

Anti-corruption and anti-bribery

Compliance management

As a global company, we have stringent requirements for effective compliance management. Importantly, we seek to emphasize compliance by acting in line with our [company values](#) and believe that profitable business operations should go hand in hand with the highest ethical standards.

Roles and responsibilities

Our Group Compliance function is responsible for the framework of the following core topics: the Merck Code of Conduct, anti-corruption and anti-bribery (including healthcare compliance, third-party due diligence, transparency reporting), anti-money laundering, antitrust, and conflicts of interest.

To cover these topics, we have Group-wide policies, standards and procedures in place that ensure our business activities comply with the relevant laws, regulations and international ethical standards. Other compliance-related issues, including the respective internal regulations and guidelines, such as [Pharmacovigilance](#), Export and Import Controls, and [Environment, Health, Safety, Security, Quality](#), are managed by the responsible functions.

Our Group Compliance function is responsible for our compliance portfolio, which consists of the following elements:

- Risk Assessment: Identifying internal and external critical risks in regular business operations
- Policies & Procedures: Global policies, procedures and standards to mitigate identified risks
- Compliance Committee/Forums: Platform for compliance-related discussion and decision-making, including relevant key functions
- Training & Awareness: Appropriate training and additional measures to educate and keep awareness high
- Programs & Tools: Comprehensive compliance programs and supporting tools contributing to internal controls and overall governance
- Monitoring & Reporting: Tracking of compliance-related data; perform internal and external reporting
- Case Management: Timely response to reports of misconduct and implementation of corrective actions
- Continuous Improvement: Based on and applying to all compliance program elements

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

Our Chief Compliance Officer oversees all Compliance departments and the underlying Compliance Officers and Compliance experts around the world. The Compliance Officers implement our compliance program within their respective areas of responsibility (adapting to local regulations) and receive guidance from our Group Compliance Center of Expertise. This is a centralized body that drives the design and evolution of our compliance program across all business sectors and Group functions.

Our commitment: Guidelines and standards

Our compliance program builds on our company values and integrates these into our compliance framework, which consists of Group-wide policies, standards and procedures for entrepreneurial conduct. The following are mandatory for all our employees:

- [Merck Code of Conduct](#)
- [Human Rights Charter](#)
- Anti-Corruption Standard
- Anti-Money Laundering Group Standard
- Conflict of Interest Policy
- Antitrust and Competition Law Policy
- Compliance Reporting and Investigation Policy
- Dawn Raid Policy
- Standard on Local Compliance Standards
- [Supplier Code of Conduct](#) (formerly Responsible Sourcing Principles)

Risk assessment

Proper compliance risk management is crucial to identify undetected risks and ensure our company remains protected. For this purpose, we are implementing a compliance risk identification process. We started this initiative by launching a global compliance risk process for all our business sectors to improve objectivity and enable a more data-driven risk approach. In addition, we established a comprehensive risk matrix that focuses on bribery and corruption risks, illustrated through in-depth risk categorization and risk scenarios. As a next step, in 2022, we started conducting country-based risk assessments. This approach considers gross and net risks while looking at tangible risk scenarios for the respective business. During this process, Group Compliance works closely with the businesses to enhance their risk awareness and create a better understanding of compliance risks. The first round of this process includes high-risk countries. By 2022, we rolled out a risk identification process to get a better risk overview on bribery and corruption related risks.

Conflicts of interest

We take all potential conflicts of interest seriously. Employees must avoid situations where their professional judgment may come into conflict with their personal interests. They must also disclose every potential conflict of interest to their supervisor and document the disclosure. Such issues are typically resolved directly between the employee and the supervisor but can also be routed to Human Resources, Legal, Compliance, or other relevant functions.

Management and requirements of third parties

For compliance management to be effective, it must not be restricted to the boundaries of our own company. While our [supplier management processes](#) focus on vendor compliance with our standards, our global Third Party Risk Management process governs interactions with sales parties, such as commercial agents, distributors and dealers. We expect our third parties worldwide to adhere to our compliance principles. We collaborate only with parties who pledge to comply with relevant laws, reject all forms of bribery, and adhere to environmental, health and safety guidelines.

We apply a risk-based approach to select the third parties with whom we do business. The greater the estimated risk regarding a particular country, region, or type of service, the more in-depth we examine the third party before entering into a business relationship. We also explore background information from various databases and information reported by third parties.

If we encounter compliance concerns, we further analyze and verify the relevant information. Based on the outcome, we decide whether to reject the potential third party, impose conditions to mitigate identified risks or terminate the existing relationship. By end of 2023, we plan that all subsidiaries of our company will have a new Third Party Risk Management process and tool, for due diligence of all high risk third parties – to conduct business only with those that are legally compliant.

Compliance training

We provide regular compliance classroom and online training courses on our Code of Conduct, anti-corruption, antitrust, data privacy, anti-money laundering, and healthcare compliance standards. We require employees to take these courses based on their exposure to risk. Some courses also apply to independent contractors and supervised workers, such as temporary employees.

We introduced a new Conflicts of Interest e-learning module that explains what conflicts of interests are and how these should be managed within our company. The course is available in nine languages. Furthermore, we launched a new e-learning course to provide an overview of our Third-Party Risk Management and to emphasize the importance of Third-Party Risk Assessments.

Anti-money laundering

We have implemented a global anti-money laundering (AML) program consisting of a global Anti-Money Laundering Group Standard, training and a dedicated process to report and investigate red flags as well as any high-risk transactions. Suspicious transactions are reported to the German Financial Intelligence Unit or other authorities as required.

We aim to continuously improve our AML program. Following a worldwide risk assessment in 2021 to identify jurisdictions imposing the strictest legal and regulatory frameworks applicable to our businesses, we initiated in-depth AML risk assessments for higher-risk jurisdictions. Based on these assessments and constant review of changes in the legal environment, we are implementing stricter local AML programs where required.

Reporting potential compliance violations

We encourage all employees worldwide to report potential compliance violations to their supervisors, Legal, HR or other relevant departments. Globally, they can also use our central whistleblowing compliance hotline free of charge and anonymously to report violations in their local language by telephone or via a web-based application. Reports of potential compliance violations that we receive via our compliance hotline are reviewed by the Compliance Investigations and Case Management team.

Cases with a certain risk profile are presented to the Compliance Case Committee, which comprises senior representatives from our Compliance, Corporate Security, Data Privacy, Human Resources, Internal Auditing, and Legal departments. The Committee's duties include assessing and classifying certain compliance issues, investigating their background, and addressing these issues using appropriate measures.

Based on the investigation outcome and recommendations from the compliance investigation team or the Compliance Case Committee, appropriate disciplinary action may be taken against employees who have committed a compliance violation. If, during the investigation, a root cause is identified that could lead to the risk of further compliance violations, we take preventive and corrective actions.

The compliance hotline is also available to external stakeholders. The relevant information can be found in the Compliance and Ethics section of our [website](#).

