The compensation system of the Executive Board and Supervisory Board of Merck KGaA, Darmstadt, Germany

Following the entry into force of the Act Implementing the Second Shareholders' Rights Directive (ARUG II) and the reformed GCGC, the compensation system for the Executive Board was adjusted with effect from January 1, 2021. The detailed compensation system is published on our website. The adjusted compensation system was approved at the Annual General Meeting 2021 with a voting result of 87.08%. The compensation system for the Supervisory Board was also presented at the 2021 Annual General Meeting and approved with 99.64%.

The compensation system of the Executive Board of Merck KGaA, Darmstadt, Germany pursuant to section 87a (1) AktG

1. Basic principles of the compensation system

As the world's oldest pharmaceutical and chemical company, Merck KGaA, Darmstadt, Germany attaches great importance to responsible governance and entrepreneurship. This is also reflected by the compensation of the members of the Executive Board of Merck KGaA, Darmstadt, Germany. Unlike management board members of German stock corporations, they are not merely employed members of a corporate board. 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 sharing from E. Merck KG, Darmstadt, Germany.

With respect to the specific structure of compensation, the determination of individual compensation, the selection of the key performance indicators, and the definition of payment and allocation rules, the following principles are followed:

Long-term Group strategy	The execution of the long-term Group strategy is promoted through the selection of appropriate, ambitious key performance indicators for performance-related compensation.
Regulatory requirements	The compensation system and the calculation of individual compensation is based on the German Stock Corporation Act (AktG) and is oriented towards the German Corporate Governance Code.
Long-term interests of the shareholders	The long-term interests of our shareholders are taken into account through a strong weighting of performance-related compensation and high share price orientation creating a long-term ambition.
Pay for Performance	A strong "Pay for Performance" relationship is created through performance measured by ambitious targets. This means that performance is compensated appropriately and missed targets are taken into account.
Consistency of the compensation system	Consistency of compensation systems across different levels has a strong incentive effect and thus a uniform steering effect.
Appropriateness and competitiveness of the compensation	The compensation of Executive Board members stands in an appropriate relation to their tasks and performance. Moreover, it is ensured that a standard and international competitive compensation package is offered.

2. Process of determining, implementing and reviewing the compensation system

The German Corporate Governance Code is oriented towards 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"). Merck KGaA, Darmstadt, Germany applies the German Corporate Governance Code analogously where these regulations are compatible with the legal form of a KGaA.

In Merck KGaA, Darmstadt, Germany, unlike publicly listed German stock corporations, it is not the Supervisory Board, but the Board of Partners of E. Merck KG, Darmstadt, Germany that decides on the structure and reviewing of the compensation system and the amount and composition of compensation received by our Executive Board members. The Board of Partners has assigned this task to its Personnel Committee. The Personnel Committee is thus primarily responsible for the following topics as they relate to the Executive Board and the compensation of its members:

- Development and regular review of the compensation system
- Structuring and examination of performance-independent and performance-related compensation elements
- Review of the appropriateness of compensation
- Contract terms of members of the Executive Board
- Assumption of honorary offices, board positions and other sideline activities

In designing the structure of the compensation system of Executive Board members – especially as regards performance-related compensation components – the Personnel Committee also takes the compensation system for managers and employees below the Executive Board into account in order to ensure the consistency of the compensation systems. The specification of aligned key performance indicators and criteria results in a uniform steering effect within Merck KGaA, Darmstadt, Germany.

The Personnel Committee will regularly review the compensation of Executive Board members. In particular, the appropriateness of the overall compensation of individual Executive Board members will be reviewed and a benchmarking process will be carried out.

If required, the Personnel Committee will change the compensation system and present the new compensation system at the Annual General Meeting for approval.

2.1. Appropriateness of the compensation of the Executive Board

The compensation paid to the members of the Executive Board takes into account the responsibilities and duties of the individual Executive Board members, especially as regards their status as personally liable partners, their individual performance, the economic situation, and the performance and future prospects of the company.

Furthermore, Executive Board compensation orients towards the external peer environment of Merck KGaA, Darmstadt, Germany, meaning in comparison with other German DAX® companies as well as international competitors.

Additionally, the relationship between Executive Board compensation and the compensation of top management and the workforce as a whole is taken into account, also in a multi-year assessment. During this process, the top management levels under the Executive Board are defined as the top leadership circle. Typical employee compensation in Germany (e.g. based on a representative pay scale group) is taken into account for the compensation of the workforce.

The Personnel Committee regularly commissions an independent compensation consultant to review the appropriateness of the compensation.

2.2. Measures for preventing conflicts of interest

All members of the Board of Partners and of the Supervisory Board of Merck KGaA, Darmstadt, Germany are obligated to act exclusively in the company's best interest within their role and shall neither pursue their own personal interests nor provide improper advantages to third parties.

Each member of the Board of Partners should disclose potential conflicts of interest in relation to the Board of Partners that could arise as a result of a consulting relationship, holding a board position or a personal customer relationship in relation to E. Merck KG, Darmstadt, Germany or Merck KGaA, Darmstadt, Germany. Significant and not just temporary conflicts of interest shall lead to the end of the mandate.

