



Merck KGaA  
Darmstadt, Germany

**Corporate  
Governance  
2022**

# DISCLAIMER

## **Publication of Merck KGaA, Darmstadt, Germany**

In the United States and Canada the subsidiaries of Merck KGaA, Darmstadt, Germany, operate as MilliporeSigma in life science, EMD Serono in healthcare and EMD Electronics in the electronics business. To reflect such fact and to avoid any confusion, certain logos, terms and business description of the publication have been substituted or additional descriptions have been added.

This version of the publication, therefore, slightly deviates from the otherwise identical versions provided outside the United States and Canada.

# corporate Governance

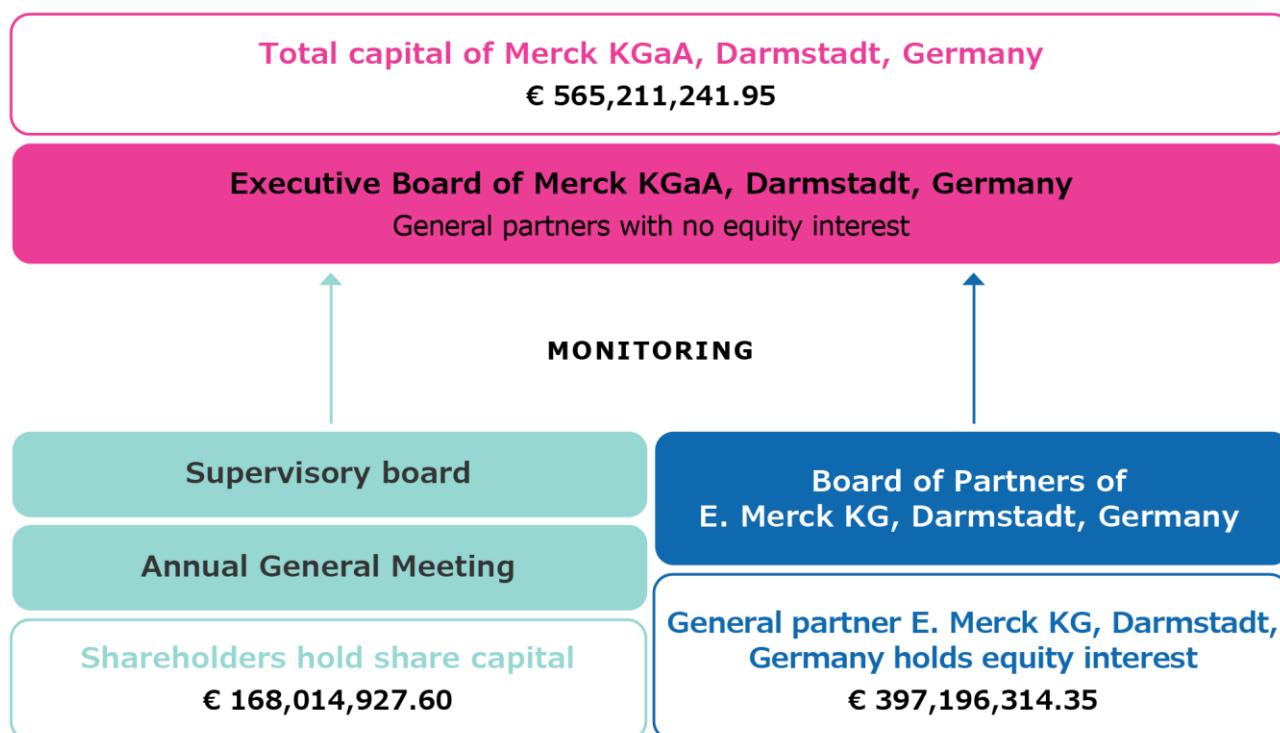
**198** Capital Structure and Corporate Bodies of Merck KGaA,  
Darmstadt, Germany

**199** Statement on Corporate Governance

**220** Report of the Supervisory Board

**225** Objectives of the Supervisory Board with respect to its  
Composition and Profile of Skills and Expertise

# Capital Structure and Corporate Bodies of Merck KGaA, Darmstadt, Germany



Further information can be found under "[Merck KGaA, Darmstadt, Germany](#)" in the "[Statement on Corporate Governance](#)".

# Statement on Corporate Governance

**The Statement on Corporate Governance contains the Declaration of Conformity, relevant information on practices within the company, and a description of the procedures of the corporate bodies, as well as targets for the percentage of positions held by women and the diversity policy.**

## Joint report of the Executive Board and the Supervisory Board including Declaration of Conformity

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. In the case of an AG, only the AG is liable as a legal entity, whereas the general partners of a KGaA also have unlimited personal liability for the company’s obligations (section 278 (1) AktG). At Merck KGaA, Darmstadt, Germany, this pertains to both E. Merck KG, Darmstadt, Germany – which is excluded from management and representation pursuant to article 8 (5) of the Articles of Association – as well as to the managing general partners who collectively 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), the supervisory board of a KGaA does not have the authority to appoint the management board, draw up management board contracts, or specify the compensation of the management board. This legal form also involves special features with regard to the Annual General Meeting. For example, in a KGaA, many of the resolutions made require the consent of the general partners (section 285 (2) AktG), including in particular the adoption of the Annual Financial Statements (section 286 (1) 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 order to enable shareholders to compare the situation at other companies more easily, we base corporate governance on the conduct recommendations made by the Government Commission of the German Corporate Governance Code to a broad extent and refrain from adopting our own, equally permissible, code. All recommendations of the German Corporate Governance Code in the version dated December 16, 2019, the intent and meaning of which are applied, have been complied with since the last Declaration of Conformity in February 2022. We will continue to comply with the recommendations of the Code in the version dated April 28, 2022 in the future.

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 Annual 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 ensuring that the businesses of Merck KGaA, Darmstadt, Germany, operate efficiently in compliance with procedures. The participation of Merck KGaA, 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 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 adopted a set of rules for the Executive Board and its supervision that meet the requirements of the German Corporate Governance Code. The investors, who bear the entrepreneurial risk, are protected as provided for by the German Corporate Governance Code. We take suggestions from the capital market on corporate governance seriously and hold discussions with investors and shareholder representatives.

### The General Meeting of Merck KGaA, Darmstadt, Germany

The 27th Annual General Meeting of Merck KGaA, Darmstadt, Germany, was held in Darmstadt, Germany, on April 22, 2022. In response to the Covid-19 pandemic, in 2022 the Executive Board again decided, with the approval of the Supervisory Board, to hold the 2022 Annual General Meeting in virtual form, i.e., without the shareholders and their proxies attending in person. In doing so, it exercised the option that the legislation again provided in 2022 in the form of the act on mitigating the consequences of the Covid-19 pandemic in civil, insolvency, and criminal procedure law (Gesetz zur Abmilderung der Folgen der Covid-19-Pandemie im Zivil-, Insolvenz- und Strafverfahrensrecht). Shareholders and shareholder representatives participated in the Annual General Meeting virtually. The meeting was broadcast audiovisually on the Internet in full. At 70.34%, the proportion of share capital represented at the meeting (including postal votes) was slightly higher than in the previous year. In 2021, the proportion of share capital represented was 70.10%. The Annual General Meeting service provider does not forward voting instructions to the Group in advance of the Annual General Meeting but keeps them in the system until the count takes place.

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, the election of the auditor, amendments to the Articles of Association, the compensation system for the Executive Board, and the control and profit and loss transfer agreements of Merck KGaA, Darmstadt, Germany. The shareholders of Merck KGaA, Darmstadt, Germany, exercised their rights at the virtual Annual General Meeting using the Internet-based Annual General Meeting system and via a prior question and answer process. Above and beyond the statutory requirements, this year shareholders were also given the opportunity to submit statements on the agenda to the company prior to the Annual General Meeting. These statements were published ahead of the Annual General Meeting and were available for shareholders to view until the end of the Annual General Meeting. They were able to exercise their voting rights personally, through an authorized representative, or through a proxy appointed by the company. The proxies were in attendance throughout the duration of the Annual General Meeting. All the documents and information concerning upcoming General Meetings (including a summary explanation of shareholder rights) are also posted on our website. The introductory speech by the Chair of the Executive Board was published in advance on the Internet on April 11, 2022, in order to make it available to interested shareholders and members of the public and thus satisfy the high transparency requirements of the Group.

## Declaration of Conformity

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 Declaration of Conformity 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 of the German Stock Corporation Act (AktG). Since the last Declaration of Conformity in February 2022, we have complied with all recommendations of the Government Commission of the German Corporate Governance Code in the version dated December 16, 2019 as published in the official section of the German Federal Gazette.

With regard to 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: The company will comply with the recommendations of the Code in the version dated April 28, 2022.”

Darmstadt, February 2023

For the Executive Board  
**signed Belén Garijo**

For the Supervisory Board  
**signed Wolfgang Büchele**

## 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 Group uses a wide range of communication platforms to engage in a timely dialog with all interested parties about the company's situation and business changes. Our 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](http://www.emdgroup.com)), which is the company's most important publication platform. In addition to a comprehensive financial calendar, quarterly statements and/or quarterly and half-year financial reports covering at least the past five years are available there in German and English. In line with the legal requirements, ad hoc announcements are also published on the website. These contain information on circumstances and facts that could impact our share price.

Regular press conferences, investor meetings on the occasion of investor conferences, and roadshows offer another platform for dialog. 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 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, at least some parts of the General Meeting are generally webcast live on the Internet. The Annual General Meeting on April 22, 2022, was again held virtually and hence was webcast live on the Internet in full.

### 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 regular intervals or 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, the Executive Board issued internal insider guidelines applicable throughout the Group worldwide. The guidelines inform employees about their responsibilities under insider trading laws and give clear instructions for compliant behavior. In addition, they describe the function of the Insider Committee in detail. Moreover, our Code of Conduct, which is binding for 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 as well as specific training courses on insider law, all employees are instructed on the key stipulations of insider trading.

### Accounting and audits of financial statements

Merck KGaA, Darmstadt, Germany, prepares its consolidated financial statements and Combined Management Report in accordance with the International Financial Reporting Standards (IFRS) effective at the end of the reporting period and adopted by the European Union and the additional provisions of section 315e of the German Commercial Code (HGB). The Consolidated Financial Statements and the Combined Management Report are prepared by the Executive Board and examined by an auditor, taking into account the German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW).

The Supervisory Board commissioned KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, to audit the Consolidated Financial Statements and the Combined Management Report for 2022. KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, is obliged to inform the Supervisory Board without delay of any grounds



for disqualification or bias occurring during the audit if these cannot be immediately rectified. Additionally, the auditor shall immediately report to the Supervisory Board any findings and issues that 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 Declaration of Conformity 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) of the German Stock Corporation Act (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.