The number of suspected compliance violations reported remained stable compared with the previous year, while the number of confirmed compliance violations decreased. In 2022, we received 79 compliance-related reports via the compliance hotline and other channels that were processed as cases. 28 violations of the Code of Conduct or other internal and external rules were confirmed.

Reported compliance violations

	2019	2020	2021	2022 Merck Group	2022 thereof: Merck KGaA
Total number of reported compliance violations					
Number of reported compliance incidents	75	81	79	79	3
Number of confirmed cases	30	41	42	28	0
Confirmed cases by category					
Bribery and corruption	9	6	1	2	0
Violation of cartel laws and fair competition rules	0	0	0	1	0
Fraudulent actions against Merck	8	11	6	11	0
Other violations of the Merck Compliance Principles for the relations with business partners	4	0	0	2	0
Other violations of Merck values, internal guidelines or legal requirements	9	24	35	12	0

Compliance audits

Compliance is ensured by Group Compliance and Group Internal Auditing as the second and third lines of defense. As part of the audits, Group Internal Auditing regularly reviews functions, processes and legal entities worldwide. These reviews include an assessment of the effectiveness of the respective compliance guidelines, processes and structures in place. The units also check for violations of our Code of Conduct and our Anti-Corruption Standard.

Our audit planning aims to provide comprehensive risk assurance through the best possible audit coverage of our processes. We take a risk-based approach to our annual audit planning process, considering factors such as sales, employee headcount, systematic stakeholder feedback and the Corruption Perceptions Index ([CPI](#)) published by the non-governmental organization [Transparency International](#). If an internal audit gives rise to recommendations, Group Internal Auditing performs a systematic follow-up and monitors the implementation of the recommended corrective actions. In 2022, Group Internal Auditing conducted 79 internal audits involving bribery and corruption-related risks, including 52 operational and 24 IT audits and 3 special audits which may, for example, be initiated as part of incident-specific internal investigations.

Interactions with health systems

We support health systems by providing information to our healthcare stakeholders, such as professional medical associations, patient advocacy groups, university clinics and other institutions that provide healthcare. We follow clearly defined internal approval requirements and procedures for each type of interaction, in line with applicable laws and codes. In countries with statutory or industry obligations on the disclosure of transfers of value to healthcare stakeholders, we aim to comply with these obligations.

Direct-to-consumer advertising only in certain countries

Direct-to-consumer (DTC) advertising for prescription medicines is permitted in some countries, such as the United States. In line with applicable local laws, we use DTC advertising in these countries to help increase people's awareness of certain diseases and the available therapies.

Roles and responsibilities

For all interactions with healthcare stakeholders, we have established internal policies and review processes and tools, such as record-keeping systems, to ensure adherence to statutory requirements and transparency obligations.

Our Global Regulatory Affairs unit has established a dedicated standard and corresponding process document on the review and approval of our promotional materials for our Healthcare business sector. At the operational level, the relevant business and all employees involved in our sales and marketing activities must adhere to our internal policies, standards and procedures.

To ensure that all promotional materials meet our standards as well as local regulations end-to-end, we apply a harmonized Group-wide review and approval system.

Our commitment: Group-wide guidelines and industry standards

In addition to applicable laws and our own internal standards, we comply with the codes of conduct of various international and local industry organizations, such as the [Code of Practice](#) published by the International Federation of Pharmaceutical Manufacturers & Associations ([IFPMA](#)) and the Code of Practice of the European Federation of Pharmaceutical Industries and Associations ([EFPIA](#)) or the regulations of the U.S. Pharmaceutical Research and Manufacturers of America ([PhRMA](#)).

Moreover, we apply various specific internal rules and regulations:

- Pharma Code for Conducting Pharmaceutical Business and Pharmaceutical Operations (Pharma Code)
- Healthcare Ethical Guiding Principles
- Standard on Medical Activities
- Policy on Interactions with Patients, Patient Opinion Leaders, and Patient Organizations
- Guideline Good Practice and Process Guidance: Engagement with Patients, Patient Opinion Leaders, and Patient Organizations.

Transparent reporting

We publish the financial and non-financial contributions we make to healthcare stakeholders in the healthcare industry, such as healthcare professionals and healthcare organizations, as appropriate and in accordance with local laws and codes. The published information includes the names of individual recipients, their addresses, the purpose, and the contributed amount or value as required by the applicable laws and codes. In addition, before publishing, we secure all necessary informed consent forms, as required by the applicable data privacy regulations.

Regular employee training

We are continuing our Code of Conduct training curriculum on managing dilemmas in sector-specific situations. Employees who are responsible for the promotion of our pharmaceutical products receive regular training on current guidelines. Depending on their roles and responsibilities, new employees, participate in onboarding training dealing with the review and approval of promotional materials. Based on their roles and responsibilities and to remain up-to-date, employees participate in mandatory e-learning courses and classroom training on our policies and guidelines, as well as important changes to the reporting requirements for transfers of value.

Other topics

Sustainable innovation and technology

The sustainable innovation that we envision or drive forward must align with and support the three goals of our [sustainability strategy](#). We define sustainable innovation as new or improved products, services, technologies, or processes that generate economic benefits and have positive environmental and social impacts. Therefore, we develop long-term solutions for our innovation and research activities that consider the entire value chain and evaluate each product's impact over its lifecycle.

Today, our products already have a positive impact on human progress and global health, namely our medicines and our biological and chemical innovations that utilize the latest technologies. We want to continuously improve the way we measure our progress by adapting and integrating sustainability criteria into our product development processes across the business sectors.

In 2022, we continued our partnership with the well-established patent information platform LexisNexis® PatentSight®. In this context, we created a framework to evaluate the sustainability impact of our intellectual property. For 2022, we evaluated the baseline for the first time and identified that 27% of our patent families published that year have a positive sustainability impact based on LexisNexis® PatentSight®.

Roles and responsibilities

The organizational set-up of our R&D activities reflects the overall structure of our company. All three of our business sectors operate independent R&D units that pursue their own innovation strategies. Group Corporate Sustainability supports our business sectors and Group functions to advance and integrate sustainability within the R&D and innovation processes in line with our shared goals. We developed a methodology for creating a Group-wide overview of the potential contribution of our R&D portfolio towards sustainable solutions that went live in December 2022.

Our Group Science & Technology Office leads the implementation of our combined strategy for innovation, data and digital, enabling innovation across our business sectors while harnessing the power of advanced data and digital capacities. It aims to identify and integrate transformative, strategically relevant technology trends into our business sectors while maintaining a Group-wide view of our tech roadmap and innovation portfolio. Fostering data and digital capacities is key to accelerating sustainable innovation and enabling rapid action and personalized offerings. Innovation projects are incubated either through our corporate innovation teams or in the business sectors.

