



Merck KGaA, Darmstadt, Germany Modern Slavery Statement 2019

This statement is published in accordance with the UK Modern Slavery Act 2015. It sets out the steps that Merck KGaA, Darmstadt, Germany and the relevant Group companies in the UK including Merck Serono Limited, a subsidiary of Merck KGaA, Darmstadt, Germany, Merck Chemicals Limited, a subsidiary of Merck KGaA, Darmstadt, Germany, Millipore (U.K) Limited, Sigma-Aldrich Company Limited, Bioreliance Limited and, SAFC Biosciences Limited have taken during the 2019 financial year to prevent slavery and human trafficking in any of our supply chains and in any part of our own business. The statement has been approved by the Executive Board as well as the relevant UK companies' Board of Directors.

Introduction

At Merck KGaA, Darmstadt, Germany we strive for responsible conduct in our operations, the communities where we operate, our supply chains and our overall business relationships worldwide. With our history of more than 350 years, our heritage anchors us to a moral and ethical code of conduct that is reflected in our [Values](#). Respecting and supporting human rights is an integral part of our responsibility.

We know that slavery and human trafficking are hidden in many global supply chains and may be also in ours. We find this unacceptable and are committed to taking effective steps towards preventing and mitigating harm to people in our operations, supply chains and business relationships.

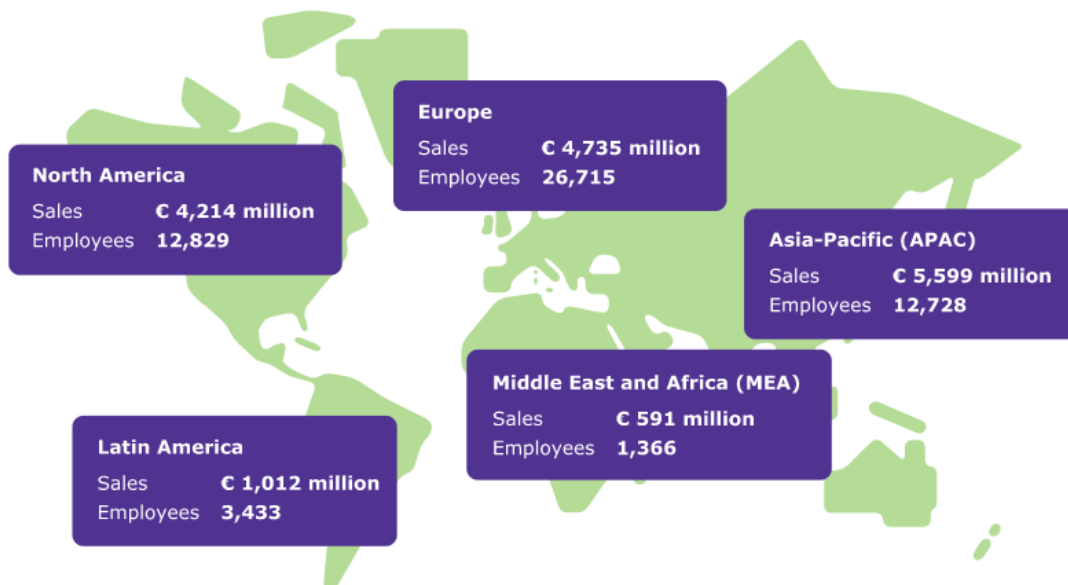
Structure, business and supply chains

We are Merck KGaA, Darmstadt, Germany, a leading science and technology company, operating across healthcare, life science and performance materials. Around 57,000 employees work to make a positive difference to millions of people's lives every day by creating more joyful and sustainable ways to live. In 2019, we generated sales of € 16.2 billion and were represented by more than 222 subsidiaries



across 66 countries, with 103 production sites located across 21 countries. The shareholdings of Merck KGaA, Darmstadt, Germany as of 31 December 2019 are presented on pages 295-305 of the [2019 Annual Report](#).