The Supervisory Board discloses conflicts of interest that have arisen from within the Supervisory Board and how it has dealt with them in a report to the Annual General Meeting. The Supervisory Board must approve contracts for consulting and other services or work between a Supervisory Board member and Merck KGaA, Darmstadt, Germany.

OVERVIEW OF THE STRUCTURE OF THE COMPENSATION SYSTEM

2.3. Compensation components

The following graphic shows an overview of all elements of the compensation system of Executive Board members:

Non-performance-related compensation

- **Fixed compensation**
- **Additional benefits**
- **Pension entitlement**

Performance-related compensation

Profit sharing

- Key performance indicator: Three-year average of the profit after tax of the E. Merck KG, Darmstadt, Germany Group
- Consideration of individual performance and individual contribution to achieving the sustainability goals via the adjustment factor in a range from 0.8 to 1.2 based on the defined criteria set.
- Individual, absolute capped amount

Long-Term Incentive Plan

- Performance Share Plan based on virtual shares (Share Units)
- Key performance indicators: share price performance relative to DAX® (50%), EBITDA pre margin (25%), organic sales growth (25%)
- As of 2022, the key performance indicators will be supplemented with sustainability goals ("Human Progress", "Sustainability in Value Chains" and "Minimizing our Footprint")
- Absolute capped amount totaling 250% of the individual allocation
- Four-year performance cycle with three-year achievement period and subsequent one-year holding period

Other components

Penalty & Clawback

Potential applications:

- Violation of internal regulations and guidelines (Code of Conduct), laws or other binding external specifications in the area of responsibility or considerable violations of due diligence within the meaning of section 93 of the German Stock Corporation Act
- In the event of other grossly non-compliant or unethical behavior or behavior or actions that are contrary to our corporate values.

Share Ownership Guidelines

- Mandatory personal investment amounting to one third of the net payment of the profit sharing in Merck KGaA, Darmstadt, Germany shares
- Four-year holding period

2.4. Compensation structure

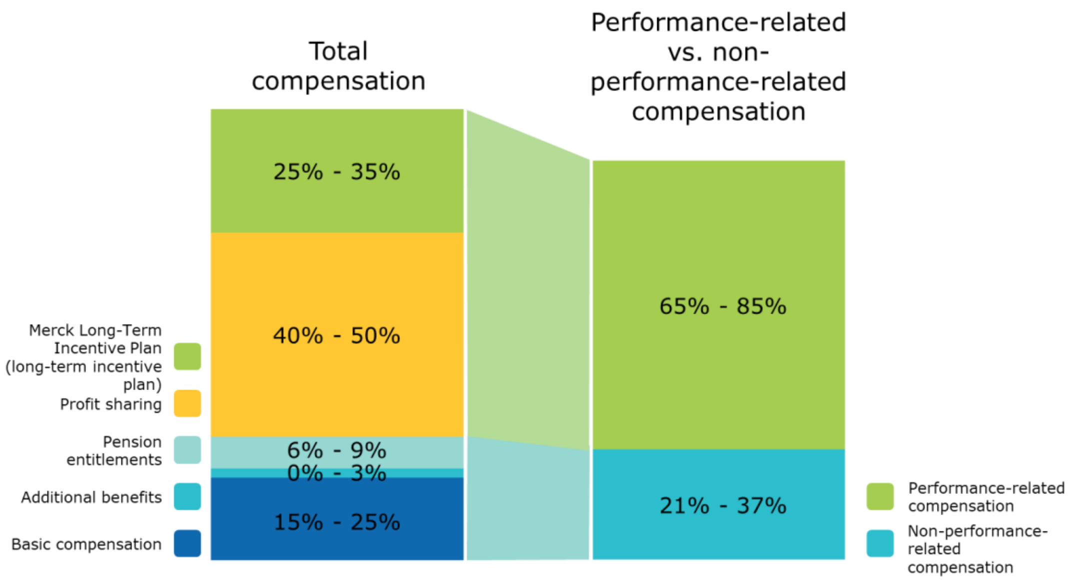
The performance-related compensation components – profit sharing and the Long-Term Incentive Plan – are based on multi-year steering parameters and are thus designed for the long-term development of the company. Their share of the overall compensation significantly exceeds the non-performance-related compensation components. As a result, the overall compensation of the Executive Board members is oriented towards performance to a large extent.

Overall, the percentages of the individual components of total compensation (target compensation structure) striven for by the Personnel Committee when setting compensation are within the following corridors:

- Base compensation: 15% – 25%
- Additional benefits: 0% – 3%
- Provisions for pensions: 5% – 10%
- Profit sharing: 40% – 50%
- Long-Term Incentive Plan: 25% – 35%

The allocation value of the Long-Term Incentive Plan is taken into account for the determination of the target compensation structure. No target value in the actual sense exists as part of the profit sharing. A fictional target value is thus used for the profit sharing. The fictional target value describes the profit sharing that is achieved if the average profit after tax that was defined at the time of the determination of the compensation system based on previous years and medium-term planning is achieved.

The amount of the additional benefits and the pension provisions is by nature subject to annual fluctuations. The compensation structure of a specific fiscal year for individual members or all members of the Executive Board can thus differ from the target compensation structure striven for by the Personnel Committee.