Our venture capital fund, [M Ventures](#), prioritizes sustainable innovations through equity investments. The fund's mandate is to invest in innovative technologies and products that have the potential to significantly impact our core business areas. In addition, the fund focuses on investments in two areas of high strategic relevance to our company: digital technology and sustainability.

M Ventures' sustainability investment strategy follows two fundamental approaches. First, it invests in sustainable solutions relevant to our three business sectors, such as novel solutions for reducing emissions and waste, green life science technologies and green electronics technologies. These solutions may be more energy- or resource-efficient or may create products designed for circularity or with a lower carbon footprint. The second approach involves making investments that leverage our core competencies to drive sustainability in other markets. These may include start-ups addressing sustainable foods, bio-manufacturing, or carbon capture and utilization.

Our commitment: Aiming for circularity

Within our R&D processes, we are committed to continuously improving and integrating sustainability and circular economy criteria to assess the sustainability performance of our products and portfolio. For example, our Life Science business sector developed Design for Sustainability (DfS) and the DOZN™ tool to create more sustainable products for our customers. In 2022, we tailored and rolled out the DfS concept to our two other business sectors and integrated an overarching company dashboard. In 2023, we aim to generate an understanding of our R&D portfolio and use the insights to steer future R&D activities. Therefore, we have developed an indicator to track our progress. In addition, we have dedicated corporate resources for our circular economy strategy and we are driving several circular economy pilots and initiatives throughout the organization.

Reporting in accordance with the EU Taxonomy Regulation

Fundamentals

The EU taxonomy for sustainable activities (hereinafter “EU Taxonomy”) is a classification system that translates the climate and environmental objectives of the European Union (EU) into criteria for sustainable economic activities. For this purpose, the EU Taxonomy defines various key performance indicators and qualitative information that Merck must disclose. The disclosure obligation under Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the European Council dated June 18, 2020 on establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter “EU Taxonomy Regulation”) and the Delegated Acts adopted in this regard is being carried out in multiple phases:

- For the 2021 reporting period, key performance indicators were stated only for so-called taxonomy-eligible economic activities and were limited to those that make a substantial contribution to climate change mitigation or climate change adaptation as defined by the EU Taxonomy Regulation. An economic activity qualifies as taxonomy-eligible if it is within the scope of the EU Taxonomy.
- For the 2022 reporting period, apart from the degree of taxonomy-eligible economic activities making a substantial contribution to climate change mitigation or climate change adaptation within the meaning of the EU Taxonomy Regulation, it is also necessary to report the taxonomy-aligned share of the identified economic activities. According to the EU Taxonomy, an economic activity qualifies as taxonomy-aligned if it is taxonomy-eligible and makes a substantial contribution to one or more of the environmental objectives without doing significant harm to the other objectives or failing to fulfill minimum social standards.
- As of the 2023 reporting period, four further environmental objectives of the EU are likely to be included in the disclosure obligation: 1) sustainable use and protection of water and marine resources, 2) transition to a circular economy, 3) pollution prevention and control, and 4) protection and restoration of biodiversity and ecosystems.

Approach

To ensure the legally compliant fulfillment of its disclosure obligations, in 2020 Merck established an interdisciplinary project team that is continuously analyzing the existence of taxonomy-eligible and taxonomy-aligned activities in close coordination with the representatives of the business sectors and various Group functions.

The identification of the taxonomy-eligible economic activities for the environmental objectives “climate change mitigation” and “climate change adaptation” proceeded in line with a top-down approach using structured inquiries submitted to the relevant specialist departments. The results of this analysis were confirmed by supplementary big data-supported analyses as part of a bottom-up approach. Among other things, information was used that can also be found in connection with the requirements of the REACH regulation as well as in the context of customs declarations.

The three key performance indicators (KPIs), namely net sales, capital expenditure and operating expenditure, were mainly derived from existing financial reporting systems; for capital expenditure inquiries were made to the Investment Controlling unit in some instances.

Methodology for determining the taxonomy KPIs requiring publication

The EU Taxonomy Regulation and the corresponding Delegated Acts contain wording and requirements which, even taking into account the supplementary publications of the EU Commission and the "EU Platform on Sustainable Finance", are subject to interpretation and for which clarifications have not yet been published in every case. The most significant interpretive issues arising in this context are presented below.

Taxonomy-eligible economic activities of Merck

To check the taxonomy eligibility of an economic activity, Merck applies an end-product oriented approach for manufacturing-related activities. This means that the end product must result from one of the economic activities specified in the Delegated Act in order to qualify as being taxonomy-eligible. In the case of organic basic chemicals, the corresponding economic activities only qualify as taxonomy-eligible in the interpretation of Merck if the manufacturing activities of the named chemical products involve a significant transformation process. In our interpretation, products that are merely passed on for sale, repackaged or mixed do not qualify as taxonomy-eligible within the meaning of the EU Taxonomy Regulation.

In the course of implementing the EU Taxonomy requirements, the business model of Merck underwent a comprehensive analysis. The core business activities of Merck are not mentioned in the economic activities set forth by the Delegated Act. Consequently, taxonomy-eligible activities were only identified to a very small extent in conjunction with the production of energy-efficient building equipment in the Electronics business sector. By contrast, neither the manufacture nor the distribution of pharmaceutical products or the distribution of specialty chemicals, which form the core of the business activities of the Life Science and Electronics business sectors, qualify as application areas of the EU Taxonomy Regulation for the first two environmental objectives. Furthermore, ancillary activities that are operationally necessary for our core business also do not qualify as independent taxonomy-eligible economic activities. This applies, for example, to the acquisition or construction of production buildings, the transport of our products to our customers as well as to research and development activities that cannot be allocated to a taxonomy-eligible economic activity for the first two environmental objectives "climate change mitigation" and "climate change adaptation".

With respect to capital expenditure, the EU Taxonomy Regulation differentiates between three categories of capital expenditure:

- Capital expenditure that relates to assets or processes associated with taxonomy-aligned economic activities (Category A),
- Capital expenditure that is part of a plan to expand taxonomy-aligned economic activities or to transform taxonomy-eligible economic activities into taxonomy-aligned economic activities (Category B), and
- Capital expenditure related to the acquisition of products from taxonomy-eligible economic activities and individual measures that carry out the target activities in a low-carbon manner or reduce greenhouse gas emissions (Category C).

Because Merck only engages in taxonomy-eligible economic activities in the area of manufacturing energy-efficient building equipment to a very small extent owing to its business model, it has no significant capital expenditure in category A. Furthermore, Merck has no capital expenditure in category B since it does not prepare any capital spending plans to transform the taxonomy-eligible economic activities for the first two environmental objectives "climate change mitigation" and "climate change adaptation" into taxonomy-aligned economic activities. This is attributable to the fact that there are hardly any taxonomy-eligible activities due to the business model of the Group.

