



# Merck KGaA, Darmstadt, Germany Modern Slavery Statement 2021

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 and, Bioreliance Limited have taken during the 2021 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

Our ambition is to leverage science and technology to achieve progress for mankind. For us, sustainable entrepreneurship and profitable growth go hand in hand. Responsible action is an integral part of our company culture. This also includes respecting the interests of our employees, customers and investors, as well as society. For more than 350 years, our company has been shaped and guided by strong [values](#). Our success is built on courage, achievement, responsibility, respect, integrity, and transparency – values that underpin our understanding of sustainable entrepreneurship. 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.

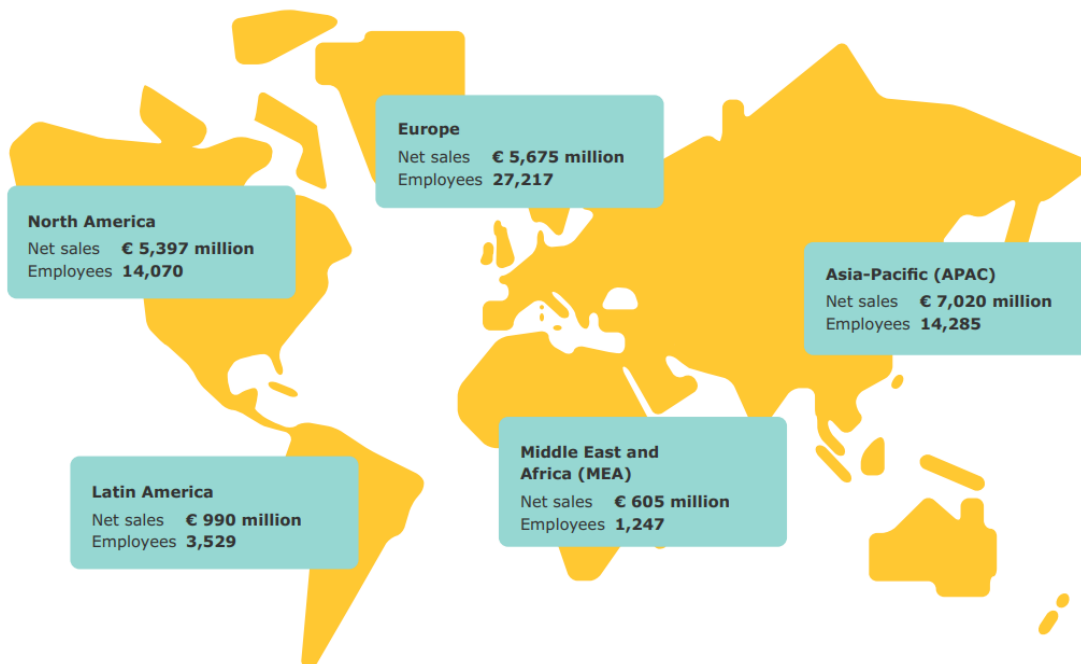


## Structure, business and supply chains

We are a vibrant science and technology company, operating across Healthcare, Life Science and Electronics. The Performance Materials business sector was renamed Electronics in March 2021. More than 60,000 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 2021, we generated sales of € 19.7 billion and was represented by more than 227 subsidiaries across 66 countries, with 96 production sites located across 20 countries.

The shareholdings of Merck KGaA, Darmstadt, Germany as of December 31, 2021 are presented on pages 342-356 of the [Annual Report](#) 2021.

### Employees and sales by region in 2021



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

- In **Life Science**, with our Research Solutions, Process Solutions, and Applied Solutions business units, we are a leading, global supplier of tools, research-grade chemicals, and equipment for academic labs, biotech and biopharmaceutical manufacturers, and the industrial sector. Our broad and