Employees and sales by region



Merck KGaA, Darmstadt, Germany comprises the following three business sectors:

- **Healthcare:** Our **Biopharma** business discovers, develops, manufactures and markets innovative pharmaceutical and biological prescription drugs to treat cancer, multiple sclerosis (MS), infertility, growth disorders, and certain cardiovascular and metabolic diseases.
- **Life Science:** With our Research Solutions, Process Solutions, and Applied Solutions business units, we are a leading, worldwide supplier of tools, high-grade chemicals, and equipment for academic labs, biotech, and biopharmaceutical manufacturers, as well as the industrial sector. Our portfolio comprises more than 300,000 products, ranging from lab water systems to genome-editing tools, antibodies, and cell lines, as well as end-to-end bioprocessing systems to support the manufacturing needs of both emerging biotech and large pharma companies.
- **Performance Materials:** This business sector comprises the specialty chemicals business and offers innovative solutions especially for the electronics industry — for microchips and displays — and for surfaces of every

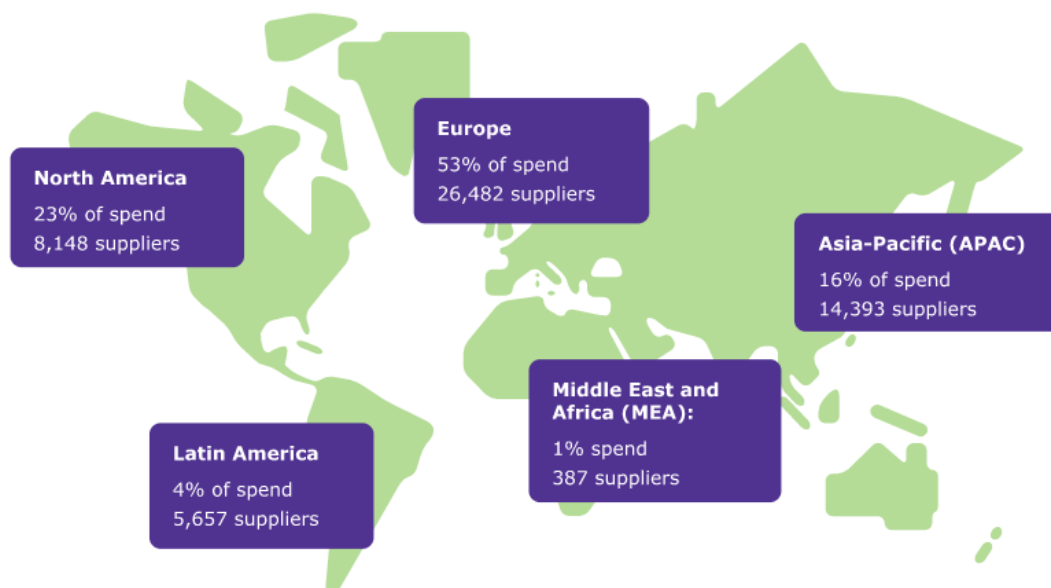


kind. With the completion of the acquisition of Intermolecular on September 20, 2019, and Versum Materials on October 7, 2019, we reached two major milestones on our journey to transform Performance Materials into a strong solutions provider and leading player in the electronic materials market.

In 2019, we derived 42% of net sales from Healthcare, 42% from Life Science and 16% from Performance Materials. The Asia-Pacific region accounted for 35% of sales, Europe for 29%, with 26% of sales in North America, 6% in Latin America and 4% in the Middle East and Africa.

We require numerous raw materials, packaging materials, technical products, components and services, which we procure from more than 55,000 suppliers in almost 150 countries. All goods and services purchased in 2019 amounted to around € 7.5 billion. Of these (including R&D services), we purchased 23% from suppliers based in North America, 53% from suppliers based in Europe, 16% from suppliers based in the Asia-Pacific region, 1% from suppliers based in the Middle East and Africa, and 4% from suppliers based in Latin America.

Purchase volume and suppliers per region in 2019¹²



¹ For data processing reasons, 3% of our purchase volume (1,434 suppliers) is currently not assigned to any purchase region.

² The figures exclude Versum Materials and Intermolecular since the integration process is still underway. For more information, see our [2019 CR Report](#).



