Compensation Report

This Compensation Report describes the structure and application of the compensation system for the Executive Board of Merck KGaA, Darmstadt, Germany, in fiscal 2023. It provides a transparent overview of the relationship between compensation and performance, and presents the compensation awarded or due to the members of the Executive Board and the Supervisory Board in fiscal 2023. Both, the Supervisory Board and the Executive Board have jointly prepared the Compensation Report in accordance with section 162 of the German Stock Corporation Act (AktG) as well as the German Corporate Governance Code in the version dated April 28, 2022. It is formally audited in accordance with section 162 (3) AktG as well as materially audited by Deloitte Wirtschaftsprüfungsgesellschaft GmbH. The Compensation Report and the corresponding audit opinion can be found on our website.

The legislation and regulations relating to the Compensation Report are geared toward the situation at a German stock corporation (“Aktiengesellschaft” or “AG”) and do not take into consideration the special characteristics of a corporation with general partners (“Kommanditgesellschaft auf Aktien” or “KGaA”), such as our company. 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). Unlike the management board members of an AG, the members of the Executive Board of our company are personally liable partners of both Merck KGaA, Darmstadt, Germany, and the general partner E. Merck KG, Darmstadt, Germany, and not merely employed members of a corporate board. Given the structural differences between an AG and a KGaA, several recommendations of the German Corporate Governance Code apply to a KGaA only in a modified form.

Review of fiscal 2023

Fiscal 2023 was a challenging year, which ended with a satisfactory business result despite difficult macroeconomic conditions. These challenging conditions were also evident in the share price development.

Ultimately, the diversified business model had a positive impact on our business results. The Life Science business sector faced a noticeable decline in demand for products and services related to the Covid-19 pandemic and the destocking of our Process Solutions customers, which lasted longer than expected. At the same time, the Electronics business sector was impacted by a prolonged downcycle in Semiconductor Solutions and low customer utilization in Display Solutions. The Healthcare business sector made a positive contribution to the company’s success in fiscal 2023. Our new healthcare products led to robust growth. In particular, sales of multiple sclerosis drugs and oncology drugs achieved good sales in our opinion.

In fiscal 2023, we continued to focus on achieving our three core sustainability targets. In the long term, we want to fully integrate sustainability into our value chains, contribute to human progress for more than one billion people through sustainable science and technology, continue to reduce our resource consumption, and achieve climate neutrality. To encourage the implementation of our long-term sustainability targets, corresponding key sustainability indicators and targets were also integrated in the sustainability factor of the Long-term Incentive Plan granted in 2023 (LTIP 2023).

For the members of the Executive Board, the contractually agreed compensation remained unchanged and there were no increases in fiscal 2023. In 2021, the LTIP was revised with a term of four years (previously three years). This extension of the performance cycle results in a one-time payout gap. As a consequence, the members of the Executive Board will not receive any payout from the Long-Term Incentive Plan for fiscal 2023 and there will also be no other payment to bridge the gap. We will report on the target achievement and payout of the LTIP tranche 2021, which runs until December 31, 2024, in the next Compensation Report.

The profit sharing ensures that the Members of the Executive Board act in line with the interests of both the shareholders and owners. It is based on the average of the profit after tax of The Group of E. Merck KG, Darmstadt, Germany, of the current year and the two previous years, to ensure a long-term orientation. Thus, the profit sharing for the 2023 financial year considers the very successful years 2021, 2022 as well as the current challenging year 2023.

In fiscal 2023, Marcus Kuhnert stepped down as Chief Financial Officer and Member of the Executive Board of Merck KGaA, Darmstadt, Germany as of June 30, 2023. On July 1, 2023, Helene von Roeder took over the position of Chief Financial Officer. Since 2019, she had been a member of both the Supervisory Board of Merck KGaA, Darmstadt, Germany, and the Board of Partners of E. Merck KG, Darmstadt, Germany. During that time, she was also Chair of the Audit and Finance Committee. She has resigned from these mandates and left the Supervisory Board effective April 17, 2023. Barbara Lambert was appointed to the Supervisory Board with effect from August 11, 2023.

Approval of the Compensation Report 2022

At the Annual General Meeting 2023, the Compensation Report 2022 was approved with a voting result of 84.63% in accordance with section 120a (4) AktG. Only shareholders of Merck KGaA, Darmstadt, Germany, are entitled to vote at the Annual General Meeting.

In the course of the Annual General Meeting 2023 and in numerous discussions thereafter, we received feedback from investors, all relevant shareholder associations and proxy advisors on the compensation of the Executive Board as well as the presentation of the Compensation Report.

As in the previous year, we are following suggestions from our investors, we are publishing the target corridor of the respective key performance indicators of the sustainability factor for the second time at the beginning of the performance cycle of the Long-Term Incentive Plan (LTIP).

To provide a complete overview of the compensation system, we continue to describe the most important components of the Compensation Report in detail and at the same time have improved the presentation. In addition, we have further clarified the description of the maximum compensation, illustrating how the different compensation components are limited.

Some discussions with investors focused on the level of the compensation of the Executive Board compared with other companies. In this context, it should be noted that the position of the members of the Executive Board as personally liable partners does explain a different level and structure of compensation. On a regular basis, we initiate a compensation benchmark to assess the level of our compensation. To consider, the criteria of country, size and industry as well as our global business activities and the various business sectors, two peer groups were used for comparison: the DAX® companies and a peer group of international competitors. The latter peer group of international competitors represents our three business sectors (Life Science, Healthcare and Electronics) and includes companies which are headquartered in Europe as well as in the USA.

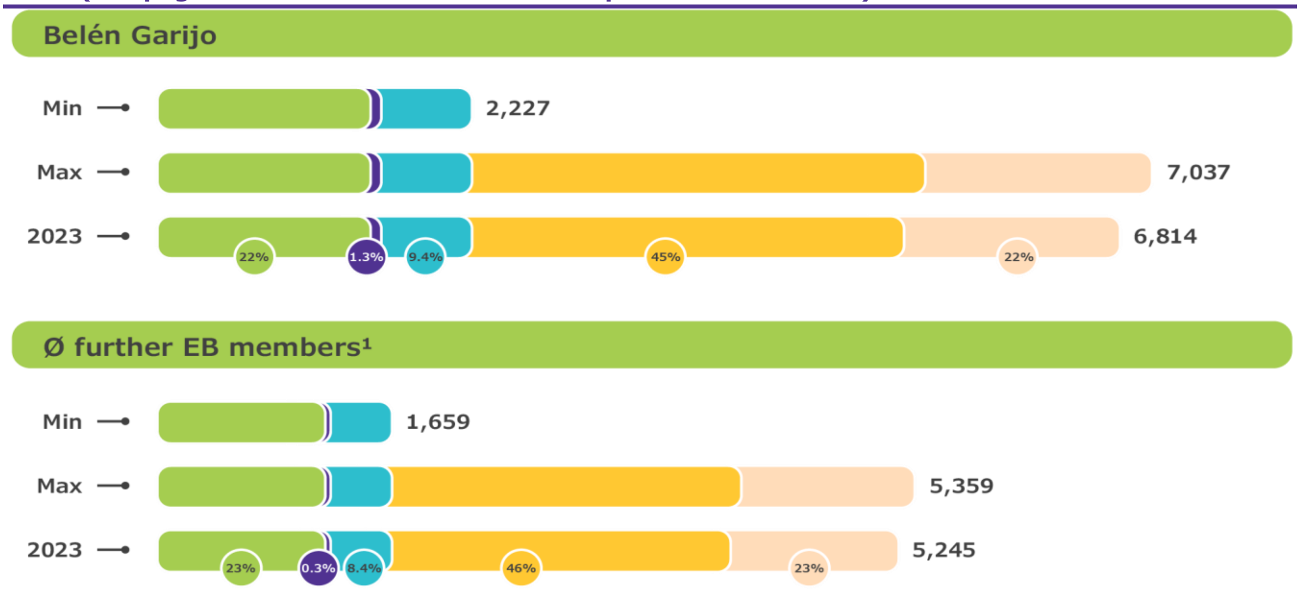
In addition, we have again decided to follow the presentation and interpretation of section 162 (1) of the German Stock Corporation Act (AktG) chosen last year for the compensation tables. In this context, we also monitor the practices of other companies to align with common market practice where necessary.

The exchange with our investors is an important and continuous process. During the Annual General Meeting 2024 and also as part of the review of the compensation system for the Annual General Meeting 2025, we will regularly continue to obtain feedback and stay in dialogue with investors. In this way, we can ensure that we receive constructive and valuable feedback, which can be considered in the upcoming review and potential adjustment to the compensation system and decisions of the Personnel Committee. Accordingly, we will report on the feedback received in the next compensation report.

Compensation for fiscal 2023 – Summary

For fiscal 2023, no payment will be made from the LTIP. In 2021, an LTIP was introduced, with a performance period of four years in total (previously three years). As a result, there is a one-time payout gap without bridging payments. The LTIP is therefore not considered in the following graphics below. As a result, the maximum values represent the sum of the base salary, additional benefits and service costs for fiscal 2023 as well as the maximum amount of profit sharing.

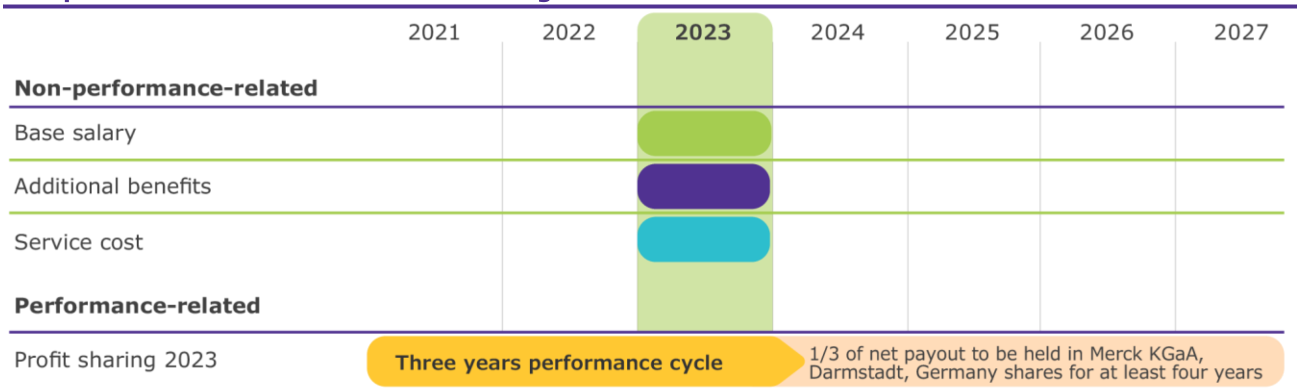
Summary of the compensation for the Executive Board members' performance up to December 31, 2023 (see page 8 below "Executive Board Compensation for 2023")



- Base salary
- Additional benefits
- Service cost
- 2/3 of profit sharing 2023 (free disposal)
- 1/3 of profit sharing 2023 (to be held in shares for 4 years)

[1] The average calculation includes the compensation of Kai Beckmann, Peter Guenter and Matthias Heinzel. Peter Guenter's compensation payment is not illustrated. Since Marcus Kuhnert left the Executive Board and Helene von Roeder became a member of the Executive Board during the year, their pro-rated compensation would distort the illustration and have therefore not been considered.