2.5. Maximum compensation

The Personnel Committee has specified a maximum compensation for members of the Executive Board in accordance with section 87a para. 1 sentence 2 No. 1 AktG. The maximum compensation limits the compensation granted in a single fiscal year, i.e. the sum of all non-performance-related and performance-related compensation components granted in a fiscal year, regardless of their disbursement date. The maximum compensation of a fiscal year is € 11,500,000 for the Chairman of the Executive Board and CEO and € 9,500,000 for ordinary members of the Executive Board.

Apart from the maximum compensation, a separate payout limit exists for each performance-related compensation component. For profit sharing, a maximum limit is specified for all members of the Executive Board. The payment from the Long-Term Incentive Plan may also not exceed the individual allocation amount by more than a factor of 2.5, even in the event of outstanding performance.

3. The compensation system in detail

3.1. Performance-related compensation

3.1.1. Basic compensation

The fixed compensation received by the members of the Executive Board comprises fixed and non-performance related amounts that are paid in the form of 12 equivalent monthly installments.

3.1.2. Additional benefits

In addition, the members of the Executive Board receive non-performance-related additional benefits. These consist mainly of contributions to insurance policies, personal security expenses as well as a company car, which they may use privately. If a new Executive Board member is appointed, the Personnel Committee may grant a one-time payment on taking office, for instance in order to compensate for any losses on transferring to Merck KGaA, Darmstadt, Germany as a result of compensation already paid by the previous employer.

3.1.3. Pension entitlement

The members of the Executive Board are granted a defined contribution entitlement as a direct commitment. Within the scope of these defined-contribution pension entitlements, every year a set amount is deposited into a benefit account and interest is paid on this at the applicable statutory maximum interest rate for the life insurance industry in accordance with § 2 (1) DeckRV. Once the Executive Board members reach the contractually agreed age limit and are no longer employed by E. Merck KG, Darmstadt, Germany, the amount in the benefit account is disbursed either in ten annual installments or as a one-time payment. The balance in the benefit account is disbursed as a one-time payment, possibly topped up by additional contributions (maximally ten contributions, up to the age of 60) in the event of permanent disability, or in the event or death to surviving dependents. The vested amount from the former defined-benefit pension agreement was credited to the benefit account when the changeover in 2017 took place. For members of the Executive Board whose pension entitlement is changed in the course of their employment from a defined benefit to a defined contribution pension entitlement, the direct commitment modality remains in place.

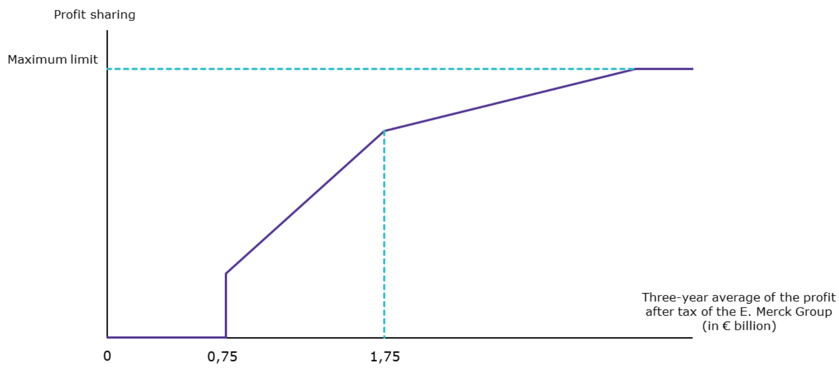
3.2. Performance-related compensation

Performance-related compensation comprises profit sharing as well as the Long-Term Incentive Plan. Both compensation elements are based on multi-year steering parameters and have a strong share-based component, thus taking into account the regulatory requirements of the German Stock Corporation Act (AktG) and the German Corporate Governance Code (DCGK), focusing on the sustainable development of the company and, to a particular extent, meeting the interests of our shareholders.

3.2.1. Profit sharing

As part of profit sharing, an individual per mille rate based on the three-year average of the profit after tax of the E. Merck KG, Darmstadt Germany Group is set for the members of the Executive Board. The current and the two preceding fiscal years are relevant here. The use of profit after tax as the key performance indicator, which also serves as the basis for dividend payments, ensures very close alignment with the shareholder interests. The Personnel Committee may determine certain cases in which the steering parameter can be adjusted, either with respect to individual elements or in relation to individual transactions (e.g. income from disposals of investments or intangible assets, tax effects) in order to achieve an allocation aligned with the applicable period and the actual performance. Should the Personnel Committee make use of this possibility, the adjustments made will be subsequently explained in the Compensation Report along with the reasons for it.

For profit sharing to be paid out, average profit after tax must amount to at least € 0.75 billion. This minimum hurdle underscores the pay for performance concept pursued within the scope of the compensation philosophy. For results above this minimum hurdle, the amount of the individual profit-sharing rates is staggered. The maximum profit-sharing amount is set individually.



To appropriately take into account the individual performance of the Executive Board members, the Personnel Committee may adjust the payment by applying a factor ranging from 0.8 to 1.2. The adjustment factor makes it possible to recognize superb performance of a member of the Executive Board by multiplying profit sharing by a value greater than 1.0 up to 1.2. Similarly, multiplying by a value below 1.0 down to 0.8 can lower profit sharing if the case calls for it. Profit sharing may not exceed the maximum upper limit, also taking into consideration the adjustment factor.

