



# Merck KGaA, Darmstadt, Germany Modern Slavery Statement 2020

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 Life Science UK 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 2020 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.

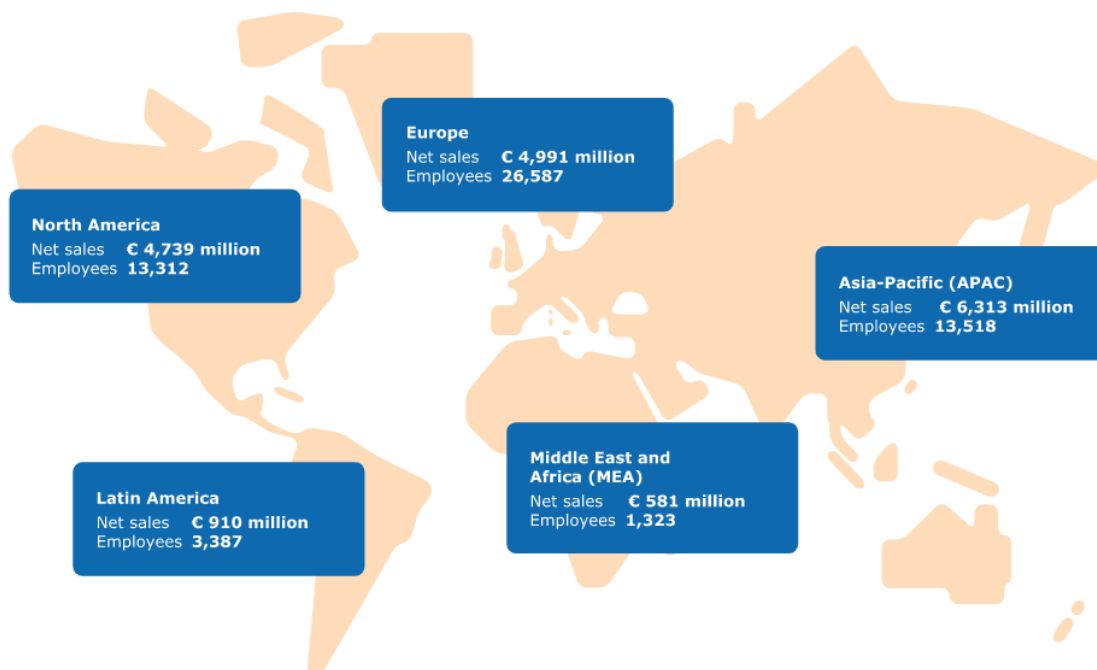


## Structure, business and supply chains

We are a vibrant science and technology company, operating across Healthcare, Life Science and Electronics (previously Performance Materials). More than 58,000 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 2020, we generated sales of € 17.5 billion and was represented by more than 221 subsidiaries across 66 countries, with 100 production sites located across 21 countries.

The shareholdings of Merck KGaA, Darmstadt, Germany as of December 31, 2020 are presented on pages 313-324 of the [2020 Annual Report](#).

### Employees and sales by region in 2020



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

- **Healthcare** 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. On March 31, 2020 we divested our allergy business Allergopharma to Dermapharm Beteiligungs GmbH, Grünwald, Germany.