Compensation for fiscal 2023[1] – Chronological overview



[1] In 2021, the revised LTIP with a performance cycle of four years (previously three years) was introduced which resulted in a one-time payout gap without bridging payments. The LTIP tranche 2021 runs until December 31, 2024, and will be paid out in April 2025 due to the one-year holding period. That is the reason why the LTIP tranche 2021 is not included in the chronological overview.

Determining the compensation of the Executive Board

At our company, unlike at publicly listed German stock corporations, it is not the Supervisory Board but the Board of Partners of E. Merck KG, Darmstadt, Germany, that is responsible for designing and reviewing the compensation system and deciding on the amount and composition of compensation paid to Executive Board members. The Board of Partners has assigned this task to its Personnel Committee. As a result, the Personnel Committee is responsible for the development and regular review of the compensation system, i.e. structuring and examining of the performance-independent and performance-related compensation elements. The Personnel Committee also takes into account the compensation system for managers and employees below Executive Board level to ensure consistency and a uniform steering effect between the compensation systems. Furthermore, the Personnel Committee is responsible for defining the annual targets and thresholds of the key performance indicators for the performance-related compensation elements.

In addition to structuring the Executive Board compensation system, the Personnel Committee is responsible for defining the specific amounts of compensation paid to the members of the Executive Board. The compensation paid to the members of the Executive Board considers the responsibilities and duties of the individual Executive Board members and in particular, their status as personally liable partners, their individual performance and the economic situation as well as the performance and future prospects of the company.

Furthermore, Executive Board compensation is oriented toward the external peer environment of our company, which comprises the DAX® companies as well as a group of selected international competitors:

German peer group

DAX®

+

International peer group

- Agilent
- Air Liquide
- AstraZeneca
- Bayer
- Biogen
- Bio-Rad
- Danaher
- DuPont
- Entegris
- GlaxoSmithKline
- Infineon
- Lonza
- MSD
- Novartis
- Philips
- Roche
- Sanofi
- Sartorius
- Thermo Fisher
- UCB

The international peer group was defined considering the size, business area and geographic location of the headquarters of the respective competitors. Overall, the peer group offers an appropriate ratio of companies headquartered in Europe and the United States as well as a balanced coverage of the Life Science, Healthcare and Electronics business sectors. Based on the size criteria of sales, number of employees and market capitalization, the Group positions itself around the median of this international peer group.

Moreover, for the determination of the specific compensation amounts, the relations between Executive Board compensation, top management compensation and workforce compensation will be considered also based on a multi-year assessment. Top management is defined as senior levels of management below the Executive Board in Germany. The average compensation of an employee in full-time employment in Germany is considered in the determination of the compensation of the remaining staff.

The Personnel Committee regularly reviews the amount and structure of the Executive Board compensation by referring to the peer groups described and with the assistance of an independent compensation consultant.

Overview of the structure of the compensation system

Compensation components

Executive Board compensation includes three main components: base salary, profit sharing and the Long-Term Incentive Plan. It is complemented by contributions to the company pension plan as well as additional benefits. Additional compensation arrangements also exist for the members of the Executive Board, in particular malus and clawback provisions and a Share Ownership Guideline.

The performance-related compensation elements – profit sharing and the Long-Term Incentive Plan – are based on a multi-year performance period and as such are fully oriented toward the company's long-term development. In addition, there is a strong reference to the company's share price, to provide for special focus on our shareholders' interests. The key performance indicators selected for variable compensation are derived from the corporate strategy and form part of our central controlling system. In this way, the variable compensation of the Executive Board members is used as a strong steering tool to ensure a focus on our objective of long-term profitable growth accompanied by strong cost discipline.

The following diagram provides an overview of all the elements of the compensation system for Executive Board members:

Non-performance-related compensation

Base salary

Additional benefits

Pension entitlement

Performance-related compensation

Profit sharing

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

Long-Term Incentive Plan

- Performance Share Plan based on virtual shares (Share Units of Merck KGaA, Darmstadt, Germany)
- Key performance indicators: share price performance relative to the DAX® (50%), EBITDA pre margin (25%), organic sales growth (25%)
- Sustainability factor ranging from 0.8 to 1.2 based on the sustainability goals “Dedicated to human progress”, “Partnering for sustainable business impact” and “Reducing our ecological footprint”
- Absolute capped amount totaling 250% of the individual grant
- Four-year performance period with three-year achievement period and subsequent one-year holding period

Other components

Malus & Clawback

Potential applications:

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

Share Ownership Guidelines

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

Executive Board compensation for 2023

The performance-related and performance-independent components of the compensation system for the Executive Board in fiscal 2023 are fully consistent with the Executive Board compensation system approved by the Annual General Meeting 2021 with a voting result of 87.08%. The compensation system for the Executive Board is published on our **Website** and applies to all members of the Executive Board since January 1, 2021. The Personnel Committee ensures compliance with the compensation system by deciding by resolution on the parameters of the compensation elements (e.g. target setting, determination of target achievement, etc.) as well as on the amounts to be paid out.

The following section reports on the compensation awarded or due in accordance with section 162 (1) AktG. Accordingly, the following sections contain all amounts paid to individual members of the Executive Board (active and former members) in fiscal 2023 (compensation awarded) as well as all amounts legally due but not yet received (compensation due).

In addition, the compensation for which the members of the Executive Board have provided the underlying service in full by December 31, 2023, but whose payment will be made in the following year, is disclosed on a voluntary basis. This enables transparent information and ensures the link between performance and compensation in the fiscal year. This year, the voluntary reporting only concerns profit sharing for 2023. The Personnel Committee has provisionally determined the payout amounts of the profit-sharing by resolution and informed the members of the Executive Board accordingly. The final amount will be paid to the members of the Executive Board after the consolidated financial statements of E. Merck KG, Darmstadt, Germany, have been released. After amending the compensation system of the Executive Board effective January 1, 2021, an additional one-year holding period was introduced for the LTIP, which applies for the first time to the LTIP Tranche 2021. Therefore, the performance period of the LTIP tranche 2021 will run until the end of fiscal 2024 and payout will be made in April 2025. The LTIP tranche 2020, however, ran until the end of fiscal 2022 and was paid out in April 2023. As a result, payout of the LTIP tranche 2021 can only be reported on a voluntary basis in the Compensation Report 2024. The obligation to report on the LTIP tranche 2021 applies for the first time in the Compensation Report 2025.

Performance-independent compensation

Base salary

As base salary, the members of the Executive Board receive contractually fixed performance-independent amounts that are paid in the form of 12 equal monthly installments. There was no increase of the base salary in fiscal 2023.

Additional benefits

The additional benefits mainly include company cars for personal use, contributions to insurance policies and expenses for personal protection.

In addition, as compensation for the loss of entitlements to variable compensation from his previous employment relationship, Peter Guenter received upon the initial appointment in fiscal 2021 a commitment to compensation totaling € 1,500,000.00. The entitlement has been verified in the context of his initial appointment based on supporting documents and the amount has been determined accordingly. The compensation is to be paid in cash in four equal installments. The first installment was paid on July 1, 2021, the second installment was paid on July 1, 2022, and the third installment was paid on July 1, 2023. The final installment will be paid out on July 1, 2024, provided the employment relationship continues.

As part of the initial appointment as a member of the Executive Board, compensation commitments were agreed with Helene von Roeder to compensate for the loss of entitlements to both short-term and long-term variable compensation from her previous position on the Management Board at Vonovia SE. The loss of variable compensation claims against Vonovia SE were proven on the basis of corresponding supporting documents. The compensation for the loss of the short-term incentive for the year 2023 covers the period until her appointment to the Executive Board of Merck KGaA, Darmstadt, Germany, (January 1, 2023 to June 30, 2023) and amounts to € 257,125. The amount will be paid out in fiscal 2024. The compensation for the loss of long-term incentive fiscal 2023 covers the period until her appointment to the Executive Board of Merck KGaA, Darmstadt, Germany (January 1, 2023 to June 30, 2023) and is based on the Long-Term Incentive Plan Rules of Vonovia SE for the year 2023, whose performance period runs from the beginning of 2023 to the end of 2026. As a corresponding compensation payment, 50% of the gross amount that would have resulted from Helene von Roeder's complete entitlement to the long-term incentive for the year 2023 is to be reimbursed. However, the maximum payout amount according to Vonovia's Long-Term Incentive Plan Rules will be considered. Therefore, the amount can only be calculated after the publication of the 2026 annual financial statements of Vonovia SE and will be paid out in 2027. Should it not be possible to calculate the payout amount, 50% of the allocation value of Vonovia's long-term incentive for 2023 will be paid out (€ 618,750). In this way, it is ensured that Helene von Roeder is only compensated for the actual loss of long-term incentive. The entitlement to the compensation payment has arisen in full. In fiscal 2023, provisions of € 695,549 were made regarding this compensation.

Pension entitlement

The members of the Executive Board are granted a pension obligation as a direct commitment. A fixed amount is paid into a benefit account every year and interest is paid at the applicable statutory maximum technical interest rate for the life insurance industry in accordance with section 2 (1) of the German Regulation on the Principles Underlying the Calculation of the Premium Reserve (DeckRV). Once the pension event occurs, the amount in the benefit account is paid out either in ten annual installments or as a one-time payment. The pension event occurs upon retirement, in the event of occupational disability or death.

After leaving the Executive Board, Marcus Kuhnert retains a vested entitlement to the pension account, which will be granted to him upon the occurrence of the pension event. In fiscal 2023, no pension contributions were increased.