Consequently, Merck only has capital expenditure for the first two environmental objectives resulting from the acquisition of products classified as taxonomy-eligible economic activities or are attributable to qualifying individual measures (Category C). In order to be taxonomy-eligible, this capital expenditure must correspond to one of the economic activities named in the Delegated Acts and be implemented and operational within 18 months. At Merck, such capital expenditure exists especially in connection with

- transport by motorbikes, passenger cars and light commercial vehicles (activity 6.5)
- construction and real estate (activities 7.2 to 7.7).

In order to exclude double counting, capital spending on products from taxonomy-aligned economic activities and individual measures that have already been checked under category A are only included under category A. Against this background, capital expenditure for production buildings, for example, is only subject to a taxonomy-eligibility check under category A, while capital expenditure for administrative buildings is included under category C.

Taxonomy alignment of the economic activities of Merck

In order to check the taxonomy alignment of the taxonomy-eligible economic activities, the relevant regulations for the technical screening criteria under which certain economic activities qualify as contributing substantially to the environmental objective as well as for determining whether the activity causes no significant harm to any of the other environmental objectives were systematically analyzed. The basis for this was the Delegated Acts on the EU Taxonomy, which were used for the identification of taxonomy-eligible economic activities. In these, corresponding requirements are defined for the respective economic activities, which must be fulfilled for a classification as taxonomy-aligned. For this purpose, interviews were conducted with business and project managers and physical climate risk analyses were carried out at the sites. Furthermore, operating permits, product data sheets, environmental product declarations, energy performance certificates and internal training documents were inspected, among other things.

Minimum safeguards

The minimum protection frameworks include the OECD Guidelines for Multinational Enterprises, the United Nations Guiding Principles on Business and Human Rights, the fundamental conventions of the International Labour Organization, and the International Bill of Human Rights. The requirements profile of the frameworks was systematized and compared with internal documents. This included an analysis of the Code of Conduct, work instructions, guidelines and training documents. Compliance with the due diligence process required by the framework in the area of human rights is ensured with respect to the individual business activities. Risk analyses are carried out with regard to the minimum protection requirements and appropriate measures are derived from these.

Taxonomy KPIs

Net sales

The KPI net sales represents the ratio of net sales from taxonomy-eligible or taxonomy-aligned economic activities in a fiscal year to the total net sales of the same fiscal year. The definition of relevant net sales for the purposes of the EU Taxonomy Regulation corresponds to the definition of net sales in the consolidated financial statements (see Note (9) "[Net sales](#)" in the Notes to the Consolidated Financial Statements).

Capital expenditure

The share of capital expenditure on assets or processes associated with economic activities classified as taxonomy-eligible or taxonomy-aligned is determined as follows: Share of total capital expenditure that is taxonomy-eligible or taxonomy-aligned divided by total capital expenditure according to the EU Taxonomy Regulation. At Merck and within the meaning of the EU Taxonomy Regulation, capital expenditure in the

reporting period comprises additions to property, plant and equipment (IAS 16), rights of use from leases (IFRS 16), and intangible assets (IAS 38) with the exception of goodwill. Apart from the additions, advance payments for the named assets are also included. The denominator also includes additions to property, plant and equipment and intangible assets resulting from business combinations. The additions can be seen in the changes in property, plant and equipment and intangible assets disclosed in the consolidated financial statements (see Note (20) "[Property, Plant and Equipment](#)" and Note (19) "[Other Intangible Assets](#)" in the Notes to the Consolidated Financial Statements)

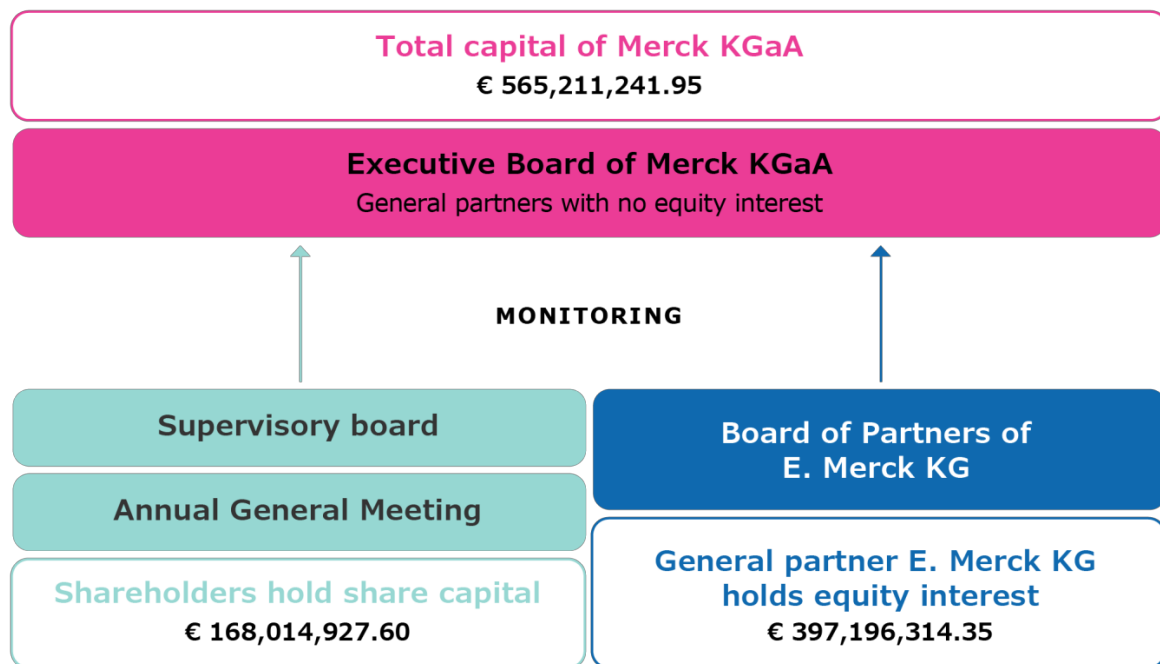
Operating expenditure

The share of operating expenditure for assets or processes associated with economic activities classified as taxonomy-eligible or taxonomy-aligned is determined as follows: Share of total operating expenditure that is taxonomy-eligible or taxonomy-aligned divided by total operating expenditure according to the EU Taxonomy Regulation. Operating expenditure relevant within the scope of reporting under the EU Taxonomy Regulation includes direct, non-capitalized research and development costs, low-value leases, building renovations, maintenance and repair, and all other direct internal and external expenses related to the day-to-day maintenance of property, plant and equipment that are necessary to ensure the continuous and effective functioning of these assets.

Fossil gas-related activities

Merck operates a gas turbine and a co-generation unit to generate electricity and heat from fossil gaseous fuels. The unit serves to generate our own power and heat. The activities in the area of electricity generation from fossil gaseous fuels as well as the operation of co-generation units with fossil gaseous fuels are not significant at Merck. Additional activities in the field of nuclear energy and fossil gas are not performed.

