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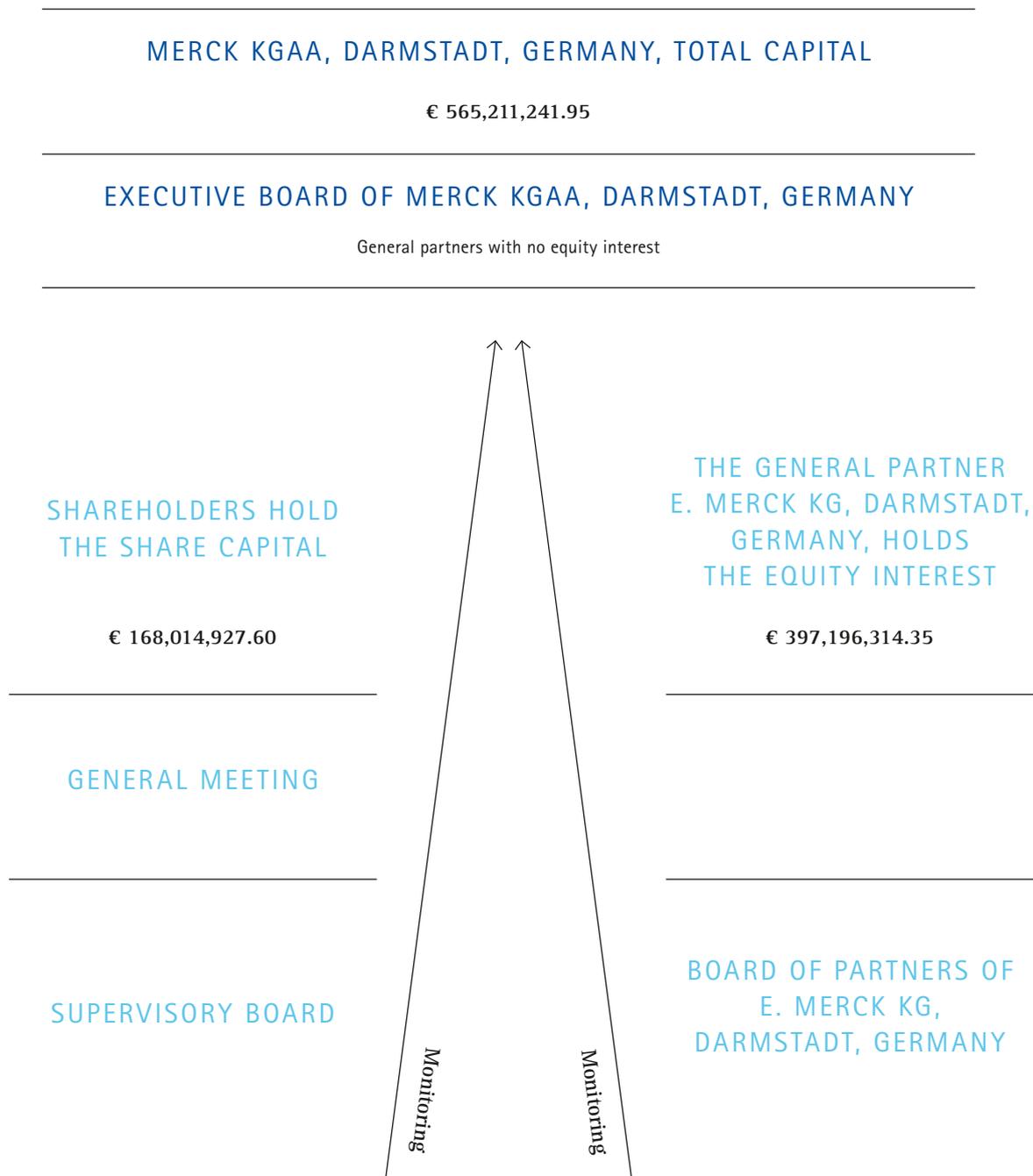
CORPORATE GOVERNANCE



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CAPITAL STRUCTURE AND CORPORATE BODIES OF MERCK KGAA, DARMSTADT, GERMANY



STATEMENT ON CORPORATE GOVERNANCE

The Statement on Corporate Governance contains the Statement of Compliance, relevant information on practices within the company as well as a description of the procedures of the corporate bodies.

JOINT REPORT OF THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD ACCORDING TO SECTION 3.10 OF THE GERMAN CORPORATE GOVERNANCE CODE INCLUDING STATEMENT OF COMPLIANCE

The German Corporate Governance Code is geared toward the conditions found in a German stock corporation (“Aktiengesellschaft” or “AG”) and does not take into consideration the special characteristics of a corporation with general partners (“Kommanditgesellschaft auf Aktien” or “KGaA”) such as Merck KGaA, Darmstadt, Germany. Given the structural differences between an AG and a KGaA, several recommendations of the German Corporate Governance Code are to be applied to a KGaA only in a modified form. Major differences between the two legal forms exist in terms of liability and management. While, in the case of an AG, only the AG is liable as a legal entity, the general partners of a KGaA also have unlimited personal liability for the company’s obligations (section 278 (1) of the German Stock Corporation Act – “AktG”). At Merck KGaA, Darmstadt, Germany, this pertains to both E. Merck KG, Darmstadt, Germany – which pursuant to Art. 8 (5) of the Articles of Association is excluded from management and representation – as well as to the managing general partners, who together make up the Executive Board of Merck KGaA, Darmstadt, Germany. The members of the Executive Board of Merck KGaA, Darmstadt, Germany, are therefore subject to unlimited personal liability. Unlike an AG, their executive authority is not conferred by the Supervisory Board, but rather by their status as general partners.

Consequently, in addition to other responsibilities typical of the supervisory board of an AG (see description of the procedures of the Supervisory Board on page 157 et seq.), the supervisory board of a KGaA does not have the authority to appoint the management board, draw up management board contracts or specify compensation of the management board. This legal form also involves special features with regard to the General Meeting. For example, in a KGaA, many of the resolutions made require the consent of the general partners (section 285 (2) AktG), particularly also the adoption of the annual financial statements (section 286 (1) AktG).

Merck KGaA, Darmstadt, Germany, applies the Code analogously where these regulations are compatible with the legal form of a KGaA. In order to enable shareholders to compare the situation at other companies more easily, to a broad extent we base corporate governance on the conduct recommendations made by the Government Commission of the German Corporate Governance Code and forego having our own, equally permissible, code. The recommendations of the Code in both of the last two versions dated May 13, 2013 and June 24, 2014, the intent and meaning of which are applied, were complied with in the period between the last Statement of Compliance issued on February 28, 2014 with three exceptions. In the future, the recommendations of the Code will again be adhered to with four exceptions. Further details can be found on page 146.

For a clearer understanding, the following gives a general explanation of the application of German company law at Merck KGaA, Darmstadt, Germany with additional references to the General Meeting and shareholder rights.

Merck KGaA, Darmstadt, Germany

The general partner E. Merck KG, Darmstadt, Germany, holds around 70% of the total capital of Merck KGaA, Darmstadt, Germany (equity interest); the shareholders hold the remainder, which is divided into shares (share capital). E. Merck KG, Darmstadt, Germany, is excluded from the management of business activities. The general partners with no equity interest (Executive Board) manage the business activities. Nevertheless, due to its substantial capital investment and unlimited personal liability, E. Merck KG, Darmstadt, Germany, has a strong interest in the businesses of Merck KGaA, Darmstadt, Germany, operating efficiently in compliance with procedures, and exercises its influence accordingly. The participation of Merck KGaA’s, Darmstadt, Germany, in the profit/loss of E. Merck KG, Darmstadt, Germany, in accordance with Articles 26 et seq. of the Articles of Association further harmonizes the interests of the shareholders and of E. Merck KG, Darmstadt, Germany. E. Merck KG, Darmstadt, Germany, appoints and dismisses the Executive Board. In addition, E. Merck KG, Darmstadt, Germany, has created bodies – complementing the expertise and activities of the Supervisory Board – to monitor and advise the Executive Board. This task applies primarily to the Board of Partners of E. Merck KG, Darmstadt, Germany. Based on the provisions of the German Stock Corporation Act, the Articles of Association of Merck KGaA, Darmstadt, Germany, and the rules of procedure of the various committees, Merck KGaA, Darmstadt, Germany, has a set of rules for the Executive Board and its supervision that meet the requirements of the Code. The investors, who bear the entrepreneurial risk, are protected as provided for by the Code.

The General Meeting of Merck KGaA, Darmstadt, Germany

The nineteenth General Meeting of Merck KGaA, Darmstadt, Germany, was held on May 9, 2014 in Frankfurt am Main, Germany. At 63.85%, the proportion of share capital represented at the meeting was slightly lower than in the previous year. In 2013, the proportion of share capital represented was 67.54%.

In particular, the Annual General Meeting passes resolutions concerning the approval of the annual financial statements, the appropriation of net retained profit, the approval of the actions of the Executive Board members and the Supervisory Board members, as well as the choice of the auditor. Changes to the Articles of Association likewise require the adoption of a resolution by the General Meeting.

The shareholders of Merck KGaA, Darmstadt, Germany, exercise their rights at the General Meeting. They may exercise their voting rights personally, through an authorized representative or through a proxy appointed by the company. The proxy is in attendance throughout the duration of the General Meeting. All the documents and information concerning upcoming General Meetings (including a summary explanation of shareholder rights) are posted on our website. Moreover, the General Meeting is webcast live on the Internet from its commencement until the end of the speech by the Chairman of the Executive Board. The introductory speeches by the Chairman of the Executive Board and the Chairman of the Supervisory Board are recorded in order to make them available to interested members of the public at any time after the meeting. In this way, we are satisfying the high transparency requirements of the Group.

Statement of Compliance

In accordance with section 161 AktG, applying the provisions of the German Corporate Governance Code correspondingly, the Executive Board and the Supervisory Board issued the following statement of compliance with the recommendations of the Government Commission of the German Corporate Governance Code:

“Declaration of the Executive Board and the Supervisory Board of Merck KGaA, Darmstadt, Germany, on the recommendations of the Government Commission of the German Corporate Governance Code pursuant to section 161 AktG.

Since the last statement of compliance on February 28, 2014, the Group has complied with the recommendations of the Government Commission of the German Corporate Governance Code in the versions dated May 13, 2013 and June 24, 2014 and published in the official section of the German Federal Gazette during its period of validity with the following exceptions:

Contrary to section 4.2.5 sentence 5 and sentence 6 of the German Corporate Governance Code, certain information on the compensation of Executive Board members has not been included, nor have the model tables provided for this purpose been utilized. It seems doubtful as to whether the largely repetitive provision of identical information in two additional tables contributes to the transparency or the understandability of the Compensation Report (see section 4.2.5 sentence 3 of the German Corporate Governance Code).