Pension obligations

		IAS 19			
		Service cost		Present value of the pension obligation as of December 31	
€ thousand	Contribution level	**2023**	2022	**2023**	2022
Belén Garijo	650	638	638	7,858	7,057
Kai Beckmann	450	435	439	6,875	6,309
Peter Guenter	450	435	437	1,357	893
Matthias Heinzel	450	454	462	1,405	832
Marcus Kuhnert (Left: June 30, 2023)[1]	400	396	401	5,197	4,717
Helene von Roeder (Entry: July 1, 2023)	225	268	–	268	–
Total	**2,625**	**2,626**	**2,377**	**22,960**	**19,808**

[1] The pension contribution for 2023 has been fully paid out into the pension account.

Performance-related compensation

Performance-related compensation comprises profit sharing as well as the Long-Term Incentive Plan (LTIP).

Profit sharing

As regards profit sharing, an individual profit-sharing rate is contractually defined for the members of the Executive Board as a per mille rate of the three-year average of the consolidated profit after tax of E. Merck KG, Darmstadt, Germany. Fiscal 2023 and the two preceding fiscal years are included in the calculation.

The use of profit after tax as the key performance indicator, which also serves as the basis for dividend payments, ensures very close alignment with shareholder interests.

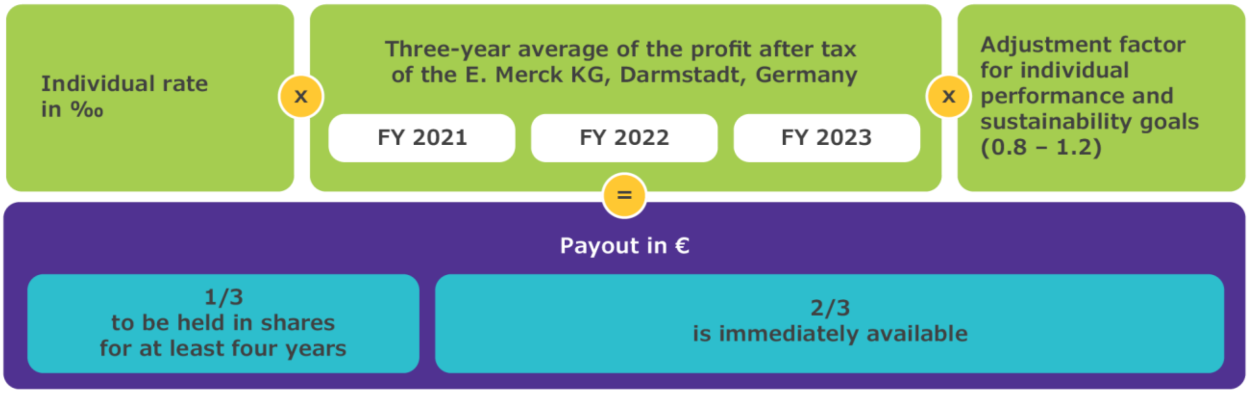
To appropriately consider the individual performance of the Executive Board members, the Personnel Committee may modify the payment by applying a factor ranging from 0.8 to 1.2. In determining the level of this factor, the Personnel Committee applies the following criteria, which also include sustainability goals.

Bonus criteria for increasing profit sharing	Malus criteria for decreasing profit sharing
• Extraordinary contributions to the sustainability goals and performance criteria “Dedicated to human progress”, “Partnering for sustainable business impact” and “Reducing our ecological footprint” (e.g. CO_2 reduction, employee satisfaction, customer satisfaction, Corporate Social Responsibility, diversity)	• Significantly failing to meet the sustainability goals and performance criteria “Dedicated to human progress”, “Partnering for sustainable business impact” and “Reducing our ecological footprint” (e.g. CO_2 reduction, employee satisfaction, customer satisfaction, Corporate Social Responsibility, diversity)
• Extraordinary success in connection with M&A activities of the Group	• Violations of internal rules and regulations (for instance our Code of Conduct), laws or other binding external requirements in the area of responsibility
• Extraordinary success in the sustainable strategic, technical, product-related or structural further development or reorganization of the Group	• Significant breaches of duty of care within the meaning of section 93 of the German Stock Corporation Act or other grossly non-compliant or unethical behavior
• Extraordinary performance in the execution of especially important projects or the achievement of other exceptionally important objectives in the area of responsibility	• Behaviors or actions that are contradictory to our company values
• Extraordinary performance leading to a clear overachievement of targets for relevant key performance indicators in the area of responsibility	• Failure to execute especially important projects or failing to achieve other exceptionally important objectives in the area of responsibility
	• Clear failure to achieve targets for relevant key performance indicators in the area of responsibility

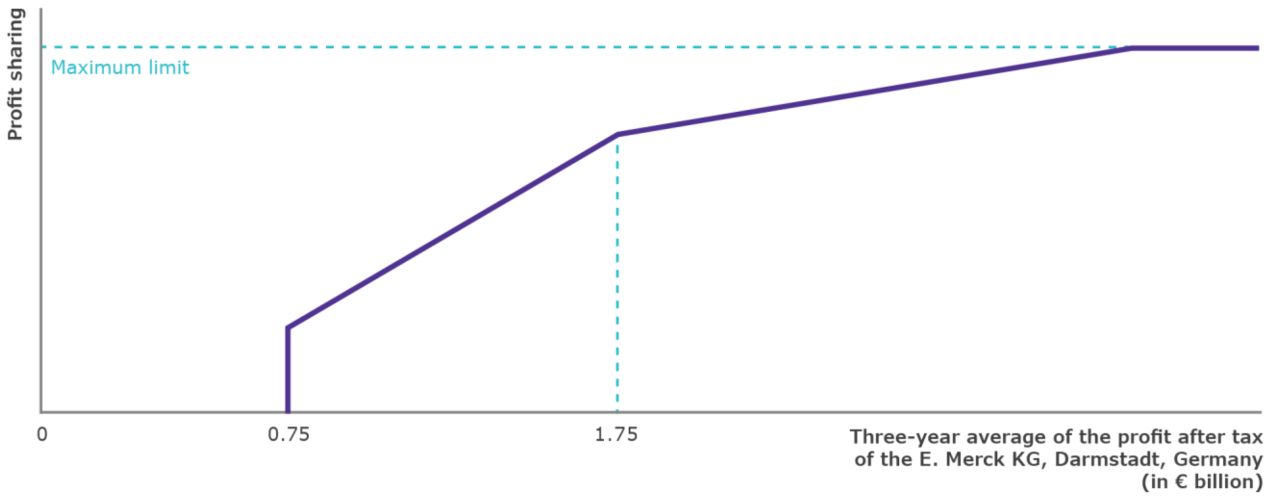
The performance factor makes it possible to recognize outstanding performance by a member of the Executive Board by multiplying profit sharing by a value greater than 1.0 up to 1.2. Similarly, multiplying by a value less than 1.0 down to 0.8 can reduce profit sharing if the circumstances call for it.

The members of the Executive Board are obligated to hold one-third of the payout of the profit sharing in shares of Merck KGaA, Darmstadt, Germany, for at least four years. Further details are provided under the heading “**Share Ownership Guideline**”.

The following illustration shows the profit sharing for fiscal 2023:



An average profit after tax of at least € 0.75 billion must be generated for the profit-sharing payment to be made. This minimum threshold reflects the “pay-for-performance” approach of the compensation system. If the profit exceeds this threshold, the individual profit-sharing rates are staggered as illustrated in the following graphic:



The maximum profit-sharing payment is capped individually. It amounts to € 4,810 thousand for Belén Garijo, € 3,500 thousand for Kai Beckmann, € 3,900 thousand for Peter Guenter, € 3,900 thousand for Matthias Heinzel and € 3,300 thousand for both Marcus Kuhnert and Helene von Roeder. In fiscal 2023, the maximum payout for Marcus Kuhnert is € 1,650 thousand due to leaving the Executive Board on June 30, 2023, and for Helene von Roeder it amounts also to € 1,650 thousand due to her entry on July 1, 2023.

The three-year average that is relevant for fiscal 2023 was based on the profit after tax generated by the Group of E. Merck KG, Darmstadt, Germany, in 2021, 2022 and 2023 as illustrated in the following graphic and table:

Profit after tax of the Group of E. Merck KG, Darmstadt, Germany

€ million	2020	2021	2022	**2023**
Profit after tax of the Group of E. Merck KG, Darmstadt, Germany	1,915	3,003	3,288	2,760
Three-year average profit after tax of the Group of E. Merck KG, Darmstadt, Germany (2020–2022)		2,735		
Three-year average profit after tax of the Group of E. Merck KG, Darmstadt, Germany (2021–2023)			3,017	

The Personnel Committee has set the adjustment factor at 1.0 for all members of the Executive Board, taking into account individual performance and contribution to the sustainability targets against the background of the agreed criteria. This is in recognition of the achievements of the members of the Executive Board for fiscal 2023. The Executive Board faced many challenges as a result of difficult macroeconomic conditions, headwinds from competitors, and the fact that studies with Evobrutinib did not achieve the desired success in a late test phase. The Personnel Committee acknowledges that, thanks to the commitment of the members of the Executive Board, fiscal 2023 could be closed satisfactorily under the given conditions. In addition to the economic aspect, the members of the Executive Board continued to focus on our three key sustainability targets. Sustainable leadership and well-thought-out decisions by the Executive Board have ensured that the Group remains focused on long-term growth.

Considering the relevant three-year average of profit after tax for the Group of E. Merck KG, Darmstadt, Germany, the individual sharing rates and the performance factor, the profit sharing and the shareholding obligation for fiscal 2023 are as follows:

Profit sharing 2023 summary

	Three-year average profit after tax of the Group of E. Merck KG, Darmstadt, Germany (€ million)	Average individual profit-sharing rate 2023 (in per mill)[1]	Performance factor for individual performance	Payout amount (€ thousand)	thereof shareholding obligation (1/3) (€ thousand)[2]
Belén Garijo	3,017	1.52	1.0	4,587	1,529
Kai Beckmann		1.10	1.0	3,333	1,111
Peter Guenter		1.23	1.0	3,712	1,237
Matthias Heinzel		1.23	1.0	3,712	1,237
Marcus Kuhnert (until June 30, 2023)[3]		0.52	1.0	1,567	522
Helene von Roeder (since July 1, 2023)[4]		0.52	1.0	1,567	522

[1] Payout amount of profit sharing in relation to the three-year average after tax.
[2] Gross amount - investment is based on net amount.
[3] Pro-rated for January 1, 2023 until June 30, 2023.
[4] Pro-rated for July 1, 2023 until December 31, 2023.