Since 1995, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, has been the auditing firm responsible for the statutory audit of the Annual Financial Statements and Consolidated Financial Statements of Merck KGaA, Darmstadt, Germany. The auditor responsible for auditing the Consolidated Financial Statements changes regularly. Dirk Janz is currently leading the audit engagement. Mr. Janz has been the auditor in charge of the engagement since fiscal 2020. KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, has assured the company that it is independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and that it has fulfilled its other German professional responsibilities in accordance with these requirements. The Supervisory Board has found no grounds to doubt the independence of KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin. Neither party identified any conflicts of interest. The Audit Committee reviews the quality of the audit, including the performance of the auditor in charge of the engagement, annually on the basis of objective indicators.

Due to the requirement to change auditors at regular intervals, Merck KGaA, Darmstadt, Germany, must appoint a new auditor (different than the current one) no later than for fiscal 2024. In fiscal 2019, the Supervisory Board of Merck KGaA, Darmstadt, Germany, therefore decided to prepare a public request for tender for the audit of the Annual Financial Statements and Consolidated Financial Statements of Merck KGaA, Darmstadt, Germany, and to voluntarily change auditors for the fiscal 2023 audit, earlier than required. The public request for tender was published in the German Federal Gazette in February 2020. Based on this request for tender, the Supervisory Board of Merck KGaA, Darmstadt, Germany, resolved at its meeting on July 30, 2021, to propose to the Annual General Meeting that Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, be elected as the auditor of the Annual Financial Statements and Consolidated Financial Statements of Merck KGaA, Darmstadt, Germany, for fiscal 2023. The Annual General Meeting followed this proposal on April 22, 2022, and elected Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, as the auditor of the Annual Financial Statements and Consolidated Financial Statements of Merck KGaA, Darmstadt, Germany, for fiscal 2023.

## Further reports

The combined management report of Merck KGaA, Darmstadt, Germany, and the Group includes the compensation report and a combined non-financial declaration. The latter incorporates the non-financial declaration of the Group in accordance with section 315b HGB and the non-financial declaration of Merck KGaA, Darmstadt, Germany, in accordance with 289b HGB and section 315b (1) HGB in conjunction with section 298 (2) HGB. It is included as a separate chapter of the management report. An overview of the information contained in the combined non-financial declaration can be found at "[Topics for the non-financial statement](#)". In addition, the Group publishes a sustainability report that meets the requirements of the Global Reporting Initiative (GRI) standards and contains reports in accordance with the standards published by the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TCFD). This will be available from April 13, 2023, as an online version on the company's website at <https://www.emdgroup.com/en/sustainability-report/2022>. The report on equality and equal pay pursuant to sections 21, 22 of the German Act on the Promotion of Pay Transparency between Women and Men is attached to the combined management report and published in the companies register. It is available at <https://www.emdgroup.com/en/investors/corporate-governance/reports.html>.

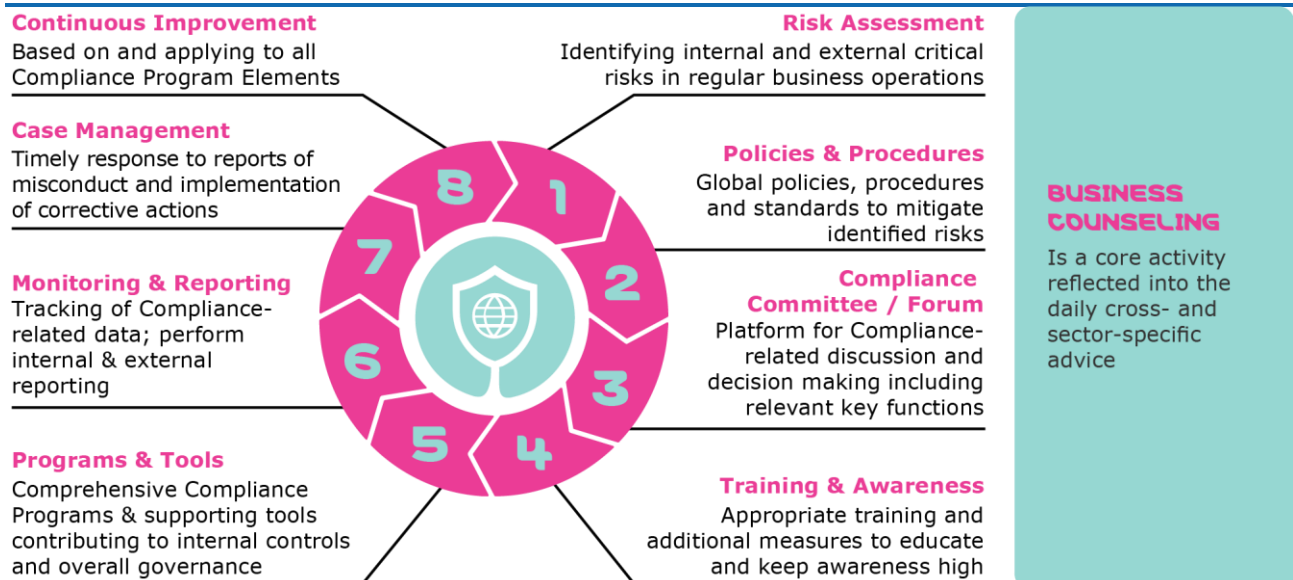
## Values and compliance

First and foremost, responsible entrepreneurship means acting in accordance with the law – also known as compliance. All our activities are required to adhere to the applicable laws, regulations, and international ethical standards around the world. Compliance violations would result not only in possible legal action but also could seriously compromise our reputation as an employer and business partner.

Our Group Compliance function is responsible for the core topics: our Code of Conduct, anti-corruption and anti-bribery (including healthcare compliance, third-party due diligence, transparency reporting), anti-money laundering, antitrust and conflict of interest. Group-wide and local policies, procedures, and processes are in place for these important compliance topics in order to ensure that our business activities are consistent with the relevant laws, regulations, and international ethical standards.

Our compliance management system encompasses eight core elements and ongoing consultation with the business fields that make up our compliance portfolio:

### Elements of our compliance program



Living our values together is the underlying principle of our compliance management system. The Compliance department adopts a specific brief in this respect.

A global framework for ethical and legally compliant business processes serves to minimize risk. We achieve this by identifying specific compliance risks and requirements. Suitable policies and effective controls are implemented in order to reduce risk. Our goals also focus on our employees: It is up to us. This serves to strengthen employees' sense of responsibility and accountability. We achieve this by informing employees about the applicable compliance rules and ethical standards and by giving them the responsibility for complying with these requirements. As compliance is the second line of defense against risks, it is important that we consistently safeguard what really matters. This is why we regularly monitor key indicators that allow us to assess risks and the effectiveness of controls. Compliance not only contributes to company growth but also creates targeted value added by allowing us to advise the business sectors and help them to navigate the respective compliance requirements. Our advice takes into account and adapts to changing business requirements.

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, our Code of Conduct (<http://www.emdgroup.com/company/responsibility/en/regulations-and-guidelines/code-of-conduct.pdf>) helps us implement these when dealing with one another daily.

With our Code of Conduct, we have established a set of rules intended to help our employees to act responsibly and to make the right decisions in their daily work. The Code of Conduct applies to all Group employees in all countries and at all levels of our organization.

It explains the company principles for dealings with business associates, shareholders, colleagues, and employees, and within the scope of our responsibility for society. Therefore, it supports all employees in acting ethically – not only in their dealings with one another but also outside the company. Accordingly, the Code of Conduct is also the main set of rules for our Compliance Program. We have aligned the content of our Code of Conduct with our values and integrated important topics such as data privacy, healthcare compliance, and bioethics. For us, compliance means observing legal and internal regulations and the basic ethical principles anchored in the company's values. With the Code of Conduct and the various unit-specific ethical compliance rules, the values are integrated into daily work and business practice. We also expect our business associates (e.g. customers, suppliers, distributors etc.) worldwide to accept these principles or to have their own comparable principles. While supplier management ensures compliant behavior of suppliers, global business partner risk management encompasses the relations with sales-related business associates such as distributors and wholesalers.

The Compliance department monitors observance of the Code of Conduct with support from corresponding monitoring and training programs throughout the company. Suitable controls and tailored training programs across the company ensure monitoring of the Code of Conduct. All employees are called upon to report potential compliance violations to their supervisor, Legal, HR, or other relevant departments or via the Compliance hotline. In cooperation with Group Internal Auditing, the Compliance Office regularly reviews the implementation of Group-wide compliance measures at the subsidiaries. The audits regularly focus on the local compliance structure, the compliance measures taken, and the existence of corresponding compliance guidelines and processes.

The Group Compliance Officer is responsible for the establishment, maintenance, and further development of our global Compliance Management System. Among other things, the Group Compliance Officer and its team, consisting of a global Compliance Center of Expertise and Compliance Officers, take appropriate measures to help lower the risk of serious compliance violations and implement the compliance program across our company globally. Our Compliance Center of Expertise is a central body responsible for designing and structuring our compliance program in all business areas and Group functions.

Our Group Compliance Officer reports on the status of our compliance activities, potential risks and serious compliance violations to the Executive Board and Audit Committee twice a year at a minimum. As part of our regular reporting processes, we compile a comprehensive compliance and data privacy report annually for the Executive Board. This includes the status of our compliance program, continuous improvement initiatives and key figures on compliance and data privacy cases. Additionally, we prepare a mid-year update to highlight ongoing developments and the status of relevant projects and initiatives.

A further focus area of the Compliance Program is ensuring legally and ethically correct dealings with medical stakeholders and adhering to the transparency requirements. The Compliance organization has agreed on extensive measures with the affected areas of the company in order to establish an internal framework of rules as well as the corresponding processes for approving and documenting interactions with healthcare professionals that ensure our company complies with reporting obligations. We, of course, also ensure compliance with the respectively valid data protection regulations.

The importance of compliance is also reflected in the subsidiaries, which ensure via country representatives that compliance measures are implemented in the countries. Compliance tasks in the countries and on a regional basis are largely performed by full-time compliance officers. As a result, a higher level of compliance expertise is based locally, and the growing number of tasks in all business sectors are taken into account. The compliance officers in the countries and regions report to the dedicated compliance officers for the respective business sectors (Life Science, Healthcare, and Electronics). A separate responsibility was also created for Group functions. Regular regional and global compliance meetings are held to promote the exchange of information within the Compliance organization. This is supplemented by a global concept for local compliance forums and global compliance committees, at which relevant compliance-related topics are discussed with senior management. These constitute an important element of risk assessment and quality assurance.