Contrary to section 5.3.2 of the German Corporate Governance Code, the Supervisory Board has not established an audit committee. However, an audit committee does exist in the form of the Finance Committee of the Board of Partners of E. Merck KG, Darmstadt, Germany, which to a large extent exercises the duties described in section 5.3.2 of the Code. Due to the relatively limited authority of the supervisory board of a KGaA in comparison with that of an AG, this therefore satisfies the requirements of the German Corporate Governance Code.

Contrary to section 5.4.1 para 2 sentence 1 of the German Corporate Governance Code, an age limit is not taken into account when proposing candidates for election to the Supervisory Board pursuant to the published objectives of the Supervisory Board. The age of Supervisory Board members is not a criterion for their qualifications and competence. Moreover, we do not wish to forego the many years of experience of Supervisory Board members.

Contrary to section 7.1.2 sentence 4 of the German Corporate Governance Code, owing to the way in which the German legal holidays fall in May 2015, in this isolated instance the interim report can only be made publicly accessible slightly after the allotted 45-day time limit from the end of the reporting period.

In view of future compliance with the current recommendations of the Government Commission of the German Corporate Governance Code, the Executive Board and the Supervisory Board declare the following: With the exception of the aforementioned deviations from section 4.2.5 sentences 5 and 6 (disclosure of compensation), section 5.3.2 (audit committee), section 5.4.1 para 2 sentence 1 (age limit), and section 7.1.2 sentence 4 (publication deadline), the company will comply with the recommendations of the Code in the version dated June 24, 2014.”

Darmstadt, February 27, 2015

For the Executive Board

For the Supervisory Board

s. Karl-Ludwig Kley

s. Wolfgang Büchele

COMPENSATION REPORT

(The Compensation Report is part of the audited Notes to the Group accounts).

Compensation of members of the Executive Board of Merck KGaA, Darmstadt, Germany

Contrary to management board members of German stock corporations, the members of the Executive Board of Merck KGaA, Darmstadt, Germany, are not employed officers of the company. Rather, they are personally liable general partners of both Merck KGaA, Darmstadt, Germany, and the general partner E. Merck KG, Darmstadt, Germany, and in this capacity they receive profit-based compensation from E. Merck KG, Darmstadt, Germany. Given this context, the stipulations of the German Corporate Governance Code concerning the compensation of management board members of publicly listed German stock corporations as well as the individual disclosure thereof do not apply to the Executive Board members of Merck KGaA, Darmstadt, Germany. Nevertheless, Merck KGaA, Darmstadt, Germany, has decided to disclose the individual compensation of each Executive Board member in the following report.

Contrary to publicly listed German stock corporations, at Merck KGaA, Darmstadt, Germany, it is not the Supervisory Board, but the Board of Partners of E. Merck KG, Darmstadt, Germany, that decides on the amount and composition of compensation. E. Merck KG, Darmstadt, Germany, has transferred the execution of this right to its Personnel Committee. Among other things, the Personnel Committee is responsible for the following decisions: contents of contracts with Executive Board members, granting of loans and advance salary payments, approval for taking on honorary offices, board positions and other sideline activities, as well as the division of responsibilities within the Executive Board of Merck KGaA, Darmstadt, Germany. The compensation system defined by the Personnel Committee for Executive Board members takes into account various aspects relevant to compensation, including the responsibilities and duties of the individual Executive Board members and their status as personally liable partners, their individual performance, the economic situation, performance and prospects of the company, normal compensation levels (by way of peer comparison) and the rewards structure otherwise in place in the company. The relationship between Executive Board compensation and the compensation of top management and the workforce as a whole is also taken into account, also in a multi-year assessment. The Personnel Committee regularly commissions an independent compensation consultant to review the appropriateness of compensation.

Features of the compensation system

The compensation paid to the Executive Board members of Merck KGaA, Darmstadt, Germany, in fiscal 2014 comprises fixed components, variable compensation components and additions to

pension provisions. Benefits in kind and other benefits are additionally granted.

Fixed compensation

Fixed compensation is paid in the form of 12 equivalent monthly installments. The table on page 149 provides an overview of the amount of the fixed compensation paid in 2013 and 2014.

Variable compensation

Variable compensation is based on the three-year rolling average of profit after tax of the Group formed by E. Merck KG, Darmstadt, Germany. The Personnel Committee of E. Merck KG, Darmstadt, Germany, decides at its own and equitable discretion on consideration of exceptional factors of certain importance. From the net income determined in this manner, the members of the Executive Board receive individually fixed per mille rates based on the net income of the Group formed by E. Merck KG, Darmstadt, Germany.

Additionally, in exceptional cases the Personnel Committee of E. Merck KG, Darmstadt, Germany, which is responsible for the compensation of the Executive Board, may grant one-time payments voluntarily and at its own discretion.

Additional variable compensation (Long-Term Incentive Plan of Merck KGaA, Darmstadt, Germany)

In 2012, a long-term variable compensation component known as the Long-Term Incentive Plan of Merck KGaA, Darmstadt, Germany, was added to the variable compensation of the members of the Executive Board. It aims to enhance the sustainability of the compensation system and to align it not only with target achievement based on key performance indicators, but above all with a sustainable performance of the shares of Merck KGaA, Darmstadt, Germany.

Subject to the resolution of the Personnel Committee each year, under the Long-Term Incentive Plan of Merck KGaA, Darmstadt, Germany, the members of the Executive Board could be eligible to receive a certain number of virtual shares – Share Units of Merck KGaA, Darmstadt, Germany (MSUs) – at the end of a three-year performance cycle. The number of MSUs that could be received depends on the total value defined for the respective person and the average closing price of the shares of Merck KGaA, Darmstadt, Germany, in Xetra® trading during the last 60 trading days prior to January 1 of the respective fiscal year (reference price). In order to participate in the Plan, members of the Executive Board must personally own an investment in the shares of Merck KGaA, Darmstadt, Germany, equivalent to 10% of their respective fixed annual compensation, taking into account the equity interest held in E. Merck KG, Darmstadt, Germany, as a personally liable general partner. It is not permitted to sell these shares during the performance cycle. After termination of the three-year performance cycle, the number of MSUs to be granted then is determined based on the development of two key performance indicators (KPIs). These are:

- a) the performance of the shares of Merck KGaA, Darmstadt, Germany, price compared to the DAX® with a weighting of 70%, and
- b) the development of the EBITDA pre margin during the performance cycle as a proportion of a defined target value with a weighting of 30%.

Depending on the development of the KPIs, at the end of the respective performance cycle, the members of the Executive Board are granted between 0% and 150% of the MSUs they could be eligible to receive.

Based on the number of MSUs granted, the members of the Executive Board receive a cash payment at a defined point in time in the year following the expiration of the three-year performance cycle. The value of an MSU corresponds to the average closing price of the shares of Merck KGaA, Darmstadt, Germany, in Xetra® trading during the last 60 trading days prior to January 1 after the performance cycle. The payment amount is limited to three times the reference price. The members of the Executive Board invest 50% of the payment amount in the shares of Merck KGaA, Darmstadt, Germany. One-third of these shares may be sold at the earliest one year after termination of the performance cycle, another third after two years, and another third after three years.

In fiscal 2014, the following total values were specified for members of the Executive Board, which resulted in the respective number of MSUs they were eligible to receive based upon the definitive reference price of the shares of Merck KGaA, Darmstadt, Germany, (60 trading days preceding January 1, 2014) of € 122.84: Karl-Ludwig Kley € 1.5 million (12,211 MSUs), Stefan Oschmann € 1.0 million (8,141 MSUs), Kai Beckmann € 1.0 million (8,141 MSUs), Marcus Kuhnert € 0.4 million (3,392 MSUs), and Bernd Reckmann € 1.0 million (8,141 MSUs). For fiscal 2015, the Personnel Committee authorized the Chairman of the Personnel Committee to assign potential numbers of MSUs to the Executive Board members for a performance cycle from January 1, 2015 to December 31, 2017. The following total values were defined as the initial basis: Karl-Ludwig Kley € 1.5 million, Stefan Oschmann € 1.0 million, Kai Beckmann € 1.0 million, Belén Garijo Lopez € 1.0 million, Marcus Kuhnert € 1.0 million, and Bernd Reckmann € 1.0 million.

The following maximum compensation amounts for variable compensation components, which were applicable for the first time in 2014, have been agreed.

	One-time payment (€ thousand)	Variable compensation (€ thousand)	Long-Term Incentive Plan (times the respective total amount)	Total variable compensation components (€ thousand)
Karl-Ludwig Kley	2,000	8,000	4.5	9,800
Stefan Oschmann	1,500	6,000	4.5	8,000
Kai Beckmann	1,500	6,000	4.5	8,000
Marcus Kuhnert	1,500	6,000	4.5	8,000
Bernd Reckmann	1,500	6,000	4.5	8,000

Additional benefits

The members of the Executive Board also receive certain additional benefits, mainly contributions to insurance policies, personal security expenses, as well as a company car, which they are entitled to use privately. In 2014, personal security expenses were included for the first time. The amounts for the previous year have been adjusted accordingly. Overall, the value of other additional benefits totaled € 156 thousand in 2014 (2013: € 161 thousand). Of this amount, in 2014 € 53 thousand was attributable to Karl-Ludwig Kley (2013: € 52 thousand); € 21 thousand to Stefan Oschmann (2013: € 19 thousand); € 41 thousand to Kai Beckmann (2013: € 40 thousand); € 7 thousand to Marcus Kuhnert; € 28 thousand to Bernd Reckmann (2013: € 26 thousand); and € 6 thousand to Matthias Zachert (2013: € 24 thousand).