Capital Structure and Corporate Bodies of Merck KGaA



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

Statement on Corporate Governance

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

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

The German Corporate Governance Code is geared toward the conditions found in a German stock corporation (“Aktiengesellschaft” or “AG”) and does not take into consideration the special characteristics of a corporation with general partners (“Kommanditgesellschaft auf Aktien” or “KGaA”) such as Merck KGaA. Given the structural differences between an AG and a KGaA, several recommendations of the German Corporate Governance Code are to be applied to a KGaA only in a modified form. Major differences between the two legal forms exist in terms of liability and management. In the case of an AG, only the AG is liable as a legal entity, whereas the general partners of a KGaA also have unlimited personal liability for the company’s obligations (section 278 (1) AktG). At Merck KGaA, this pertains to both E. Merck KG – which is excluded from management and representation pursuant to article 8 (5) of the Articles of Association – as well as to the managing general partners who collectively make up the Executive Board of Merck KGaA. The members of the Executive Board of Merck KGaA are therefore subject to unlimited personal liability. Unlike an AG, their executive authority is not conferred by the Supervisory Board, but rather by their status as general partners. Consequently, in addition to other responsibilities typical of the supervisory board of an AG (see description of the procedures of the Supervisory Board), the supervisory board of a KGaA does not have the authority to appoint the management board, draw up management board contracts, or specify the compensation of the management board. This legal form also involves special features with regard to the Annual General Meeting. For example, in a KGaA, many of the resolutions made require the consent of the general partners (section 285 (2) AktG), including in particular the adoption of the Annual Financial Statements (section 286 (1) AktG).

Merck KGaA applies the German Corporate Governance Code analogously where these regulations are compatible with the legal form of a KGaA. In order to enable shareholders to compare the situation at other companies more easily, we base corporate governance on the conduct recommendations made by the Government Commission of the German Corporate Governance Code to a broad extent and refrain from adopting our own, equally permissible, code. All recommendations of the German Corporate Governance Code in the version dated December 16, 2019, the intent and meaning of which are applied, have been complied with since the last Declaration of Conformity in February 2022. We will continue to comply with the recommendations of the Code in the version dated April 28, 2022 in the future.

For a clearer understanding, the following gives a general explanation of the application of German company law at Merck KGaA with additional references to the Annual General Meeting and shareholder rights.

Merck KGaA

The general partner E. Merck KG holds around 70% of the total capital of Merck KGaA (equity interest); the shareholders hold the remainder, which is divided into shares (share capital). E. Merck KG is excluded from the management of business activities. The general partners with no equity interest (Executive Board) manage the business activities. Nevertheless, due to its substantial capital investment and unlimited personal liability, E. Merck KG has a strong interest in ensuring that the businesses of Merck KGaA operate efficiently in compliance with procedures. Merck KGaA’s participation in the profit/loss of E. Merck KG in accordance with articles 26 et seq. of the Articles of Association further harmonizes the interests of the shareholders and of

E. Merck KG. E. Merck KG appoints and dismisses the Executive Board. In addition, E. Merck KG has created bodies – complementing the expertise and activities of the Supervisory Board – to monitor and advise the Executive Board. This applies primarily to the Board of Partners of E. Merck KG.

Based on the provisions of the German Stock Corporation Act, the Articles of Association of Merck KGaA, and the rules of procedure of the various committees, Merck KGaA has adopted a set of rules for the Executive Board and its supervision that meet the requirements of the German Corporate Governance Code. The investors, who bear the entrepreneurial risk, are protected as provided for by the German Corporate Governance Code. We take suggestions from the capital market on corporate governance seriously and hold discussions with investors and shareholder representatives.

The General Meeting of Merck KGaA

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

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

Declaration of Conformity

In accordance with section 161 AktG, applying the provisions of the German Corporate Governance Code correspondingly, the Executive Board and the Supervisory Board issued the following Declaration of Conformity with the recommendations of the Government Commission of the German Corporate Governance Code:

“Declaration of the Executive Board and the Supervisory Board of Merck KGaA on the recommendations of the Government Commission of the German Corporate Governance Code pursuant to section 161 of the German Stock Corporation Act (AktG). Since the last Declaration of Conformity in February 2022, we have complied with all recommendations of the Government Commission of the German Corporate Governance Code in the version dated December 16, 2019 as published in the official section of the German Federal Gazette.

With regard to future compliance with the current recommendations of the Government Commission of the German Corporate Governance Code, the Executive Board and the Supervisory Board declare the following: The company will comply with the recommendations of the Code in the version dated April 28, 2022.”

Darmstadt, February 2023

For the Executive Board

signed Belén Garijo

For the Supervisory Board

signed Wolfgang Büchele

Information on corporate governance practices

Reporting

It is Merck KGaA's objective to provide the latest information to all shareholders, media, financial analysts, and interested members of the public, while creating the greatest possible transparency. For this reason, Merck uses a wide range of communication platforms to engage in a timely dialog with all interested parties about the company's situation and business changes. Merck's principles include providing factually correct, comprehensive, and fair information.

Information subject to disclosure requirements, as well as information that is not, can be accessed worldwide on the Merck KGaA website (www.merckgroup.com), which is the company's most important publication platform. In addition to a comprehensive financial calendar, quarterly statements and/or quarterly and half-year financial reports covering at least the past five years are available there in German and English. In line with the legal requirements, ad hoc announcements are also published on the website. These contain information on circumstances and facts that could impact the Merck share price.

Regular press conferences, investor meetings on the occasion of investor conferences, and roadshows offer another platform for dialog. The company presentations prepared for this purpose are also available on the Merck KGaA website. In addition, the Investor Relations team is available to private and institutional investors who wish to receive further information. To ensure the greatest possible transparency, all documents concerning the General Meeting are available on the company website. Additionally, at least some parts of the General Meeting are generally webcast live on the Internet. The Annual General Meeting on April 22, 2022, was again held virtually and hence was webcast live on the Internet in full.

Dealing with insider information

Dealing properly with insider information is very important to us. Our Insider Committee examines the existence of insider information, ensures compliance with legal obligations, and prepares any necessary measures. The members of the Insider Committee are appointed by the Executive Board; at least two members work in Group Legal & Compliance. The Insider Committee meets at regular intervals or when circumstances require. The Chief Financial Officer is vested with the authority to make the final decision on handling potential insider information.

In order to ensure a high level of protection for insider information, the Executive Board issued internal insider guidelines applicable throughout the Merck Group worldwide. The guidelines inform employees about their responsibilities under insider trading laws and give clear instructions for compliant behavior. In addition, they describe the function of the Insider Committee in detail. Moreover, our Code of Conduct, which is binding for all employees, also contains an explicit, detailed reference to the ban on using insider information. Within the scope of obligatory training courses on the Code of Conduct as well as specific training courses on insider law, all employees are instructed on the key stipulations of insider trading.

