

# Merck KGaA, Darmstadt, Germany Group Modern Slavery Statement 2023 - Canada

This statement is published in accordance with the Canadian 'Fighting Against Forced Labour and Child Labour in Supply Chains Act'. It sets out the steps that Merck KGaA, Darmstadt, Germany and its subsidiaries in Canada, EMD Serono (EMD Inc.) and MilliporeSigma (MilliporeSigma Canada Ltd.), the Canadian healthcare and life science companies of Merck KGaA, Darmstadt, Germany respectively, have taken during the 2023 financial year to prevent slavery and human trafficking in any of our supply chains and in any part of our own business. The statements pertaining to the global due diligence of Merck KGaA, Darmstadt, Germany are presented in the Annual report 2023 and Sustainability report 2023. The Canadian components have been approved by the Canadian Board of Directors of both EMD Serono and MilliporeSigma.

## Introduction

Our ambition is to leverage science and technology to achieve progress for mankind. For us, sustainable entrepreneurship and profitable growth go hand in hand. Responsible action is an integral part of our company culture. This also includes respecting the interests of our employees, customers and investors, as well as society. For more than 350 years, our company has been shaped and guided by strong [values](#). Our success is built on courage, achievement, responsibility, respect, integrity, and transparency – values that underpin our understanding of sustainable entrepreneurship. Respecting and supporting human rights is an integral part of our responsibility.

We know that slavery and human trafficking are hidden in many global supply chains and may be also in ours. We find this unacceptable and are committed to taking effective steps towards preventing and mitigating harm to people in our operations, supply chains and business relationships.



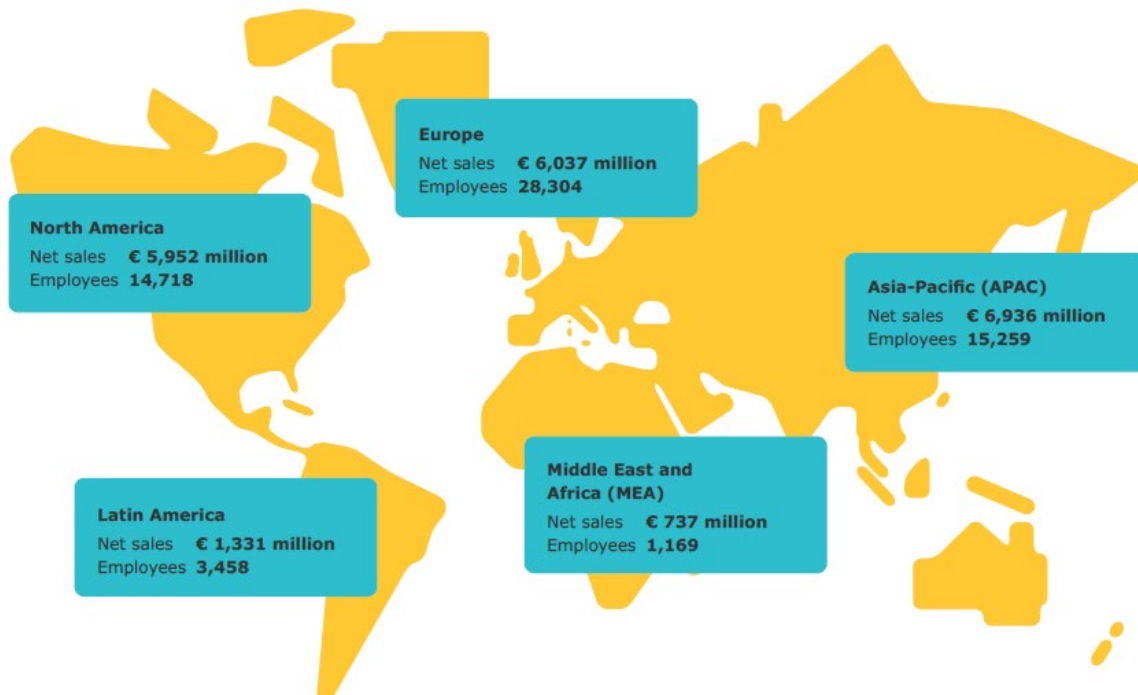


## Structure, business and supply chains

We are Merck KGaA, Darmstadt, Germany, a vibrant science and technology company, operating across Life Science, Healthcare and Electronics. Around 62.908 employees across 65 countries work to make a positive difference to millions of people's lives every day by creating more joyful and sustainable ways to live. In 2023, Merck KGaA, Darmstadt, Germany generated sales of € 21.0 billion and was represented by 225 fully consolidated companies with personnel in 65 countries, with 101 production sites located across 19 countries.