When setting the adjustment factor, the Personnel Committee orients towards criteria set in advance. By taking into account the three ambitious Sustainability goals - ESG (Environment, Social, Governance), which were developed in fiscal 2020 for the Merck KGaA, Darmstadt, Germany Group and orient towards non-financial performance criteria, particularly the Sustainability strategy of Merck KGaA, Darmstadt, Germany is embedded in the compensation of the Executive Board via the adjustment factor. The Sustainability goals encompass the three performance criteria "Human progress", "Sustainability in value chains" and "Minimizing our ecological footprint." Integrating our Sustainability strategy into the compensation system of the Executive Board emphasizes the social and ecological sense of responsibility of Merck KGaA, Darmstadt, Germany, while laying a major cornerstone for the long-term development of Merck KGaA, Darmstadt, Germany.

The criterion "Human progress" describes the goal of Merck KGaA, Darmstadt, Germany to achieve human progress through sustainable science and technology by 2030. This goal is to be advanced particularly with help from sustainable innovations as well as the impact of products and technologies from Merck KGaA, Darmstadt, Germany on the health and well-being of society. As part of "Sustainability in value chains", by 2030 sustainability will be integrated into all value chains. This will take place by integrating a sustainable culture and sustainable values, the focus on sustainable and transparent value chains as well as securing the social license to operate in all regions. The third performance criterion, "Minimizing our ecological footprint" defines the goal of Merck KGaA, Darmstadt, Germany to achieve climate neutrality and reduce its resource consumption by 2040.

The following adjustment criteria may be considered for increasing profit sharing:

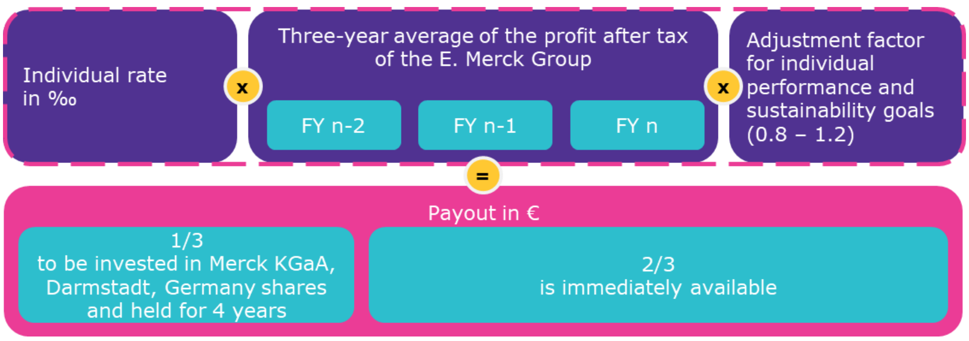
- Extraordinary contributions to the Sustainability goals and performance criteria "Human Progress ", "Sustainability in value chains" and "Minimizing our ecological footprint "(e.g. CO_2 reduction, employee satisfaction, customer satisfaction, Corporate Social Responsibility, diversity)
- Extraordinary success in connection with M&A activities of the Merck KGaA, Darmstadt, Germany Group
- Extraordinary success in the sustainable strategic, technical, product-related, or structural further development or reorganization of the Merck KGaA, Darmstadt, Germany Group
- Extraordinary performance in the execution of especially important projects or the achievement of other exceptionally important objectives in the area of responsibility
- extraordinary performance leading to a clear overachievement of targets for relevant key performance indicators in the area of responsibility

The following adjustment criteria may be considered for lowering profit sharing:

- Significantly failing to meet the Sustainability goals and performance criteria "Human progress ", "Sustainability in value chains" and "Minimizing our ecological footprint "(e.g. CO_2 reduction, employee satisfaction, customer satisfaction, Corporate Social Responsibility, diversity)
- Violations of internal rules and regulations (for instance the Code of Conduct of Merck KGaA, Darmstadt, Germany), laws or other binding external requirements in the area of responsibility
- Significant breaches of duty of care within the meaning of section 93 of the German Stock Corporation Act or other grossly non-compliant or unethical behavior
- Behaviors or actions that are contradictory to our company values
- Failure to execute especially important projects or failing to achieve other exceptionally important objectives in the area of responsibility
- Clear failure to achieve targets for relevant key performance indicators in the area of responsibility

The Personnel Committee may specify the content of the aforementioned criteria and determine their weighting as well as establish other criteria if it is convinced that these are better suited as control variables to promote the long-term development of Merck KGaA, Darmstadt, Germany. The shaping of the individual adjustment factor will be subsequently disclosed and explained in the Compensation Report. This also applies to the individual profit-sharing rates, the three-year average of profit after tax and the corresponding target achievement.