Accounting and audits of financial statements

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

The Supervisory Board commissioned KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, to audit the Consolidated Financial Statements and the Combined Management Report for 2022. KPMG AG

Wirtschaftsprüfungsgesellschaft, Berlin, is obliged to inform the Supervisory Board without delay of any grounds for disqualification or bias occurring during the audit if these cannot be immediately rectified. Additionally, the auditor shall immediately report to the Supervisory Board any findings and issues that emerge during the audit that have a direct bearing upon the tasks of the Supervisory Board. The auditor shall inform the Supervisory Board or note in the audit report any circumstances determined during the audit that would render inaccurate the Declaration of Conformity made by the Executive Board and the Supervisory Board. It has also been agreed with the auditor that in order to assess whether the Executive Board has fulfilled its obligations in accordance with section 91 (2) of the German Stock Corporation Act (AktG), the audit will also cover the company's early warning risk identification system. Moreover, the auditor is required to examine and evaluate the accounting-relevant internal control system insofar as this is necessary and appropriate for assessing the accuracy of financial reporting.

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

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

Further reports

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

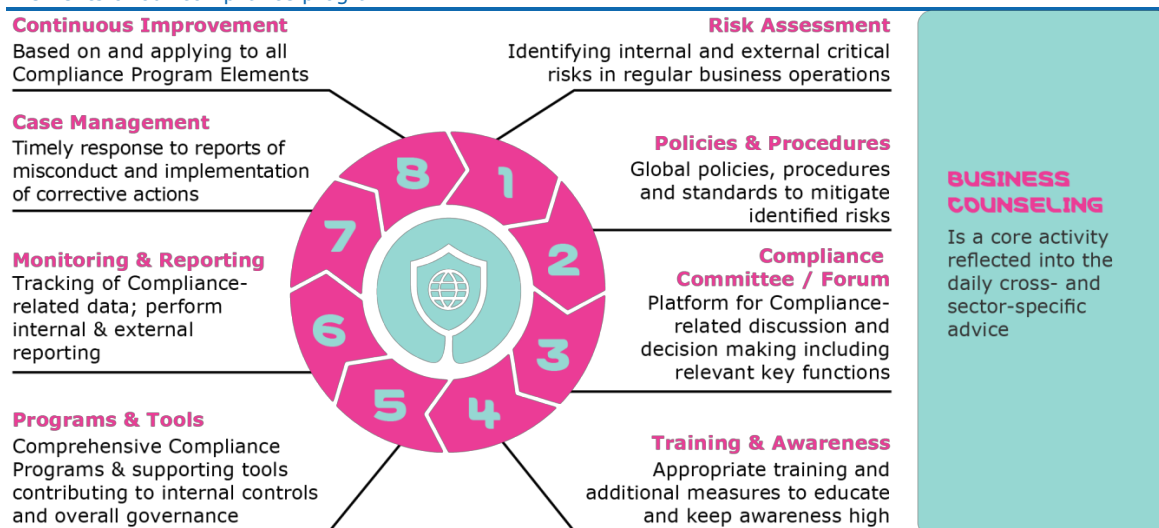
Values and compliance

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

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

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

Elements of our compliance program



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

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

Based on a corporate culture that places the fundamental company values – courage, achievement, responsibility, respect, integrity, and transparency – at the center of our entrepreneurial actions, our Code of Conduct (<http://www.merckgroup.com/company/responsibility/en/regulations-and-guidelines/code-of-conduct.pdf>) helps us implement these when dealing with one another daily.

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

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

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

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

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

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

The importance of compliance is also reflected in the subsidiaries, which ensure via country representatives that compliance measures are implemented in the countries. Compliance tasks in the countries and on a regional basis are largely performed by full-time compliance officers. As a result, a higher level of compliance expertise

is based locally, and the growing number of tasks in all business sectors are taken into account. The compliance officers in the countries and regions report to the dedicated compliance officers for the respective business sectors (Life Science, Healthcare, and Electronics). A separate responsibility was also created for Group functions. Regular regional and global compliance meetings are held to promote the exchange of information within the Compliance organization. This is supplemented by a global concept for local compliance forums and global compliance committees, at which relevant compliance-related topics are discussed with senior management. These constitute an important element of risk assessment and quality assurance.

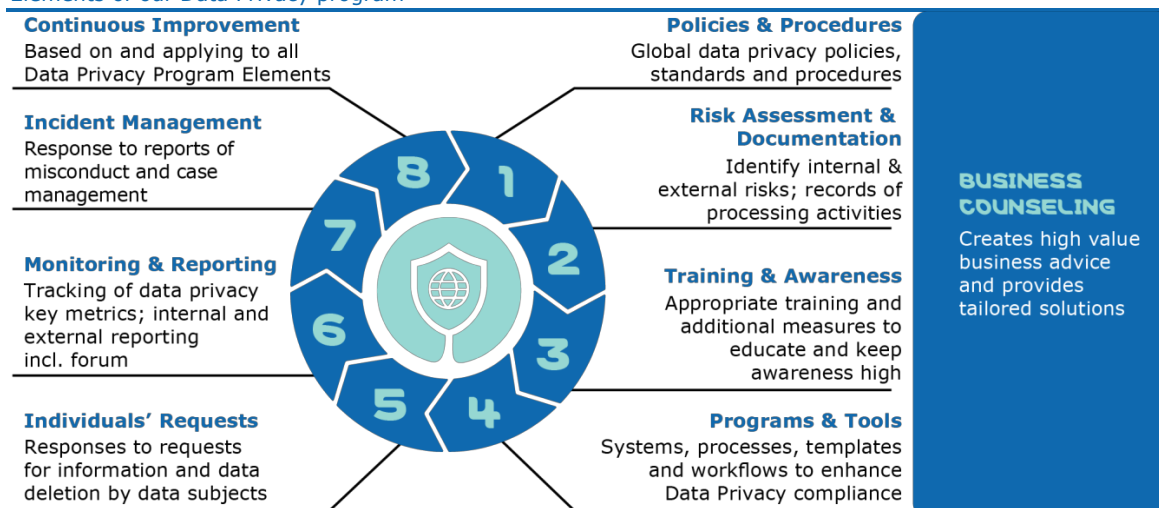
Newcomer trainings are run for newly appointed compliance officers. These seminars serve to build up compliance expertise and strengthen cooperation within the Compliance organization. This Group-wide network is used to steer the global Compliance Program. The Compliance organization is also involved in the relevant due diligence processes for the incorporation of new business units as well as possible divestments and acquisitions, and the subsequent integration of companies. Within the scope of the global compliance program, a high degree of importance is given to regular compliance trainings of the Merck Compliance Training Plan, which are conducted as web-based training courses and classroom sessions. The various training topics addressed, particularly on the Code of Conduct, anti-corruption and bribery, conflicts of interest, anti-money laundering, antitrust and competition law, and healthcare compliance, serve to sensitize employees and management on the consequences of compliance violations. Since Merck set up a central Compliance hotline, our employees and individuals outside of our company have been able to report compliance violations by telephone or via a web-based application in their respective language. The Compliance hotline is available 24 hours a day, free of charge. Case numbers enable anonymous, two-way communication. The reports received are individually reviewed. If a compliance violation exists, corresponding corrective measures are taken based on concrete action plans. If necessary, disciplinary measures are taken which can range from a simple verbal warning up to the dismissal of the employee who violated a compliance rule. Merck has set up a Compliance Case Committee to guide these processes. The Compliance Case Committee consists of senior members from various Group governance functions; they are involved in reviewing compliance violations and introducing countermeasures. The joint work in the Compliance Case Committee enables processes between the various Group functions to be optimally coordinated and designed efficiently.