Total compensation

Accordingly, the following total compensation results for the members of the Executive Board of Merck KGaA, Darmstadt, Germany, broken down by performance-independent and performance-related components:

		Performance-independent components		Performance-related components			Total	Expense recorded in the period for share-based compensation ⁵
		Fixed compensation	Additional benefits ¹	Without a long-term incentive effect	With a long-term incentive effect			
				Variable compensation ²	Long-Term Incentive Plan			
		(€ thousand)	(€ thousand)	(€ thousand)	Number of MSUs ³ (units)	Fair value ⁴ (€ thousand)		
Current members								
Karl-Ludwig Kley	2014	1,300	53	5,265	12,211	1,147	7,765	4,196
	2013	1,100	52	4,334	14,984	1,849	7,311	2,185
Stefan Oschmann	2014	1,200	21	4,799	8,141	765	6,785	2,797
	2013	1,000	19	3,534	9,990	1,233	5,786	1,457
Kai Beckmann	2014	1,000	41	3,049	8,141	765	4,855	2,797
	2013	800	40	2,895	9,990	1,233	4,951	1,457
Marcus Kuhnert (since August 1, 2014)	2014	333	7	882	3,392	462	1,684	107
	2013	-	-	-	-	-	-	-
Bernd Reckmann	2014	1,200	28	3,549	8,141	765	5,542	2,797
	2013	1,000	26	3,534	9,990	1,233	5,793	1,457
Matthias Zachert (until March 31, 2014)	2014	250	6	762	-	-	1,018	0
	2013	1,000	24	3,284	9,990	1,233 ⁶	5,541	1,457
Total	2014	5,283	156	18,306	40,026	3,904	27,649	12,694
	2013	4,900	161	17,581	54,944	6,780	29,382	8,012

¹Personal security expenses were included for the first time in 2014. The amounts for the previous year have been adjusted accordingly.

²The one-time payments for 2013 granted to Karl-Ludwig Kley, Stefan Oschmann, Kai Beckmann, Bernd Reckmann and Matthias Zachert as well as the one-time payment for 2014 granted to Karl-Ludwig Kley and Stefan Oschmann are included in the variable compensation components for 2013 and/or 2014.

³Number of the potential MSUs subject to target achievement. For details see page 148. The actual number of MSUs to be granted after the expiration of the three-year performance cycle may deviate from this. The share split that took effect on June 30, 2014 does not affect the number of MSUs granted. The 1:2 stock split was compensated for by a doubling in the accounting value of an MSU.

⁴Fair value on the date of the grant (date of the legally binding entitlement). The amount of a potential payment is thus not predefined. Payment is subject to target achievement and is only made on a specified date after the expiration of a three-year performance cycle. The fair value was calculated using a Monte Carlo simulation based on the previously described KPIs. The expected volatilities are based on the implicit volatility of the shares of Merck KGaA, Darmstadt, Germany, and the DAX® index in accordance with the remaining term of the Long-Term Incentive Plan tranche. The dividend payments incorporated into the valuation model orient towards medium-term dividend expectations.

⁵In accordance with IFRS the expense recorded for 2013 includes the values for the 2012 and 2013 Long-Term Incentive Plan tranches. In accordance with IFRS, the expense recorded in 2014 includes the values for the Long-Term Incentive Plan tranches 2012, 2013 and 2014.

⁶The Personnel Committee of E. Merck KG, Darmstadt, Germany, decided on February 6, 2014 that Matthias Zachert will only receive payments under the LTIP for the 2012 tranche. The MSUs granted in 2013 (9,900 units) will not lead to a payment.

Pension provisions

The individual contractual pension obligations grant the members of the Executive Board entitlement to a lifelong old-age pension or surviving dependents' pension in the event of reaching the individual contractually agreed age limit, permanent disability or death. As an alternative to an old-age pension, upon reaching the age limit specified in their individual contracts, the members of

the Executive Board have been offered the possibility to receive their pension entitlement in the form of a one-time lump-sum payment calculated in accordance with actuarial principles. The amount of the old-age pension is determined by a percentage share of pensionable compensation defined by the Personnel Committee.

The individual values are presented in the following table:

	Pensionable compensation (€ thousand)	Percentage entitlement
Karl-Ludwig Kley	900	70
Stefan Oschmann	650	55
Kai Beckmann	400	47
Marcus Kuhnert	300	40
Bernd Reckmann	650	62

The percentage entitlement increases up until retirement by two percentage points per year of service up to 70% for Kai Beckmann and Bernd Reckmann as of 2016. Their pension entitlement was thus increased in 2014.

For Marcus Kuhnert, as of 2016 the percentage entitlement will increase up until retirement by 2 percentage points per year of service up to 70%.

The pension provisions and the service cost are presented in the following table.

€ thousand	Service cost		Amount of pension provisions as of Dec. 31, 2014
	2014	2013	
Karl-Ludwig Kley	1,127	1,179	13,380
Stefan Oschmann	549	605	2,963
Kai Beckmann	108	115	5,460
Marcus Kuhnert	144	–	144
Bernd Reckmann	215	224	10,586
Matthias Zachert ¹	0	342	0
Total	2,143	2,465	32,533

¹Due to Matthias Zachert's departure, he will no longer have any entitlement to pension payments.

The surviving dependents' pension grants the spouse a lifelong surviving dependents' pension amounting to 60% of the pension entitlement, and dependent children either a half-orphan's or an orphan's pension maximally until the age of 25.

Benefits in the event of termination of duties as an Executive Board member

The employment contracts of Karl-Ludwig Kley, Stefan Oschmann, Kai Beckmann and Bernd Reckmann each contain a post-contractual non-competition clause. An amount equal to 50% of the average contractual benefits paid to the respective Executive Board member within the past 12 months prior to leaving the company shall be provided as compensation for each year of the two-year non-competition period. During the period of the non-competition clause, other employment income and pension payments will be credited toward this compensation. Within certain time limits, E. Merck KG, Darmstadt, Germany, has the possibility to dispense with adherence to the non-competition clause with the consequence that the obligation to make the compensation payments shall cease to apply.

The contracts of the Executive Board members continue to provide for the continued payment of fixed compensation to surviving dependents for a limited period of time in the event of death. Above and beyond this and existing pension obligations, no further obligations exist in the event of the termination of the contractual relationships of the Executive Board members.

Miscellaneous

The members of the Executive Board do not receive additional compensation for serving on the boards of Group companies.

Should members of the Executive Board be held liable for financial losses while executing their duties, under certain circumstances this liability risk is covered by a D&O insurance policy from Merck KGaA, Darmstadt, Germany. The D&O insurance policy has a deductible in accordance with the legal requirements and recommendations of the German Corporate Governance Code.

Payments to former Executive Board members and their surviving dependents

Pension payments to former members of the Executive Board or their surviving dependents amounted to € 11,220 thousand in 2014 (2013: € 7,494 thousand). Pension provisions totaling € 120,674 thousand exist for the pension entitlements of this group of persons (2013: € 103,615 thousand).

Compensation of the Supervisory Board members of Merck KGaA, Darmstadt, Germany

The compensation of the Supervisory Board members is defined by Article 20 of the Articles of Association of Merck KGaA, Darmstadt, Germany. The members of the Supervisory Board receive fixed compensation of € 47,000 per year. The Chairman receives double this amount and the Vice Chairman receives one and a half times this amount. In addition, the members receive additional compensation of € 750 per meeting.

The individual values are presented in the following table:

in €	Fixed compensation		Variable compensation ³		Compensation for meeting attendance		Total compensation	
	2014	2013	2014	2013	2014	2013	2014	2013
				Until April 26, 2013		As of April 27, 2013		
Wolfgang Büchele (Chairman since May 9, 2014)	77,517.81	34,287.67	-	11,725.22	3,750.00	3,000.00	81,267.81	49,012.89
Michael Fletterich (Vice Chairman since May 9, 2014)	62,258.90	34,287.67	-	11,725.22	3,750.00	3,000.00	66,008.90	49,012.89
Crocifissa Attardo	47,000.00	34,287.67	-	11,725.22	3,000.00	3,000.00	50,000.00	49,012.89
Mechthild Auge	47,000.00	34,287.67	-	11,725.22	3,750.00	3,000.00	50,750.00	49,012.89
Johannes Baillou ¹	16,610.96	34,287.67	-	11,725.22	750.00	3,000.00	17,360.96	49,012.89
Frank Binder ¹	16,610.96	34,287.67	-	11,725.22	750.00	3,000.00	17,360.96	49,012.89
Gabriele Eismann ²	30,517.81	-	-	-	3,000.00	-	33,517.81	-
Jens Frank ¹	16,610.96	33,712.33	-	8,692.83	750.00	2,250.00	17,360.96	44,655.16
Edeltraud Glänzer	47,000.00	34,287.67	-	11,725.22	3,000.00	3,000.00	50,000.00	49,012.89
Jürgen Glaser ¹	16,610.96	34,287.67	-	11,725.22	750.00	3,000.00	17,360.96	49,012.89
Michaela Freifrau von Glenck	47,000.00	34,287.67	-	11,725.22	3,750.00	3,000.00	50,750.00	49,012.89
Siegfried Karjetta ²	30,517.81	-	-	-	3,000.00	-	33,517.81	-
Rolf Krebs ¹ (Chairman until May 9, 2014)	33,221.92	68,575.35	-	23,450.43	750.00	3,000.00	33,971.92	95,025.78
Hans-Jürgen Leuchs ¹	16,610.96	34,287.67	-	11,725.22	750.00	3,000.00	17,360.96	49,012.89
Albrecht Merck	47,000.00	34,287.67	-	11,725.22	3,750.00	3,000.00	50,750.00	49,012.89
Dietmar Oeter ²	30,517.81	-	-	-	3,000.00	-	33,517.81	-
Alexander Putz ²	30,517.81	-	-	-	3,000.00	-	33,517.81	-
Helga Rübsamen-Schaeff ²	30,517.81	-	-	-	3,000.00	-	33,517.81	-
Karl-Heinz Scheider	47,000.00	34,287.67	-	11,725.22	3,750.00	2,250.00	50,750.00	48,262.89
Gregor Schulz ²	30,517.81	-	-	-	3,000.00	-	33,517.81	-
Theo Siegert	47,000.00	34,287.67	-	11,725.22	3,750.00	2,250.00	50,750.00	48,262.89
Tobias Thelen ²	30,517.81	-	-	-	3,000.00	-	33,517.81	-
Heiner Wilhelm ¹ (Vice Chairman until May 9, 2014)	24,916.44	51,431.51	-	17,587.82	750.00	3,000.00	25,666.44	72,019.33
Total	823,594.54	599,458.90	-	202,158.94	58,500.00	45,750.00	882,094.54	847,367.84

¹ Until May 9, 2014.

² Since May 9, 2014.

³ In 2013, variable compensation was replaced by compensation for meeting attendance.

As a member of corporate bodies of E. Merck KG, Darmstadt, Germany, Wolfgang Büchele received an additional payment of € 140,000 for performing this function in 2014 (2013: € 140,000).

As a member of corporate bodies of E. Merck KG, Darmstadt, Germany, Johannes Baillou received an additional payment of € 9,590 for performing this function in 2014 (2013: € 140,000).

As a member of corporate bodies of E. Merck KG, Darmstadt, Germany, Frank Binder received an additional payment of € 8,220 for performing this function in 2014 (2013: € 120,000).

As a member of corporate bodies of E. Merck KG, Darmstadt, Germany, Michaela Freifrau von Glenck received an additional payment of € 80,000 for performing this function in 2014 (2013: € 80,000).