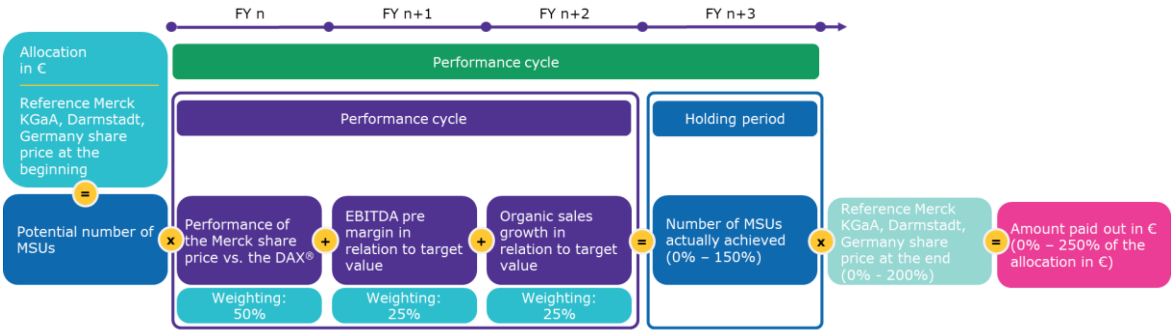
Profit sharing is paid out within four weeks after the approval of the consolidated financial statements of E. Merck KG, Darmstadt, Germany for the preceding fiscal year. Each year, the members of the Executive Board of Merck KGaA, Darmstadt, Germany are obligated to hold shares of Merck KGaA, Darmstadt, Germany in an amount equivalent to one-third of the net profit-sharing payment for at least four years (please refer to the section entitled "Share Ownership Guideline"). A significant personal investment by the members of the Executive Board ensures clear alignment of the compensation system with the interests of our shareholders.



Should extraordinary events have a significantly adverse impact on the economy overall and should the Personnel Committee believe that the negative effects on net income and thus the profit sharing call for a suitable counterweight owing to extraordinary performance by the relevant Executive Board member, the Personnel Committee may grant a compensation payment. The sum of the compensation payment and profit sharing may not amount to more than two-thirds of the maximum profit-sharing limit.

3.2.2. Long-Term Incentive Plan (LTIP)

The Long-Term Incentive Plan is based on a four-year future-oriented performance cycle comprising a three-year target achievement cycle followed by a one-year holding period. As part of the Long-Term Incentive Plan, the members of the Executive Board are eligible to receive a certain number of virtual shares – Share Units of Merck KGaA, Darmstadt, Germany (MSUs).



The number of MSUs is calculated as follows: For each Executive Board member an individual grant value is set in euros. This grant value is divided each year by the definitive reference share price at the beginning of the performance cycle, resulting in the potential number of MSUs they could receive. The number of MSUs actually allocated to the Executive Board members after the three-year performance cycle can be between 0% and 150% of the provisionally promised MSUs and depends on the development of three weighted key performance indicators across the three-year performance cycle. The target values for the key performance indicators are defined at the beginning of the performance cycle. The relevant key performance indicators are as follows:

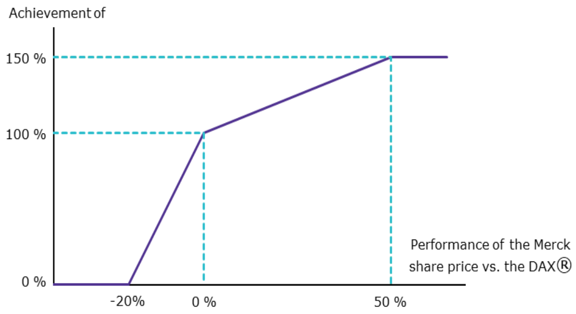
a) the performance of the Merck KGaA, Darmstadt, Germany share price compared with the performance of the DAX® with a weighting of 50%

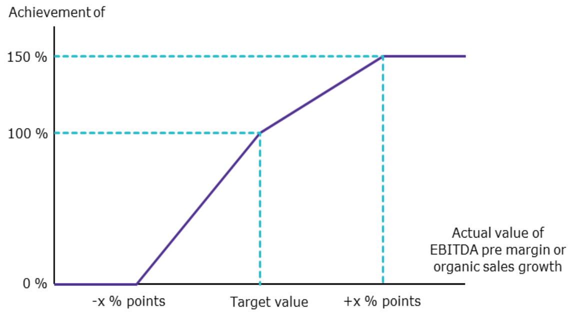
b) EBITDA pre margin as a proportion of a defined target value with a weighting of 25%, and

c) organic sales growth of the Merck KGaA, Darmstadt Germany Group as a proportion of a defined target value with a weighting of 25%.

The Long-Term Incentive Plan is a key steering element to implement our long-term strategy. On the one hand, it is based on key performance indicators derived from the strategy that firmly anchors our objective of achieving profitable growth amid high cost discipline into the compensation system of the Executive Board. The selected internal key performance indicators are simultaneously a central component of the internal management system of Merck KGaA, Darmstadt, Germany and are taken into consideration in the Report on Expected Developments. On the other hand, the long-term performance of Merck KGaA, Darmstadt, Germany shares compared with the German DAX® is taken into account. This creates an incentive for both the achievement of strategic objectives and the long-term corporate development perspective while taking shareholder value into account. The ambitious objective of each performance criterion also creates a pay-for-performance relationship. To prevent distortions as a result of exceptional factors as well as to directly reflect the performance of the Executive Board members, the EBITDA pre margin is used.

The target and threshold values for the key performance indicators EBITDA pre margin and organic sales growth are set by the Personnel Committee at the beginning of the performance cycle and subsequently disclosed in the Compensation Report.