The profit-sharing 2023 will be paid out in April 2024, while one-third must be held in shares of Merck KGaA, Darmstadt, Germany, for at least four years. Further details of the investment obligation can be found under „**Share Ownership Guideline**".

In fiscal 2023, the profit sharing for fiscal 2022 already explained in detail in the Compensation Report 2022 was paid out, which is thus reported as compensation awarded or due in fiscal 2023 in accordance with section 162 of the German Stock Corporation Act (AktG). Further details can be found in the following table from the previous year:

Profit sharing 2022 summary

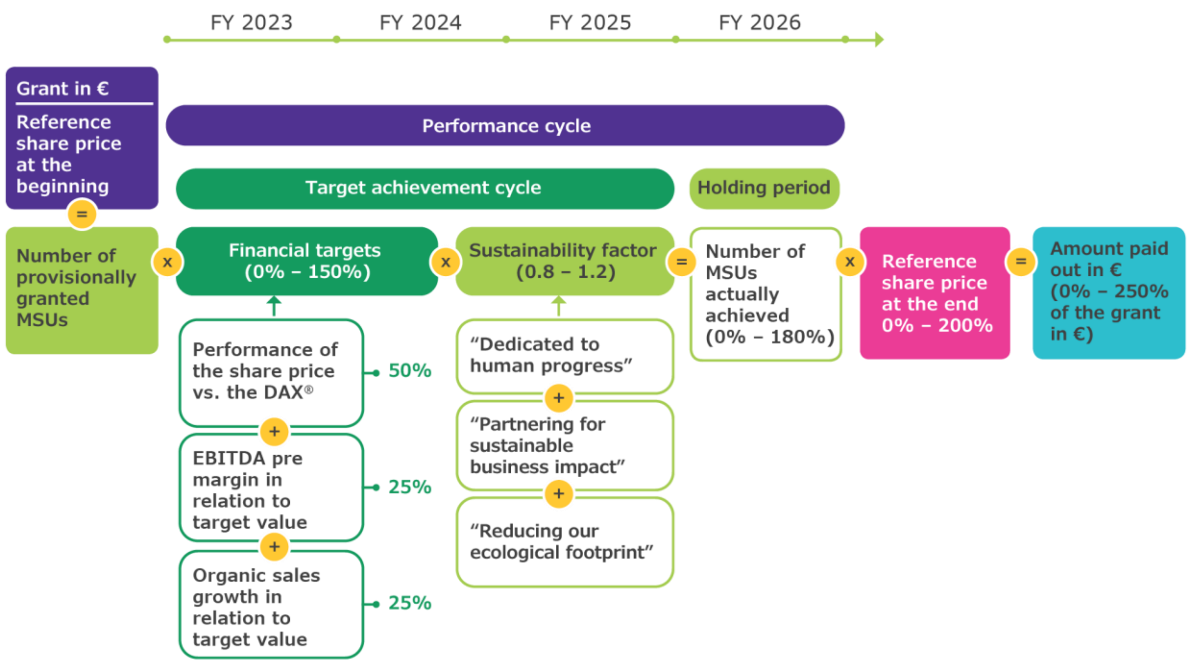
	Three-year average profit after tax of the Group of E. Merck KG, Darmstadt, Germany (€ million)	Average individual profit-sharing rate 2022 (in per mill)[1]	Performance factor for individual performance	Payout amount (€ thousand)	thereof share holding obligation (1/3) (€ thousand)[2]
Belén Garijo	2,735	1.60	1.0	4,390	1,463
Kai Beckmann		1.17	1.0	3,193	1,064
Peter Guenter		1.30	1.0	3,552	1,184
Matthias Heinzel		1.30	1.0	3,552	1,184
Marcus Kuhnert		1.09	1.0	2,993	998

[1] Payout amount of profit sharing in relation to the three-year average after tax.
[2] Gross amount - investment is based on net amount.

Long-Term Incentive Plan (LTIP)

Long-Term Incentive tranche for fiscal 2023

The Long-Term Incentive Plan is designed as a virtual performance share plan. It is based on a four-year future-oriented performance cycle that is composed of a three-year target achievement cycle and, since the 2021 tranche, a subsequent one-year holding period. In addition to three financial performance indicators, the LTIP has taken sustainability targets into account since fiscal 2022. These targets are linked to a sustainability factor. The sustainability factor has a range of 0.8 to 1.2 and can increase or reduce the target achievement resulting from the financial key performance indicators by up to 20%. The following graphic illustrates the calculation of the Share Units of Merck KGaA, Darmstadt, Germany (MSUs) as well as the functionality of the sustainability factor.



Calculation of the MSUs

As part of the LTIP, members of the Executive Board are provisionally granted a certain number of virtual shares, so-called share units of Merck KGaA, Darmstadt, Germany ("MSUs"). The number of MSUs is calculated as follows: An individual grant in Euros is set for each Executive Board member. Every year, this grant is divided by the definitive reference share price at the beginning of the performance cycle, resulting in the number of MSUs that the respective member is provisionally entitled to receive.

In fiscal 2023, the allocation of the LTIP tranche 2023 was made on the basis of the following parameters:

LTIP Tranche 2023 allocation

	Grant amount (€ thousand)	Reference Group share price at the beginning (in €)	Number of provisionally granted MSUs	Maximum payout (€ thousand)
Belén Garijo	2,300	173.46	13,260	5,750
Kai Beckmann	1,715		9,887	4,288
Peter Guenter	1,900		10,954	4,750
Matthias Heinzel	1,900		10,954	4,750
Marcus Kuhnert (until June 30, 2023)[1]	1,400		8,071	3,500
Helene von Roeder (since July 1, 2023)	700		4,036	1,750

[1] Payout will be pro-rated based on the termination agreement.

The number of MSUs actually allocated to the Executive Board members after the end of the target achievement cycle depends on the development of the financial performance indicators and the sustainability factor during the three-year target achievement cycle.

Based on the three financial performance indicators, the number of MSUs allocated may be between 0% and 150% of the provisionally granted MSUs. The resulting number of MSUs is then multiplied by the sustainability factor.

The sustainability factor target achievement can range between 0.8 and 1.2 and is determined by the predefined sustainability key indicators. Thus, the total number of MSUs actually allocated can amount to a maximum of 180% of the provisionally granted MSUs.

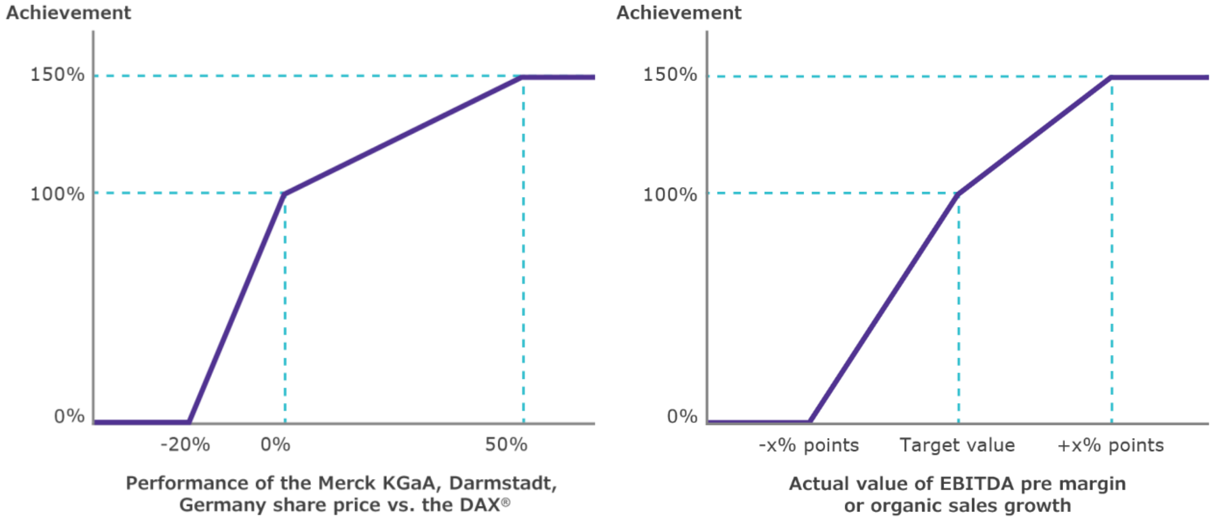
The target achievement cycle is followed by a one-year holding period. The final payout amount may be between 0% and a maximum of 250% of the amount originally granted and depends on the number of MSUs actually allocated and the reference share price at the end of the performance cycle.

Financial key performance indicators

The relevant financial key performance indicators are:

- The performance of the share price of Merck KGaA, Darmstadt, Germany, compared with the performance of the DAX® with a weighting of 50%,
- The EBITDA pre margin as a proportion of a defined target value with a weighting of 25%, and
- The organic sales growth of the Group as a proportion of a predefined target value with a weighting of 25%.

The number of MSUs actually allocated after the end of the target achievement cycle is based on the following target achievement curves. The targets and thresholds for the key performance indicators of the EBITDA pre margin and organic sales growth are defined by the Personnel Committee at the start of the performance cycle and subsequently published in the Compensation Report.



Non-financial key indicators of the sustainability factor

With the introduction of the sustainability factor in fiscal 2022, our sustainability strategy also becomes incorporated into the LTIP. On the basis of the sustainability goals ("Dedicated to human progress", "Partnering for sustainable business impact" and "Reducing our ecological footprint"), the Personnel Committee defines corresponding specific and measurable sustainability key indicators as well as associated target and threshold values at the beginning of each tranche of the LTIP. These values are used to calculate target achievement at the end of the relevant target achievement cycle. The following sustainability criteria were defined for the selection of the sustainability key indicators:

- Relevance and influence of the sustainability key indicators on the three overarching sustainability goals of the sustainability strategy
- Internal and external influence of the sustainability key indicators by management
- Good measurability and operationalization
- Sustained impact to support long-term solutions and not incentivize short-term actions

In addition, the Personnel Committee determines the weighting of the individual sustainability goal for each tranche of the LTIP to emphasize priorities.