Data Privacy

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

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

Elements of our Data Privacy program



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

Risk and opportunity management

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

At the first level (1st line), activities (including the management of financial and non-financial risks) and the use of resources are managed in line with external and internal regulations. Risks are to be prevented/recorded and reduced where they could arise, i.e. at operational level. Risk owners, i.e. the heads of the business fields, the managing directors of the Merck subsidiaries and the heads of the Group Functions, establish processes in accordance with the requirements of the second level (2nd line) to ensure that risk mitigation measures can be identified, assessed, monitored and developed. Through the heads of the business fields and Group Functions, planned, actual and expected results in connection with the organization's goals and risks are regularly discussed with the Executive Board.

The second level (2nd Line) sets the framework for the design of the internal control system, the risk management system and the compliance management system by defining appropriate minimum requirements for governance, systems and processes to be applied in the 1st line. The specific structure of this governance is risk-based and at the discretion of the Executive Board. The Executive Board and the Audit Committee of the

Supervisory Board receive regular reports on risk management, the financial internal control system and compliance. For further information on governance and the processes in place for risk management, compliance management and the financial internal control system, please see the “[Risk and Opportunity Report](#)” and the section “Values and compliance” in the Statement on Corporate Governance.

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

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

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

Avoidance of conflicts of interest

Within the framework of their work, all Executive Board and Supervisory Board members of Merck KGaA are exclusively committed to the interests of the company and neither pursue personal interests nor grant unjustified advantages to third parties.

Before an Executive Board member takes on honorary offices, board positions, or other sideline activities, this must be approved by the Personnel Committee of the Board of Partners of E. Merck KG. The Chair of the Executive Board, Belén Garijo, and the Chief Financial Officer, Marcus Kuhnert, are both members of the Executive Board of E. Merck KG. This does not, however, create conflicts of interest.

In its report to the General Meeting, the Supervisory Board discloses any conflicts of interest involving its members and how they were dealt with. Consultancy agreements as well as other service and work contracts of a Supervisory Board member with Merck require the approval of the Supervisory Board. In fiscal 2022, there were neither conflicts of interest nor consultancy agreements or other service or work contracts with Merck KGaA involving Supervisory Board members.

Adherence to environmental and safety standards

At Merck, environmental protection is based on closed-loop thinking and the integration of precautionary measures into our process, procedural, and product development planning. The principles and strategies set out in our Environment, Health and Safety Policy implement the guidelines formulated by the national and international associations of the chemical industry in the Responsible Care guidelines. The Responsible Care Global Charter developed by the International Council of Chemical Associations (ICCA) emphasizes overall responsibility for products, supply chains, and society. Merck has signed this expanded version of the Responsible Care Global Charter for the entire Group. It is implemented by Merck at an international level. We report our ecological, economic, and social performance transparently in accordance with the internationally recognized principles of the Global Reporting Initiative (GRI).

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

We aim to lower the lost time injury rate (LTIR) to below 1 by 2025. We are also developing a Global Health Concept for the entire Group. Many guidelines specify how the sites and employees of the Merck Group are to observe the principles in their daily work. The Group function Corporate Sustainability, Quality and Trade Compliance steers these global activities and ensures compliance with statutory requirements, internal standards, and business needs throughout the entire Group. In this way, Group-wide risks are minimized, and continuous improvement is promoted in the areas of environment, health, safety, security, and quality. Corporate Responsibility reports are also published at regular intervals.

Report of the Supervisory Board

The Supervisory Board again properly executed its duties in 2022 in accordance with the law as well as the company's Articles of Association and rules of procedure. In particular, the Supervisory Board monitored the work of the Executive Board diligently and regularly.

Cooperation with the Executive Board

The cooperation with the Executive Board was characterized by an intensive dialog on the basis of mutual trust. During fiscal 2022, the Executive Board provided the Supervisory Board with regular written and verbal reports on the business development of Merck KGaA and the Merck Group. In particular, the Supervisory Board was informed about the current and potential impact of the Covid-19 pandemic, the market and sales situation of the company in the context of macroeconomic developments, and the financial position of the company and its subsidiaries, along with their earnings development and corporate planning. Within the scope of quarterly reporting, the sales and operating results were presented for the Merck Group as a whole and broken down by business sector. In addition to the Supervisory Board meetings, the Chair of the Supervisory Board also maintained, and continues to maintain, a regular exchange of information with the Chair of the Executive Board.

Key topics of the Supervisory Board meetings

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

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

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

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

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

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

Annual Financial Statements

The Annual Financial Statements of Merck KGaA, the Consolidated Financial Statements of the Merck Group, and the Combined Management Report for Merck KGaA and the Merck Group, including the accounts, were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin.

The auditors issued an unqualified audit opinion on the Annual Financial Statements of Merck KGaA in accordance with German Auditing Standards.

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

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

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

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

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

Corporate governance and Declaration of Conformity

Corporate governance is a high-priority topic for the Supervisory Board. We take investor suggestions on this matter extremely seriously. In its own estimation, the Supervisory Board has an adequate number of independent members. There were no conflicts of interest as defined by the German Corporate Governance Code involving Supervisory Board members during the year under review. In fiscal 2022, the Chair of the Supervisory Board was prepared to hold talks with investors on topics pertaining to the Supervisory Board as appropriate and remains willing to do so. The Chair of the Supervisory Board conducted an investor discussion with Allianz Global Investors GmbH in fiscal 2022. In particular, the topics discussed included the profile of skills and expertise and the independence of the Supervisory Board with a view to the Supervisory Board election in 2024 and the transparency of the remuneration report. The Chair of the Supervisory Board stated that the profile of skills and expertise would play a significant role in the election of future candidates and that an even greater focus had been placed on sustainability and digitalization since the last election. Independence, overboarding internationality and diversity are other important factors. The Supervisory Board intends to begin the search at an early stage and make use of internal and external resources in order to find the most qualified and suitable candidates possible. Discussing Merck's remuneration report, the Chair of the Supervisory Board noted the continuous improvement in the transparency of the reports from year to year. With regard to sustainability in the Supervisory Board, the Chair of the Supervisory Board said that reporting-relevant topics such as the EU taxonomy are matters for the Audit Committee in particular, while sustainability is an overarching topic for the entire Supervisory Board, meaning that it is discussed at Supervisory Board meetings and is the subject of specific training.