As a member of corporate bodies of E. Merck KG, Darmstadt, Germany, Siegfried Karjetta received an additional payment of € 137,260 for performing this function in 2014 (2013: € 100,000).

As a member of corporate bodies of E. Merck KG, Darmstadt, Germany, Rolf Krebs received an additional payment of € 10,274 for performing this function in 2014 (2013: € 150,000).

As a member of corporate bodies of E. Merck KG, Darmstadt, Germany, Hans-Jürgen Leuchs received an additional payment of € 9,590 for performing this function in 2014 (2013: € 140,000).

As a member of corporate bodies of E. Merck KG, Darmstadt, Germany, Albrecht Merck received an additional payment of € 120,000 for performing this function in 2014 (2013: € 120,000).

As a member of corporate bodies of E. Merck KG, Darmstadt, Germany, Helga Rübsamen-Schaeff received an additional payment of € 139,727 for performing this function in 2014 (2013: € 0).

As a member of corporate bodies of E. Merck KG, Darmstadt, Germany, Gregor Schulz received an additional payment of € 130,411 for performing this function in 2014 (2013: € 0).

As a member of corporate bodies of E. Merck KG, Darmstadt, Germany, Theo Siegert received an additional payment of € 150,000 for performing this function in 2014 (2013: € 150,000).

As a member of corporate bodies of E. Merck KG, Darmstadt, Germany, Tobias Thelen received an additional payment of € 135,890 for performing this function in 2014 (2013: € 80,000).

Ownership, purchase or sale of shares in the company by members of the Executive Board and of the Supervisory Board

As of December 31, 2014, the members of the Executive Board and of the Supervisory Board either directly or indirectly held 25,997 shares of Merck KGaA, Darmstadt, Germany. Their total ownership represents less than 1% of the issued shares of Merck KGaA, Darmstadt, Germany. Transactions executed by members of the Executive Board and of the Supervisory Board are disclosed on the Group website at www.emdgroup.com/investors → Corporate Governance → Directors' Dealings.

INFORMATION ON CORPORATE GOVERNANCE PRACTICES

Reporting

It is the objective of Merck KGaA, Darmstadt, Germany, to provide the latest information to all shareholders, media, financial analysts and interested members of the public, while creating the greatest possible transparency. For this reason, the company uses a wide range of communication platforms to engage in a timely dialogue with all interested parties about the situation of the company and business changes. The Group's principles include providing factually correct, comprehensive and fair information.

Information subject to disclosure requirements, as well as information that is not, can be accessed worldwide on the website of Merck KGaA, Darmstadt, Germany (www.emdgroup.com), which is the company's most important publication platform. Apart from a detailed financial calendar, quarterly and half-year financial reports covering the past three years are available here in German and English. In addition, in line with the legal requirements, ad hoc announcements are published on the website. These contain information on circumstances that could impact the company's share price.

Regular press conferences, investor meetings on the occasion of investor conferences as well as road shows offer another platform for dialogue. The company presentations prepared for this purpose are also available on the website of Merck KGaA, Darmstadt, Germany. In addition, the Investor Relations team is always available to private and institutional investors who wish to receive further information.

To ensure the greatest possible transparency, all documents concerning the General Meeting are available on the company website. Additionally, some parts of the General Meeting are web-cast live on the Internet.

Dealing with insider information

Dealing properly with insider information is very important to us. Our insider committee examines the existence of insider information, ensures compliance with legal obligations and prepares any necessary measures. The members of the insider committee are appointed by the Executive Board; at least two members work in Group Legal & Compliance. The insider committee meets at regu-

lar intervals, yet also meets when circumstances require. The Chief Financial Officer is vested with the authority to make the final decision on handling potential insider information.

In order to ensure a high level of protection for insider information, in 2011 the Executive Board issued an internal insider guideline applicable throughout the Group worldwide. This guideline informs employees about their responsibilities under insider trading laws and gives clear instructions for compliant behavior. In addition, it describes the function of the insider committee in detail. Moreover, our Code of Conduct, which is binding on all employees, also contains an explicit, detailed reference to the ban on using insider information. Within the scope of obligatory training courses on the Code of Conduct, all employees are instructed on the subject of insider trading.

Accounting and audits of financial statements

Merck KGaA, Darmstadt, Germany, prepares its consolidated financial statements and Group management report in accordance with International Financial Reporting Standards (IFRS), as applicable in the EU, as well as the supplementary rules applicable under section 315a (1) of the German Commercial Code (HGB) and as stipulated by our Articles of Association. The Group financial statements and the Group management report are prepared by the Executive Board and examined by an auditor, taking into account the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW).

The Supervisory Board commissioned KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, to audit the Group financial statements and the Group management report for 2014. The auditor responsible for auditing the consolidated financial statements changes regularly in accordance with the statutory requirements. Manfred Jenal is currently leading the audit engagement and has been the auditor-in-charge of the engagement since fiscal 2008. Neither party identified any conflicts of interest. Moreover, the Supervisory Board agreed with KPMG AG that the auditor shall inform the Supervisory Board without delay of any grounds for bias or disqualification occurring during the audit if these cannot be immediately rectified. Additionally, the auditor must immediately report to the Supervisory Board any findings and issues which emerge during the audit that have a direct bearing upon the tasks of the Supervisory Board. The auditor shall inform the Supervisory Board or note in the audit report any circumstances determined during the audit that would render inaccurate the Statement of Compliance made by the Executive Board and the Supervisory Board. It has also been agreed with the auditor that in order to assess whether the Executive Board has fulfilled its obligations in accordance with section 91 (2) AktG, the audit will also cover the company's early warning risk identification system. Moreover, the auditor is required to examine and evaluate the accounting-relevant internal control system insofar as this is necessary and appropriate for assessing the accuracy of financial reporting.

Values and compliance

Based on a corporate culture that places the fundamental company values – courage, achievement, responsibility, respect, integrity and transparency – at the center of our entrepreneurial actions, the Code of Conduct helps those involved in the business process to implement the values when dealing with one another on a daily basis.

The company has created the Code of Conduct as a set of rules and regulations intended to help our employees to act responsibly and to make the right decisions in their daily work.

The Code of Conduct explains the principles for dealings with business associates, general partners, colleagues and employees, as well as the communities in which we operate. Thus, it supports all employees in acting ethically – not only in their dealings with one another, but also outside the company. The Code of Conduct is thus the main set of rules of our compliance program.

To the Group, compliance means observing legal and company-internal regulations and the basic ethical principles anchored in the company values. With the Code of Conduct and the various unit-specific ethical compliance rules, the values are integrated into daily work and business practice. The Code of Conduct is binding on all employees, both at headquarters and in the subsidiaries. The Compliance Office monitors observance of the Code of Conduct with support from corresponding auditing and training programs throughout the Group. All employees are called upon to report compliance violations to their supervisor, Legal, HR or other relevant departments. The company created the position of Group Compliance Officer (GCO) in 2002. This employee is responsible for setting up, maintaining and further developing our global compliance program. By taking appropriate measures, the GCO and his team, including regional and divisional compliance officers, help to lower the risk of serious legal violations of, for instance, antitrust law or anticorruption rules. A further focal area of the Compliance program is ensuring legally and ethically correct dealings with medical professionals and adhering to the transparency requirements. Since October 2013, the Group Compliance Officer has agreed extensive measures with the affected areas of the company in order to establish an internal framework of rules as well as the corresponding approval and documentation processes that ensure truthful publication. The role of the Group Compliance Officer is reflected in the subsidiaries, which ensure that compliance measures are implemented in the countries. By reorganizing the Compliance function, as of 2013 Compliance tasks in the regions are largely performed by full-time Compliance Officers. As a result, a higher level of compliance expertise is based locally and the increasing tasks, above all in the pharmaceutical sector, are taken into account. At the same time, the management structure was streamlined and the reporting lines for the countries were consolidated regionally. Regular regional and global compliance meetings are held to promote the exchange of information within the compliance organization. Newcomer training seminars were introduced in 2010 for newly appointed com-

pliance officers. These seminars serve to build up compliance expertise and strengthen cooperation within the compliance organization. This Group-wide network is used to steer the global compliance program.

Within the scope of this program, a high degree of importance is attached to regular compliance seminars of the Compliance Training Plan of Merck KGaA, Darmstadt, Germany, which are conducted as Web-based training courses and on-site events. By presenting various training topics, particularly on the Code of Conduct, corruption, antitrust and competition law as well as health care compliance, they serve to sensitize employees and management to the consequences of compliance violations and to show ways of avoiding them. Since the company set up a central SpeakUp line, employees have been able to report compliance violations by telephone or via a Web-based application in their respective national language. The SpeakUp line is available 24 hours a day, free of charge. Case numbers enable anonymous, two-way communication. The reports received are individually reviewed. If a compliance violation exists, corresponding corrective action is taken based on concrete action plans. If necessary, disciplinary measures are taken. These can range from a simple warning up to the dismissal of the employee who violated a compliance rule. In 2010, the company set up a compliance committee to guide these processes. The Compliance Committee consists of members from various Group functions; they are involved in reviewing compliance violations and introducing countermeasures. The joint work in the Compliance Committee enables processes between the various Group functions to be optimized. Further significant elements of the Compliance program include requirements on locally identifying and assessing risks and reporting these, both within the subsidiary abroad and to the Group functions. Group Compliance regularly reviews and assesses the implementation status of the Compliance program at the subsidiaries abroad. In cooperation with Group Internal Auditing, the Compliance Office regularly reviews the implementation of Group-wide compliance measures at the subsidiaries abroad. The audits regularly focus on the local compliance structure, the compliance measures taken, as well as the existence of corresponding compliance guidelines and processes.

The Compliance department reports regularly to the Executive Board, informing it of the status of compliance activities (including training status), compliance risks and serious compliance violations.

The Executive Board informs the supervisory bodies at least once a year about the key compliance issues.

Risk and opportunity management

The Executive Board, the Supervisory Board and the Finance Committee are regularly informed about the current risk portfolio of the Group and the individual companies. More detailed information can be found in the Report on Risks and Opportunities on page 122.

Avoidance of conflicts of interest

Within the framework of their work, all Executive Board and Supervisory Board members of Merck KGaA, Darmstadt, Germany, are exclusively committed to the interests of the company and neither pursue personal interests nor grant unjustified advantages to third parties.

Before an Executive Board member takes on honorary offices, board positions or other sideline activities, this must be approved by the Personnel Committee of the Board of Partners of E. Merck KG, Darmstadt, Germany. The Chairman of the Executive Board, Karl-Ludwig Kley, and the Chief Financial Officer, Marcus Kuhnert¹, are both members of the Executive Board of E. Merck KG, Darmstadt, Germany. This does not, however, lead to conflicts of interest.