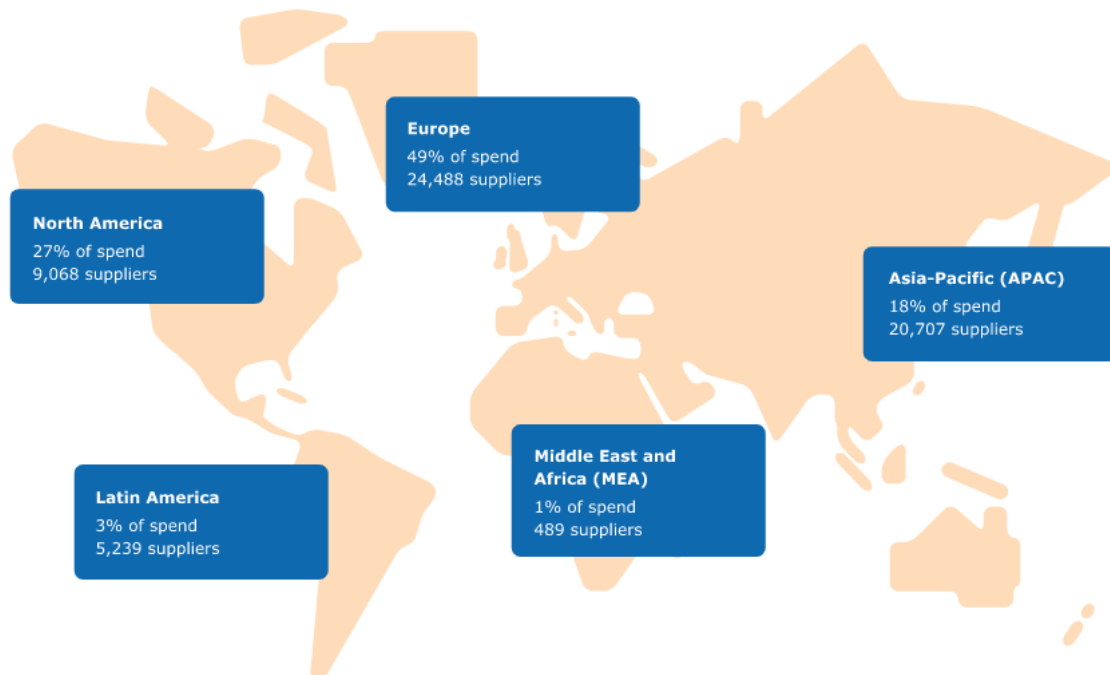


- In **Life Science**, we are a leading, worldwide supplier of tools, high-grade chemicals, and equipment for academic labs, biotech, and biopharmaceutical manufacturers, as well as the industrial sector. Our portfolio comprises more than 300,000 products, ranging from lab water systems to genome-editing 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. We have and will continue to play a critical role in aiding the ongoing [response to the Covid-19](#) pandemic, supporting our customers working on combatting the novel virus through our products, services, and expertise.
- **Electronics** is advancing digital living. Our main focus is on the electronics market with our materials and solutions changing the way we generate, access, store, process, and display information. We offer innovative solutions especially for the electronics industry - for microchips and displays - and for surfaces of every kind. Effective March 4, 2021, we changed the name of the Performance Materials business sector to Electronics. The new name is the visible result of the strategic realignment conducted over the past several years.

In 2020, we derived 38% of net sales from Healthcare, 43% from Life Science and 19% from Electronics. The Asia-Pacific region accounted for 36% of sales, Europe for 29%, with 27% of sales in North America, 5% in Latin America and 3% in the Middle East and Africa. We require numerous raw materials, packaging materials, technical products, components and services (including R&D services), which we procure from approximately 60,000 suppliers in almost 160 countries. All goods and services purchased in 2020 amounted to around € 7.9 billion. Of these, we purchased 27% from suppliers based in North America, 49% from suppliers based in Europe, 18% from suppliers based in the Asia-Pacific region, 1% from suppliers based in the Middle East and Africa, and 3% from suppliers based in Latin America.



## Purchase volume and suppliers per region in 2020<sup>1</sup>



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 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, we have 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

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<sup>1</sup> For data processing reasons, 3% of our purchase volume (1,196 suppliers) is currently not assigned to any purchase region.



complements the human rights aspects from our other 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.

**For our own employees**, our [Global Social and Labor Standards Policy](#) 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 to 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 2020, we published a Responsible Minerals Sourcing Charter. It complements the requirements set out in our Responsible Sourcing Principles. The primary focus of the [Responsible Minerals Sourcing Charter](#) is on mined material such as tin, tungsten, tantalum, gold (also known as the “3TGs”), and cobalt sourced from conflict-affected and high-risk areas. This Charter applies to all our entities and subsidiaries worldwide, all our employees as well as any third party acting on behalf of Merck KGaA, Darmstadt, Germany.

Our Group Standard on Contractor Environment, Health and Safety Management sets out our commitment to working conditions of contractors. 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. The Group Standard was rolled-out via mail and webex in March 2020.



Our SpeakUp Line is our key [grievance mechanism](#) for employees and 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.

## Risk management and due diligence processes

Over the years, we have 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

Based on the knowledge we gained from the conducted human rights risk assessments in the past, we are aware 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.

Currently, we are developing a new approach through which we aim to identify whether our external manpower is at risk. We are thus broadening the scope of the pilot project we conducted in 2019. Within the scope of this project, we conducted a Group-wide analysis of the work conditions of external manpower, especially in high-risk countries, such as 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.

Our supplier risk assessment tool comprises human rights, child labor and supplier labor practices including modern slavery as risk criteria. In 2020, we extended this program to include more suppliers. We have also developed a company-wide due diligence **process** for responsible supply chains of minerals from conflict-affected and high-risk areas, according to OECD guidance. 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.