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

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

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

Committees

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

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

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

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

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

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

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

Personnel matters and training

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

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

Darmstadt, February 2023

The Supervisory Board of Merck KGaA

Wolfgang Büchele

Chair

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

Initial situation

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

General notes on the composition of the Supervisory Board

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

For the Supervisory Board of Merck KGaA, professional qualifications and personal expertise are the two most important prerequisites for appointments to positions on the Supervisory Board. In accordance with the German Stock Corporation Act, at least one member of the Supervisory Board must have knowledge and expertise in the area of accounting, and at least one additional member of the Supervisory Board must have knowledge and expertise in the auditing of financial statements. The expertise in the field of accounting shall consist of special knowledge and experience in the application of accounting principles and internal control and risk management systems, and the expertise in the field of auditing shall consist of special knowledge and experience in the auditing of financial statements. Accounting and auditing also include sustainability reporting and its audit and assurance. The Chair of the Audit Committee shall have appropriate expertise in at least one of the two areas and shall be independent. When proposing Supervisory Board candidates for election or delegation, the Supervisory Board will always give top priority to these prerequisites, which are essential for fulfilling its legal duties. Overall, the Supervisory Board's policy is to optimally meet its monitoring and advisory duties by ensuring diversity among its members. In particular, diversity includes internationality as well as different

experience backgrounds and career paths. The proportion of women on the Supervisory Board is also considered to be an aspect of diversity. When preparing proposals for election or delegation to the Supervisory Board, the Supervisory Board shall consider in each case to what extent different, complementary specialist skills, professional and life experience, and an appropriate representation of both genders benefit the work of the Supervisory Board. Additionally, the Supervisory Board shall support the Executive Board in its efforts to increase diversity within the company.

Objectives of the Supervisory Board with respect to its composition

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

Internationality

The Supervisory Board shall have at least three members with business experience in the main sales markets of Merck KGaA. Currently, the main sales markets of Merck KGaA are Europe, America, and Asia-Pacific. The present composition of the Supervisory Board satisfies this objective. More than three Supervisory Board members have entrepreneurial experience in a wide range of European countries. More than three Supervisory Board members have experience in management positions in companies that operate globally.

Women on the Supervisory Board

Six women are currently members of the Supervisory Board of Merck KGaA. This corresponds to a share of women of 37.5%. When nominating candidates for election to the Supervisory Board or making proposals for delegations, the Supervisory Board shall examine whether the percentage of women can be increased by suitable candidates. The Supervisory Board considers the 37.5% share of female members to be satisfactory at the present time. This is due to the percentage of women in leadership positions at Merck and in consideration of the composition of the Supervisory Boards of other companies of comparable size.

Independence

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

Practitioner's Responsibility

It is our responsibility to express a conclusion on the combined non-financial statement based on our work performed within a limited assurance engagement.

We conducted our work in the form of a limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information", published by IAASB. Accordingly, we have to plan and perform the assurance engagement in such a way that we obtain limited assurance as to whether any matters have come to our attention that cause us to believe that the combined non-financial statement of the Company for the period from January 1 to December 31, 2022, has not been prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB and with the EU Taxonomy Regulation and the supplementing Delegated Acts as well as the interpretation of the wordings and terms contained in the EU Taxonomy Regulation and in the supplementing Delegated Acts by the legal representatives as disclosed in Section "Reporting in accordance with the EU Taxonomy Regulation" of the combined non-financial statement.

We do not, however, issue a separate conclusion for each disclosure. As the assurance procedures performed in a limited assurance engagement are less comprehensive than in a reasonable assurance engagement, the level of assurance obtained is substantially lower. The choice of assurance procedures is subject to the auditor's own judgement.

Within the scope of our engagement, we performed, amongst others, the following procedures:

- Inquiries of group-level personnel who are responsible for the materiality analysis in order to understand the processes for determining material topics and respective reporting boundaries for Merck KGaA
- A risk analysis, including media research, to identify relevant information on Merck KGaA's sustainability performance in the reporting period
- Evaluation of the design and the implementation of systems and processes for the collection, processing and monitoring of disclosures, including data consolidation, on environmental, employee and social matters, respect for human rights, and combating corruption and bribery matters
- Inquiries of group-level personnel who are responsible for determining disclosures on concepts, due diligence processes, results and risks, performing internal control functions and consolidating disclosures
- Inspection of selected internal and external documents
- Analytical evaluation of data and of the trends of quantitative disclosures as reported at group level by all sites
- Evaluation of local data collection, validation and reporting processes as well as of the reliability of reported data based on a sample of the sites in Nanke in Taiwan, Milwaukee & Sheboygan in USA and in Darmstadt in Germany in the form of virtual meetings
- Inquiries of responsible employees at Group level to obtain an understanding of the approach to identify relevant economic activities in accordance with EU Taxonomy
- Evaluation of the design and the implementation of systems and processes for the collection, processing and monitoring of disclosures on turnover, capital expenditures and operating expenditures for the taxonomy-relevant economic activities for the environmental objectives of climate change mitigation and adaptation
- Assessment of data collection, validation and reporting processes and reliability of reported data for the taxonomy-aligned economic activities in relation to the assurance on the Technical Screening Criteria (substantial contribution for the environmental objective, DNSH criteria) and minimum safeguards
- Assessment of the overall presentation of the disclosures

The legal representatives have to interpret vague legal concepts in order to be able to compile the relevant disclosures according to Article 8 of the EU Taxonomy Regulation. Due to the innate risk of diverging interpretations of vague legal concepts, the legal conformity of these interpretations and, correspondingly, our assurance thereof are subject to uncertainty.

In our opinion, we obtained sufficient and appropriate evidence for reaching a conclusion for the assurance engagement.

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the combined non-financial statement of Merck KGaA for the period from January 1 to December 31, 2022 has not been prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with 289b to 289e HGB and with the EU Taxonomy Regulation and the supplementing Delegated Acts as well as the interpretation disclosed in Section "Reporting in accordance with the EU Taxonomy Regulation" of the combined non-financial statement.

Restriction of Use/General Engagement Terms

This assurance report is issued for purposes of the Supervisory Board of Merck KGaA, Darmstadt, only. We assume no responsibility with regard to any third parties.

Our assignment for the Supervisory Board of Merck KGaA, Darmstadt, and professional liability as described above was governed by the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2017 (https://www.kpmg.de/bescheinigungen/lib/aab_english.pdf). By reading and using the information contained in this assurance report, each recipient confirms notice of the provisions contained therein including the limitation of our liability as stipulated in No. 9 and accepts the validity of the General Engagement Terms with respect to us.

Mannheim, February 16, 2023

KPMG AG Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

[signature] Beyer
Wirtschaftsprüfer
[German Public Auditor]

[signature] Brokof
Wirtschaftsprüferin
[German Public Auditor]