In its report to the General Meeting, the Supervisory Board discloses any conflicts of interest involving its members and how they were dealt with. Consultancy agreements as well other service and work contracts of a Supervisory Board member with Merck KGaA, Darmstadt, Germany, require the approval of the Supervisory Board. In fiscal 2014, there were neither conflicts of interest nor consultancy agreements or other service or work contracts with Merck KGaA, Darmstadt, Germany, involving Supervisory Board members.

Adherence to environmental and safety standards

At the company, closed-loop thinking guides the way in which we address environmental concerns and environmental protection issues. To this end, we integrate precautionary measures into our planning processes. Our Environment, Health and Safety Policy

with its principles and strategies implements the guidelines formulated by the national and international associations of the chemical industry in the Responsible Care guidelines. The Responsible Care Global Charter developed by the International Council of Chemical Associations (ICCA) in 2006 puts even more emphasis than before on overall responsibility for products, supply chains and the community. The company signed this expanded version of Responsible Care for the entire Group in February 2007. In addition, Merck KGaA, Darmstadt, Germany, was one of the first companies in 2014 to sign the new version of the Responsible Care Global Charter, which is currently being rolled out internationally. We report our ecological, economic and social performance transparently in accordance with the internationally recognized principles of the Global Reporting Initiative (GRI), taking into account the requirements of the German Sustainability Code and the principles of the UN Global Compact.

One of our major climate protection objectives is to achieve a 20% reduction in our greenhouse gas emissions by 2020 measured against the 2006 baseline.

Many guidelines specify how the sites and employees of the Group are to observe the principles in their daily work. The Group function Environment, Health, Safety, Security & Quality steers these global activities and ensures compliance with regulatory requirements, standards and business needs throughout the entire Group. In this way, Group-wide risks are minimized and continuous improvement is promoted in the areas of Environment, Health, Safety, Security and Quality. Corporate Responsibility reports are also published at regular intervals.

¹ Mr. Kuhnert has been a member of the Executive Board of E. Merck KG, Darmstadt, Germany, since August 1, 2014. Mr. Zachert left the Executive Board of E. Merck KG, Darmstadt, Germany, on March 31, 2014.

PROCEDURES OF THE EXECUTIVE BOARD, SUPERVISORY BOARD, BOARD OF PARTNERS AND ITS COMMITTEES

Members of the Executive Board of Merck KGaA, Darmstadt, Germany

Notes on memberships of statutory supervisory boards and comparable German and foreign supervisory bodies (section 285 No. 10 HGB in conjunction with section 125 (1) sentence 5 AktG).

Member	Memberships of (a) statutory supervisory boards and (b) comparable German and foreign supervisory bodies of corporations
Karl-Ludwig Kley Darmstadt, Chairman	(a) – Bertelsmann SE & Co. KGaA, Gütersloh – Bertelsmann Management SE, Gütersloh – BMW AG, Munich (Vice Chairman) – Deutsche Lufthansa AG, Cologne
Stefan Oschmann Munich, Vice Chairman (since Jan. 1, 2015), responsible for the Biopharma and Consumer Health divisions as well as for the Allergopharma and Biosimilars business units (until Dec. 31, 2014)	no board positions
Kai Beckmann Darmstadt, Head of Group Human Resources	no board positions
Belén Garíjo Lopez Frankfurt am Main, responsible for the Healthcare business sector of Merck KGaA, Darmstadt, Germany (since Jan. 1, 2015)	(b) – Banco Bilbao Vizcaya Argentaria S.A., Bilbao, Spain – L'Oréal S.A., Clichy, France
Marcus Kuhnert¹ Haan, Chief Financial Officer (since August 1, 2014)	no board positions
Bernd Reckmann Seeheim-Jugenheim, responsible for the Performance Materials and Life Science business sectors of Merck KGaA, Darmstadt, Germany	no board positions
Matthias Zachert Bonn, Chief Financial Officer (until March 31, 2014)	no board positions

¹Mr. Kuhnert has been a member of the Executive Board of E. Merck KG, Darmstadt, Germany, since August 1, 2014. Mr. Zachert left the Executive Board of E. Merck KG, Darmstadt, Germany, on March 31, 2014.

The general partners with no equity interest (Executive Board) manage the business activities in accordance with the laws, the Articles of Association and the rules of procedure. They are appointed by E. Merck KG, Darmstadt, Germany, in accordance with the consent of a simple majority of the other general partners. The members of the Executive Board are jointly responsible for the entire management of the company. Certain tasks are assigned to individual Executive Board members based on a responsibility distribution plan. Each Executive Board member promptly informs the other members of any important actions or operations in his respective business area. The Executive Board is responsible for preparing the annual financial statements of Merck KGaA, Darmstadt, Germany, and of the Group as well as for approving the quarterly and half-year financial statements of the Group. In addition, the Executive Board ensures that all legal provisions, official

regulations and the company's internal policies are abided by, and works to achieve compliance with them by all the companies of the Group. A Group-wide guideline defines in detail which transactions require prior Executive Board approval.

The Executive Board provides the Supervisory Board with regular, up-to-date and comprehensive reports about all company-relevant issues concerning strategy, planning, business developments, the risk situation, risk management and compliance. The rules of procedure of the Executive Board and of the Supervisory Board as well as a Supervisory Board resolution regulate further details on the information and reporting duties of the Executive Board vis-à-vis the Supervisory Board.

The Executive Board informs the Board of Partners and the Supervisory Board at least quarterly of the progress of business and the situation of the company. In addition, the Executive Board

informs the aforementioned boards at least annually of the company's annual plans and strategic considerations.

The Executive Board passes its resolutions in meetings that are normally held twice a month.

Supervisory Board

Member	Memberships of (a) other statutory supervisory boards and (b) comparable German and foreign supervisory bodies of corporations
Wolfgang Büchele Römerberg, Chairman of the Executive Board of Linde AG, Munich, Chairman (since May 9, 2014)	(b) – E. Merck KG, Darmstadt, Germany, Darmstadt ¹ – Kemira Oyj, Helsinki, Finland
Michael Fletterich Gernsheim, Full-time member of the Works Council of Merck KGaA, Darmstadt, Germany, Darmstadt/Gernsheim Vice Chairman (since May 9, 2014)	no board positions
Crocifissa Attardo Darmstadt, Full-time member of the Works Council of Merck KGaA, Darmstadt, Germany, Darmstadt/Gernsheim	(b) – BKK of Merck KGaA, Darmstadt, Germany
Mechthild Auge Wehrheim, Full-time member of the Works Council of Merck KGaA, Darmstadt, Germany, Darmstadt/Gernsheim	no board positions
Johannes Baillou (until May 9, 2014) Vienna, Managing Partner of Bondi Immobilien-Consulting GmbH, Vienna, Austria	(b) – E. Merck KG, Darmstadt, Germany, Darmstadt ¹ (Chairman)
Frank Binder (until May 9, 2014) Zurich, Chief Executive Officer of Lloyd Yachts SAM, Monaco	(a) – Landbell AG für Rückhol-Systeme, Mainz (Chairman) (b) – E. Merck KG, Darmstadt, Germany, Darmstadt ¹ (until Jan. 26, 2014)
Gabriele Eismann (since May 9, 2014) Seeheim-Jugenheim, Senior Product Manager	no board positions
Jens Frank (until May 9, 2014) Rossdorf, Full-time member of the Works Council of Merck KGaA, Darmstadt, Germany, Darmstadt/Gernsheim	no board positions
Edeltraud Glänzer Hannover, Vice Chairman of the Managing Board of the IG BCE	(a) – B. Braun Melsungen AG, Melsungen – Solvay Deutschland GmbH, Hannover (Vice Chairman)
Jürgen Glaser (until May 9, 2014) Bingen, Regional Director of the IG BCE Darmstadt	(b) – BKK of Merck KGaA, Darmstadt, Germany
Michaela Freifrau von Glenck Zurich, Teacher	no board positions
Siegfried Karjetta² (since May 9, 2014) Darmstadt, Physician	(b) – E. Merck KG, Darmstadt, Germany, Darmstadt ¹
Rolf Krebs (until May 9, 2014) Mainz, Physician, Chairman (until May 9, 2014)	(a) – Ganymed Pharmaceuticals AG, Mainz (Chairman) – Merz GmbH & Co. KGaA, Frankfurt/Main (until June 30, 2014) – Merz Pharmaceuticals GmbH, Frankfurt/Main (until June 30, 2014) (b) – E. Merck KG, Darmstadt, Germany, Darmstadt ¹ (until Jan. 26, 2014)
Hans-Jürgen Leuchs (until May 9, 2014) Ingelheim, Graduate chemist	(b) – E. Merck KG, Darmstadt, Germany, Darmstadt ¹ (until Jan. 26, 2014) – Zeton B.V., Enschede, Netherlands – Zeton International Inc., Burlington, ONT, Canada
Albrecht Merck Schriesheim, Commercial Director of the Castel Peter Winery, Bad Dürkheim	(b) – E. Merck KG, Darmstadt, Germany, Darmstadt ¹
Dietmar Oeter (since May 9, 2014) Seeheim-Jugenheim, Head of Corporate Quality Assurance	no board positions
Alexander Putz (since May 9, 2014) Michelstadt, Full-time member of the Works Council of Merck KGaA, Darmstadt, Germany, Darmstadt/Gernsheim	no board positions

Member	Memberships of (a) other statutory supervisory boards and (b) comparable German and foreign supervisory bodies of corporations
Helga Rübsamen-Schaeff (since May 9, 2014) Langenburg, Managing Director of AiCuris GmbH & Co. KG, Wuppertal	(a) – 4SC AG, Martinsried (since Jan. 2, 2015) (b) – E. Merck KG, Darmstadt, Germany, Darmstadt ¹
Karl-Heinz Scheider Gross-Zimmern, Specialist Life Science business Operations Strategy	no board positions
Gregor Schulz (since May 9, 2014) Umkirch, Pediatrician	(b) – E. Merck KG, Darmstadt, Germany, Darmstadt ¹ – Biotest US Corporation, Boca Raton FL, USA (until Dec. 31, 2014) – Biotest Pharmaceuticals Corporation, Boca Raton FL, USA (until Dec. 31, 2014) – Biotest (UK) Ltd., Solihull, United Kingdom (until Dec. 31, 2014) – Biotest Seralc NV, Evere, Belgium (until Dec. 31, 2014)
Theo Siegert Düsseldorf, Managing Partner of de Haen Carstanjen & Söhne, Düsseldorf	(a) – E.ON SE, Düsseldorf – Henkel AG & Co KGaA, Düsseldorf (b) – E. Merck KG, Darmstadt, Germany, Darmstadt ¹ – DKSH Holding Ltd., Zurich, Switzerland
Tobias Thelen² (since May 9, 2014) Munich, Managing Partner of Altmann Analytik GmbH & Co. KG, Munich	(b) – E. Merck KG, Darmstadt, Germany, Darmstadt ¹
Heiner Wilhelm (until May 9, 2014) Reinheim, Chairman of the Works Council of the Darmstadt site, Senior Manager Industrial Relations, Vice Chairman (until May 9, 2014)	no board positions

¹Internal board position.²Members appointed according to Article 6 (5) of the Articles of Association.