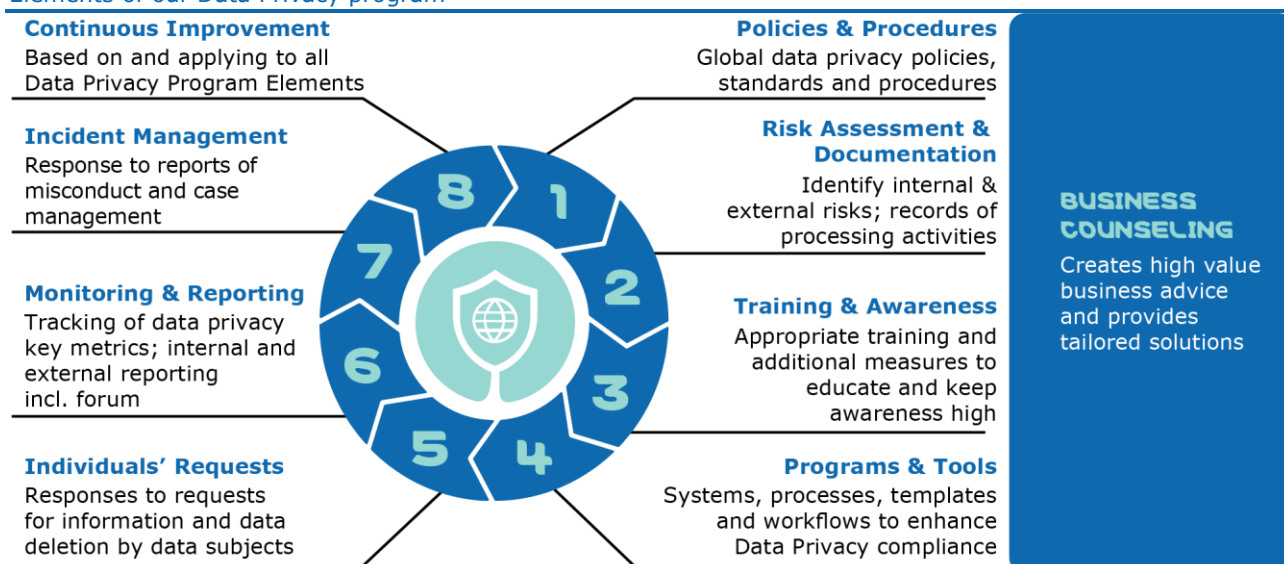
Newcomer trainings are run for newly appointed compliance officers. These seminars serve to build up compliance expertise and strengthen cooperation within the Compliance organization. This Group-wide network is used to steer the global Compliance Program. The Compliance organization is also involved in the relevant due diligence processes for the incorporation of new business units as well as possible divestments and acquisitions, and the subsequent integration of companies. Within the scope of the global compliance program, a high degree of importance is given to regular compliance trainings of our Compliance Training Plan, which are conducted as web-based training courses and classroom sessions. The various training topics addressed, particularly on the Code of Conduct, anti-corruption and bribery, conflicts of interest, anti-money laundering, antitrust and competition law, and healthcare compliance, serve to sensitize employees and management on the consequences of compliance violations. Since we set up a central Compliance hotline, our employees and individuals outside of our company have been able to report compliance violations by telephone or via a web-based application in their respective language. The Compliance hotline 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 measures are taken based on concrete action plans. If necessary, disciplinary measures are taken which can range from a simple verbal warning up to the dismissal of the employee who violated a compliance rule. The Group has set up a Compliance Case Committee to guide these processes. The Compliance Case Committee consists of senior members from various Group governance functions; they are involved in reviewing compliance violations and introducing countermeasures. The joint work in the Compliance Case Committee enables processes between the various Group functions to be optimally coordinated and designed efficiently.

## Data Privacy

Our Group Data Privacy is integrated into the Group's Compliance organization. As required by law, this department operates independently and without being required to follow instructions. The department regularly prepares Data Privacy updates and produces a comprehensive Data Privacy report at regular intervals as part of our broader compliance reporting efforts. The Group Data Privacy Officer has a team currently comprising around 20 employees who work around the world as local Data Privacy Officers. Other individuals around the world also perform as local Data Privacy Officers alongside their primary activity for the Group. A Center of Expertise also provides support in the form of structures and tools.

Our Data Privacy Management System encompasses various elements of our portfolio alongside the pillars of people and communication. The portfolio is composed as follows:

### Elements of our Data Privacy program



The Data Privacy organization has put specific guidelines in place in order to ensure that Data Privacy processes comply with the relevant regulations. The "Group Data Privacy Policy" defines the standards according to which data is processed, stored, used, and transmitted within our company. This enables us to provide a high level of privacy when it comes to processing the data of our employees, contract partners, customers, suppliers, patients, healthcare practitioners, and participants in clinical trials. The statutory documentation requirements are realized in a central IT tool that also serves as the basis for key Data Privacy processes: documenting processing activities, defining the Local Data Privacy Officers, documenting video recordings and surveillance, and processing potential data privacy violations. Our understanding of Data Privacy throughout the Group is based on European legislation in particular, including the data privacy principles of the EU's General Data Protection Regulation (EU GDPR), which has been in force since May 2018. However, we also comply with and implement local data privacy regulations.

## Risk and opportunity management

Systematic and responsible risk and opportunities management is a key aspect of corporate governance for the Group. Our company-wide risk management, compliance and control system is based on the "three-lines-of-defense" model, which describes the interlinked risk structures and responsibilities at various levels.

At the first level (1st line), activities (including the management of financial and non-financial risks) and the use of resources are managed in line with external and internal regulations. Risks are to be prevented/recorded and reduced where they could arise, i.e. at operational level. Risk owners, i.e. the heads of the business fields, the

managing directors of the Group subsidiaries and the heads of the Group Functions, establish processes in accordance with the requirements of the second level (2nd line) to ensure that risk mitigation measures can be identified, assessed, monitored and developed. Through the heads of the business fields and Group Functions, planned, actual and expected results in connection with the organization's goals and risks are regularly discussed with the Executive Board.

The second level (2nd Line) sets the framework for the design of the internal control system, the risk management system and the compliance management system by defining appropriate minimum requirements for governance, systems and processes to be applied in the 1st line. The specific structure of this governance is risk-based and at the discretion of the Executive Board. The Executive Board and the Audit Committee of the Supervisory Board receive regular reports on risk management, the financial internal control system and compliance. For further information on governance and the processes in place for risk management, compliance management and the financial internal control system, please see the "[Risk and Opportunity Report](#)" and the section "Values and compliance" in the Statement on Corporate Governance.

At the third level (3rd line), the Internal Auditing Group function monitors the accuracy, security, appropriateness and effectiveness of existing governance and processes, internal controls and risk management using independent audits. These are covered by the risk-based annual audit plan or, in individual cases, ad-hoc audits during the year. It helps the Executive Board perform its monitoring function and reports directly and independently to the Executive Board. The independence of Internal Auditing ensures that both the planning and execution of its work are not subject to obstacles or bias, as well as guaranteeing unrestricted access to the persons, resources and information required. The head of Internal Auditing reports activities and results to the Executive Board at least once a quarter or, where required, on an ad hoc basis, and also reports to the Audit Committee twice a year. Internal Auditing itself undergoes an external quality audit every five years. A quality audit was conducted in fiscal 2022.

The "three-lines-of-defense" model is supplemented in terms of accounting by the activities of the external auditor. With the "three-lines-of-defense" model described, the Executive Board has implemented a governance framework for our aims to ensure appropriate, effective internal control and risk management. The measures put in place in this context are also designed to ensure that internal control, compliance and risk management are effective and appropriate and are discussed, for example, in the Risk and Opportunity Report in the combined management report. Independent monitoring and audits are also carried out as part of implementing the "three-lines-of-defense" model and the statutory framework, in particular through the audits by Internal Auditing described and other external audits. In particular, the pace at which requirements for non-financial reporting and non-financial risks change makes it necessary to regularly review and, where necessary, adjust the monitoring systems for this area.

Relevant Group functions and representatives from the business fields reported on the control systems in place to the Executive Board in 2022. In this context, areas where potential for improvement and optimization had been identified and relevant ongoing projects were also presented to the Executive Board. Finally, the individual functions and business fields issued an assessment to the Executive Board of the appropriateness and effectiveness of the control system, where applicable taking account of recommended improvement opportunities. Based on this, the review of the non-financial internal control system and reporting by Internal Auditing, as of December 31, 2022 the Executive Board was not aware of any indications with regard to material issues that the system is not appropriate or effective. Given the multi-layered process landscape and the high speed of change regarding the catalog of requirements for non-financial information, the maturity of the non-financial internal control system does not yet match that of the (Group) accounting-related internal control system. Based on regular reviews of the financial internal control system, compliance and risk management and reporting by Internal Auditing, as of December 31, 2022 the Executive Board was not aware of any indications with regard to material issues that this system is not appropriate or effective.

## 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 Chair of the Executive Board, Belén Garijo, and the Chief Financial Officer, Marcus Kuhnert, are both members of the Executive Board of E. Merck KG, Darmstadt, Germany. This does not, however, create 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 as other service and work contracts of a Supervisory Board member with the Group require the approval of the Supervisory Board. In fiscal 2022, 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 our company, environmental protection is based on closed-loop thinking and the integration of precautionary measures into our process, procedural, and product development planning. The principles and strategies set out in our Environment, Health and Safety Policy implement 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) emphasizes overall responsibility for products, supply chains, and society. We have signed this expanded version of the Responsible Care Global Charter for the entire Group. It is implemented by us at an international level. We report our ecological, economic, and social performance transparently in accordance with the internationally recognized principles of the Global Reporting Initiative (GRI).

- We have set ourselves the goal of climate-neutral business operations along the entire value chain by 2040. By 2030, we intend to reduce our direct (Scope 1) and indirect (Scope 2) emissions by 50% compared with 2020. Our goal is to achieve this primarily by reducing process-related emissions, implementing energy efficiency measures, and obtaining more electricity from renewable sources. In terms of our Scope 3 emissions, we want to reduce emissions throughout the entire value chain by 52% (per € of value added) by 2030. These short-term targets for 2030 were approved by the Science Based Targets Initiative (SBTi) in May 2022. The independent initiative assesses and approves companies' targets based on its strict climate science criteria. By receiving this confirmation, we are helping limit global warming to 1.5 °C, meeting the requirements of the Paris Agreement.
- We are also aiming to source 80% of our purchased electricity from renewable energies by 2030.
- Furthermore, we intend to reduce the environmental impact of our waste by 5% between now and 2025 (based on our Waste Score), as well as reducing water consumption by 10% by 2025 and improving the quality of our waste water by 2030.