The Personnel Committee has defined the following sustainability key indicators and weightings for the 2023 tranche of the LTIP:

Sustainability Goal	Weighting	Sustainability Key Indicator
Dedicated to human progress	30%	People treated with our Healthcare products (including schistosomiasis control program) and pharma products enabled by our Life Science business sector
Partnering for sustainable business impact	30%	Percentage of relevant suppliers (in terms of number and supplier spend) that are covered by a valid sustainability assessment
Reducing our ecological footprint	40%	Greenhouse gas emissions Scope 1+2

The following table shows the target corridor ex ante for the respective sustainability key indicators of the three overarching goals for the 2023 LTI tranche.

Sustainability Goal/Key Indicator	Minimum	Target	Maximum
Dedicated to human progress			
Number of people treated with our Healthcare products (in million)	555	609	650
Number of people treated as part of the schistosomiasis control program (in million)			
Number of people treated with our Life Science pharmaceutical products (in million)			
Partnering for sustainable business impact			
Relevant suppliers with a valid sustainability assessment (% of all relevant suppliers)	65%	73%	80%
Relevant suppliers with a valid sustainability assessment (% of supplier spend)	85%	92%	100%
Reducing our ecological footprint			
Greenhouse gas emissions in Scope 1+2 worldwide (in kt)	965.0	875.0	805.0

- “Dedicated to human progress”

  We are convinced that with the help of science and technology, we can contribute to solving many global challenges. In this context, our Healthcare business sector measures how many people worldwide will be treated with our company's medical products. On the one hand, we look at the number of people treated with products from the Healthcare business sector and, on the other hand we consider patients who are offered treatment with our praziquantel tablets as part of the schistosomiasis control program. For the LTIP tranche 2023, an additional sustainability key indicator has been introduced that relates to our Life Science business sector. It covers people who are treated with drugs and medical products which are that are manufactured using our key Life Science technologies and products. We intend to continuously increase this sustainability goal and thus contribute to a significant improvement in medical care and the health status of as many people as possible.

- “Partnering for sustainable business impact”

  We measure our progress in embedding sustainability in our supply chains. We achieve this by increasing the transparency of our supply chains and subjecting more suppliers to a sustainability assessment. We are focusing particularly on suppliers for which we see a sustainability risks in the supply chain and those suppliers who cover a relevant share of our supplier spend. In connection with this sustainability assessment, it is important for us to increase the number of suppliers with a valid sustainability assessment.

- “Reducing our ecological footprint”

  On our path to climate neutrality, we have already joined the Science Based Targets Initiative and aim to reduce both direct (Scope 1) and indirect emissions (Scope 2) by 50% by 2030 compared with 2020. This target is to be achieved through the reduction of process-related emissions, energy efficiency measures, and increased purchase of electricity from renewable sources. Particularly in the case of process emissions (Scope 1), we aim to significantly reduce emissions by using new technologies.

Target Achievement Long-Term Incentive Plan

The LTIP tranche allocated in fiscal 2021 was still without a sustainability factor but already included the one-year holding period. Accordingly, the performance cycle is four years, consisting of the target achievement cycle of three years and the one-year holding period which will continue to be influenced by the share price development. Consequently, the target achievement cycle started on January 1, 2021, and was running until December 31, 2023. The final payout amounts of the LTIP Tranche 2021 will be determined after calculating the base price following the holding period and will be paid out in April 2025. The payout amounts will be published in the next compensation report.

The LTIP tranche 2020 was structured according to the former model without a one-year holding period and without a sustainability factor. Consequently, the LTIP tranche 2020 has been paid out in April 2023.

The targets and thresholds, the actual amounts, and the resulting target achievement for the LTI tranche 2020 are as follows:

LTIP 2020 target achievement

	Lower target corridor limit	Target	Upper target corridor limit	Actual achieved value	Target achievement[1]
Share price performance relative to the DAX® (weighting: 50%)	-20.0%	0.0%	50.0%	58.6%	150.0%
EBITDA pre margin (weighting: 25%)	25.6%	28.6%	31.6%	30.5%	131.7%
Organic sales growth (weighting: 25%)	5.1%	8.1%	11.1%	8.7%	110.0%
Total target achievement					**135.4%**

[1] Cap of 150% for the performance indicator "Share price performance relative to the DAX®" was reached.

The resulting final number of MSUs and the payout amounts of the LTIP tranche 2020 are shown in the following table.

LTIP 2020 summary

	Grant amount (€ thousand)	Reference Group share price at the beginning (in €)	Number of provisionally granted MSUs	Total target achievement	Final number of MSUs	Reference Group share price at the end (in €)	Payout amount (€ thousand)[1]
Stefan Oschmann (until April 30, 2021)	2,255	105.53	21,371	135.4%	28,942	173.46	2,226
Udit Batra (until July 13, 2020)	1,705		16,159		21,883		633
Kai Beckmann	1,530		14,500		19,637		3,406
Belén Garijo	1,970		18,670		25,284		3,910
Marcus Kuhnert (until June 30, 2023)	1,320		12,510		16,942		2,939

[1] Payout capped at 250% of the grant value. A pro-rata payout has been made for Stefan Oschmann and Udit Batra. The payout for Belén Garijo was reduced to ensure compliance with the cap on direct compensation.

The performance cycle of the LTIP tranche 2022 is still running until December 31, 2025, and will be paid out in April 2026.

Share Ownership Guideline

Since 2017, the members of the Executive Board are obliged to invest in and hold shares of Merck KGaA, Darmstadt, Germany, as part of the Share Ownership Guideline (SOG) valid until fiscal 2021. Since the introduction of the new compensation system at the beginning of fiscal 2021, the share ownership obligation has been linked to the variable compensation element of profit sharing. Under the revised SOG, members of the Executive Board are required to hold one-third of the net profit-sharing payout in shares for at least four years. The shareholding obligation thus builds up gradually over the first four fiscal years after the introduction of the new compensation system. The aim is that the Chairperson holds 200% of the base salary and the members of the Executive Board to hold 100% of the base salary in shares of Merck KGaA, Darmstadt, Germany. A corresponding investment was made after payout of the profit sharing 2022 in fiscal 2023 as part of an automated purchase via an external provider.

The Share Ownership Guideline promotes an even stronger alignment of the interests of the members of the Executive Board with the sustainable interests of our shareholders and additionally increases the corporate responsibility of the members of the Executive Board in addition to their status as general partners.

The following table illustrates the investment volume of the members of the Executive Board in accordance with the SOG. The numbers show the shareholding obligation arising from the profit-sharing. No conclusions can be drawn as to the individual shareholdings.

Share Ownership Guideline

	Share holding obligation based on SOG (in € thousand)[1]					
	From profit sharing 2021	From profit sharing 2022	From profit sharing 2023	From profit sharing 2024	Total	In % of Annual Base Salary
Belén Garijo	1,224	1,463	1,529	Investment is made after payout of profit sharing for fiscal year 2024	4,216	281%
Kai Beckmann	951	1,064	1,111		3,126	261%
Peter Guenter	1,055	1,184	1,237		3,476	290%
Matthias Heinzel	795	1,184	1,237		3,216	268%
Marcus Kuhnert	885	998	522		2,405	200%
Helene von Roeder	–	–	522		522	44%

[1] Gross amounts from profit sharing. Shareholding obligation is calculated on the respective net amounts.

Malus and clawback provisions

Through their status as personally liable general partners of Merck KGaA, Darmstadt, Germany, and E. Merck KG, Darmstadt, Germany, the Executive Board members bear a unique entrepreneurial responsibility. This is also reflected by the malus criteria set forth in profit sharing and by the German statutory regulations on liability for damages stipulated in section 93 of the German Stock Corporation Act (AktG). In order to take even greater account of the prominent position of entrepreneurial responsibility in compensation, a clawback provision is implemented for the LTIP. Cases in which the clawback provision may be applied include violations of internal rules and regulations (Code of Conduct), legislation, other binding external requirements in responsibility, significant breaches of duty of care within the meaning of section 93 AktG, and other grossly non-compliant or unethical behavior or actions that are contradictory to our company values. In these cases, amounts that have already been allocated under the Long-Term Incentive Plan may be retained. The Personnel Committee is entitled to demand the repayment of profit sharing and LTIP payouts from a member of the Executive Board if it subsequently transpires that the payout was made wrongfully, either in full or in part. For example, this is the case when targets are not actually met or are not met to the extent assumed when the payout was calculated due to incorrect information being applied. The extent of these claims for restitution is based on section 818 of the German Civil Code (BGB). The Personnel Committee may agree deadlines for the assertion of claims for restitution with the members of the Executive Board.

Neither the malus provision nor the clawback provision were exercised in fiscal 2023.

Compensation-related transactions

Contracts with the members of the Executive Board are usually concluded for a period of five years. If a contract begins during the year, the fixed compensation, profit sharing and individual LTIP tranches are paid on a pro rata basis.

Should members of the Executive Board be held liable for financial losses while executing their duties, this liability risk is covered by a D&O insurance policy under certain circumstances. The D&O insurance policy has a deductible in accordance with the legal requirements.

Obligations in connection with the termination of Executive Board membership

The contracts of the Executive Board members do not provide for ordinary termination. The right to extraordinary termination for good cause in accordance with section 626 BGB is available to both parties without observing a notice period.

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

The amounts payable to Executive Board members are capped in the event of the early termination of the contract without good cause justifying such termination. Pursuant to this, payments in connection with the termination of an Executive Board member’s duties shall not exceed twice the annual total compensation or constitute compensation for more than the remaining term of the employment contract (severance cap). If an Executive Board member’s membership terminates due to the termination of the contract either by the company or the Executive Board member before the four-year performance cycle of an open LTIP tranche expires, the obligations resulting from the LTIP shall continue if there are specific reasons for the termination, such as the contract is not renewed after it expires or if the Board of Partners determines this to be appropriate at its own discretion; otherwise, the obligations shall expire.

Should obligations resulting from the LTIP continue to apply, any early severance payout is excluded. Likewise, no early payout or severance for the profit-sharing payment is granted. If the compensation in the fiscal year in which the Executive Board member’s duties cease is expected to be significantly higher or lower than in the previous fiscal year, the Board of Partners may decide to adjust the amount applied as the member’s total compensation at its own discretion.

In fiscal 2023, a termination agreement was reached with Marcus Kuhnert regarding the early termination of his membership in the Executive Board with effect from June 30, 2023. Initially, the term of his contract would have ended on July 31, 2024. In accordance with the contract as well as with the compensation system, the termination agreement regulates the continued payment of the fixed compensation of € 100,000 per month as well as the payment of profit-sharing and LTI for the initial contract term until July 31, 2024. Furthermore, the additional benefits will be paid out. It was stipulated that the variable compensation elements shall be calculated and paid out according to the initial contractual terms and conditions. As a consequence, Marcus Kuhnert shall receive the pro-rated amount of € 1,566,732 from profit-sharing for the time period from July 1, 2023, until December 31, 2023. According to the Share Ownership Guideline the amount of one third must be invested in our shares and must be held for four years. Regarding fiscal 2024 the respective payout amounts will be calculated at the end of the year and will be published in the Compensation Report 2024.