The Personnel Committee can determine certain cases in which the steering parameter of key performance indicators can be adjusted, either with respect to individual elements or in relation to individual transactions (e.g. income from disposals of investments or intangible assets, tax effects) in order to achieve an allocation aligned with the applicable period and the actual performance. Should the Personnel Committee make use of this possibility, the adjustments made will be subsequently explained in the Compensation Report along with the reasons for it.

Depending on the development of the KPIs, after the end of the three-year performance cycle, between 0% and 150% of the potential number of MSUs are allocated. Thereafter, they are subject to a one-year holding period so that the LTIP is coupled with the absolute performance of the Merck KGaA, Darmstadt, Germany share price over the full four-year performance cycle. The additional one-year holding period achieves an even longer-term incentive in terms of the sustainable increase in the value of shares in Merck KGaA, Darmstadt, Germany.

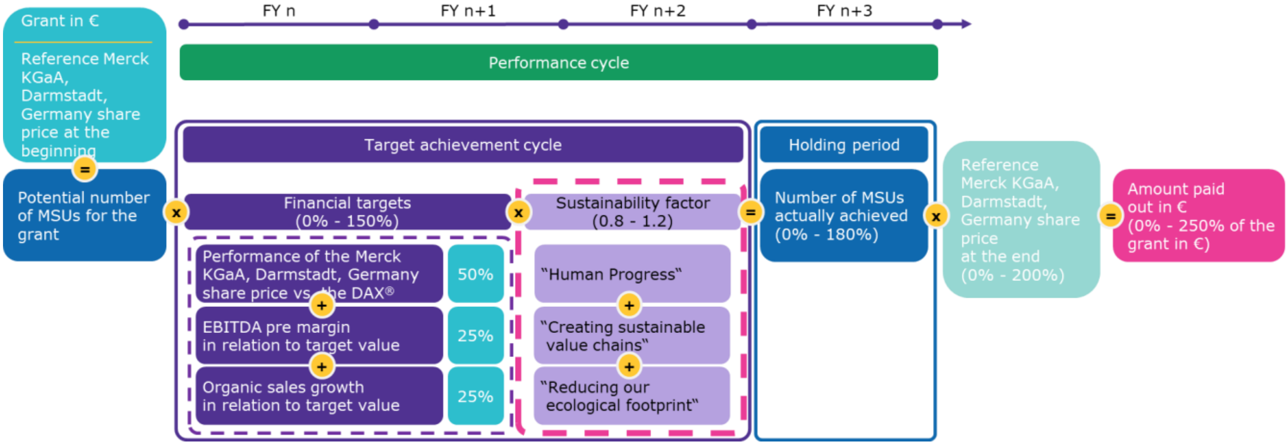
The value of the number of MSUs is paid out to the Executive Board members in the year after the performance cycle. For this, the allocated number of MSUs it multiplied by the definitive reference share price at the end of the performance cycle. The maximum increase in the share price is limited to 200% of the reference price at the beginning of the performance cycle, thus limiting participation in external effects that contribute to share price increases. The reference price at the end of the performance cycle is disclosed subsequently in the Compensation Report. Apart from setting a limit on the number of allocated MSUs and on the applicable share price increase, the overall payment from the Long-Term Incentive Plan is limited to 250% of the individual allocation value. If targets are clearly missed, it is also possible that no payment at all is made from the Long-Term Incentive Plan (0%).

To further increase the transparency of the Executive Board compensation system, the target value and the performance corridor for the key performance indicators used in the Long-Term Incentive Plan are subsequently disclosed and target achievement is reported on. However, the company will continue to refrain from publishing this performance corridor in advance as this could permit market- and competitively relevant conclusions to be drawn about strategic objectives.

As of fiscal 2022, the Sustainability strategy of Merck KGaA, Darmstadt, Germany will be anchored even more firmly into the compensation system of the Executive Board, by supplementing the LTIP by a sustainability factor with a corridor of 0.8 to 1.2. As a result of the sustainability factor, which measures the performance of selected sustainability goals over the three-year performance cycle, the target achievement for the financial key performance indicators can be either increased or decreased by up to 20%.

The Sustainability factor encompasses the three performance criteria "Human progress", "Sustainability in value chains" and "Minimizing our ecological footprint" – as outlined under Profit sharing. The Personnel Committee specifies concrete and measurable targets for each new tranche. The specified targets are disclosed in the Compensation Report for the respective year of the tranche entitlement. Above and beyond this, the Personnel Committee specifies both target and threshold values for the selected objectives and their weighting, on the basis of which target achievement can be calculated after the performance cycle has ended. Target achievement can be between 80% and 120% for each target. The sustainability factor is determined by target achievement and can be between 0.8 and 1.2. The specific objectives including the respective target and threshold values as well as target achievement are disclosed in the Compensation Report after the performance cycle has ended.

The number of MSUs that are actually allocated to the Executive Board members after the performance cycle has ended is determined by multiplying financial target achievement by the sustainability factor. As of fiscal 2022, it can amount to between 0% and 180% of the potential number of MSUs that they could receive.



3.3. Other contractual provisions

The employment contracts with members of the Executive Board are generally entered into for a period of five years. If a contract begins or ends during the year, the fixed compensation, profit sharing and the individual tranches from the LTIP are paid or granted on a pro rata basis.