We aim to lower the lost time injury rate (LTIR) to below 1 by 2025. We are also developing a Global Health Concept for the entire Group. Many guidelines specify how the sites and employees of the Group are to observe the principles in their daily work. The Group function Corporate Sustainability, Quality and Trade Compliance steers these global activities and ensures compliance with statutory requirements, internal 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.



## Procedures of the Executive Board, Supervisory Board, Board of Partners, and its Committees

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

Information 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
<b>Belén Garijo</b> Frankfurt am Main, Chair	(b) • Banco Bilbao Vizcaya Argentaria S. A., Bilbao, Spain (listed) • L'Oréal S. A., Clichy, France (listed)
<b>Kai Beckmann</b> Darmstadt, CEO Electronics	(a) • Bundesdruckerei GmbH, Berlin, Germany (not listed) • Bundesdruckerei Gruppe GmbH, Berlin, Germany (not listed)
<b>Peter Guenter</b> Berlin, CEO Healthcare	(b) • Galapagos N.V., Mechelen, Belgium (listed)
<b>Matthias Heinzel</b> Weinheim, CEO Life Science	(b) • International Flavors & Fragrances Inc. (IFF), New York, USA (listed)
<b>Marcus Kuhnert</b> Königstein, Chief Financial Officer	(b) • Döhler Group SE, Darmstadt, Germany (not listed)

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, with the approval 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 or her respective business area. Among other things, 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 observed, 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 approval by the Executive Board.

The Executive Board provides the Supervisory Board and its Audit Committee with regular, up-to-date, and comprehensive reports about all company-relevant issues concerning strategy, planning, business development, risk situation, risk management, and compliance. The rules of procedure of the Executive Board and of the Supervisory Board regulate the further details and ensure that the Supervisory Board is kept adequately informed by the Executive 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 once a month.



## Supervisory Board

The Supervisory Board has 16 members. The Supervisory Board was composed as follows in fiscal 2022:

Member	Memberships of (a) other statutory supervisory boards and (b) comparable German and foreign supervisory bodies of corporations	Member of the Supervisory Board since	Attendance of meeting of the Supervisory Board
<b>Wolfgang Büchele</b> <b>(Chair of the Supervisory Board)</b> Römerberg, Chair of Exyte GmbH, Stuttgart (Independent Shareholder Representative)	(a) • Gelita AG, Eberbach, Germany (Chair) (not listed) • Merck Life Science KGaA, Darmstadt, Germany, a subsidiary of Merck KGaA, Darmstadt, Germany <sup>1</sup> (Chair) (not listed) • Merck Electronics KGaA, Darmstadt, Germany, a subsidiary of Merck KGaA, Darmstadt, Germany <sup>1</sup> (Chair) (not listed) (b) • E. Merck KG, Darmstadt, Germany <sup>1</sup> (not listed) • Wegmann Unternehmens-Holding GmbH & Co. KG, Fürstfeldbruck, Germany (Chair) (not listed) • Kemira Oyj, Helsinki, Finland (listed) • KNDS NV, Amsterdam, Netherlands (not listed)	Jul. 1, 2009	4/4
<b>Sascha Held</b> <b>(Vice Chair of the Supervisory Board)</b> Riedstadt, Application Consultant (full-time member and Chair of the Joint Works Council of Merck KGaA, Darmstadt, Germany)	No board positions	Apr. 26, 2019	4/4
<b>Birgit Biermann</b> Bochum, Member of the Central Board of Executive Directors of the German Mining, Chemical, and Energy Industrial Union (IGBCE), Darmstadt	(a) Adidas AG, Herzogenaurach, Germany (listed)	Jul. 14, 2022	2/4
<b>Gabriele Eismann</b> Seeheim-Jugenheim, full-time member of the Works Council	No board positions	May 09, 2014	4/4
<b>Edeltraud Glänzer</b> Hannover, Honorary Chair of the Board of the Knappschaft-Bahn-See	No board positions	Mar. 28, 2008 until May 15, 2022	2/4
<b>Jürgen Glaser</b> Bingen, Regional Director of the German Mining, Chemical, and Energy Industrial Union (IGBCE), Darmstadt	(a) • SIRONA Dental Systems GmbH, Wals, Austria (not listed) (b) • The BKK of Merck KGaA, Darmstadt, Germany (not listed)	Apr. 26, 2019	4/4
<b>Michael Kleinemeier</b> Heidelberg, Managing Director of e-mobiligence GmbH, Heidelberg (Independent Shareholder Representative)	(b) • E. Merck KG, Darmstadt, Germany <sup>1</sup> (not listed) • Transporeon GmbH, Ulm, Germany (not listed) • FELS Group GmbH, Kelkheim, Germany (not listed)	Apr. 26, 2019	4/4
<b>Renate Koehler</b> Darmstadt, Pharmacist and Manager of Engel-Apotheke pharmacy, Darmstadt (Independent Shareholder Representative)	No board positions	Apr. 26, 2019	4/4
<b>Anne Lange</b> Riedstadt, Application Engineer (full-time member and Vice-Chair of the Joint Works Council of Merck KGaA, Darmstadt, Germany)	No board positions	Apr. 26, 2019	4/4
<b>Peter Emanuel Merck<sup>2</sup></b> Hamburg, Managing Partner of Golf-Lounge GmbH, Hamburg (Independent Shareholder Representative)	No board positions	Apr. 26, 2019	4/4
<b>Dietmar Oeter</b> Seeheim-Jugenheim, Vice President Corporate Quality Assurance	No board positions	May 09, 2014	4/4
<b>Alexander Putz</b> Michelstadt, Chemical Laboratory Assistant (full-time member of the Joint Works Council of Merck KGaA, Darmstadt, Germany)	No board positions	May 28, 2020	4/4

Footnotes follow at the end of the table

Member	Memberships of (a) other statutory supervisory boards and (b) comparable German and foreign supervisory bodies of corporations	Member of the Supervisory Board since	Attendance of meeting of the Supervisory Board
<b>Christian Raabe</b> Höchst, IT Business Partner Darmstadt Site	No board positions	Apr. 26, 2019	4/4
<b>Helene von Roeder</b> Frankfurt am Main, Member of the Executive Board (CTO) of Vonovia SE, Bochum (Independent Shareholder Representative)	(a) • AVW Versicherungsmakler GmbH, Hamburg, Germany (not listed) • Deutsche Wohnen SE, Berlin, Germany (listed) (b) • E. Merck KG, Darmstadt, Germany <sup>1</sup> (not listed) • AVW Versicherungsmakler GmbH, Hamburg, Germany (not listed)	Apr. 26, 2019	4/4
<b>Helga Rübsamen-Schaeff</b> Düsseldorf, Member of the Supervisory Board of AiCuris Anti-infective Cures AG, Wuppertal	(a) • Merck Healthcare KGaA, Darmstadt, Germany, a subsidiary of Merck KGaA, Darmstadt, Germany <sup>1</sup> (Chair) (not listed) • 4SC AG, Martinsried, Germany (listed) • AiCuris Anti-Infective Cures AG, Wuppertal, Germany (listed) (b) • E. Merck KG, Darmstadt, Germany <sup>1</sup> (not listed)	May 09, 2014	4/4
<b>Daniel Thelen</b> Cologne, Program Manager Infrastructure at DB Netz AG, Frankfurt am Main (Independent Shareholder Representative)	(b) • E. Merck KG, Darmstadt, Germany <sup>1</sup> (not listed)	Apr. 26, 2019	4/4
<b>Simon Thelen<sup>2</sup></b> Cologne, Senior Physician at the Clinic for Trauma and Hand Surgery, University Hospital Düsseldorf (Independent Shareholder Representative)	(a) • Merck Healthcare KGaA, Darmstadt, Germany, a subsidiary of Merck KGaA, Darmstadt, Germany <sup>1</sup> (not listed) (b) • E. Merck KG, Darmstadt, Germany <sup>1</sup> (not listed)	Apr. 26, 2019	4/4

<sup>1</sup> Internal board position.

<sup>2</sup> Members delegated according to article 6 (5) of the Articles of Association.

The Supervisory Board performs a monitoring function. It supervises the Executive Board's management of the company. 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 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. Similarly, the Supervisory Board does not have the authority to issue rules of procedure for the Executive Board or a catalog of business transactions requiring approval. This is also the responsibility of 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 possibility of directly influencing the Executive Board restricts neither its information rights nor its audit duties. The Supervisory Board must monitor the legality, regularity, usefulness, and economic efficiency of the Executive Board. 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, and the course of business. In particular, this also includes sustainability issues. The regular reports pertaining to Group Internal Auditing, risk management, the internal control system, and compliance are now received by the Audit Committee of the Supervisory Board. 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 in accordance with section 111 (1) AktG. The Supervisory Board and the Audit Committee examine the Annual Financial Statements as well as the Consolidated Financial Statements and the Combined Management Report, taking into account the auditor's reports. Moreover, the Audit Committee discusses the quarterly statements 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, and reports to the Supervisory Board. The adoption of the Annual Financial Statements is not the responsibility of the Supervisory Board, but of the Annual General Meeting. The Supervisory Board and the Audit Committee normally meet 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 Chair. 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 chairpersons of the two boards.

The Supervisory Board has adopted rules of procedure for its activities that are available on the company's website at: <https://www.emdgroup.com/company/who-we-are/management-and-company-structure/supervisory-board/us/rules-of-procedure-supervisory-board-us.pdf>.

The rules of procedure prescribe that the Supervisory Board may form committees. The Supervisory Board has formed a Nomination Committee and an Audit Committee.

The Nomination Committee comprises three shareholder representatives. Its members are Wolfgang Büchele (Chair), Helga Rübsamen-Schaeff, and Simon Thelen. The Nomination Committee is responsible for proposing to the Supervisory Board suitable candidates for its proposal to the Annual General Meeting. In addition to the legal requirements and the recommendations of the German Corporate Governance Code, the objectives of the Supervisory Board with respect to its composition, the profile of skills and expertise, and the diversity policy must be taken into consideration.

The Audit Committee comprises three shareholder representatives and three employee representatives. The members of the Audit Committee are Helene von Roeder (Chair), Wolfgang Büchele, Edeltraud Glänzer (until May 15, 2022) and her successor Jürgen Glaser (since May 16, 2022), Sascha Held, Christian Raabe and Daniel Thelen.