The Supervisory Board performs a monitoring function. It supervises the management of the company by the Executive Board. In comparison with the supervisory board of a German stock corporation, the role of the supervisory board of a corporation with general partners (KGaA) is limited. This is due to the fact that the members of the Executive Board are personally liable partners and therefore are themselves responsible for the management of the company. In particular, the Supervisory Board is not responsible for appointing and dismissing general partners or for regulating the terms and conditions of their contracts. This is the responsibility of E. Merck KG, Darmstadt, Germany. Nor does the Supervisory Board have the authority to issue rules of procedure for the Executive Board or a catalogue of business transactions requiring approval. This authority likewise belongs to E. Merck KG, Darmstadt, Germany (Article 13 (3) sentence 1 and (4) sentence 1 of the Articles of Association). However, the fact that the Supervisory Board has no possibilities to directly influence the Executive Board restricts neither its information rights nor audit duties. The Supervisory Board must monitor the Executive Board in terms of legality, regularity, usefulness, and economic efficiency. In particular, the Supervisory Board has the duty to examine the reports provided by the Executive Board. This includes regular reports on the intended business policy, as well as other fundamental issues pertaining to corporate planning, especially financial, investment and HR planning; the profitability of the Group; the progress of business; the risk situation; risk management (including compliance);

and the internal auditing system. In addition, by means of consultation with the Executive Board, it creates the basis for supervision of the management of the company by the Supervisory Board according to section 111 (1) of the German Stock Corporation Act (AktG).

The Supervisory Board examines the annual financial statements and management report of Merck KGaA, Darmstadt, Germany, as well as the Group financial statements and the Group management report, taking into account in each case the reports of the auditor. Moreover, the Supervisory Board discusses the quarterly reports and the half-year financial report, taking into account in the latter case the report of the auditor on the audit review of the abridged financial statements and the interim management report of the Group. The adoption of the annual financial statements is not the responsibility of the Supervisory Board, but of the General Meeting. The Supervisory Board normally meets four times a year. Further meetings may be convened if requested by a member of either the Supervisory Board or the Executive Board. As a rule, resolutions of the Supervisory Board are passed at meetings. At the instruction of the chairman, in exceptional cases a resolution may be passed by other means, details of which are given in the rules of procedure.

The members of the Board of Partners of E. Merck KG, Darmstadt, Germany, and of the Supervisory Board may be convened to a joint meeting if so agreed by the chairmen of the two boards.

The rules of procedure prescribe that the Supervisory Board may form committees as and when necessary. The Supervisory Board has formed a Nomination Committee comprising three shareholder representatives. Its members are Albrecht Merck, Wolfgang Büchele and Theo Siegert. The Nomination Committee is responsible for proposing to the Supervisory Board suitable candidates for its proposal to the Annual General Meeting. Apart from legal requirements and the recommendations of the German Corporate Governance Code, the “Objectives of the Supervisory Board with respect to its composition” are to be taken into consideration as well. Owing to the aforementioned limited authority, and since a corresponding need has not yet arisen, the Supervisory Board currently has no further committees.

The German Stock Corporation Act prescribes that the Supervisory Board of a publicly listed company must have at least one

independent member on its Supervisory Board who has professional expertise in accounting or auditing. Theo Siegert satisfies these requirements and is furthermore the Chairman of the Finance Committee of the Board of Partners of E. Merck KG, Darmstadt, Germany.

Board of Partners of E. Merck KG, Darmstadt, Germany

Some of the responsibilities that lie with the supervisory board of a German stock corporation are fulfilled at the company by E. Merck KG, Darmstadt, Germany. This applies primarily to the Board of Partners of E. Merck KG, Darmstadt, Germany. Therefore, the Board of Partners and the composition and procedures of its committees are described in the following.

The Board of Partners has nine members. Up until January 26, 2014, the Board of Partners was composed as follows:

Member	Memberships of (a) other statutory supervisory boards and (b) comparable German and foreign supervisory bodies of corporations
Frank Stangenberg-Haverkamp Darmstadt, Vice Chairman of the Executive Board and General Partner of E. Merck KG, Darmstadt, Germany, Chairman	(a) – Fortas AG, Rösrath (Chairman) (b) – Oras Invest Ltd, Helsinki, Finland – Travel Asset Group Ltd., London, United Kingdom (Chairman)
Johannes Baillou Vienna, Austria, Managing Partner of Bondi Immobilien-Consulting GmbH, Vienna, Austria	(a) – Merck KGaA, Darmstadt, Germany
Jon Baumhauer Munich, Chairman of the Executive Board and General Partner of E. Merck KG, Darmstadt, Germany	no board positions
Frank Binder Monaco, Managing Director of Lloyd Yachts SAM, Monaco	(a) – Merck KGaA, Darmstadt, Germany – Landbell AG für Rückhol-Systeme, Mainz (Chairman)
Wolfgang Büchele Römerberg, Chief Executive Officer of Kemira Oyj, Helsinki, Finland	(a) – Merck KGaA, Darmstadt, Germany
Rolf Krebs Mainz, Physician	(a) – Merck KGaA, Darmstadt, Germany – Ganymed Pharmaceuticals AG, Mainz (Chairman) – Merz GmbH & Co. KGaA, Frankfurt/Main – Merz Pharmaceuticals GmbH, Frankfurt/Main
Hans-Jürgen Leuchs Ingelheim, Graduate chemist	(a) – Merck KGaA, Darmstadt, Germany (b) – Zeton B.V., Enschede, Netherlands – Zeton International Inc., Burlington, ONT, Canada
Albrecht Merck Schriesheim, Commercial Director of the Castel Peter Winery, Bad Dürkheim	(a) – Merck KGaA, Darmstadt, Germany
Theo Siegert Düsseldorf, Managing Partner of de Haen Carstanjen & Söhne, Düsseldorf	(a) – Merck KGaA, Darmstadt, Germany – E.ON SE, Düsseldorf – Henkel AG & Co KGaA, Düsseldorf (b) – DKSH Holding Ltd., Zurich, Switzerland

On January 26, 2014 a new election of the Board of Partners was held. The Board of Partners now consists of the following members:

Member	Memberships of (a) other statutory supervisory boards and (b) comparable German and foreign supervisory bodies of corporations
Johannes Baillou Vienna, Austria, Vice Chairman of the Executive Board and General Partner of E. Merck KG, Darmstadt, Germany, Chairman	(a) – Merck KGaA, Darmstadt, Germany (until May 9, 2014)
Frank Stangenberg-Haverkamp Darmstadt, Chairman of the Executive Board and General Partner of E. Merck KG, Darmstadt, Germany	(a) – Fortas AG, Rösrath (Chairman) (b) – Oras Invest Ltd, Helsinki, Finland – Travel Asset Group Ltd., London, United Kingdom (Chairman)
Wolfgang Büchele Römerberg, Chairman of the Executive Board of Linde AG, Munich	(a) – Merck KGaA, Darmstadt, Germany (b) – Kemira Oyi, Helsinki, Finland
Siegfried Karjetta Darmstadt, Physician	(a) – Merck KGaA, Darmstadt, Germany (since May 9, 2014)
Albrecht Merck Schriesheim, Commercial Director of the Castel Peter Winery, Bad Dürkheim	(a) – Merck KGaA, Darmstadt, Germany
Helga Rübsamen-Schaeff Langenburg, Managing Director of AiCuris GmbH & Co. KG, Wuppertal	(a) – Merck KGaA, Darmstadt, Germany (since May 9, 2014) – 4SC AG, Martinsried (since January 2, 2015)
Gregor Schulz Umkirch, Pediatrician	(a) – Merck KGaA, Darmstadt, Germany (since May 9, 2014) (b) – Biotest US Corporation, Boca Raton, FL, USA (until December 31, 2014) – Biotest Pharmaceuticals Corporation, Boca Raton, FL, USA (until December 31, 2014) – Biotest (UK) Ltd., Solihull, United Kingdom (until December 31, 2014) – Biotest Seralc NV, Evere, Belgium (until December 31, 2014)
Theo Siegert Düsseldorf, Managing Partner of de Haen Carstanjen & Söhne, Düsseldorf	(a) – Merck KGaA, Darmstadt, Germany – E.ON SE, Düsseldorf – Henkel AG & Co KGaA, Düsseldorf (b) – DKSH Holding Ltd., Zurich, Switzerland
Tobias Thelen Munich, Managing Partner of Altmann Analytik GmbH & Co. KG, Munich	(a) – Merck KGaA, Darmstadt, Germany (since May 9, 2014)

The Board of Partners supervises the Executive Board in its management of the company. It informs itself about the business matters of Merck KGaA, Darmstadt, Germany, and may inspect and examine the company's accounts and other business documents, and the assets for this purpose. According to Article 13 (4) of the Articles of Association of Merck KGaA, Darmstadt, Germany, the Executive Board requires the approval of E. Merck KG, Darmstadt, Germany, for transactions that are beyond the scope of the Group's ordinary business activities. For such transactions to be approved, approval must first be obtained from the Board of Partners of E. Merck KG, Darmstadt, Germany. The Board of Partners convenes as and when necessary; however, it meets at least four times a year. The members of the Executive Board of Merck KGaA, Darmstadt, Germany, are invited to all meetings of the Board of Partners, unless the Board of Partners resolves otherwise in individual cases. The members of

the Board of Partners may convene a joint meeting with the Supervisory Board of Merck KGaA, Darmstadt, Germany, if so agreed by the chairmen of the two boards.

The Board of Partners may confer the responsibility for individual duties to committees. Currently the Board of Partners has three committees in place: the Personnel Committee, the Finance Committee, and the Research and Development Committee.

Personnel Committee

The Personnel Committee has four members. Up until January 26, 2014 these were: Frank Stangenberg-Haverkamp (Chairman), Jon Baumhauer, Rolf Krebs and Theo Siegert. Since January 26, 2014, the Personnel Committee comprises Frank Stangenberg-Haverkamp (Chairman), Johannes Baillou, Wolfgang Büchele and Theo Siegert.