During the fiscal year, no adjustments or changes were made to the employment contracts of the Executive Board. In particular, the terms of the termination agreement with Marcus Kuhnert did not result in any adjustments or changes to the original contract with Marcus Kuhnert.

Post-contractual non-competition

Post contractual non-competition clauses have been agreed with the members of the Executive Board except for Marcus Kuhnert. His contract provided for the option to agree on a post-contractual non-compete in the event of termination of his membership of the Executive Board. In general, the post-contractual non-competition clause involves the payment of compensation amounting to 50% of the member’s average compensation within the last twelve months and is paid for a period of two years. Other earnings, pension payments and any severance payments are offset against this amount.

Owing to his early termination, a post-contractual non-compete was agreed with Marcus Kuhnert with effect until July 31, 2024. As compensation, the post-contractual non-compete agreement provides for the payment of the fixed compensation as well as for the payment of the variable compensation until July 31, 2024, which means for the regular remaining term of his contract. Further compensation will not be granted.

There was also a post-contractual non-competition agreement with Stefan Oschmann which came into force upon the termination of his membership of the Executive Board. The parties agreed on a monthly compensation of € 343,184 for the period from May 1, 2021, to April 30, 2023. The monthly pension of € 51,569 as well as further additional income has been offset against this amount.

Loans, advances, payments by affiliates of the Group

In fiscal 2023, E. Merck Beteiligungen KG, Darmstadt, Germany, a related party of E. Merck KG, Darmstadt, Germany, granted a loan of € 560,640.00 to Helene von Roeder. The loan bore interest at 4% per annum and had to be repaid within three years of disbursement. The loan was fully repaid in fiscal 2023.

Besides this, neither loans or advances were paid to other members of the Executive Board during fiscal 2023, nor any payments by affiliated companies.

Individual Disclosure of the Compensation of the Executive Board

Compensation awarded or due to current members of the Executive Board in fiscal 2023

In accordance with section 162 (1) of the German Stock Corporation Act (AktG), the compensation awarded or due to each member of the Executive Board in fiscal 2023 and the respective relative share of total compensation are presented transparently in the tables below. This includes all compensation elements that were paid out or became legally due in fiscal 2023.

To ensure a transparent presentation of the relation between business performance and the resulting compensation, variable compensation for fiscal 2023 is also disclosed on a voluntary basis, with the variable compensation components being allocated to the year in which the final performance was rendered, irrespective of the actual date of payment or the legal due date. Owing to the introduction of the holding period, the performance cycle of the LTIP tranche 2021 will run until December 31, 2024. We will report about the performance of the LTIP tranche 2021 for the first time on a voluntary basis in the Compensation Report 2024.

To provide a complete picture of the total compensation of the Executive Board members, pension expense is also reported on a voluntary basis.

The compensation of the current members of the Executive Board is shown in the following tables.

In fiscal year 2023 pursuant to section 162 AktG	For fiscal year 2023 as voluntary disclosure
Base salary	
Additional benefits	
Profit sharing for fiscal year 2022, payout in fiscal year 2023: - Payout in cash - Investment (in shares; 4-year holding period according to Share Ownership Guideline)	Profit sharing for fiscal year 2023, payout in fiscal year 2024: - Payout in cash - Investment (in shares; 4-year holding period according to Share Ownership Guideline)
LTIP tranche 2020 (Jan 1, 2020-Dec 31, 2022), payout was in fiscal year 2023	
Other compensation	
Service cost as voluntary disclosure	

The figures presented in the tables have been rounded in accordance with standard commercial practice. As a result, the individual values may not add up to the totals presented.

Compensation awarded or due

	Belén Garijo Chair of the Executive Board (since May 1, 2021; previously member of the Executive Board)				
	In the fiscal year (pursuant to section 162 AktG)			For the fiscal year (voluntary disclosure)	
	2023		2022	**2023**	2022
	€ thousand	in %	€ thousand	€ thousand	€ thousand
Base salary	1,500	15.2%	1,500	1,500	1,500
Additional benefits	89	0.9%	91	89	91
Profit sharing					
Profit sharing 2021					
Payout in cash	–	–	2,447	–	–
Investment (in shares; 4-year holding period)	–	–	1,224	–	–
Profit sharing 2022					
Payout in cash	2,927	29.6%	–	–	2,927
Investment (in shares; 4-year holding period)	1,463	14.8%	–	–	1,463
Profit sharing 2023					
Payout in cash	–	–	–	3,058	–
Investment (in shares; 4-year holding period)	–	–	–	1,529	–
LTIP[1]					
LTI 2019 (2019 to 2021)	–	39.5%	4,629	–	–
LTI 2020 (2020 to 2022)	3,910		–	–	3,910
Others	–	–	–	–	–
Compensation awarded or due pursuant to section 162 AktG	**9,889**	**100.0%**	**9,891**	**–**	**–**
Compensation for the fiscal year	**–**	**–**	**–**	**6,176**	**9,891**
Service cost	638	–	638	638	638
Total compensation incl. service cost	**10,527**	**–**	**10,529**	**6,814**	**10,529**

[1] Reduction of LTI 2019 and LTI 2020 payout due to maximum amount of direct compensation.

	Kai Beckmann Member of the Executive Board				
	In the fiscal year (pursuant to section 162 AktG)			For the fiscal year (voluntary disclosure)	
	2023		2022	**2023**	2022
	€ thousand	in %	€ thousand	€ thousand	€ thousand
Base salary	1,200	15%	1,200	1,200	1,200
Additional benefits	22	0.3%	16	22	16
Profit sharing					
Profit sharing 2021					
Payout in cash	–	–	1,903	–	–
Investment (in shares; 4-year holding period)	–	–	951	–	–
Profit sharing 2022					
Payout in cash	2,128	27.2%	–	–	2,128
Investment (in shares; 4-year holding period)	1,064	13.6%	–	–	1,064
Profit sharing 2023					
Payout in cash	–	–	–	2,222	–
Investment (in shares; 4-year holding period)	–	–	–	1,111	–
LTIP					
LTI 2019 (2019 to 2021)	–	43.6%	3,825	–	–
LTI 2020 (2020 to 2022)	3,406		–	–	3,406
Others	–	–	–	–	–
Compensation awarded or due pursuant to section 162 AktG	**7,820**	**100.0%**	**7,895**	**–**	**–**
Compensation for the fiscal year	**–**	**–**	**–**	**4,555**	**7,814**
Service cost	435	–	439	435	439
Total compensation	**8,255**	**–**	**8,334**	**4,990**	**8,253**

	Peter Guenter Member of the Executive Board (since January 1, 2021)				
	In the fiscal year (pursuant to section 162 AktG)			For the fiscal year (voluntary disclosure)	
	2023		2022	**2023**	2022
	€ thousand	in %	€ thousand	€ thousand	€ thousand
Base salary	1,200	23.3%	1,200	1,200	1,200
Additional benefits	17	0.3%	21	17	21
Profit sharing					
Profit sharing 2021					
Payout in cash	–	–	2,110	–	–
Investment (in shares; 4-year holding period)	–	–	1,055	–	–
Profit sharing 2022					
Payout in cash	2,368	46.0%	–	–	2,368
Investment (in shares; 4-year holding period)	1,184	23.0%	–	–	1,184
Profit sharing 2023					
Payout in cash	–	–	–	2,475	–
Investment (in shares; 4-year holding period)	–	–	–	1,237	–
LTIP					
LTI 2019 (2019 to 2021)	–	–	–	–	–
LTI 2020 (2020 to 2022)	–		–	–	–
Others	375	7.3%	375	375	375
Compensation awarded or due pursuant to section 162 AktG	**5,144**	**100.0%**	**4,761**	**–**	**–**
Compensation for the fiscal year	**–**	**–**	**–**	**5,304**	**5,148**
Service cost	435	–	437	435	437
Total compensation	**5,579**	**–**	**5,198**	**5,739**	**5,585**

	Matthias Heinzel Member of the Executive Board (since April 1, 2021)				
	In the fiscal year (pursuant to section 162 AktG)			For the fiscal year (voluntary disclosure)	
	2023		2022	**2023**	2022
	€ thousand	in %	€ thousand	€ thousand	€ thousand
Base salary	1,200	25.2%	1,200	1,200	1,200
Additional benefits	16	0.3%	12	16	12
Profit sharing					
Profit sharing 2021					
Payout in cash	–	–	1,590	–	–
Investment (in shares; 4-year holding period)	–	–	795	–	–
Profit sharing 2022					
Payout in cash	2,368	49.7%	–	–	2,368
Investment (in shares; 4-year holding period)	1,184	24.8%	–	–	1,184
Profit sharing 2023					
Payout in cash	–	–	–	2,475	–
Investment (in shares; 4-year holding period)	–	–	–	1,237	–
LTIP					
LTI 2019 (2019 to 2021)	–	–	–	–	–
LTI 2020 (2020 to 2022)	–		–	–	–
Others	–	–	–	–	–
Compensation awarded or due pursuant to section 162 AktG	**4,768**	**100.0%**	**3,597**	**–**	**–**
Compensation for the fiscal year	**–**	**–**	**–**	**4,928**	**4,764**
Service cost	454	–	462	454	462
Total compensation	**5,222**	**–**	**4,059**	**5,382**	**5,226**

	Marcus Kuhnert Member of the Executive Board (until June 30, 2023)				
	In the fiscal year (pursuant to section 162 AktG)			For the fiscal year (voluntary disclosure)	
	2023		2022	**2023**	2022
	€ thousand	in %	€ thousand	€ thousand	€ thousand
Base salary	600	9.1%	1,200	600	1,200
Additional benefits	26	0.4%	26	26	26
Profit sharing					
Profit sharing 2021					
Payout in cash	–	–	1,769	–	–
Investment (in shares; 4-year holding period)	–	–	885	–	–
Profit sharing 2022					
Payout in cash	1,995	30.4%	–	–	1,995
Investment (in shares; 4-year holding period)	998	15.2%	–	–	998
Profit sharing 2023					
Payout in cash	–	–	–	1,044	–
Investment (in shares; 4-year holding period)	–	–	–	522	–
LTIP					
LTI 2019 (2019 to 2021)	–	44.8%	3,300	–	–
LTI 2020 (2020 to 2022)	2,939		–	–	2,939
Others	–	–	–	–	–
Compensation awarded or due pursuant to section 162 AktG	**6,558**	**100.0%**	**7,180**	**–**	**–**
Compensation for the fiscal year	**–**	**–**	**–**	**2,193**	**7,158**
Service cost	396	–	401	396	401
Total compensation	**6,954**	**–**	**7,581**	**2,589**	**7,559**