The German Stock Corporation Act and the German Corporate Governance Code in the versions currently applicable to the company state that at least one member of the Audit Committee shall have professional expertise in accounting and at least one additional member of the Audit Committee shall have professional expertise in auditing. Accounting and auditing also include sustainability reporting and auditing the sustainability reports. The Chair of the Audit Committee should have professional expertise in at least one of the two areas. As financial expert, Helene von Roeder has particular knowledge and experience of the application of reporting principles and internal controls. She is also familiar with auditing and, in this context, with sustainability reporting. Her aforementioned knowledge is based, among other things, on her activities as a member of the Management Board of Vonovia SE, to which she belonged first as CFO and now as CTO. She is also the Chair of the Audit Committee of the company's Supervisory Board and the Finance Committee of the Board of Partners of E. Merck KG, Darmstadt, Germany. Helene von Roeder thus qualifies as a financial expert within the meaning of Section 100 (5) of the German Stock Corporation Act (AktG) and Recommendation D.3 of the German Corporate Governance Code. In addition, Wolfgang Büchele has expertise in the area of accounting. His expertise results from his role as CEO of Exyte GmbH, his many years as a member of the executive boards of other companies, and his membership of other supervisory bodies. Wolfgang Büchele thus qualifies as a financial expert within the meaning of Section 100 (5) of the German Stock Corporation Act (AktG) and Recommendation D.3 of the German Corporate Governance Code.

Defining the required knowledge in more detail, a further provision of the German Stock Corporation Act also states that the members of the Supervisory Board must be collectively familiar with the sector in which their company operates. This requirement is addressed in the Supervisory Board's profile of skills and expertise, which stipulates that the Supervisory Board should have at least four members who possess such knowledge of the sector. We currently meet this requirement (see also "[Objectives of the Supervisory Board with Respect to Its Composition and Profile of Skills and Expertise](#)"). Information on the independence of the shareholder representatives can be found under "[Objectives of the Supervisory Board with Respect to its Composition and Profile of Skills and Expertise](#)".

The Supervisory Board and the Audit Committee each conducted a self-assessment in fiscal 2022. These self-assessments took the form of internal efficiency reviews based on an extensive questionnaire and resulted in a positive opinion on all topics. Potential improvements to further optimize the work of the committees in individual areas were disclosed and corresponding measures initiated. For more information on the Nomination and Audit Committee, please refer to the "[Report of the Supervisory Board](#)".

## 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. Accordingly, the Board of Partners as well as the composition and procedures of its committees are described below.

The Board of Partners has nine members. The Board of Partners was composed as follows in fiscal 2022:

Member	Memberships of (a) statutory supervisory boards and (b) comparable German and foreign supervisory bodies of corporations
<b>Johannes Baillou</b> <b>(Chair of the Board of Partners)</b> Vienna, Austria, Vice Chair of the Executive Board and General Partner of E. Merck KG, Darmstadt, Germany	(a) <ul style="list-style-type: none"> <li>Merck Life Science KGaA, Darmstadt, Germany, a subsidiary of Merck KGaA, Darmstadt, Germany (not listed)</li> <li>Merck Electronics KGaA, Darmstadt, Germany, a subsidiary of Merck KGaA, Darmstadt, Germany (not listed)</li> </ul>
<b>Simon Thelen</b> <b>(Vice Chair of the Board of Partners)</b> Cologne, Senior Physician at the Clinic for Trauma and Hand Surgery, University Hospital Düsseldorf	(a) <ul style="list-style-type: none"> <li>Merck KGaA, Darmstadt, Germany (listed)</li> <li>Merck Healthcare KGaA, Darmstadt, Germany, a subsidiary of Merck KGaA, Darmstadt, Germany (not listed)</li> </ul>
<b>Wolfgang Büchele</b> Römerberg, Chair of Exyte GmbH, Stuttgart	(a) <ul style="list-style-type: none"> <li>Merck KGaA, Darmstadt, Germany (listed)</li> <li>Merck Life Science KGaA, Darmstadt, Germany, a subsidiary of Merck KGaA, Darmstadt, Germany (Chair) (not listed)</li> <li>Merck Electronics KGaA, Darmstadt, Germany, a subsidiary of Merck KGaA, Darmstadt, Germany (Chair) (not listed)</li> <li>Gelita AG, Eberbach, Germany (Chair) (not listed)</li> </ul> (b) <ul style="list-style-type: none"> <li>Wegmann Unternehmens-Holding GmbH &amp; Co. KG, Fürstenfeldbruck, Germany (Chair) (not listed)</li> <li>Kemira Oyj, Helsinki, Finland (listed)</li> <li>KNDS NV, Amsterdam, Netherlands (not listed)</li> </ul>
<b>Michael Kleinemeier</b> Heidelberg, Managing Director of e-mobiligence GmbH, Heidelberg	(a) <ul style="list-style-type: none"> <li>Merck KGaA, Darmstadt, Germany (listed)</li> </ul> (b) <ul style="list-style-type: none"> <li>Transporeon GmbH, Ulm, Germany (not listed)</li> <li>FELS Group GmbH, Kelkheim, Germany (not listed)</li> </ul>
<b>Katharina Kraft</b> Mannheim, Senior Strategy Manager at BASF SE, Ludwigshafen	No board positions
<b>Helene von Roeder</b> Frankfurt am Main, Member of the Executive Board (CFO) of Vonovia SE, Bochum	(a) <ul style="list-style-type: none"> <li>Merck KGaA, Darmstadt, Germany (listed)</li> <li>AVW Versicherungsmakler GmbH, Hamburg, Germany (not listed)</li> <li>Deutsche Wohnen SE, Berlin, Germany (listed)</li> </ul> (b) <ul style="list-style-type: none"> <li>AVW Versicherungsmakler GmbH, Hamburg, Germany (not listed)</li> </ul>
<b>Helga Rübsamen-Schaeff</b> Düsseldorf, Member of the Supervisory Board of AiCuris Anti-infective Cures AG, Wuppertal	(a) <ul style="list-style-type: none"> <li>Merck KGaA, Darmstadt, Germany (listed)</li> <li>Merck Healthcare KGaA, Darmstadt, Germany, a subsidiary of Merck KGaA, Darmstadt, Germany (Chair) (not listed)</li> <li>4SC AG, Martinsried, Germany (listed)</li> <li>AiCuris Anti-Infective Cures AG, Wuppertal, Germany (listed)</li> </ul>
<b>Frank Stangenberg-Haverkamp</b> Darmstadt, Chair of the Executive Board and General Partner of E. Merck KG, Darmstadt, Germany	(a) <ul style="list-style-type: none"> <li>Fortas GmbH, Rösrath, Germany (Chairman) (not listed)</li> <li>Merck Healthcare KGaA, Darmstadt, Germany, a subsidiary of Merck KGaA, Darmstadt, Germany (not listed)</li> <li>Merck Life Science KGaA, Darmstadt, Germany, a subsidiary of Merck KGaA, Darmstadt, Germany (Vice Chair) (not listed)</li> <li>Merck Electronics KGaA, Darmstadt, Germany, a subsidiary of Merck KGaA, Darmstadt, Germany (Vice Chair) (not listed)</li> </ul> (b) <ul style="list-style-type: none"> <li>Travel Asset Group Ltd., London, United Kingdom (Chair) (not listed)</li> </ul>
<b>Daniel Thelen</b> Cologne, Program Manager Infrastructure at DB Netz AG, Frankfurt am Main	(a) <ul style="list-style-type: none"> <li>Merck KGaA, Darmstadt, Germany (listed)</li> </ul>

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, other business documents, and 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, 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 normally meets 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 chairpersons of the two boards.

The Board of Partners may delegate the performance of 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: Johannes Baillou (Chair), Wolfgang Büchele, Michael Kleinemeier, and Frank Stangenberg-Haverkamp. 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 Chair of the Executive Board of Merck KGaA, Darmstadt, Germany, unless the Committee decides otherwise. Among other things, the Personnel Committee is responsible for the following decisions concerning members and former members of the Executive Board: contents and conclusion of employment contracts and pension contracts; granting of loans and salary advances; changes to the compensation structure and adaptation of compensation; approval for taking on honorary offices, board positions, and other sideline activities; and 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 Chair of the Executive Board, unanimity is required. The Chair of the Committee regularly informs the Board of Partners of its activities.

### Finance Committee

The Finance Committee has five members: Helene von Roeder (Chair), Johannes Baillou, Wolfgang Büchele, Daniel Thelen, and Simon Thelen. The Finance Committee holds at least four meetings a year, some of which are joint meetings with the Audit Committee of the Supervisory Board of Merck KGaA, Darmstadt, Germany. At least one meeting 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 of the Finance Committee. These meetings regularly include the Chair of the Executive Board. Among other things, the Finance Committee is responsible for analyzing and discussing the Annual Financial Statements, the Consolidated Financial Statements, and the respective reports of the auditor, as well as the half-year financial report and the quarterly statements. In addition, the Finance Committee addresses the Group's net assets, financial position, results of operations, and liquidity, as well as accounting 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. It passes its resolutions with a simple majority. The Chair of the Committee regularly informs the Board of Partners of the activities of the Finance Committee.

### Research and Development Committee

The Research and Development Committee has four members: Helga Rübsamen-Schaeff (Chair), Johannes Baillou, Katharina Kraft, and Simon Thelen. The Research and Development Committee is convened as and when necessary but holds at least two meetings 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 Chair of the Executive Board as well as the CEO Life Science, the CEO Healthcare, and the CEO Electronics. Among other things, the Research and Development Committee is responsible for reviewing and discussing the research activities of the Life Science, Healthcare, and Electronics business sectors. It passes its resolutions with a simple majority. The Chair of the Committee reports to the Board of Partners on the insights gained from the meetings.

## Stipulations to promote the percentage of management positions held by women pursuant to section 76 (4) and section 111 (5) of the German Stock Corporation Act (AktG)

### Stipulations pursuant to section 76 (4) AktG (target for the percentage of positions held by women on the two upper management levels below the Executive Board)

We foster diversity within the company, which also includes ensuring a balance of genders in management. To this end, we pursue both voluntary and legally required objectives, and we work continuously and sustainably to achieve them. As a global company with correspondingly aligned global (leadership) structures, we are striving to increase the proportion of management positions held by women (managers, experts, and project managers in roles 4 and above)<sup>1</sup> as a voluntary goal. Our aim is to achieve gender parity by the end of 2030.

In addition, Merck KGaA, Darmstadt, Germany, is subject to the statutory obligations under section 76 (4) AktG.

On December 21, 2021, the Executive Board of Merck KGaA, Darmstadt, Germany, therefore set the new targets to be achieved by December 31, 2024, in order to implement the obligations under section 76 (4) AktG as follows:

- First management level of Merck KGaA, Darmstadt, Germany, below the Executive Board: 35.5% of positions held by women, corresponding to full headcounts at the date on which the targets were defined
- Second management level of Merck KGaA, Darmstadt, Germany, below the Executive Board: 31.8% of positions held by women, also corresponding to full headcounts at the date on which the targets were defined.