The shareholdings of Merck KGaA, Darmstadt, Germany KGaA as of December 31, 2023 are presented on pages 339-347 of the [Annual Report 2023](#).

### Employees and sales by region in 2023





Merck KGaA, Darmstadt, Germany comprises the following three business sectors:

- Our **Life Science** business sector provides the tools, high-grade chemicals and consumables that accelerate scientific breakthroughs and enable the biopharmaceutical industry to ensure that medicines are safe and effective for a global population.
- In our **Healthcare** business sector, we advance innovation through our research, enable life-changing therapies for serious illnesses, treat patients with cancer, cardiovascular, diabetes, thyroid disorders, and multiple sclerosis, and help people to realize their wish to have a child.
- In our **Electronics** business sector, we are the company behind the companies, advancing digital living. Our semiconductor and display solutions are used in the manufacture of many components for electronic devices. We are thus changing the way in which information is processed and made accessible.

In 2023, we derived 44% of net sales from Life Science, 38% from Healthcare and 18% from Electronics. The Asia-Pacific region accounted for 33% of sales, Europe for 29%, with 28% of sales in North America, 6% in Latin America and 4% in the Middle East and Africa. Merck KGaA, Darmstadt, Germany requires numerous raw materials, packaging materials, technical products, components and services (including R&D services), which we procure from approximately 55,000 suppliers in more than 140 countries. All goods and services purchased in 2023 amounted to around € 9.8 billion, compared with approximately € 10.2 billion in 2022. Of these, we purchased 46% from suppliers based in Europe, 28% from suppliers based in North America, 19% from suppliers based in the Asia-Pacific region, 3% from suppliers based in Latin America and 1% from suppliers based in the Middle East and Africa.

**In Canada, through its affiliates EMD Serono and MilliporeSigma, Merck KGaA, Darmstadt, Germany operates in the Healthcare and Life Science business sectors, respectively. At present, Merck KGaA, Darmstadt, Germany does not operate the Electronics business in Canada. EMD Serono and MilliporeSigma import their finished goods from affiliates of Merck KGaA, Darmstadt, Germany, with the exception of a small percentage of goods sourced locally through trusted partners.**





## Purchase volume and suppliers per region in 2023<sup>1</sup>



At Merck KGaA, Darmstadt, Germany, safeguarding people and the environment stands as a foremost priority, and our aim is to perpetually enhance our practices. As a worldwide enterprise with an excess of 62,908 employees, we inevitably confront various human rights risks, notably those related to forced labour. Within our supply chain, we recognize that the procurement of raw materials presents the highest potential for modern slavery risks, particularly in countries deemed at risk due to higher human rights concerns. Accordingly, we have implemented procedures to meticulously recognize and mitigate such risks.

## Policies in relation to slavery and human trafficking

As a signatory to the [UN Global Compact](#) since 2005, Merck KGaA, Darmstadt, Germany has committed to upholding the [Ten Principles](#) based on key UN conventions, including the elimination of all forms of forced and compulsory labour.

The Merck KGaA, Darmstadt, Germany [Human Rights Charter](#) sets out our overarching commitment to human rights and defines the requirements for our company. The Charter brings together and complements the human rights aspects from other Merck KGaA, Darmstadt, Germany [Code of Conduct](#), the [Environment](#),

<sup>1</sup> For data processing reasons, 2% of our purchase volume (1,161 suppliers) is currently not assigned to any purchase region. This equates to 3.5% of our supplier spend.