	Helene von Roeder Member of the Executive Board (since July 1, 2023)				
	In the fiscal year (pursuant to section 162 AktG)			For the fiscal year (voluntary disclosure)	
	2023		2022	**2023**	2022
	€ thousand	in %	€ thousand	€ thousand	€ thousand
Base salary	600	98.5%	–	600	–
Additional benefits	9	1.5%	–	9	–
Profit sharing					
Profit sharing 2021					
Payout in cash	–	–	–	–	–
Investment (in shares; 4-year holding period)	–	–	–	–	–
Profit sharing 2022					
Payout in cash	–	–	–	–	–
Investment (in shares; 4-year holding period)	–	–	–	–	–
Profit sharing 2023					
Payout in cash	–	–	–	1,044	–
Investment (in shares; 4-year holding period)	–	–	–	522	–
LTIP					
LTI 2019 (2019 to 2021)	–	–	–	–	–
LTI 2020 (2020 to 2022)	–		–	–	–
Others[1]	–	–	–	953	–
Compensation awarded or due pursuant to section 162 AktG	**609**	**100.0%**	**–**	**–**	**–**
Compensation for the fiscal year	**–**	**–**	**–**	**3,128**	**–**
Service cost	268	–	–	268	–
Total compensation	**877**	**–**	**–**	**3,396**	**–**

[1] Compensation payment for short-term variable remuneration (€ 257 thousand) and long-term variable remuneration (provision of € 696 thousand; final calculation and payment in 2027).

Compensation awarded or due to former members of the Executive Board in the fiscal year

The compensation awarded or due to former members of the Executive Board during the fiscal year is also presented below. Tranches of the LTIP already allocated before a member of the Executive Board left the company continue to run until the end of the originally contractually agreed term and are settled and paid out after the end of the performance period. In addition, some members who have already left the Executive Board receive fixed payments from pension plans.

The following tables show the compensation awarded or due to former members of the Executive Board in fiscal 2023 in accordance with section 162 (1) AktG and the respective relative share of total compensation. Compensation awarded or due includes all amounts received by the former members of the Executive Board in the fiscal year (compensation awarded) or all amounts legally due but not yet received (compensation due). For former members of the Executive Board who left the Executive Board in the last ten years, the information is indicated by name. In accordance with the provisions of section 162 (5) AktG, no personal information is provided on former members of the Executive Board who left the Executive Board more than ten years ago, i.e. before December 31, 2012.

Compensation awarded or due

	Marcus Kuhnert Member of the Executive Board (until June 30, 2023)		
	2023		2022
	in Tsd. €	in %	in Tsd. €
Others (waiting allowance)	600	100.0%	–
Compensation awarded or due pursuant to section 162 AKtG	**600**	**100.0%**	**–**

	Stefan Oschmann Chair of the Executive Board (until April 30, 2021)		
	2023		2022
	€ thousand	in %	€ thousand
Profit sharing			
Profit sharing 2021			
Payout in cash	–	–	858
Investment (in shares; 4-year holding period)	–	–	429
LTIP			
LTI 2019 (2019 bis 2021)	–	55.5%	4,377
LTI 2020 (2020 bis 2022)	2,226		–
Others	1,166	29.1%	3,953
Pensions	619	15.4%	572
Compensation awarded or due pursuant to section 162 AKtG	**4,011**	**100.0%**	**10,189**

	Udit Batra Member of the Executive Board (until July 13, 2020)		
	2023		2022
	€ thousand	in %	€ thousand
LTIP			
LTI 2019 (2019 to 2021)	–	100.0%	2,131
LTI 2020 (2020 to 2022)	633		–
Others	–	–	–
Pension	–	–	–
Compensation awarded or due pursuant to section 162 AKtG	**633**	**100.0%**	**2,131**

	Walter Galinat Member of the Executive Board (until September 30, 2018)		
	2023		2022
	€ thousand	in %	€ thousand
LTIP			
LTI 2019 (2019 to 2021)	–	–	361
Others	–	–	–
Pension	154	100.0%	334
Compensation awarded or due pursuant to section 162 AKtG	**154**	**100.0%**	**695**

Former members of the Executive Board who only received pension payments in fiscal 2023 are shown in the following table. The compensation awarded or due in fiscal 2023 in accordance with section 162 (1) AktG consists entirely of non-performance-related compensation elements.

Pension payments

€ thousand	**2023**	2022
Karl-Ludwig Kley	756	695
Bernd Reckmann	443	443

Payments to former members of the Executive Board and their surviving dependents

Payments to former members of the Executive Board and their surviving dependents are made in the form of pension payments, as a temporary continuation of the basic salary in the event of death, as part of the profit-sharing and the LTIP, as well as compensation for a post-contractual non-compete clause. In the 2023 financial year, they amounted to € 14.4 million (previous year: € 21.7 million). Provisions for defined benefit pension commitments in accordance with IAS 19 amounted to € 123.8 million as of December 31, 2023 (December 31, 2022: € 123.1 million).

Compliance with the defined maximum compensation

The maximum compensation limits the compensation awarded or due in the fiscal year, i.e. the total of all non-performance-related and performance-related compensation elements awarded or due in a fiscal year. Pension payments are not included in the maximum compensation.

The maximum compensation for the fiscal year is € 11,500,000 for the Chair of the Executive Board and € 9,500,000 each for ordinary members of the Executive Board. The sum of the compensation awarded or due in accordance with section 162 AktG less any pension payments and plus pension expenses is below the defined maximum compensation in accordance with section 87a AktG for all members of the Executive Board.

In addition to the maximum compensation, there is a separate contractually agreed payment cap for each of the performance-related compensation elements. A maximum amount has been set for the amount of profit sharing for all members of the Executive Board (please find more details in the paragraph "profit sharing"). The payout from the Long-Term Incentive Plan cannot exceed 2.5 times the individual award value, even in cases of exceptional performance.

In addition, there is a contractually agreed maximum limit on the direct compensation, i.e. the sum of base salary, profit-sharing, and LTIP. In this context, it is stipulated that capping, if necessary, shall be applied first to the LTIP and then to profit sharing. To ensure compliance with this cap, the 2020 LTIP payment for Belén Garijo was reduced accordingly by € 476,514 thousand.

Compliance with the defined maximum compensation is ensured by the Personnel Committee setting the amounts of the variable compensation components by resolution. The defined maximum compensation and the maximum limit for the direct compensation of the members of the Executive Board are shown in the following table.

Overall compensation limit

€ thousand	Maximum limit for Direct Compensation	Maximum compensation pursuant to section 87a AktG
Belén Garijo	9,800	11,500
Kai Beckmann	8,000	9,500
Peter Guenter	8,000	9,500
Matthias Heinzel	8,000	9,500
Marcus Kuhnert (until June 30, 2023)	8,000	9,500
Helene von Roeder (since July 1, 2023)	8,000	9,500

Compensation for the Supervisory Board members in fiscal 2023

The compensation of the Supervisory Board members is defined in Article 20 of the Articles of Association of Merck KGaA, Darmstadt, Germany, and corresponds to the compensation system for the Supervisory Board that was adopted by the 2023 Annual General Meeting with 99.64% of the votes cast.

Accordingly, the members of the Supervisory Board receive fixed compensation of € 47,000 per year, which is due and paid out in the reporting year. The Chair receives double, and the Vice Chair receives one and a half times this amount. In addition to their fixed compensation, Supervisory Board members who are also members of the Audit Committee, which was established in the meeting of the Supervisory Board on February 26, 2021, receive annual compensation of € 15,000. The Chair of the Audit Committee receives additional annual compensation of € 30,000. Moreover, the members receive additional compensation of € 750 per meeting they attend. There are no variable compensation components.

The compensation awarded or due and the respective relative share of the total compensation for the current members of the Supervisory Board is presented in the following table. The compensation components are allocated to the year in which the service was rendered, regardless of the actual time of payment or its legal due date.

In fiscal 2023, Helene von Roeder resigned from the Supervisory Board effective April 17, 2023, and Barbara Lambert joined the Supervisory Board effective August 11, 2023. There were no payments to former members of the Supervisory Board in the fiscal year.

Compensation awarded or due

	2023							2022						
	Fixed compensation		**Compensation for committee duties**		**Meeting fees**		**Total compen-sation**	Fixed compensation		Compensation for committee duties		Meeting fees		Total compen-sation
	€ thou-sand	in %	€ thou-sand	in %	€ thou-sand	in %	€ thousand	€ thou-sand	in %	€ thou-sand	in %	€ thou-sand	in %	€ thousand
Wolfgang Büchele	94.0	83%	15.0	13%	3.8	3%	112.8	94.0	84%	15.0	13%	3.0	3%	112.0
Sascha Held	70.5	79%	15.0	17%	3.8	4%	89.3	70.5	80%	15.0	17%	3.0	3%	88.5
Gabriele Eismann	47.0	93%	–	–	3.8	7%	50.8	47.0	94%	–	–	3.0	6%	50.0
Barbara Lambert (since August 11, 2023)	18.4	60%	11.3	37%	0.8	3%	30.5	–	–	–	–	–	–	–
Birgit Biermann (since July 14, 2022)	47.0	93%	–	–	3.8	7%	50.8	22.0	–	–	–	1.5	–	23.5
Jürgen Glaser	47.0	72%	15.0	23%	3.8	6%	65.8	47.0	79%	9.5	16%	3.0	5%	59.5
Michael Kleinemeier	47.0	93%	–	–	3.8	7%	50.8	47.0	94%	–	–	3.0	6%	50.0
Renate Koehler	47.0	93%	–	–	3.8	7%	50.8	47.0	94%	–	–	3.0	6%	50.0
Anne Lange	47.0	93%	–	–	3.8	7%	50.8	47.0	94%	–	–	3.0	6%	50.0
Peter Emanuel Merck	47.0	93%	–	–	3.8	7%	50.8	47.0	94%	–	–	3.0	6%	50.0
Dietmar Oeter	47.0	93%	–	–	3.8	7%	50.8	47.0	94%	–	–	3.0	6%	50.0
Alexander Putz	47.0	93%	–	–	3.8	7%	50.8	47.0	94%	–	–	3.0	6%	50.0
Christian Raabe	47.0	72%	15.0	23%	3.8	6%	65.8	47.0	72%	15.0	23%	3.0	5%	65.0
Helene von Roeder (until April 17, 2023)	13.8	59%	8.8	38%	0.8	3%	23.4	47.0	59%	30.0	38%	3.0	4%	80.0
Helga Rübsamen-Schaeff	47.0	93%	–	–	3.8	7%	50.8	47.0	94%	–	–	3.0	6%	50.0
Daniel Thelen	47.0	72%	15.0	23%	3.8	6%	65.8	47.0	72%	15.0	23%	3.0	5%	65.0
Simon Thelen	47.0	93%	–	–	3.8	7%	50.8	47.0	94%	–	–	3.0	6%	50.0

Supervisory Board member Wolfgang Büchele received an additional € 140,000 (2022: € 140,000) for 2023 in this function as a member of the corporate bodies of E. Merck KG, Darmstadt, Germany.