The first management level comprises all managers of Merck KGaA, Darmstadt, Germany, with a direct reporting line to the Executive Board of Merck KGaA, Darmstadt, Germany, or who belong to the Global Executive Group. The second management level comprises all managers of Merck KGaA, Darmstadt, Germany, who report to managers with a direct reporting line to the Executive Board of Merck KGaA, Darmstadt, Germany, or the Global Executive Group.

### Stipulations pursuant to section 111 (5) AktG (target for the percentage of positions on the Supervisory Board held by women)

Pursuant to section 111 (5) AktG, the Supervisory Board of companies that are listed or subject to codetermination must stipulate binding targets for the percentage of positions on the Supervisory Board and on the Management Board held by women. However, Merck KGaA, Darmstadt, Germany, is not required to stipulate targets pursuant to section 111 (5) AktG for the following reasons:

The statutory target of 30% pursuant to section 96 (2) AktG is already applied to the Supervisory Board of Merck KGaA, Darmstadt, Germany; this eliminates the obligation to stipulate a further target for the percentage of positions held by women on the Supervisory Board (see section 111 (5) sentence 5 AktG).

In turn, the obligation to stipulate a target for the percentage of positions held by women on the Executive Board pursuant to section 111 (5) AktG and the minimum composition requirement for the Executive Board

<sup>1</sup> This group makes up around 7% of the total workforce; see the description under "Diversity and management".



pursuant to section 76 (3a) AktG are not applicable to the legal form of a corporation with general partners (Kommanditgesellschaft auf Aktien), as a corporation with general partners neither has a management board comparable to that of a stock corporation, nor does the Supervisory Board have personnel authority over the Executive Board. Rather, the Executive Board of Merck KGaA, Darmstadt, Germany, consists of personally liable general partners (see also the description of Supervisory Board procedures). In line with its diversity policy, however, the Group also continues to pursue representation of both genders as an objective for the Executive Board.

## Diversity policy pursuant to section 289f (2) No. 6 of the German Commercial Code (HGB)

We are pursuing a Group-wide, global diversity strategy. Within the Group, diversity stands for a culture of inclusion, mutual esteem, and respect. To demonstrate this open and dynamic company culture, we promote diversity, equal opportunity, and inclusion throughout the Group – and do so at all levels, including the Executive Board and Supervisory Board.

We believe that a diverse workforce boosts the innovative strength of the Group and contributes materially to our business success. That is why we are furthering a culture of diversity independent of factors such as age, gender, disability, ethnic or cultural background, religion, industry experience, and educational background. As part of our global diversity strategy, we have developed a diversity policy to strategically steer the topics of diversity and inclusion in our corporate bodies; this focuses on the following key criteria:



Our Group-wide diversity strategy encompasses both voluntary as well as legally defined objectives that we continuously and sustainably work to achieve (see also the “[Diversity and Inclusion](#)” section of the Non-Financial Statement and the [Sustainability Report](#) for 2022). In this context, it should be noted that, with respect to the Executive Board of Merck KGaA, Darmstadt, Germany, many rules can only be applied correspondingly. This is because the Executive Board comprises personally liable general partners of Merck KGaA, Darmstadt, Germany, and is not a management board with employed members of a corporate body (for details, please also see the “[Joint Report of the Executive Board and the Supervisory Board](#)”).

In addition to the aspects presented below, reference is made to the objectives of the Supervisory Board with respect to its composition and the profile of skills and expertise of the Supervisory Board (see the information on the “[Objectives of the Supervisory Board with respect to its composition and profile of skills and expertise](#)”). The statements made therein form part of the diversity policy for the Supervisory Board presented here.

## Age

Our boards are to have a balanced age structure. This permits future-oriented and consistent succession planning and is a key element of sustainable company management and monitoring. Maximum age limits apply to both boards. A maximum age of 70 applies to members of the Executive Board, while the standard age limit for Supervisory Board members is 75. Our diversity policy aims for an age range of at least ten years between the youngest and the oldest member of the respective board.

With an age range of over 35 years, the current composition of the Supervisory Board satisfies this objective. The age range of the Executive Board is currently eight years.

## Gender

Gender diversity also plays a crucial role, since it enables us to benefit from a larger talent pool and allows us to develop a better understanding of important customer groups as a company.

Additionally, our company continues to pursue representation of both genders as an objective for the Executive Board. The Board of Partners of E. Merck KG, Darmstadt, Germany, appointed Belén Garijo, former CEO of Healthcare and Vice Chair of the Executive Board, as the new Chair of the Executive Board effective May 1, 2021, making it the first time a woman has been appointed to these positions. The statutory target of 30% pursuant to section 96 (2) AktG already applies to the Supervisory Board of Merck KGaA, Darmstadt, Germany, and is currently met.

## Internationality and global mindset

As a science and technology company with global operations and major markets on five continents with more than 64,000 employees<sup>1</sup> at locations in 66<sup>2</sup> countries, internationality and the associated global mindset is one of our key success factors. According to our diversity policy, the Executive Board's internationality derives from leadership experience or national origin, relative to our key sales markets or those locations that are organizationally and culturally relevant to our employee development efforts. For both criteria, Europe, North America, and Asia-Pacific are currently the key regions.

The Executive Board meets this objective with management experience in these regions, e.g., in the following countries: Denmark, Spain, the United States, Singapore, and Malaysia. In addition, more than one-third of the Executive Board members are not German citizens.

## Management experience

The key prerequisites for high-performance leadership teams are the diversity of the individual competency profiles and a balance between an internal and external management perspective. Therefore, the Executive Board as a whole must have in-depth knowledge and experience in the following key areas of importance to the company: strategy and planning, finance and accounting, sales and operations, human resources, legal and compliance, and information technology, as well as ecological and social sustainability. In addition, it is important for the composition of the Executive Board to ensure a good balance of members from within and outside the company. Our diversity policy seeks to derive inspiration and innovation from outside the company and to identify the latest trends of relevance to the core businesses of the company, while ensuring sustainability and continuity in line with our corporate culture.

The current Executive Board fulfills both of the aforementioned objectives: All required aspects of the competency profile are covered by at least one member of the Executive Board. Likewise, two members of the Executive Board possess multiple years of experience working within the Group prior to their appointment to the Executive Board.

<sup>1</sup> The Group also has employees at sites that are not fully consolidated subsidiaries. These figures refer to all people directly employed by the Group and therefore may deviate from figures in the financial section of this report.

<sup>2</sup> Each country with at least one active employee is included as a separate country.



## Industry experience

To efficiently lead and manage the Group, the Executive Board must have in-depth knowledge of the key industries and business sectors in which the company operates. For each of the areas Life Science, Healthcare, and Electronics, there should be at least one member of the Executive Board with in-depth expertise in accordance with the diversity concept.

The Executive Board covers the full range of the necessary industry experience.

## Educational background

In order to translate the tremendous innovative potential of a science and technology company into sustainable business success, interdisciplinary educational backgrounds are a key element of our diversity policy both for the Executive Board and for the Supervisory Board. The current composition of both boards illustrates this interdisciplinary aspect to a very high degree.

The members of the Executive Board contribute knowledge of various fields including economic sciences, medicine (pharmacology, physical education), information technology, and electrical engineering. In addition, the majority of members of the Executive Board hold a university and doctorate degree.

Moreover, the members of the Supervisory Board have a background in one or more of the following fields of specialization: chemistry, pharmaceuticals, mathematics, law, human medicine, business administration and economics, physics, education, and computer sciences, among others.

Seven Supervisory Board members are university graduates and hold doctorates.

# Report of the Supervisory Board

The Supervisory Board again properly executed its duties in 2022 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 an intensive dialog on the basis of mutual trust. During fiscal 2022, 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 current and potential impact of the Covid-19 pandemic, the market and sales situation of the company in the context of macroeconomic developments, and the financial position of the company and its subsidiaries, along with their earnings development and 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 business sector. In addition to the Supervisory Board meetings, the Chair of the Supervisory Board also maintained, and continues to maintain, a regular exchange of information with the Chair of the Executive Board.

## Key topics of the Supervisory Board meetings

Four Supervisory Board meetings were held in fiscal 2022, one of which was held as a video conference. At these meetings, the Supervisory Board intensely discussed the reports of the Executive Board, as well as company developments and strategic issues together with the Executive Board. The Chair of the Audit Committee reported comprehensively on the previous meetings of the Audit Committee at all the meetings of the Supervisory Board.

At the meeting in February 2022, which was held as a video conference due to the ongoing Covid-19 pandemic, the Executive Board began by intensively addressing the Annual Financial Statements and Consolidated Financial Statements for 2021, the Combined Management Report, the reports of the auditor, including the audit report on the non-financial declaration for fiscal 2021, and the proposal for the appropriation of net retained profit. The auditor explained the audit reports including the focus areas of the audit. The Executive Board and the Head of Group Accounting reported on the financial statements. Furthermore, the Supervisory Board resolved on the report and the objectives of the Supervisory Board with respect to its composition and the profile of skills and expertise, the Declaration of Conformity with the German Corporate Governance Code, and the Statement on Corporate Governance. The Supervisory Board also adopted the proposals to be made to the Annual General Meeting and approved the plan to again hold the Annual General Meeting in virtual form in light of the ongoing Covid-19 pandemic. The Executive Board reported on business performance in 2021 and presented the plans for fiscal 2022 as well as the positive expectations for the Group's global business in spite of the volatile nature of the Covid-19 pandemic, which it discussed in detail with the Supervisory Board. Cyber security and the arrangements taken to ensure it were also discussed. The Supervisory Board intensively addressed the new organization for combating cyber threats.

The meeting in May 2022, which was held in person, focused on the report of the Executive Board on business performance in the first quarter and the updated forecast for fiscal 2022. The Executive Board discussed developments in the first quarter of 2022 and provided an outlook concerning expected business performance in 2022 as a whole. The Supervisory Board extensively discussed the contributions of our individual business sectors to the positive financial performance. The report of the Research and Development Committee of the Board of Partners of E. Merck KG, Darmstadt, Germany, for Life Science/Electronics was an additional focus of the meeting. Finally, the Supervisory Board discussed the topic of sustainability, which is a strategic priority for the company and a critical factor in its success.