[Health and Safety Policy](#), and the [Supplier Code of Conduct](#).<sup>2</sup> In our [Human Rights Policy Statement](#), we commit to upholding and endorsing human rights due diligence obligations within our own business area and at our suppliers. This policy statement applies to all Merck KGaA, Darmstadt, Germany Group companies and to all managers, members of the Executive Board and, all other employees within the entire Merck KGaA, Darmstadt, Germany Group.

For our own **employees**, our [Global Social and Labour Standards Policy](#) sets out our commitment to international social and labour standards. The policy specifically states that Merck KGaA, Darmstadt, Germany does not accept any form of forced or compulsory labour, child labour, modern slavery or human trafficking in any of our global operations or facilities. It prohibits practices such as confiscating or withholding worker identity documents and notes our commitment to ethical recruitment and the Employer Pays Principle.

Our expectations of our **suppliers** are outlined in the Merck KGaA, Darmstadt, Germany [Supplier Code of Conduct](#). We expect our suppliers to uphold human rights, adhere to the United Nations Guiding Principles on Business and Human Rights, and carry out human rights due diligence. This entails respecting all internationally recognized human rights, including those articulated in the International Bill of Human Rights and the fundamental rights principles specified by the International Labour Organization (ILO). No forms of slavery, practices akin to slavery, serfdom, or other forms of domination or oppression in the workplace, such as extreme economic exploitation and humiliation shall be tolerated.

Our [Responsible Minerals Sourcing Charter](#) demonstrates our commitment to responsible sourcing of minerals from conflict-affected and high-risk areas. It applies to all our legal entities and subsidiaries worldwide. The charter complements the requirements set out in our Supplier Code of Conduct.

Our Group Standard on Contractor Environment, Health and Safety Management sets out our commitment to working conditions of contractors. It requests to include labour and human rights in the management processes and contractor relationship management. Knowledge exchange and feedback loops are used to enable collaborative learning and improvements on environmental, safety and labour/human

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<sup>2</sup> Supplier Code of Conduct (SCoC) replaces the Responsible Sourcing Principles as of January 2023





rights standards. Contractors may be eliminated from the bidding list if human rights violations are noticed during the qualification and performance tracking process.

Our [compliance hotline](#) is our key grievance mechanism available to employees and external stakeholders worldwide to safely report actions that (potentially) violate the principles of our Code of Conduct, internal rules and laws, including those related to the Human Rights Charter. All suspected violations can be reported in the local language to the compliance hotline via telephone or a web-based application, free of charge and, if desired, anonymously. Our company ensures proper whistleblower protection and guarantees confidentiality on a need-to-know basis and non-retaliation in a trusted environment.

## Risk management and due diligence processes

Protecting people and the environment is a top priority at Merck KGaA, Darmstadt, Germany and our objective is to continuously improve ourselves. As a global company with around 62.908 employees worldwide, we inevitably face some human rights risks. This is particularly the case in so-called risk countries (countries with higher human rights risks). We have a number of different measures in place to meet our human rights due diligence obligations. The aim is to protect people who are or may be potentially affected and prevent, end or at least minimize adverse effects on human rights. We have established standardized processes to ensure this.

In line with our Human Rights Due Diligence Group Standard, we carry out a risk-based, systematic review on human rights risks at our Group companies and in our supply chains and have a wide range of measures in place to prevent and, where possible, end or at least minimize adverse effects on human rights around the world in connection with our business activities. We continue to develop our processes on an ongoing basis. Our focus when further developing our due diligence processes is on stakeholder collaboration, for example through the UN Global Compact and its local networks and as part of sector-specific initiatives.

### Risk Analysis

We conduct an annual risk analysis to identify human rights-related risks in our operations and at our direct suppliers. The results of the risk analysis are evaluated on an ongoing basis and integrated into our company decision-making processes. The process and the results of the regular risk analysis for the fiscal year 2023, are as follows:





For our own operations, we verify compliance with the principles of our [Global Social and Labour Standards Policy](#) at our local subsidiaries on a phased and risk-based approach. In 2023, no procedural violations were identified.