Supervisory Board member Helga Rübsamen-Schaeff received an additional € 150,000 (2022: € 150,000) for 2023 in this function as a member of the corporate bodies of E. Merck KG, Darmstadt, Germany, and an additional € 6,000 (2022: € 6,000) for 2023 as a member of the Supervisory Board of Merck Healthcare KGaA, Darmstadt, Germany, a subsidiary of Merck KGaA, Darmstadt, Germany.

Supervisory Board member Michael Kleinemeier received an additional € 140,000 (2022: € 140,000) for 2023 in this function as a member of committees of E. Merck KG, Darmstadt, Germany.

Supervisory Board member Helene von Roeder received an additional € 150,000 (2022: € 150,000) for 2023 in this function as a member of the corporate bodies of E. Merck KG, Darmstadt, Germany.

Supervisory Board member Peter Emanuel Merck received an additional € 80,000 (2022: € 80,000) for 2023 in this function as a member of the corporate bodies of E. Merck KG, Darmstadt, Germany.

Supervisory Board member Daniel Thelen received an additional € 140,000 for 2023 in this function as a member of the corporate bodies of E. Merck KG, Darmstadt, Germany (2022: € 140,000).

Supervisory Board member Simon Thelen received an additional € 140,000 (2022: € 140,000) for 2023 in this function as a member of the corporate bodies of E. Merck KG, Darmstadt, Germany, and an additional € 3,000 (2022: € 3,000) for 2023 as a member of the Supervisory Board of Merck Healthcare KGaA, Darmstadt, Germany, a subsidiary of Merck KGaA, Darmstadt, Germany.

Comparative presentation of compensation and earnings development

The comparative presentation in accordance with section 162 (1) no. 2 AktG shows the annual change in the compensation of current and former members of the Executive Board as well as members of the Supervisory Board, the development of earnings of the Group and the development of the average compensation of a full-time employee of Merck KGaA, Darmstadt, Germany, over the last five years.

For employee compensation, the average personnel expenses excluding company pension costs are used. This reflects the total compensation of employees worldwide.

For members of the Executive Board, the compensation awarded or due in the fiscal years 2021, 2022 and 2023 is used in accordance with section 162 AktG. For the years 2020 and 2019, the allocated compensation is used excluding the service costs according to the German Corporate Governance Code (DCGK) sample table in the Compensation Report of the respective fiscal year.

Comparative presentation

in € thousand/change in %	**2023**	2022	**Change 2023/2022**	Change 2022/2021	Change 2021/2020	Change 2020/2019
Member of the Executive Board						
Belén Garijo (Chair since May 1, 2021)	9,889	9,891	–	22.20%	43.30%	-6.90%
Kai Beckmann (since April 1, 2011)	7,820	7,895	-0.90%	25.00%	37.90%	-11.00%
Peter Guenter (since January 1, 2021)	5,144	4,761	8.00%	185.10%	–	–
Matthias Heinzel (since April 1, 2021)	4,768	3,597	32.60%	288.90%	–	–
Marcus Kuhnert (until June 30, 2023)	7,158	7,180	-0.30%	17.00%	43.20%	-9.70%
Helene von Roeder (since July 1, 2023)	609	–	–	–	–	–
Former Member of the Executive Board						
Stefan Oschmann (until April 30, 2021)	4,011	10,189	-60.60%	-11.80%	41.80%	-11.30%
Udit Batra (until July 13, 2020)	633	2,131	-70.30%	-43.80%	-19.40%	-16.30%
Walter Galinat (until September 30, 2018)	154	695	-77.80%	-47.00%	22.30%	-10.10%
Karl-Ludwig Kley (until August 31, 2016)	756	695	8.80%	10.30%	–	67.10%
Bernd Reckmann (until April 29, 2016)	443	443	–	-3.50%	6.70%	-43.00%
Further former members	7,409	6,999	5.90%	-66.00%	85.00%	0.50%
Member of the Supervisory Board						
Wolfgang Büchele	112.8	112.0	0.70%	2.10%	13.10%	–
Sascha Held	89.3	88.5	0.80%	2.70%	17.30%	110.00%
Gabriele Eismann	50.8	50.0	1.50%	–	–	-1.60%
Barbara Lambert (since August 11, 2023)	30.5	–	–	–	–	–
Birgit Biermann (since July 14, 2022)	50.8	23.5	116.00%	–	–	–
Jürgen Glaser	65.8	59.5	10.50%	20.70%	-1.40%	42.00%
Michael Kleinemeier	50.8	50.0	1.50%	–	–	45.30%
Renate Koehler	50.8	50.0	1.50%	–	–	42.00%
Anne Lange	50.8	50.0	1.50%	–	–	45.30%
Peter Emanuel Merck	50.8	50.0	1.50%	–	–	42.00%
Dietmar Oeter	50.8	50.0	1.50%	–	–	-1.60%
Alexander Putz	50.8	50.0	1.50%	–	70.10%	87.30%
Christian Raabe	65.8	65.0	1.20%	3.70%	25.40%	42.00%
Helene von Roeder (until April 17, 2023)	23.4	80.0	-70.80%	6.10%	50.80%	42.00%
Helga Rübsamen-Schaeff	50.8	50.0	1.50%	–	–	–
Daniel Thelen	65.8	65.0	1.20%	3.70%	25.40%	42.00%
Simon Thelen	50.8	50.0	1.50%	–	–	42.00%
Personnel expenses without pension expenses	6,152,000	6,184,000	-0.50%	11.00%	3.90%	8.90%
Average number of employees	63,642	62,552	1.70%	6.60%	2.00%	7.40%
Average compensation of an employee	97	99	-2.20%	4.20%	1.90%	1.40%
Earnings development						
Profit after tax of the Group of Merck KGaA, Darmstadt, Germany (HGB)	284,881	241,958	17.70%	-16.20%	59.40%	7.30%
Profit after tax of the Group of E. Merck KG, Darmstadt, Germany (IFRS)	2,759,954	3,288,000	-16.10%	9.50%	56.80%	52.60%

Report of the Independent Auditor

To Merck Kommanditgesellschaft auf Aktien, Darmstadt, Germany

We have audited the accompanying compensation report of Merck Kommanditgesellschaft auf Aktien, Darmstadt, Germany ("the Company") for the financial year from January 1 to December 31, 2023, including the related disclosures, which has been prepared to comply with Section 162 German Stock Corporation Act (AktG).

Responsibilities of the Executive Directors and of the Supervisory Board

The executive directors and the supervisory board of Merck Kommanditgesellschaft auf Aktien, Darmstadt, Germany, are responsible for the preparation of the compensation report, including the related disclosures, that complies with the requirements of section 162 AktG. The executive directors and the supervisory board are also responsible for such internal control as they consider necessary to enable the preparation of a compensation report, including the related disclosures, that is free from material misstatements, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on this compensation report, including the related disclosures, based on our audit. We conducted our audit in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). These Standards require that we fulfill the professional responsibilities and that we plan and perform the audit so that we obtain reasonable assurance as to whether the compensation report, including the related disclosures, is free from material misstatements.

An audit involves performing audit procedures in order to obtain audit evidence for the amounts stated in the compensation report, including the related disclosures. The choice of the audit procedures is subject to the auditor's professional judgment. This includes assessing the risk of material misstatements, whether due to fraud or error, in the compensation report, including the related disclosures. In assessing these risks, the auditor considers the system of internal control, which is relevant to preparing the compensation report, including the related disclosures. Our objective is to plan and perform audit procedures that are appropriate in the circumstances, but not to express an audit opinion on the effectiveness of the Company's system of internal control. An audit also comprises an evaluation of the accounting policies used, of the reasonableness of accounting estimates made by the executive directors and the supervisory board as well as an evaluation of the overall presentation of the compensation report, including the related disclosures.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, on the basis of the knowledge obtained in the audit, the compensation report for the financial year from January 1 to December 31, 2023, including the related disclosures, complies, in all material respects, with the accounting principles of section 162 AktG.

Other Matter – Formal Audit of the Compensation Report

The audit of the content of the compensation report described in this report comprises the formal audit required under section 162 (3) AktG including the issuance of a report on this audit. Since our audit opinion on the audit of the content is unmodified, this audit opinion includes that the disclosures required under section 162 (1) and (2) AktG are contained, in all material respects, in the compensation report.

Intended Use of the Report

We issue this report as stipulated in the engagement letter agreed with the Company. The audit has been performed for the purposes of the Company and the report is solely intended to inform the Company about the result of the audit.

Liability

This report is not intended to be used by third parties as a basis for any (asset) decision. We are liable solely to Merck Kommanditgesellschaft auf Aktien, Darmstadt, Germany, and our liability is also governed by the engagement letter dated July 24/28, 2023, agreed with the Company as well as the “General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (German Public Auditors and Public Audit Firms)” promulgated by the Institut der Wirtschaftsprüfer (IDW) in the version dated January 1, 2017 (IDW-AAB). However, we do not accept or assume liability to third parties.

Frankfurt am Main, Germany, February 16, 2024

Deloitte GmbH

Wirtschaftsprüfungsgesellschaft

Signed:

Christoph Schenk

Wirtschaftsprüfer

(German Public Auditor)

Signed:

Daniel Weise

Wirtschaftsprüfer

(German Public Auditor)