



Merck KGaA, Darmstadt, Germany

Compensation System

of the Supervisory Board

Resolution on the Compensation System of the Supervisory Board of Merck KGaA, Darmstadt, Germany pursuant to Section 133 (3) sentence 1 of the German Stock Corporation Act (AktG)

Pursuant to Section 113 (3) sentence 1 of the German Stock Corporation Act, the Annual General Meeting of listed companies must adopt a resolution on the compensation of the Supervisory Board at least every four years. The last resolution on the compensation of the Supervisory Board of Merck KGaA, Darmstadt, Germany was adopted at the 2024 Annual General Meeting. The compensation system submitted to the 2024 Annual General Meeting on April 26, 2024, under agenda item 9, was approved with 99.06% of the votes.

Description of the Supervisory Board Compensation of Merck KGaA, Darmstadt, Germany including the Compensation System

1. Principles of the compensation system

The compensation of the Supervisory Board of Merck KGaA, Darmstadt, Germany, is based on the statutory requirements and takes into account the requirements of the German Corporate Governance Code (GCGC). In accordance with section 113 (1) sentence 3 of the Stock Corporation Act (AktG) and principle 25 of the GCGC, the compensation of the members of the Supervisory Board of Merck KGaA, Darmstadt, Germany, is appropriate to their duties and the situation of the company. When determining the compensation of the Supervisory Board, the compensation schemes of other DAX companies are also taken into account.

In accordance with recommendation G.18 of the GCGC, the members of the Supervisory Board are granted a fixed compensation. This ensures that the Supervisory Board of Merck KGaA, Darmstadt, Germany, can exercise its supervisory function independently of the company's success.

Recommendation G.17 of the GCGC to take appropriate account of the greater time commitment of the Chair and Vice Chair as well as the members and Chairs of Supervisory Board committees in the compensation of Supervisory Board members is also addressed.

In addition to the regulatory requirements for the compensation of the Supervisory Board, the corporate governance structure of Merck KGaA, Darmstadt, Germany, shall also be considered. The Supervisory Board of Merck KGaA, Darmstadt, Germany, has a shared control function with the Board of Partners of E. Merck KG, Darmstadt, Germany, in particular the audit function of the financial reporting. Accordingly, the Supervisory Board of Merck KGaA, Darmstadt, Germany, is obliged to monitor the lawfulness, compliance, expediency, and efficiency of the Executives Board's work. In particular, the Supervisory Board of Merck KGaA, Darmstadt, Germany, is responsible for the task of receiving and checking the reports to be given by the Executive Board. These include regular reports on the planned business policy and other fundamental questions on corporate planning, especially financial, investment and HR planning as well as reports on the profitability of the company, the course of business, the risk situation, the risk management including compliance, and the internal audit system. The role of the Audit Committee of a KGaA therefore does not differ significantly from the role of the Audit Committee of a German stock corporation (AG). However, the Supervisory Board of Merck KGaA, Darmstadt, Germany, does not have the personnel function of deciding on the appointment and dismissal of members of the Executive Board.

The compensation shall make the assumption of a mandate as a member or Chair of the Supervisory Board or the Audit Committee sufficiently attractive to recruit and retain particularly qualified candidates for membership of the Supervisory Board of Merck KGaA, Darmstadt, Germany. A competitive compensation of the Supervisory Board shall also ensure the best possible fulfillment of the competence profile resolved by the Supervisory Board in the composition of the Supervisory Board.

2. Procedure for determining and implementing the compensation of the Supervisory Board

A resolution on the compensation of the members of the Supervisory Board is passed by the Annual General Meeting at least every four years at the proposal of the Executive Board and the Supervisory Board in accordance with section 113 (3) sentence 1 AktG. If the compensation system is not approved, a revised compensation system is presented for resolution no later than at the following Annual General Meeting.

The resolutions proposed to the Annual General Meeting are submitted by the Executive Board and the Supervisory Board in accordance with the statutory allocation of responsibilities so that the two bodies monitor each other. The decision on the final structure of the compensation system is assigned to the Annual General Meeting.

3. Structure of the compensation system of the Supervisory Board

The compensation of the Supervisory Board of Merck KGaA, Darmstadt, Germany, shall take appropriate account of the responsibility associated with the supervisory function, the requirements of the Supervisory Board office and the time commitment.

The compensation of the Supervisory Board is regulated in section 20 of the Articles of Association and can be summarized as follows:

Fixed compensation of the members of the Supervisory Board		
Chair of the Supervisory Board EUR 187,500	Vice Chair of the Supervisory Board EUR 112,500	Member of the Supervisory Board EUR 75,000
Compensation for the Membership in a Committee*		
Chair of the Audit Committee EUR 100,000	Member of the Audit Committee EUR 50,000	
Meeting fee		
Per attendance in a Supervisory Board meeting (limited to one payment a day) EUR 1,000		

* The membership of the Nomination Committee is not additionally compensated.

a. Fixed compensation

Supervisory Board compensation is paid in the form of fixed annual compensation. This ensures a high level of transparency and strengthens the neutral and objective control function of the Supervisory Board by making compensation independent of performance-related key figures. As a result, it is possible for the Supervisory Board to independently focus its activities on strategic support and control.

The members of the Supervisory Board receive a fixed annual compensation of EUR 75,000.

b. Surcharges for different functions; differentiation

A differentiation of the compensation is made based on the following functions within the Supervisory Board: Chair of the Supervisory Board, Vice Chair of the Supervisory Board, Chair of the Audit Committee, member of the Audit Committee and ordinary member.

(1) Chair of the Supervisory Board and Vice Chair of the Supervisory Board

The Chair of the Supervisory Board occupies a prominent position. He is the primary point of contact for the Executive Board. He coordinates and organizes the activities of the Supervisory Board and is significantly supported by the Vice Chair.

The Chair receives two and a half times (EUR 187,500) and the Vice Chair one and a half times (EUR 112,500) the fixed compensation of an ordinary member of the Supervisory Board.

(2) Audit Committee

Due to the particular importance of the Audit Committee as well as the required professional qualification and the increased preparatory work involved, additional compensation is set for both the members and, in particular, the Chair of the Audit Committee. Supervisory Board members therefore receive an annual compensation of EUR 50,000 for their membership of the Audit Committee in addition to their fixed compensation. The Chair of the Audit Committee receives additional annual compensation of EUR 100,000.

The membership of the Nomination Committee is not additionally compensated.

c. Meeting fee

In addition, the members of the Supervisory Board receive a meeting fee of EUR 1,000 for each meeting of the Supervisory Board that they attend. If multiple meetings take place in a single day, the meeting fee is only paid once. Participation in a meeting also includes participation via electronic media.

d. Due date; pro rata payment

The compensation is payable after the end of the fiscal year. Supervisory Board members who have been members of the Supervisory Board or the Audit Committee for only part of the fiscal year receive lower compensation in proportion to their term of office. The compensation is reduced pro rata temporis on a monthly basis, i.e. by 1/12 per month.

e. Reimbursement of expenses and VAT

The company reimburses each member of the Supervisory Board for their reasonable expenses and the Value Added Tax (VAT) payable on their compensation. In addition, any employer's social security contributions incurred under foreign laws for Supervisory Board activities are paid or reimbursed to the Supervisory Board member.

f. D&O insurance

The members of the Supervisory Board are covered by a financial loss liability insurance policy for representative bodies and specified executives (D&O insurance) in the event that Merck KGaA, Darmstadt, Germany, maintains such a policy.