Risks regarding our suppliers are analyzed in two phases, in an abstract way followed by a specific analysis: Firstly, we determine abstract risks for our direct suppliers using country and sector indices based on external data and also consider the extent of our business activities with the respective suppliers. Following this, the second phase involves analyzing specific human rights and environmental risks. Among other things, we use questionnaires to further increase transparency. We draw on the internal expertise of our employees who communicate directly with the suppliers. Within the scope of the regular risk analysis for the fiscal year 2023, we have identified i.a. forced labour as one of the potential risks with regards to our direct suppliers which we prioritize. The risk analysis is the basis for appropriate preventive or remedial actions within our own operations and at our direct suppliers. Further information about our preventive measures can be found in our [Human Rights Policy Statement](#).

### **Mica<sup>3</sup>**

By procuring mica from the Indian states of Jharkhand and Bihar, where social and economic factors contribute to poor working conditions, including child labour, we are supporting this region by safeguarding local employment and livelihoods. We source the raw material only from suppliers operating in formal working environments and we monitor compliance with our standards, including the prohibition of child and forced labour.

Our mica suppliers are informed of our standards and have confirmed that they adhere to the principles of our [Human Rights Charter](#) as well as the requirements of our [Supplier Code of Conduct](#). In the event of non-compliance with our standards, we work with suppliers to ensure the appropriate implementation of corrective measures.

**We do not tolerate child labour** and contractually prohibit our suppliers from employing children. If one of our suppliers were found to be using child labour, we would terminate the business relationship immediately. We are driving initiatives and taking measures to improve the conditions of mica sourcing based on our high standards. For example, we have contractually agreed with our suppliers to pay above living wage to mine workers and to workers in the processing units.

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<sup>3</sup> Mica is a raw material used in applications for the Electronics business sector only and is not a material used for finished goods supplied to Canada.





Furthermore, we continuously review our monitoring processes to improve their effectiveness.

Environmental Resources Management ([ERM](#)), a leading global provider of environmental, health, safety, risk, and social consulting services, conducts external audits of mines and processing plants, investigating working conditions as well as **environmental, health and safety issues**.

Since 2013, IGEP Consult, an Indian non-governmental organisation, has conducted regular unannounced monitoring to review labour standards throughout our supply chain. During these visits, IGEP officials monitor occupational safety and **compliance with laws preventing child labour**.

We are also a founding member of the multi-stakeholder group Responsible Mica Initiative ([RMI](#)). Since 2017, we have held the presidency of the organisation. The initiative aims to eradicate child labour and unacceptable working conditions in the Indian mica supply chain by **joining forces across industries**.

### **Governance**

We have defined clear responsibilities for carrying out and complying with our human rights due diligence obligations. Overarching responsibility for human rights in our sphere of influence lies with our Executive Board. The Executive Board requires binding compliance from our Managing Directors<sup>4</sup>. Our human rights officer is responsible for monitoring human rights and environmental due diligence obligations. The Executive Board is informed of the work of the human rights officer and the implementation status of the due diligence obligations regularly and at least once a year.

We consider respect for human rights an interdisciplinary issue at Merck KGaA, Darmstadt, Germany and so we collaborate systematically with various functions. The experts in the respective Group Functions, business sectors and local units implement the specific measures, for instance by integrating human rights due diligence into existing processes.

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<sup>4</sup> The Managing Directors are responsible for ensuring that our subsidiaries, including the R&D and production centers, comply with all applicable laws and regulations, including internal guidelines.







Our Human Rights Working Group is tasked to implement effective cross-organisational efforts to fulfil Merck KGaA, Darmstadt, Germany's commitments to respect human rights across our operations, supply chain, business relationships and potentially impacted communities. In addition, the group discusses activities and current developments regarding business and human rights. It comprises representatives from e.g. Group Compliance, Group Procurement, Group Human Resources, Corporate Environment, Health and Safety, Corporate Security as well as Group Corporate Sustainability. The group met twice in 2023.

## Effectiveness

We evaluate the effectiveness of our risk management and of our due diligence processes once a year and on an ad hoc basis. We place particular focus here on checking the effectiveness of our complaint's procedure, risk management, remedial action and preventive measures.

