.
- Achieving employee **utilization of fringe benefits higher** than in previous years.

**3.** Insured benefits **renewal calendar harmonization** one year earlier than the initial target set to Jan 2027. This will allow to maximize purchasing scale across all spectrums of benefits by 2026 and accrue significant business savings.

**4. Harmonization of Medical plan**, with improvements across historical gaps with **demonstrated savings and medical inflation increase which was 50% lower than among peer companies** in the UK.

**5. Harmonization of salary sacrifice pension offering** introducing the scheme in 20% of OpCos;

**6. Harmonizing of offering, vendors, and achieving mid single digit cost reduction** across Life Assurance plan versus previous year despite high loss ratio over the previous year.

# Thank you!