At the meeting in July 2022, which was held in person, the Executive Board began by reporting on the successful business performance in the second quarter of 2022 in spite of the challenging global environment. The non-financial statement, which forms part of the management report, was a further topic of discussion. The Supervisory Board resolved to commission the auditor to conduct a limited assurance review of the non-financial declaration for fiscal 2022. The meeting also discussed the restructuring of the financial controlling process. The planned changes were presented and explained by the Chief Financial Officer. The Supervisory Board also intensively addressed business development in China.

At the fourth Supervisory Board meeting in November 2022, which was also held in person, the Executive Board began by providing an overview of business performance in the third quarter of 2022, which saw the company achieving organic sales growth even in a challenging environment. The background of this positive business performance was then discussed in detail by the Supervisory Board. Other topics discussed included the report by the Research and Development Committee for Healthcare and transactions by Merck KGaA, Darmstadt, Germany, with related parties within the meaning of section 111a et seq. of the German Stock Corporation Act (AktG). There were no transactions requiring the approval of the Supervisory Board in accordance with section 111b (1) AktG. This was followed by an overview and an intensive discussion of the Group and business sector strategies, also in the context of external developments. The Chair of the Executive Board also reported on the Global Executive Conference, at which Group managers discussed the geopolitical environment and its impact on our company as well as the priorities of the Group. Finally, the Supervisory Board addressed the self-assessment and its profile of skills and expertise.

In parts of its meetings, the Supervisory Board regularly meets without the members of the Executive Board being present. Additionally, the employee representatives gather for a preparatory meeting ahead of each Supervisory Board meeting. The employee representatives also gather immediately after each Supervisory Board meeting to discuss the topics addressed at the meeting. Among other things, this includes a discussion of which topics should be placed on the agenda for the next Supervisory Board meeting.

## Annual Financial Statements

The Annual Financial Statements of Merck KGaA, Darmstadt, Germany, the Consolidated Financial Statements of the Group, and the Combined Management Report 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 of Merck KGaA, Darmstadt, Germany, in accordance with German Auditing Standards.

For the Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards and for the Combined Management Report, the auditors issued the unqualified auditor's report that is reproduced in the Annual Report of the Group.

In addition, the auditor audited the calculation of the participation of Merck KGaA, Darmstadt, Germany, in the profit of E. Merck KG, Darmstadt, Germany, in accordance with Article 27 (2) of the Articles of Association, as well as the separate combined non-financial (Group) report. The Annual Financial Statements of Merck KGaA, Darmstadt, Germany, the Consolidated Financial Statements of the Group, and the Combined Management Report for Merck KGaA, Darmstadt, Germany, and the Group, including the non-financial declaration and the proposal of the Executive Board for the appropriation of net retained profit, were submitted firstly to the Audit Committee and then to the Supervisory Board together with the auditor's reports.

The Audit Committee assessed the Annual Financial Statements of Merck KGaA, Darmstadt, Germany, the proposal for the appropriation of net retained profit, and the auditor's report. It also examined the Consolidated Financial Statements of the Group as well as the Combined Management Report for Merck KGaA, Darmstadt, Germany, and the Group, including the non-financial declaration, and took note of the auditor's reports of KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin. In particular, it focused on the key audit matters of particular importance in the audit opinion, the resulting risks for the financial statements, the approach adopted during

the audit as described, and the conclusions drawn by the auditor. On completion of its assessment, the Audit Committee raised no objections and thus recommended that the Supervisory Board approve the Annual Financial Statements for Merck KGaA, Darmstadt, Germany, the Consolidated Financial Statements of the Group, the Combined Management Report of Merck KGaA, Darmstadt, Germany, and the Group prepared by the Executive Board, and the report presented by the auditor in accordance with Article 27 (2) of the Articles of Association.

At its meeting in February 2023 to approve the financial statements, the Supervisory Board also assessed the Annual Financial Statements of Merck KGaA, Darmstadt, Germany, the proposal for the appropriation of net retained profit, the auditor's report presented in accordance with Article 27 (2) of the Articles of Association, the Consolidated Financial Statements of the Group, and the Combined Management Report of Merck KGaA, Darmstadt, Germany, and the Group in accordance with Article 14 (2) of the Articles of Association, and took note of the auditor's reports of KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin. The discussion of the relevant agenda item at this meeting 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. This was also the case for the meeting of the Audit Committee. Based on the recommendation of the Audit Committee and its own review, the Supervisory Board approved the Annual Financial Statements for Merck KGaA, Darmstadt, Germany, the Consolidated Financial Statements of the Group, the Combined Management Report of Merck KGaA, Darmstadt, Germany, and the Group prepared by the Executive Board, and the report presented by the auditor in accordance with Article 27 (2) of the Articles of Association. The Supervisory Board gave its consent to the proposal of the Executive Board for the appropriation of net retained profit after conducting its own review.

## Corporate governance and Declaration of Conformity

Corporate governance is a high-priority topic for the Supervisory Board. We take investor suggestions on this matter extremely seriously. 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 the year under review. In fiscal 2022, the Chair of the Supervisory Board was prepared to hold talks with investors on topics pertaining to the Supervisory Board as appropriate and remains willing to do so. The Chair of the Supervisory Board conducted an investor discussion with Allianz Global Investors GmbH in fiscal 2022. In particular, the topics discussed included the profile of skills and expertise and the independence of the Supervisory Board with a view to the Supervisory Board election in 2024 and the transparency of the remuneration report. The Chair of the Supervisory Board stated that the profile of skills and expertise would play a significant role in the election of future candidates and that an even greater focus had been placed on sustainability and digitalization since the last election. Independence, overboarding internationality and diversity are other important factors. The Supervisory Board intends to begin the search at an early stage and make use of internal and external resources in order to find the most qualified and suitable candidates possible. Discussing the Group's remuneration report, the Chair of the Supervisory Board noted the continuous improvement in the transparency of the reports from year to year. With regard to sustainability in the Supervisory Board, the Chair of the Supervisory Board said that reporting-relevant topics such as the EU taxonomy are matters for the Audit Committee in particular, while sustainability is an overarching topic for the entire Supervisory Board, meaning that it is discussed at Supervisory Board meetings and is the subject of specific training.

The Supervisory Board has an onboarding process aimed at enabling the quick and efficient induction of new members. Most recently, Birgit Biermann received corresponding training upon joining the Supervisory Board.

The Supervisory Board also conducted a self-assessment in fiscal 2022. The self-assessment of the Supervisory Board took the form of an internal efficiency review based on an extensive questionnaire and resulted in a positive opinion on all topics. Potential improvements to further optimize the work of the committees in individual areas were disclosed and corresponding measures initiated. The next self-assessment of the Supervisory Board is scheduled for 2024.

After discussing corporate governance issues in detail, the Executive Board and the Supervisory Board adopted the updated Declaration of Conformity in accordance with section 161 AktG and issued it jointly in February 2023. The statement is permanently available on the website of Merck KGaA, Darmstadt, Germany ([www.emdgroup.com/en/investors/corporate-governance/reports.html](http://www.emdgroup.com/en/investors/corporate-governance/reports.html)). More information about corporate governance at Merck KGaA, Darmstadt, Germany, including the compensation of the Executive Board and Supervisory Board, can be found in the Statement on Corporate Governance.

## Committees

The Supervisory Board of Merck KGaA, Darmstadt, Germany, had a Nomination Committee and an Audit Committee in fiscal year 2022. The members of the Nomination Committee did not convene in fiscal 2022.

The Audit Committee meets four times a year. Further meetings are convened as and when necessary. The Audit Committee is generally responsible for accounting and auditing matters. This includes sustainability reporting and auditing the sustainability reports. In particular, its responsibilities include auditing the Annual Financial Statements, the Consolidated Financial Statements, and the respective reports of the auditor, as well as the half-year financial report and the quarterly statements. The Audit Committee discusses the assessment of audit risk, the audit strategy and audit planning, and the results of the audit with the auditor. The Chair of the Audit Committee regularly discusses the progress of the audit with the auditor and reports back to the committee. The other responsibilities of the Audit Committee include assessing the performance of the auditor, and especially the performance of the auditor in charge of the engagement.

The Audit Committee prepares the negotiations and resolutions of the Supervisory Board on the approval of the Annual Financial Statements and Consolidated Financial Statements and the proposal to the Annual General Meeting on the election of the auditor. The adoption of the Annual Financial Statements is not the responsibility of the Audit Committee or the Supervisory Board but of the Annual General Meeting. The Audit Committee also ascertains the independence of the auditor, assigns the audit mandate to the auditor, and determines the focus areas of the audit and the fee agreement. Furthermore, the Audit Committee monitors the accounting process, the effectiveness of the internal control system, the risk management system and the internal auditing system, and compliance. The Chair of the Audit Committee and the auditor also engage in a regular dialog outside of the meetings of the Audit Committee.

At the meeting in February 2022, which was held as a video conference, the Chief Financial Officer and the Head of Group Accounting reported on the 2021 Consolidated Financial Statements and the Annual Financial Statements of Merck KGaA, Darmstadt, Germany, which were then discussed in detail by the Audit Committee. This included a discussion of the sustainability topics contained in the non-financial statement. The auditor also reported on the audit of the financial statements and discussed the focus areas of the audit. The declaration of auditor independence was acknowledged and evaluated. The meeting also reviewed and resolved on the proposal on the appropriation of net retained profit to be submitted to the Supervisory Board, including the dividend payment by Merck KGaA, Darmstadt, Germany, for fiscal 2021. Furthermore, the Audit Committee acknowledged and discussed the written risk report. Based on an assessment of the quality of the previous audits, it also resolved to recommend that the Supervisory Board of Merck KGaA, Darmstadt, Germany, propose to the Annual General Meeting of Merck KGaA, Darmstadt, Germany, that KPMG Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin, be elected as the auditor of the Annual Financial Statements and Consolidated Financial Statements for fiscal 2022 and as the auditor responsible for conducting the audit review of the abridged financial statements and interim management report included in the half-year financial report as of June 30, 2022. Additionally, it resolved to recommend that the Supervisory Board propose the resolution of authorized capital to the 2022 Annual General Meeting. The Head of Group Internal Auditing then presented the report from Group Internal Auditing for 2021. The compliance and data protection report was also presented and discussed.

The report on the net assets, financial position, and results of operations of the Group for the first quarter of 2022 was presented to the meeting in May 2022, which was held in person. The Audit Committee then discussed the report in detail.

The meeting of the Audit Committee in July 2022, which was also held in person, began with a detailed discussion of the report on the net assets, financial position, and results from operations of the Group for the second quarter of 2022. The auditor then presented its half-year financial report, including a reference to the updated version of the German Corporate Governance Code (GCGC). Next, the Audit Committee resolved on the list of the individual audit and non-audit related services. A further focal point was the report on the key developments regarding the accounting-related internal control system (ICS), which the Audit Committee discussed in detail. The Audit Committee then discussed the planned changes to the financial controlling process in detail. This was followed by the risk management status report for the first half of 2022.