We know from the human rights risk assessments we have conducted that the key risks for forced labor and modern slavery in our operations are present in high risk countries such as China, Vietnam and the Philippines, and with vulnerable groups including contract workers and migrant workers. In our supply chain, we believe that modern slavery risks are highest in the sourcing of raw materials. Our activities to mitigate these risks are set out below.

Policies in relation to slavery and human trafficking

As a signatory to the [UN Global Compact](#) since 2005, Merck KGaA, Darmstadt, Germany has committed to upholding [ten principles](#) based on key UN conventions, including the elimination of all forms of forced and compulsory labor.

Our [Human Rights Charter](#) sets out our overarching commitment to human rights and defines the requirements for our company. The Charter brings together and complements the human rights aspects from other Merck KGaA, Darmstadt, Germany regulations and guidelines, such as our [Code of Conduct](#), the [Environment, Health and Safety Policy](#), and the [Responsible Sourcing Principles](#).

Our Human Rights Charter was originally developed in 2013, following an initial corporate human rights risk assessment and inputs by internal and external stakeholders. Its update in 2019 included, once again, a process of external stakeholder engagement. We engaged business and human rights experts from various countries, including emerging markets, NGOs, trade union representatives and specialists regarding specific aspects of the Charter. The revised Charter was published in September 2019.

For our own employees, our [Global Social and Labor Standards Policy](#), implemented in 2019, sets out our commitment to international social and labor standards. The policy specifically states that we do not accept any form of forced or compulsory labor, child labor, modern slavery or human trafficking in any of our global operations or facilities. It prohibits practices such as confiscating or withholding worker identity documents and notes our commitment to ethical recruitment and the Employer Pays Principle.

Our expectations towards **suppliers** are set out in our [Responsible Sourcing Principles](#). We require our suppliers to respect internationally proclaimed human rights, including the [ILO](#) Core Labor Standards, and ensure that they are not complicit in any form of human rights abuses. The Principles require suppliers to



ensure that no form of forced, bonded or involuntary labor is used. The Principles also strictly prohibit child labor.

In 2019, we have developed our Global Standard on Contractor Environment, Health and Safety Management that sets out our commitment to working conditions of external employees. It requests to include labor and human rights in the management processes and contractor relationship management. Knowledge exchange and feedback loops are used to enable collaborative learning and improvements on environmental, safety and labor/human rights standards. Contractors may be eliminated from the bidding list if human rights violations are noticed during the qualification and performance tracking process. Implementation took place in March 2020. It was rolled-out via mail and webex.

Our [SpeakUp Line](#) is our key grievance mechanism for employees and, as of May 2019, external stakeholders worldwide to report violations against our ethical rules and against the Human Rights Charter. All suspected violations can be reported in local language to the SpeakUp Line via telephone or a web-based application, free of charge and, if desired, anonymously (www.bkms-system.net/ISPEAKUP).

Risk management and due diligence processes

Over the years, Merck KGaA, Darmstadt, Germany has conducted a range of human rights risk and impact assessment processes which have covered labor rights issues and, most recently, explicitly consider modern slavery risks. These processes are described in the Annex of our [Human Rights Charter](#).

Risk Assessments

A 2016 human rights self-assessment conducted with all Merck KGaA, Darmstadt, Germany locations globally highlighted that we could improve at addressing modern slavery risks associated with the use of labor providers and contracted workforces. We have worked to improve our due diligence activities in this area since then. Further information can be accessed in the Human Rights Chapter of our [2019 Corporate Responsibility Report](#).

Our supplier risk assessment tool comprises human rights, child labor and supplier labor practices including modern slavery as risk criteria. As of April 2020, we have incorporated data on 2,100 suppliers in the tool, with further implementation planned. The tool will help guide future supplier assessments and audits, as well as



potential additional measures, to ensure a more risk-based approach to supplier assessment and capacity-building.

In 2018, we conducted a pilot mapping process to identify higher risk groups among our contractor population in China, Vietnam and the Philippines.

Our ambition is to continue our work on our contractor populations in order to define appropriate actions to prevent, mitigate and where necessary remediate forced labor and modern slavery risks and impacts.