3.3.1. Share Ownership Guideline

The Share Ownership Guideline for the members of the Executive Board is firmly anchored in profit sharing. Every year, the members of the Executive Board are obligated to hold for at least four years shares of Merck KGaA, Darmstadt, Germany in an amount equivalent to one-third of the net profit-sharing payment. The volume specified by the Share Ownership Guideline is thus dependent on the profit-sharing amount of the four preceding fiscal years. The requirement to hold the shares for four years automatically obligates the Executive Board members to hold the shares for up to four years after ending their employment relationship. The Share Ownership Guideline promotes even stronger alignment between the interests of the Executive Board members and the long-term interests of our shareholders, and it additionally raises the entrepreneurial responsibility of the Executive Board members not only as personally liable general partners.

3.3.2. Malus- and Clawback regulations

Through their status as personally liable general partners of Merck KGaA, Darmstadt, Germany and of E. Merck KG, Darmstadt, Germany, the Executive Board members bear a very unique entrepreneurial responsibility. This is also reflected by the malus criteria set forth in profit-sharing and the German statutory regulations on liability for damages stipulated in section 93 of the German Stock Corporation Act.

In order to take even greater account of the prominent position of entrepreneurial responsibility in compensation, a clawback provision has been implemented for the Long-Term Incentive Plan. Cases in which the clawback provision may be applied include violations of internal rules and regulations (Code of Conduct of Merck KGaA, Darmstadt, Germany), legislation, other binding external requirements in the area of responsibility, significant breaches of duty of care within the meaning of section 93 of the German Stock Corporation Act (AktG), and other grossly non-compliant or unethical behavior or actions that are contradictory to our company values. In these cases, amounts already allocated from the Long-Term Incentive Plan may be withheld. The Personnel Committee has the right to demand an Executive Board member to pay back profit sharing and the LTIP if it later on becomes clear that the payment was made unjustly, either in full or in part. This is for example the case if the targets are not achieved or not achieved to the extent assumed on the basis of incorrect information when the amount of the payout was determined. The scope of the claim for repayment is determined by section 818 of the German Civil Code (BGB). The Personnel Committee can agree deadlines with the members of the Executive Board for the asserting it repayment claims.

3.3.3. Entitlements in connection with the termination of duties as an Executive Board member

Ordinary termination of the employment contract is ruled out. Extraordinary termination for good cause pursuant to section 626 of the German Civil Code is possible both by Merck KGaA, Darmstadt, Germany, and the Executive Board member without adhering to a period of notice.

In the event of the early termination of the employment relationship, without notice for good cause, the payment is capped. Pursuant to this, payments in connection with the termination of an Executive Board member’s duties shall not exceed twice the annual total compensation or amount to more than the remaining term of the employment contract (severance cap). If an Executive Board member’s duties end prior to the end of the four-year performance cycle of an active tranche of the Long-Term Incentive Plan by was if termination of the employment relationship by the company or the Executive Board member, the entitlements resulting from the plan remain intact if certain reasons for termination, such as non-renewal of employment after expiry of the contract, exist or the Board of Partners stipulates this at its reasonable discretion; otherwise the entitlements lapse. If the compensation in the current fiscal year when the relationship ends is likely to be substantially higher or lower than in the previous fiscal year, the Board of Partners can decide on the adaptation of the total compensation amount at its own reasonable discretion.

The contracts of the Executive Board members can 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 existing pension entitlements, no further entitlements shall exist in the event of the termination of the contractual relationships of the Executive Board members.

3.3.4. Post-contractual non-competition clause

A non-competition clause may be subsequently agreed with the members of the Executive Board. As compensation for each year of the two-year non-competition period, 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 may be stipulated. During the period of the non-competition clause, other employment income and pension payments can be credited to this compensation. Furthermore, in the event that a severance payment is granted, the compensation will lapse for the period in which the steering parameter for the severance payment applies. E. Merck KG, Darmstadt, Germany has the possibility to refrain from adhering to the non-competition clause with the consequence that the obligation to make the compensation payment shall cease to apply six months after having declared the intention to refrain.

4. Extraordinary events

In special exceptional cases, i.e. particularly in cases of unusual, unforeseeable developments (e.g. in the event of an economic crisis), the Personnel Committee has the right to deviate temporarily from the compensation system if this is necessary in the interests of the long-term welfare of the company. Generally unfavorable market developments do not justify any temporary deviation from the compensation system. A temporary deviation from the compensation system can only proceed by way of a Personnel Committee resolution.

In the event of such a resolution, the compensation structure as well as the key performance indicators and the determination of target achievement for the performance-related compensation elements may be temporarily deviated from. In addition, the Personnel Committee may temporarily grant supplementary compensation components or replace individual compensation components with others if this is necessary to maintain an appropriate incentive level of Executive Board compensation. The Personnel Committee will decide on a deviation from the compensation system on the basis of a presentation detailing the requirements and the nature and duration of the planned deviation, which will be made available to the members of the Personnel Committee within at least two weeks prior to the resolution. The presentation must explain the likely impact of the situation on compensation and the reasons for the proposed deviation from the compensation system. Under no circumstances may a deviation from the compensation system lead to maximum compensation being exceeded. The deviation can be specified for one year or a portion of one year.