At the meeting in November 2022, which was held in person, the Chief Financial Officer and the Head of Group Accounting reported on the net assets, financial position, and results of operations of the Group in the third quarter of 2022. The income statement showed substantial sales growth compared with the same period of the previous year, which represented a considerable success in light of the difficult environment. The Audit Committee discussed the report on the third quarter in detail. It then reviewed the contractual terms for the annual audit of the financial statements and evaluated the audit of the financial statements and non-audit services following an extensive presentation by the Head of Group Accounting. Next, the planned scope of the audit of the financial statements was discussed with KPMG AG on the basis of the statutory provisions and the defined schedule. The company's internal control system was a further topic of discussion. In particular, this included a discussion of the IT systems used to support financial reporting. Next, the report on Group Internal Auditing and compliance and data protection was presented. Finally, the very positive results of the self-assessment by the Audit Committee were presented.

## Personnel matters and training

The Supervisory Board attended all the meetings in full. Edeltraud Glänzer attended the meetings in February and May prior to stepping down from the Supervisory Board, while Birgit Biermann attended the meetings in July and November after joining the Supervisory Board. The members of the Audit Committee attended all meetings of the Audit Committee. Edeltraud Glänzer attended the meetings in February and May, while her successor, Jürgen Glaser, attended the meetings in July and November.

The members of the Supervisory Board participated in a training on the implementation of the German Supply Chain Due Diligence Act and on sustainability.

Darmstadt, February 2023

The Supervisory Board of Merck KGaA, Darmstadt, Germany

Wolfgang Büchele

Chair

# Objectives of the Supervisory Board with respect to its Composition and Profile of Skills and Expertise

## Initial situation

According to recommendation C.1 of the German Corporate Governance Code in the version dated April 28, 2022, the Supervisory Board shall specify concrete objectives regarding its composition as well as prepare a profile of skills and expertise for the entire board. In its composition, the Supervisory Board shall take into account the number of independent members, consider the principle of diversity, specify an age limit, and disclose the term of Supervisory Board membership. The profile of skills and expertise for the Supervisory Board shall also comprise expertise regarding sustainability issues relevant to the enterprise.

## General notes on the composition of the Supervisory Board

The Supervisory Board of Merck KGaA, Darmstadt, Germany, currently comprises 16 members, of whom eight represent the shareholders and a further eight represent the employees. The eight employee representative members are elected by employee delegates pursuant to the provisions of the German Co-determination Act (MitbestG). These consist of six company employees, including a senior executive, as well as two union representatives. The Supervisory Board has no statutory right of proposal with respect to the election of delegates or employee representatives to the Supervisory Board. Two of the eight shareholder representatives are appointed under a delegation right of E. Merck Beteiligungen KG, Darmstadt, Germany, a related party of E. Merck KG, Darmstadt, Germany. The Supervisory Board also has no statutory right of proposal with respect to the exercise of this delegation right. The other six shareholder representatives are elected by the Annual General Meeting. In accordance with section 124 (3) sentence 1 AktG, the Supervisory Board shall propose Supervisory Board members to the Annual General Meeting 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 will take place at the 2024 Annual General Meeting. The Annual General Meeting is not required to follow the election proposals. Accordingly, the appointment objectives and competency requirements set out by the Supervisory Board below do not constitute requirements to be met by those eligible to elect or 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.

For the Supervisory Board of Merck KGaA, Darmstadt, Germany, professional qualifications and personal expertise are the two most important prerequisites for appointments to positions on the Supervisory Board. In accordance with the German Stock Corporation Act, at least one member of the Supervisory Board must have knowledge and expertise in the area of accounting, and at least one additional member of the Supervisory Board must have knowledge and expertise in the auditing of financial statements. The expertise in the field of accounting shall consist of special knowledge and experience in the application of accounting principles and internal control and risk management systems, and the expertise in the field of auditing shall consist of special knowledge and experience in the auditing of financial statements. Accounting and auditing also include sustainability reporting and its audit and assurance. The Chair of the Audit Committee shall have appropriate expertise in at least one of the two areas and shall be independent. 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 ensuring diversity among its members. In particular, diversity includes 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 to the Supervisory Board, the Supervisory Board shall consider in each case to what extent different, complementary specialist skills, professional and life experience, and an appropriate representation of both genders 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.

## Objectives of the Supervisory Board with respect to its composition

According to recommendation C.1 of the German Corporate Governance Code in the version dated April 28, 2022, the Supervisory Board has specified the following objectives regarding its composition, and reports below on their status of implementation.

### 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, America, and Asia-Pacific. The present composition of the Supervisory Board satisfies this objective. More than three Supervisory Board members have entrepreneurial experience in a wide range of European 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 a share of women of 37.5%. When nominating candidates for election to the Supervisory Board or making proposals for delegations, the Supervisory Board shall examine whether the percentage of women can be increased by suitable candidates. The Supervisory Board considers the 37.5% share of female members to be satisfactory at the present time. This is due to the percentage of women in leadership positions at our company and in consideration of the composition of the Supervisory Boards of other companies of comparable size.

### Independence

The Supervisory Board shall have an appropriate number of independent shareholder representatives as members. In any case, at least five of the shareholder representatives on the Supervisory Board shall be independent. According to the Articles of Association of Merck KGaA, Darmstadt, Germany, six members representing the shareholders are to be elected by the Annual General Meeting, and two members are to be delegated. Taking this and the special ownership structure of Merck KGaA, Darmstadt, Germany, into account, the shareholder representatives consider five shareholder representatives to be an appropriate number of independent members. In the opinion of the shareholder representatives, the objectives concerning independent members are met at the present time. The shareholder representatives consider the following members to be independent: Wolfgang Büchele, Michael Kleinemeier, Renate Koehler, Peter Emanuel Merck, Helene von Roeder, Helga Rübsamen-Schaeff, Daniel Thelen, and Simon Thelen. In particular, the shareholder representatives do not believe that membership of the Board of Partners of E. Merck KG, Darmstadt, Germany, conflicts with independence. The Board of Partners exists to complement the skills and expertise of the Supervisory Board and its activities. This is not expected to 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, thus counteracting from the outset any conflicts of interest between E. Merck KG, Darmstadt, Germany, and Merck KGaA, Darmstadt, Germany, and hence any corresponding conflicts of interest between the members of the respective corporate boards.



## No material conflicts of interest

Moreover, no one shall be proposed for election to the Supervisory Board who simultaneously serves on a board of or advises a major competitor of the company, or who, owing to another function, such as advisor to major contractual partners of the company, could potentially become involved in a conflict of interest. No Supervisory Board member serves on a board of or advises a major competitor. Moreover, no Supervisory Board member performs a function that could lead to a lasting conflict of interest.

## Age limit

As a rule, the members of the Supervisory Board shall not exceed the age of 75. This objective is met at the present time.

## Regular limit on the length of Supervisory Board membership

The objective of the Supervisory Board regarding its composition is that, as a rule, all members shall belong to the board for an uninterrupted period of no more than 12 years. This objective is also met at the present time. The length of membership of the Supervisory Board members is set out in the “Procedures of the Executive Board, Supervisory Board, Board of Partners, and its Committees” section of the Statement on Corporate Governance.

## Profile of skills and expertise

Additionally, in accordance with recommendation C.1 of the German Corporate Governance Code in the version dated April 28, 2022, the Supervisory Board has prepared a profile of skills and expertise and reports on the status of implementation below.

	Sector Knowledge (HC and LS/EL)	Management Experience	Accounting incl. Sustainability Reporting <sup>1,2</sup>	Auditing <sup>2</sup>	External Supervisory or Control Bodies <sup>3</sup>	Sustainability	Business Administration
Wolfgang Büchele (Chair)	•	•	•	•	•	•	•
Sascha Held (Vice Chair)	•	•	-	-	-	•	•
Birgit Biermann	-	•	-	-	•	•	-
Gabriele Eismann	•	•	-	-	-	•	•
Jürgen Glaser		•	-	-	•	-	•
Michael Kleinemeier	•	•	-	-	•	•	•
Renate Koehler	•	•	-	-	-	-	-
Anne Lange	•	•	-	-	-	•	•
Peter Emanuel Merck	•	•	-	-	•	•	•
Dietmar Oeter	•	•	•	-	-	•	•
Alexander Putz	•	•	-	-	-	•	•
Christian Raabe	•	•	•	-	-	•	•
Helene von Roeder	-	•	•	•	•	-	•
Helga Rübsamen-Schaeff	•	•	•	-	•	•	•
Daniel Thelen	•	•	•	-	•	-	•
Simon Thelen	•	•	-	-	-	-	•

<sup>1</sup> Including internal control system & risk management system.

<sup>2</sup> According to the German Corporate Governance Code, experience in the fields of accounting and auditing requires own activity in these areas.

<sup>3</sup> Not Supervisory Board or Board of Partners in the Group.

• Criterion met, based on a self-assessment by the Supervisory Board. A dot means at least “good knowledge” and thus the ability to understand the relevant issues well and make informed decisions on the basis of existing qualifications, the knowledge and experience acquired in the course of work as a member of the Supervisory Board (for example, many years of service on the Audit Committee) or the training measures regularly attended by all members of the Supervisory Board.

### In-depth knowledge of the fields relevant to the company

The Supervisory Board shall have at least four members with in-depth knowledge of and experience in fields that are important to the company, including at least one expert for the Life Science and Healthcare/Electronics business sectors. This requirement is met at the present time. At present, more than four members of the Supervisory Board have in-depth knowledge and experience in the fields of Life Science, Healthcare and Electronics. In addition, more than four Supervisory Board members also have executive experience in companies that also or exclusively operate in the Life Science and Healthcare/Electronics business 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. They include Supervisory Board members who were or still are members of the management or executive board at relevant companies, as well as Supervisory Board members who have gained experience in supervisory bodies of German or foreign companies of this size.

### Knowledge of business administration

The Supervisory Board must have at least four members who have in-depth knowledge of business administration and at least one member who has professional expertise in accounting or auditing. This requirement is met at the present time.

### Experience in other supervisory or control bodies

In addition, the Supervisory Board shall have at least four members who have experience as members of other supervisory or control bodies (not including membership of the Board of Partners of E. Merck KG, Darmstadt, Germany). This requirement is also met at the present time.

### Sustainability expertise

Finally, the profile of skills and expertise for the Supervisory Board shall also comprise expertise regarding sustainability issues relevant to the enterprise. The majority of the Supervisory Board members have such expertise.



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**DESIGN**

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