In 2019, we introduced a mandatory risk assessment for modern slavery and human trafficking as part of the Compliance Risk Reporting and Self-Monitoring process for legal entities and departments in scope. This risk assessment requires Compliance Officers to evaluate risks related to violation of human rights and labor standards, whereas simultaneously the business is supposed to check the effectiveness of the implemented compliance program and respective mitigation measures to tackle the risks. In early 2020, after the completion of the risk assessment, follow-up activities were initiated in order to improve control implementation and to scrutinize high risk areas.

In addition to our internal efforts, we are a member of the industry initiative "Together for Sustainability" (TfS). As such, we are able to use the supplier self-assessments and audit results shared among all member companies. TfS assessments and audits cover both child labor and forced and compulsory labor.

Mica

Recognizing that our mica supply chain carries potential risks of human rights violations including risks of forced and child labor, we have redesigned our supply chain already in 2010 and have established direct business relationships with our suppliers who handle mica mining and processing in India. Furthermore, we have implemented a series of oversight mechanisms to monitor and audit compliance with our social standards. Our approach is described in our [Corporate Responsibility Report 2019](#).

Governance

Our manual for new managing directors covers the topic of human rights in an effort to heighten awareness at the executive level but also outlining the managing directors' responsibility regarding human rights. The manual is primarily intended to consolidate all the legal and compliance-related responsibilities of a managing director into one document.



In 2018 we established a Human Rights Working Group to implement effective cross-organisational, collaborative efforts to fulfil our commitments to respect human rights across our operations, supply chain, business relationships and potentially impacted communities. The group comprises members from functions such as Compliance; Procurement; Human Resources; Environment, Health, Safety, Security and Quality; and, Corporate Responsibility.

Effectiveness

In 2019, there were no instances of modern slavery in our operations identified via the SpeakUp Line, through which employees and external stakeholders can report violations of our Human Rights Charter. At the same time, we recognize that as a hidden issue, modern slavery requires more effort to uncover, including in our supply chain.

Through the Together for Sustainability (TfS) Initiative, we have access to more than 1,600 assessments from our suppliers, initiated either by us or by other TfS members. In 2020, we will intensify our analysis of assessment results and evaluate the relevant mitigation activities.

Training and awareness-raising

We are working on integrating human rights related content, including on modern slavery, into existing training and awareness-raising formats for relevant internal functions. Activities in 2019 included:

- We integrated relevant content into our annual on-boarding training for new EHS managers.
- Our Procurement Training Academy for new employees of Group Procurement includes a session on sustainability and human rights.
- As part of the roll-out of the revised [Human Rights Charter](#) and the implementation of the [Global Social and Labor Standards Policy](#), we have initiated a new course that requires all managing directors – including those coming new into the role – to confirm both documents are understood and are implemented within their area of responsibility. Furthermore, participants were informed via a newsletter on the roll-out, including background information on both documents.



Looking ahead

We took the first step towards implementing the UN Guiding Principles on Business and Human Rights in 2012, and we have since worked to continuously improve our human rights due diligence.

At the same time, we know we have more work to do, including in combatting modern slavery. In summary, our focus areas for action include:

- Conduct an internal process audit to ensure that our local subsidiaries comply with the principles of our [Global Social and Labor Standards Policy](#)
- Continue to review our current supplier assessments and audit procedures to define appropriate mitigation measures, including with regard to modern slavery and human trafficking
- Continue to strengthen our internal communication and awareness-raising about human rights and modern slavery
- Develop a supplier due diligence process and a Responsible Minerals Sourcing Charter for conflict minerals

We are committed to ensuring that we continuously improve our approach, in line with our values and international expectations on corporate human rights and labor rights due diligence.



Stefan Oschmann
Chairman of the Executive Board and CEO



Peter Biro
CFO United Kingdom and Ireland



Appendix

List of our UK subsidiaries that fall under the UK Modern Slavery Act

Merck Serono Limited, a subsidiary of Merck KGaA, Darmstadt, Germany

Merck Chemicals Limited, a subsidiary of Merck KGaA, Darmstadt, Germany

Millipore (U.K) Limited

Sigma Aldrich Company Limited

Bioreliance Limited

SAFC Biosciences Limited