In 2019, we rolled out a new overarching cross-sector compliance risk management process. This “Compliance Risk Reporting & Self-Monitoring Process” also included risks relating to modern slavery and human trafficking. Moreover, it comprises two components: risk evaluation and monitoring the effectiveness of the compliance program within a business. After completing the first cycle in 2020, we focused on the key risks identified by running different analyses and dedicated follow-up activities for risk mitigation. The consolidated results showed a low risk of human rights violations throughout the Group.

In 2020, we conducted an internal audit to review and further improve the management processes of our Global Social and Labor Standards Policy. In addition, we verified compliance with the principles of the policy at our local subsidiaries. No violations were identified.

### **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 sourcing and processing in India. Our procurement unit is in direct contact with the suppliers to reiterate the importance we place on ethical, social and environmental standards. We have implemented a series of oversight mechanisms to monitor and audit compliance with our standards. In case of non-compliance, we work with suppliers to ensure the appropriate implementation of corrective measures.

Furthermore, we are a founding member of the multi-stakeholder group Responsible Mica Initiative (RMI). In 2020, we once again held the presidency of the organization. The initiative aims to eradicate child labor and unacceptable working conditions in the Indian mica supply chain by joining forces across industries.

The RMI responded rapidly to the Covid-19 outbreak. At the outset, the RMI funded community kitchens in the Giridih district until local authorities took over. These community kitchens supplied two meals per day, prioritizing vulnerable groups, such as the elderly, migrant workers and underprivileged families. At a later stage, the RMI organized e-consultations so that all its stakeholders were able to continue the dialog on sustainable mica.

### **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 and labor rights. The manual is



primarily intended to consolidate all the legal and compliance-related responsibilities of a managing director into one document.

Our Human Rights Working Group is tasked to implement effective cross-organizational 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 Sustainability as well as from our Healthcare business.

### **Handling Covid-19**

To cope with the Covid-19 pandemic, we have established global and local work groups to develop risk scenarios and action plans. Among others, we have undertaken the following measures:

- We have set up internal Covid-19 testing centers at Darmstadt and other sites, where our business critical employees undergo regular testing or have access to special testing in cases of suspected infection.
- We have developed special occupational safety standards for numerous sites covering all functional units (offices, laboratories and manufacturing facilities).
- We continuously inform our workforce about specific behavioral protocols via our intranet or notice boards on site.
- To mitigate our employees' risk of infection during the pandemic, we have been offering them personal protective equipment (PPE). A special PPE work group has ensured that the equipment be distributed in the correct quantity according to specific needs.
- We developed Group-wide guidelines, taking into account the different pandemic histories and regulations from country to country. These guidelines regulate the physical presence of employees at the company workplace and working remotely. They contain generally applicable hygiene regulations, support employees to balance work, childcare and family obligations and protect employees with special personal health risks. We also extended our telephone social counseling to all countries. We offer psychological counseling to our employees and their families in the event of mental stress.
- We furthermore tightened up our travel guidelines Group-wide in order to protect our workforce.
- In India and Italy, for instance, we expanded our insurance coverage to ensure additional financial support for hospital stays.
- After the Indian government had cleared the "Uttar Pradesh Temporary Exemption from Certain Labour Laws Ordinance, 2020", we reached out to our





relevant suppliers to highlight the importance of human rights for us as a global company, and the need to adhere to our Responsible Sourcing Principles.

## Effectiveness

In 2020, 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. We verified compliance with the principles of our Global Social and Labor Policy at our local subsidiaries. No violations were identified. 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 TfS initiative, we have access to more than 1,250 valid scorecards on the assessment of our suppliers, 717 of which took part in a new assessment or re-assessment in 2020. In some cases, these were initiated by us and in other cases by other TfS members.

## 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 2020 included:

- We integrated relevant content into our annual on-boarding training for new EHS managers.
- In 2020, we introduced a TfS training course in Asia. We invited our Procurement employees to participate in various Ecovadis webinars. Part of the training program deals with TfS assessments and audits, which include compliance with human rights as an essential audit component. In addition, we are in the process of developing a global training program for purchasers and suppliers together with TfS. This will include training on human rights.
- We continued to train all managing directors and the senior management on our [Human Rights Charter](#) and the [Global Social and Labor Standards Policy](#) and require them to confirm both documents are understood and are implemented within their area of responsibility.



## 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:

- Continue to conduct internal audits 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

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.

9 June 2021



Belén Garijo  
Chair of the Executive Board and CEO



Peter Biro  
CFO United Kingdom and Ireland



June 2021

## 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 Life Science UK Limited, a subsidiary of Merck KGaA, Darmstadt, Germany

Millipore (U.K) Limited

Sigma-Aldrich Company Limited

Bioreliance Limited

SAFC Biosciences Limited