Supplementary Notes on Agenda Item 9: Description of Supervisory Board Compensation including the Compensation System

1. Process of determining and implementing the compensation of the Supervisory Board; conflicts of interest

With the entry into force of the German Act Implementing the Second Shareholders' Rights Directive (ARUG II), a compensation system for members of the Supervisory Board is to be established in accordance with the guidelines pursuant to section 113 (3) and section 87a (1) sentence 3) of the German Stock Corporation Act (AktG). A resolution must be passed on the compensation of Supervisory Board members at least every four years or in the event of a material change.

The Supervisory Board of Merck KGaA, Darmstadt, Germany exercises a control function. It monitors the Executive Board in the management of the businesses. In comparison with the supervisory board of a German stock corporation (AG), 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 personally liable partners or for regulating the terms and conditions of their contracts. The Supervisory Board also has no authority to issue rules of procedure for the Executive Board or a list of business transactions that require approval. However, the fact that no possibilities of a direct effect on the Executive Board are attributable to the Supervisory Board leads neither to a limitation of its information rights nor its monitoring obligations. The Supervisory Board must examine the lawfulness, compliance, expediency, and efficiency of the Executive Board’s work. In particular, the Supervisory Board 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, risk management (including compliance), and the internal audit system. Moreover, through consultation with the Executive Board, it creates the foundation for supervision of the Executive Board by the Supervisory Board pursuant to section 111 (1) of the German Stock Corporation Act.

In designing the compensation system for the Supervisory Board members of Merck KGaA, Darmstadt, Germany, the provisions of the German Stock Corporation Act and the recommendations of the German Corporate Governance Code (DCGK) specify the regulatory framework. The German Corporate Governance Code is oriented towards 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. Merck KGaA, Darmstadt, Germany applies the German Corporate Governance Code analogously where these regulations are compatible with the legal form of a KGaA.

Pursuant to section 113 of the German Stock Corporation Act, the compensation of the Supervisory Board is defined in the Articles of Association of Merck KGaA, Darmstadt, Germany or approved by the Annual General Meeting. A resolution must be passed on the compensation of Supervisory Board members at least every four years or in the event of a change. The compensation of the members of the Supervisory Board is regulated in Article 20 of the Articles of Association and is presented to the Annual General Meeting for approval, as set forth under section 2.

Following the resolution on the compensation of the Supervisory Board, the decision is published on the website of Merck KGaA, Darmstadt, Germany. If the compensation system is not approved, a reviewed compensation system is presented for resolution no later than at the following Annual General Meeting. In accordance with the requirements of the German Stock Corporation Act and the German Corporate Governance Code, the Supervisory Board prepared a Compensation Report every year.

All members of the Supervisory Board of Merck KGaA, Darmstadt, Germany are obligated to act exclusively in the company's best interests within the scope of their activities and shall neither pursue their own personal interests nor provide improper advantages to third parties. The Supervisory Board discloses conflicts of interest that have arisen within the Supervisory Board and how it has dealt with them in its report to the Annual General Meeting.

2. Structure of the compensation system of the Supervisory Board

The compensation of the Supervisory Board aims to adequately take into account the responsibility associated with the control function, the requirements of the Supervisory Board office and the time commitment.

The compensation of the Supervisory Board is regulated in Article 20 of the Articles of Association and is specified as follows:

(1) In addition to being reimbursed for their expenses, the members of the Supervisory Board receive fixed compensation of € 47,000.00 (in words: forty-seven thousand

euros), payable every year following the end of the fiscal year. The Chairman receives double and the Vice Chairman receives one and a half times this amount.

(2) For their membership of the Audit Committee, Supervisory Board members receive, in addition to their fixed compensation, annual compensation of € 15,000.00 (in words: fifteen thousand euros). The Chairman of the Audit Committee additionally receives annual compensation of € 30,000.00 (in words: thirty thousand euros).

(3) In addition, members of the Supervisory Board receive a meeting fee of € 750.00 (in words: seven hundred and fifty euros) for each Supervisory Board meeting in which they participate. If multiple meetings take place in a single day, the meeting fee is paid only once.

(4) 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.

(5) The company reimburses the value-added tax levied on the compensation.

Supervisory Board compensation is paid by granting fixed compensation. This ensures high transparency and strengthens the neutral and objective control function of the Supervisory Board through the independence of the compensation from performance-oriented key figures. As a result, it is possible for the Supervisory Board to independently focus its activities on strategic support and control. In addition, the compensation of the Supervisory Board members based on a fixed compensation corresponds to the national best practice and recommendation G.18 of the German Corporate Governance Code.

A differentiation of the compensation pursuant to recommendation G.17 of the German Corporate Governance Code is made based on the function 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.

Additional compensation is stipulated for membership or chairmanship of the Audit Committee because of the special importance of this committee, the required professional qualifications as well as the increased onboarding and preparation effort both for members and, in particular, for the Chair.

A further differentiation of the compensation based on committee memberships is not made because the Supervisory Board does not have any further committees apart from the Audit Committee and the Nomination Committee. This is based on the limited authority of the Supervisory Board due to the legal form of Merck KGaA, Darmstadt, Germany.

Supervisory Board members 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.