## Training and awareness-raising

We continue with the integration of human rights-related aspects, including modern slavery, into existing training and awareness-raising formats for relevant internal functions. An **online course** trains our Managing Directors and senior management in how to meet the requirements of our [Global Social and Labour Standards Policy](#) in their area of responsibility.

We consistently broaden our internal communication channels to further solidify our dedication to human rights throughout the Group. This includes heightening awareness of human rights and modern slavery. For instance, via our global sustainability network, we conducted a webinar on human rights in the corporate sphere in 2023. Moreover, **virtual informational sessions** concerning the implementation of the [German Supply Chain Due Diligence Act](#) were provided to specific target audiences.

We conduct training sessions for suppliers on the [Supplier Code of Conduct](#) and to gather contractual assurance. This involves the use of an interactive eLearning tool that we have developed in various language formats based on our Supplier Code of Conduct.





In addition to our Supplier Code of Conduct, we introduced the training platform TfS Academy together with Together for Sustainability (TfS). Through the platform, employees at TfS member companies and their suppliers can access a total over 300 courses in up to nine languages. The module on human rights due diligence, for instance, covers the topics child labour, forced labour, human trafficking, discrimination and harassment. We also participated in the #TfSTalks, an interactive webinar series.

## Measures taken to remediate any forced labour or child labour in our own operations and/or in our supply chain

In the event that we identify any violation of a human rights obligation at Merck KGaA, Darmstadt, Germany or in our supply chain, Merck KGaA, Darmstadt, Germany will immediately initiate appropriate measures to resolve these violations. We differentiate between violations in our own business operations and in the supply chain.

In our own business operations, we immediately implement measures to resolve violations. For violations in the supply chain, we work closely with our suppliers and use our influence to help resolve the violation. A particularly severe violation at a supplier may result in the business relationship being temporarily suspended or immediately terminated.

We are aware that in some cases we can exert only limited influence over complex supply chains and that we cannot resolve systematic violations and risks alone. This is particularly true for our influence over indirect suppliers. To ensure that we meet industry standards, we work alongside other companies in sector initiatives. For example, we are a member of Together for Sustainability (TfS), the Pharma Supply Chain Initiative (PSCI), the Responsible Mica Initiative (RMI) and the Responsible Minerals Initiative. We also expect our suppliers to let us or our trustworthy partner companies carry out evaluations or audits. Corresponding obligations were integrated into our contracts with suppliers. These evaluations make our supply chain more transparent and show where sustainability can be improved or the risk of violations can be reduced.

In 2023, there were no indications of modern slavery or forced labour in our own operations and in our supply chain identified via the compliance hotline, through which employees and external stakeholders can report violations of human rights.





## Any measures taken to remediate the loss of income to the most vulnerable families that results from any measure taken to eliminate the use of forced labour or child labour in its activities and supply chains

As there were no indications of modern slavery or forced labour in 2023 in our own operations and in our supply chain identified via the compliance hotline no remediation measures were initiated.

### Looking ahead

Merck KGaA, Darmstadt, Germany took the first step towards implementing the UN Guiding Principles on Business and Human Rights in 2012, and we have since worked to continuously improve our human rights due diligence.

At the same time, we acknowledge that there is further progress to be made, particularly in our efforts to combat modern slavery. In summary, our focus areas for action include:

- Continue to conduct internal audits to ensure that our local subsidiaries comply with the principles of our [Global Social and Labour Standards Policy](#)
- Continue to provide training and enablement to our internal investigators that are reviewing alleged cases linked to the principles of our [Global Social and Labour Standards Policy](#)
- Continue to review the effectiveness of our current supplier assessments and audit procedures
- Continue to strengthen our internal communication and awareness-raising about human rights and modern slavery

We are committed to continuously enhance our approach in accordance with our values and international standards for corporate human rights and labour rights due diligence.

5 June 2024



June 2024



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June 2024



## Appendix

### **List of our Canadian subsidiaries that fall under the Canadian 'An Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act'**

EMD Inc.

MilliporeSigma Canada Ltd.



June 2024