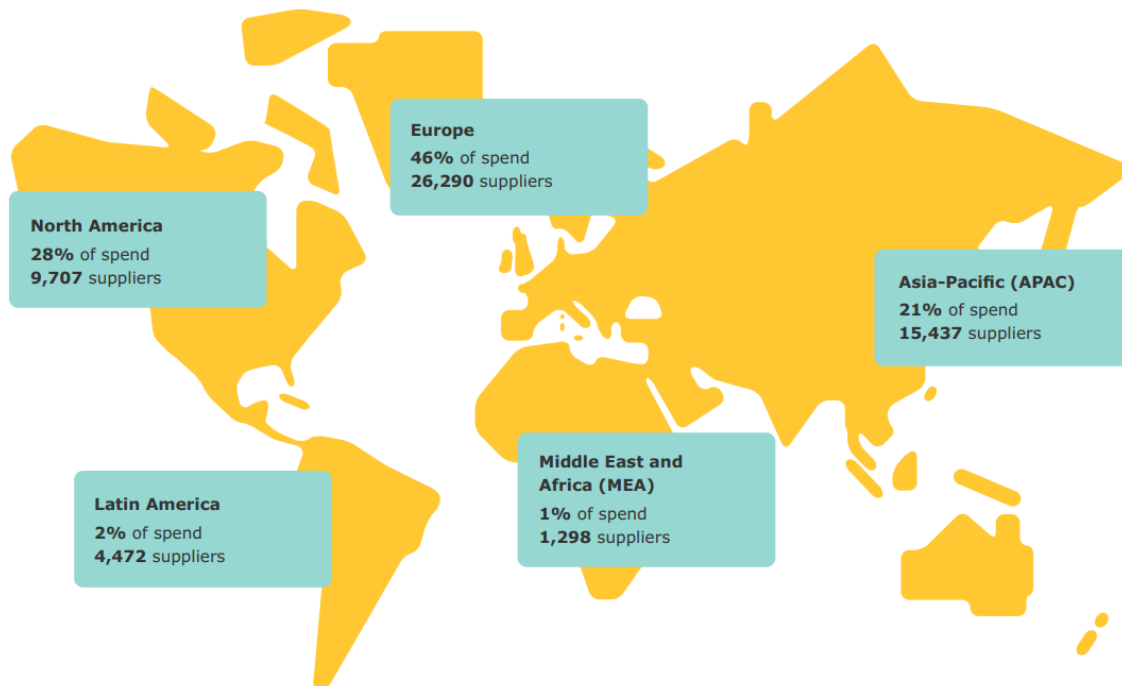
deep portfolio comprises more than 300,000 products. We continued to engage in combating Covid-19 in 2021, including accelerating the supply of urgently needed lipids as part of our strategic partnership with BioNTech and comprehensively expanding our production capacities for technologies and solutions that are required for the manufacture of Covid-19 vaccines and treatments. You can find more information on our [website](#).

- Our **Healthcare** business sector 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. Healthcare operates across four therapeutic areas: Neurology and Immunology, Oncology, Fertility, and Cardiology Metabolism & Endocrinology with a clear ambition to become a global specialty innovator.
- **Electronics** is advancing digital living. Our primary focus is on the electronics market with our materials and solutions changing the way we generate, access, store, process, and display information. Through the three business units Semiconductor Solutions, Display Solutions, and Surface Solutions, we offer innovative solutions especially for the electronics industry - for microchips and displays - and for surfaces of every kind.

In 2021, we derived 46% of net sales from Life Science, 36% from Healthcare and 18% 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 57,000 suppliers in almost 140 countries. All goods and services purchased in 2021 amounted to around € 8.6 billion. Of these, we purchased 28% from suppliers based in North America, 46% from suppliers based in Europe, 21% from suppliers based in the Asia-Pacific region, 1% from suppliers based in the Middle East and Africa, and 2% from suppliers based in Latin America.



## Purchase volume and suppliers per region in 2021<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 (1,245 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](#).

**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.

Our [Responsible Minerals Sourcing Charter](#) 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.

Our compliance hotline 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 compliance hotline 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 dedicated human rights risk and impact assessment processes which have covered labor rights issues and also explicitly considered 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.

In preparation of the implementation of the German Supply Chain Due Diligence Act, we have set up a project team. As part of the project, we will continue our work on our contractor populations in order to define appropriate actions to prevent, mitigate and where necessary remediate adverse human rights impacts.

Our supplier risk assessment tool comprises human rights, child labor and supplier labor practices including modern slavery as risk criteria. We have also 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.

For our own operations, we verified compliance with the principles of our [Global Social and Labor Standards Policy](#) at our local subsidiaries. In 2021, no procedural violations were identified. In early 2022, we conducted an internal audit to review and further improve the management processes of our policy.

### **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 audit



findings, 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 2021, 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. In addition, the group discusses activities and current developments regarding business and human rights. It comprises representatives from Group Compliance, Group Procurement, Group Human Resources, Corporate Environment, Health and Safety, Corporate Security, Group Corporate Sustainability as well as from our Healthcare business. In light of the regulatory developments such as the German Supply Chain Due Diligence Act, we aim to further strengthen the working group.

### **Effectiveness**

In 2021, 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 1,460 valid scorecards on the assessment of our suppliers, 882 of which took part in a new assessment or re-assessment in 2021. 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. To train our Managing Directors and the senior management, we offer an e-learning course 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. Furthermore, our annual on-boarding training for new EHS managers covers relevant content around human rights and modern slavery. In addition to these established formats, we have conducted specific activities in 2021, such as:

- We highlighted the latest developments on the topics of human rights and modern slavery at the regional "Security Academy" meetings. The Security Academy is a training platform for our local, national and regional Security functions. It addresses security-relevant topics and is coordinated by our Corporate Security Group function.
- As part of our membership of TfS, in 2021 we helped develop a concept for a sustainability management training platform, which is scheduled for rollout in 2022. It will be available globally, in multiple languages to all buyers and suppliers of the 31 TfS member companies.

## 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:

- Update our Responsible Sourcing Principles by increasing our expectations regarding our suppliers and sales intermediaries and renaming the document to Supplier Code of Conduct





- 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.

14 June 2022



Belén Garijo  
Chair 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 Life Science UK Limited, , a subsidiary of Merck KGaA, Darmstadt, Germany

Millipore (U.K) Limited

Sigma-Aldrich Company Limited

Bioreliance Limited