The Personnel Committee meets at least twice a year. Further meetings are convened as and when necessary. Meetings of the Personnel Committee are attended by the Chairman of the Executive Board of Merck KGaA, Darmstadt, Germany, unless the Committee decides otherwise.

The Personnel Committee is responsible for, among other things, the following decisions concerning members and former members of the Executive Board: contents of and entry into employment contracts and pension contracts, granting of loans and advance payments, changes to the compensation structure and adaptation of compensation, approval for taking on honorary offices, board positions and other sideline activities, as well as division of responsibilities within the Executive Board of Merck KGaA, Darmstadt, Germany. The Personnel Committee passes its resolutions by a simple majority – in matters concerning the Chairman of the Executive Board unanimity is required. The Chairman of the Committee regularly informs the Board of Partners of its activities.

Finance Committee

The Finance Committee has four members. Up until January 26, 2014, these were: Theo Siegert (Chairman), Johannes Baillou, Wolfgang Büchele and Frank Stangenberg-Haverkamp. Since January 26, 2014, the Finance Committee comprises Theo Siegert (Chairman), Johannes Baillou, Wolfgang Büchele and Tobias Thelen.

The Finance Committee holds at least four meetings a year, at least one of which is a joint meeting with the auditor of Merck KGaA, Darmstadt, Germany. Further meetings are convened as and when necessary. Meetings of the Finance Committee are attended by the Chief Financial Officer of Merck KGaA, Darmstadt, Germany. Other members of the Executive Board of Merck KGaA, Darmstadt, Germany, may attend the meetings upon request by the Committee. These meetings regularly include the Chairman of the Executive Board. The Finance Committee is responsible for, among other things, analyzing and discussing the annual financial statements and the respective report of the auditor of the annual financial statements and management report, as

well as the half-year financial report (including the report of the auditors for the audit review of the abridged financial statements and interim management report contained in the half-year report) and the quarterly reports. Furthermore, the Finance Committee recommends to the Chairman of the Supervisory Board annual audit focuses for the auditors. It also recommends an auditor for the annual financial statements and management report as well as auditors for the audit review of the abridged financial statements and interim management report contained in the half-year financial report for the Board's corresponding suggestion to the General Meeting. In addition, the Finance Committee is concerned with the financial position, results of operations and liquidity of the company, as well as accounting, internal auditing, risk management and compliance issues. Upon request of the Board of Partners, the Finance Committee examines investment projects that must be approved by the Board of Partners and provides recommendations pertaining thereto.

Research and Development Committee

Up until January 26, 2014, the Research and Development Committee had three members: Rolf Krebs (Chairman), Hans-Jürgen Leuchs and Frank Stangenberg-Haverkamp. Since January 26, 2014, the Research and Development Committee has consisted of four people, namely Helga Rübsamen-Schaeff (Chairperson), Johannes Baillou, Siegfried Karjetta, and Gregor Schulz.

The Research and Development Committee is convened as and when necessary, but holds meetings at least twice a year. Meetings of the Research and Development Committee are attended by members of the Executive Board of Merck KGaA, Darmstadt, Germany, upon request of the Committee. These meetings regularly include the Chairman of the Executive Board as well as the members of the Executive Board responsible for Pharmaceuticals and Chemicals. The Chairperson of the Research and Development Committee is responsible, among other things, for reviewing and discussing the research activities of Pharmaceuticals and Chemicals. The Chairperson of the Committee reports to the Board of Partners on the insights gained from the meetings held.

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board again properly executed its duties in 2014 in accordance with the law as well as the company's Articles of Association and rules of procedure. In particular, the Supervisory Board monitored the work of the Executive Board diligently and regularly.

Cooperation with the Executive Board

The cooperation with the Executive Board was characterized by intensive, trustworthy exchange. During fiscal 2014, the Executive Board provided the Supervisory Board with regular written and verbal reports on the business development of Merck KGaA, Darmstadt, Germany, and the Group. In particular, the Supervisory Board was informed about the market and sales situation of the company against the background of macroeconomic development, the financial position of the company and its subsidiaries, along with their earnings development, as well as corporate planning. Within the scope of quarterly reporting, the sales and operating results were presented for the Group as a whole, and broken down by division. Aside from the Supervisory Board meetings, the Chairman of the Supervisory Board also maintained and continues to maintain a regular exchange of information with the Chairman of the Executive Board.

Key topics of the Supervisory Board meetings

Five Supervisory Board meetings were held in fiscal 2014. Four of the meetings were ordinary Supervisory Board meetings while the one on May 9, 2014 was an inaugural meeting. At these meetings, the Supervisory Board discussed the reports of the Executive Board in detail and discussed company developments and strategic issues together with the Executive Board.

At the meeting held on February 28, 2014, the Executive Board first reported on business performance during 2013. In addition, the Supervisory Board intensively addressed the annual financial statements and consolidated financial statements for 2013 and the corresponding management reports. The auditor explained the audit report. The Executive Board reported on the financial statements. Furthermore, the Supervisory Board resolved upon the Statement of Compliance with the German Corporate Governance Code as well as the Statement on Corporate Governance, which simultaneously includes the joint report of the Executive Board and Supervisory Board. The Supervisory Board also approved the proposals to be made to the Annual General Meeting. Lastly, the Executive Board presented the plans for fiscal 2014.

Following the Annual General Meeting on May 9, 2014, at which the elections of the new shareholder representatives on the Supervisory Board were held, an inaugural meeting took place at which Mr. Wolfgang Büchele was elected the new Chairman of the Supervisory Board and Mr. Michael Fletterich was elected Vice Chairman.

The meeting held on May 13, 2014 focused on current business developments in the first quarter of 2014. The report of the Research and Development Committee of the Board of Partners of E. Merck KG, Darmstadt, Germany, was a further focus of the meeting. The Supervisory Board also dealt with the report of the Group Compliance Officer and the report of the Group Data Privacy Officer.

At its meeting on July 31, 2014, the Supervisory Board focused intensively on the report of the Executive Board on business performance in the second quarter of 2014. In addition, KPMG explained the report on the first half of 2014. Risk management within the company was a further topic. The Head of Risk Management presented the status report for the first half of 2014. No risks that threaten the continued existence of the company were identified.

At its fifth meeting on November 11, 2014, the Supervisory Board elected a new Nomination Committee. Furthermore, the Supervisory Board dealt with the report of the Executive Board on the third quarter of 2014. The 2014 status reports of Internal Auditing as well as on compliance and data protection were additional topics of focus. The report of the Research and Development Committee, Chemicals was also discussed. Furthermore, the company's strategic direction was reported on and discussed.

Annual financial statements

The annual financial statements of Merck KGaA, Darmstadt, Germany, the consolidated financial statements of the Group, and the management reports for Merck KGaA, Darmstadt, Germany, and the Group including the accounts, were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin. The auditors issued an unqualified audit opinion on the annual financial statements and management report for Merck KGaA, Darmstadt, Germany, in accordance with German Auditing Standards. For the consolidated financial statements prepared in accordance with International Financial Reporting Standards, the auditors issued the auditor's report, reproduced in the Annual Report of the Group. In addition, the auditors audited the calculation of the participation of Merck KGaA, Darmstadt, Germany, in the profits of E. Merck KG, Darm-

stadt, Germany, in accordance with Art. 27 (2) of the Articles of Association. The annual financial statements of Merck KGaA, Darmstadt, Germany, the consolidated financial statements of the Group, the management reports for Merck KGaA, Darmstadt, Germany, and the Group, and the proposal by the Executive Board for the appropriation of the net retained profit were presented and distributed to the Supervisory Board, together with the auditor's reports.

In accordance with Art. 14 (2) of the Articles of Association, the Supervisory Board also examined the annual financial statements of Merck KGaA, Darmstadt, Germany, and the management report for Merck KGaA, Darmstadt, Germany, the proposal for the appropriation of net retained profit and the auditor's report presented in accordance with Article 27 (2) of the Articles of Association. It also examined the consolidated financial statements of the Group as well as the management report for the Group, and took note of the auditor's report of KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin.

The discussion of the relevant agenda item at the Supervisory Board's meeting on February 27, 2015 to approve the financial statements was also attended by the auditors who sign the audit opinion on the annual financial statements of Merck KGaA, Darmstadt, Germany, and the consolidated financial statements of the Group. These auditors furthermore reported on their audit at this meeting.

The Supervisory Board took note of and approved the results of the audit. On completion of its examination, the Supervisory Board raised no objections and thus approved the annual financial statements and management report for Merck KGaA, Darmstadt, Germany, the consolidated financial statements of the Group and the management report for the Group prepared by the Executive Board, as well as the report presented by the auditors in accordance with Article 27 (2) of the Articles of Association. Following its own examination of the situation, the Supervisory Board gave its consent to the proposal of the Executive Board for the appropriation of net retained profit.

Corporate governance and Statement of Compliance

Corporate governance is a topic of high priority for the Supervisory Board. In its own estimation, the Supervisory Board has an adequate number of independent members. There were no conflicts of interest, as defined by the German Corporate Governance Code, involving Supervisory Board members during 2014. After addressing corporate governance topics in detail, the Executive Board and Supervisory Board resolved to adopt and issue the updated Statement of Compliance on February 18, 2015 (Executive Board) and on February 27, 2015 (Supervisory Board) and jointly issued it on February 27, 2015 in accordance with section 161 of the German Stock Corporation Act. The statement is permanently

available on the website of Merck KGaA, Darmstadt, Germany (www.emdgroup.com Investors → Corporate Governance). More information about corporate governance at Merck KGaA, Darmstadt, Germany, including the compensation of the Executive Board and Supervisory Board, is given in the Statement of Compliance on pages 145 et seq. of the Annual Report.

Committees

Apart from the Nomination Committee, the Supervisory Board of Merck KGaA, Darmstadt, Germany, currently has no further committees on account of the special features that apply to the Supervisory Board of a corporation with general partners (KGaA) under German company law and because a corresponding need for this has not emerged to date. The members of the Nomination Committee held a meeting on February 6, 2014. In order to prepare for the election of the shareholder representative members of the Supervisory Board by the Annual General Meeting on May 9, 2014, they spoke with one another about the professional and personal qualifications of suitable candidates for the Supervisory Board. The Supervisory Board elected a new Nomination Committee on November 11, 2014. No report is given on the work of further committees.

Personnel matters

With the exception of Crocifissa Attardo and Edeltraud Glänzer, who were absent from the meeting on November 11, 2014, all the Supervisory Board members attended all the ordinary Supervisory Board meetings. The following changes in the composition of the Supervisory Board took place in 2014: Wolfgang Büchele, Michaela Freifrau von Glenck, Albrecht Merck, Helga Rübsamen-Schaeff, Gregor Schulz and Theo Siegert were elected as shareholder representatives to the Supervisory Board by the Annual General Meeting on May 9, 2014. In addition, Siegfried Karjetta and Tobias Thelen were appointed to the Supervisory Board. Moreover, on April 1, 2014 the delegates' assembly elected Crocifissa Attardo, Mechthild Auge, Gabriele Eismann, Michael Fletterich, Edeltraud Glänzer, Dietmar Oeter, Alexander Putz, and Karl-Heinz Scheider as employee representatives with effect from the conclusion of the Annual General Meeting on May 9, 2014.

Darmstadt, February 27, 2015

The Supervisory Board of Merck KGaA, Darmstadt, Germany

Wolfgang Büchele
Chairman

OBJECTIVES OF THE SUPERVISORY BOARD WITH RESPECT TO ITS COMPOSITION

Initial situation

According to section 5.4.1 (2) and (3) of the German Corporate Governance Code, the Supervisory Board shall specify concrete objectives regarding its composition which, while considering the specifics of the enterprise, take into account the international activities of the enterprise, potential conflicts of interest, the number of independent Supervisory Board members, an age limit to be specified for the members of the Supervisory Board, and diversity.

General notes on the composition of the Supervisory Board

The Supervisory Board of Merck KGaA, Darmstadt, Germany, currently consists of 16 members, eight of whom represent the shareholders and a further eight who represent the employees. The eight employee representative members are elected by employee delegates pursuant to the provisions of the German Co-determination Act (Mitbestimmungsgesetz "MitbestG"). These consist of six company employees, including a senior executive, as well as two union representatives. The Supervisory Board has no statutory proposal right with respect to electing the delegates or employee representatives. Owing to a delegation right of E. Merck Beteiligungen KG, Darmstadt, Germany, two of the eight shareholder representatives are specified. The Supervisory Board likewise has no statutory proposal right with respect to exercising this delegation right. The remaining six shareholder representatives are elected by the General Meeting. In accordance with section 124 (3) sentence 1 AktG, the Supervisory Board shall propose to the General Meeting Supervisory Board members for election. These proposals require a majority of the votes of the shareholder representative members of the Supervisory Board. The next scheduled election to the Supervisory Board shall take place at the 2019 General Meeting. The General Meeting is not required to follow the election proposals. The appointment objectives that the Supervisory Board sets forth below therefore do not represent requirements to be met by those eligible to elect or to delegate members. Instead, they are intended to express the objectives pursued by the Supervisory Board in office with regard to its advisory and monitoring functions.

Objectives of the Supervisory Board with respect to its composition

In accordance with section 5.4.1 (2) of the German Corporate Governance Code, the Supervisory Board has specified the following objectives with respect to its composition and reports on the status of their implementation below.

Expertise and diversity

Professional qualifications and personal expertise are the two most important prerequisites for appointments to seats on the Supervisory Board. When proposing Supervisory Board candidates for election or delegation, the Supervisory Board will always give top priority to these prerequisites, which are essential for fulfilling its legal duties.

Overall, the Supervisory Board's policy is to optimally meet its monitoring and advisory duties by having a diversity of members. Diversity includes, in particular, internationality as well as different experience backgrounds and career paths. The proportion of women on the Supervisory Board is also considered to be an aspect of diversity. When preparing proposals for election or delegation, due consideration shall be given in individual cases to the extent to which different, yet complementary professional profiles, career and life experiences, as well as appropriate representation of both genders can benefit the work of the Supervisory Board. Additionally, the Supervisory Board shall support the Executive Board in its efforts to increase diversity within the company.

In-depth knowledge of the fields relevant to the company

The Supervisory Board shall have at least four members with in-depth knowledge and experience of fields that are important to the company, including at least one expert in pharmaceuticals and one in chemicals.

The company is currently meeting this objective for the composition of the Supervisory Board. At present, the Supervisory Board has more than four members who have in-depth knowledge and experience of the pharmaceutical and chemical industries. More than four Supervisory Board members also have executive experience in companies that operate specifically in the pharmaceutical and/or chemical sectors.

Management experience

The Supervisory Board shall have at least three members who have experience in managing or supervising a medium or large-sized company.

The Supervisory Board has more than three members who have the corresponding experience. This includes both Supervisory Board members who were or still are management board members or directors in such companies, as well as Supervisory Board members who have gained experience in supervisory bodies of German and/or foreign companies of this size.

Family company

The Supervisory Board shall have at least one member who has experience in managing medium- or large-sized family-owned companies.

The Supervisory Board currently has multiple members who have the appropriate management experience in family-owned companies of this size.

Internationality

The Supervisory Board shall have at least three members with business experience in the main sales markets of Merck KGaA, Darmstadt, Germany. Currently, the main sales markets of Merck KGaA, Darmstadt, Germany, are Europe, North and Latin America, and Asia-Pacific.

The present composition of the Supervisory Board satisfies this objective. More than three Supervisory Board members have entrepreneurial experience in Europe, covering a wide range of countries. More than three Supervisory Board members have experience in management positions in companies that operate globally.

Women on the Supervisory Board

Six women are currently members of the Supervisory Board of Merck KGaA, Darmstadt, Germany. This corresponds to 37.5% of the Supervisory Board. When nominating candidates for election to the Supervisory Board or making proposals for delegation, the Supervisory Board shall examine whether the percentage of women can be increased by suitable candidates.

The Supervisory Board currently consists of 37.5% women, which it considers a satisfactory percentage. This is based on both the percentage of women in management positions at the company, as well as the fact that the supervisory boards of other companies have a comparable percentage of women.

Number of independent members/no material conflicts of interest

The Supervisory Board is to have an adequate number of independent members. Assuming that the status of being an employee representative per se does not justify doubts with respect to the independence criteria within the meaning of section 5.4.2 of the German Corporate Governance Code, normally all employee representatives should be independent within the meaning of the Code. In any case, at least four of the shareholder representatives on the Supervisory Board should be independent. According to the Articles of Association of Merck KGaA, Darmstadt, Germany, six members representing the shareholders are to be elected by the

General Meeting and two members are to be delegated. Taking this into account, the Supervisory Board considers four shareholder representatives to be an appropriate number of independent members. In the Supervisory Board's estimation, the objectives concerning independent members are currently met. In particular, the Supervisory Board does not believe that membership of the Board of Partners of E. Merck KG, Darmstadt, Germany, conflicts with independence. The Board of Partners exists complementary to the competencies and the activities of the Supervisory Board. It is not to be expected that this will lead to material and not merely temporary conflicts of interest. It should also be taken into account that due to its substantial capital investment and unlimited personal liability, E. Merck KG, Darmstadt, Germany, has a strong interest in the businesses of Merck KGaA, Darmstadt, Germany, operating efficiently and in compliance with procedures, counteracting from the outset conflicts of interest between E. Merck KG, Darmstadt, Germany, and Merck KGaA, Darmstadt, Germany, and thus also corresponding conflicts of interest between the members of the respective corporate bodies.

Moreover, no one shall be proposed for election to the Supervisory Board who simultaneously serves on a body of or advises a major competitor of the company, or owing to another function, e.g. advisor to major contract partners of the company, could potentially become involved in a conflict of interest. No Supervisory Board member serves on a body of or advises a major competitor, or provides consultancy services thereto. No Supervisory Board member performs a function that could lead to a lasting conflict of interest.

No age limit

An age limit for Supervisory Board members is not specified since age is not a criterion for qualifications and expertise. Moreover, we do not wish to forego the many years of experience of Supervisory Board members.

The achievement of the aforementioned objectives shall be pursued initially until 2015, taking into account applicable law within the scope of elections and reelections, delegations as well as court appointments of replacement members if these become necessary. All Supervisory Board members will correspondingly influence those eligible to elect or delegate. Taking into consideration the aforementioned criteria and in accordance with its duties under German stock corporation law, the Supervisory Board proposes to the General Meeting the candidates it believes to be best suited in each case and will continue to do so in the future.

Every year, the Supervisory Board will provide information in the Annual Report on the status of implementing its objectives.

Merck KGaA

Darmstadt · Germany

**Declaration of the Executive Board and the Supervisory Board
of Merck KGaA, Darmstadt, Germany
on the recommendations of the
“Government Commission German Corporate Governance Code”
pursuant to section 161 AktG**

Since the last statement of compliance on February 28, 2014, the Merck Group has complied with the recommendations of the Government Commission of the German Corporate Governance Code in the versions dated May 13, 2013 and June 24, 2014 and published in the official section of the German Federal Gazette during its period of validity with the following exceptions:

Contrary to section 4.2.5 sentence 5 and sentence 6 of the German Corporate Governance Code, certain information on the compensation of Executive Board members has not been included, nor have the model tables provided for this purpose been utilized. It seems doubtful as to whether the largely repetitive provision of identical information in two additional tables contributes to the transparency or the understandability of the Compensation Report (see section 4.2.5 sentence 3 of the German Corporate Governance Code).

Contrary to section 5.3.2 of the German Corporate Governance Code, the Supervisory Board has not established an audit committee. However, an audit committee does exist in the form of the Finance Committee of the Board of Partners of E. Merck KG, Darmstadt, Germany, which to a large extent exercises the duties described in section 5.3.2 of the Code. Due to the relatively limited authority of the supervisory board of a KGaA in comparison with that of an AG, this therefore satisfies the requirements of the German Corporate Governance Code.

Contrary to section 5.4.1 para 2 sentence 1 of the German Corporate Governance Code, an age limit is not taken into account when proposing candidates for election to the Supervisory Board pursuant to the published objectives of the Supervisory Board. The age of Supervisory Board members is not a criterion for their qualifications and competence. Moreover, we do not wish to forego the many years of experience of Supervisory Board members.

Contrary to section 7.1.2 sentence 4 of the German Corporate Governance Code, owing to the way in which the German legal holidays fall in May 2015, in this isolated instance the interim report can only be made publicly accessible slightly after the allotted 45-day time limit from the end of the reporting period.

In view of future compliance with the current recommendations of the Government Commission of the German Corporate Governance Code, the Executive Board and the

Supervisory Board declare the following: With the exception of the aforementioned deviations from section 4.2.5 sentence 5 and 6 (disclosure of compensation), section 5.3.2 (audit committee), section 5.4.1 para 2 sentence 1 (age limit), and section 7.1.2 sentence 4 (publication deadline), the company will comply with the recommendations of the Code in the version dated June 24, 2014.

Darmstadt, February 27, 2015

For the Executive Board

For the Supervisory Board

s. Karl-Ludwig Kley

s. Wolfgang Büchele