

# Merck Group Australia Modern Slavery Statement 2022

This joint statement is published in accordance with the Australian Modern Slavery Act 2018 (Cth). It sets out the steps that Merck KGaA and the relevant Merck Group companies in Australia including Merck Healthcare Pty Ltd, Merck Pty Ltd, Sigma-Aldrich Pty Ltd & Sigma-Aldrich Oceania Pty Ltd (collectively referred to as “Merck Australia”) have taken during the 2022 financial year to prevent slavery and human trafficking in any of our supply chains and in any part of our own business.

In order to prepare for this joint statement, Merck KGaA and Merck Australia engaged with the reporting entities covered by this statement. The reporting entities covered by this joint statement share common processes and approaches to assessing and managing modern slavery risk. The Board of Directors of each reporting entity was consulted and this joint statement has been approved by the Merck Chair of the Executive Board as well as the relevant Australian Merck companies’ Board of Directors.

In Australia, the reporting entities (aside from those mentioned herein) do not have any actively-owned or controlled entities.

## Introduction

Our ambition is to leverage science and technology to achieve progress for mankind. For us, sustainable entrepreneurship and profitable growth go hand in hand. Responsible action is an integral part of our company culture. This also includes respecting the interests of our employees, customers and investors, as well as society. For more than 350 years, our company has been shaped and guided by



strong [values](#). Our success is built on courage, achievement, responsibility, respect, integrity, and transparency – values that underpin our understanding of sustainable entrepreneurship. Respecting and supporting human rights is an integral part of our responsibility.

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

## Structure, business and supply chains

We are Merck, a vibrant science and technology company, operating across Life Science, Healthcare and Electronics. In Merck Australia, more than 240 employees work to make a positive difference to of people's lives by creating more joyful and sustainable ways to live. In 2022, Merck Australia generated sales of € 205.43 Million (approximately AUD 301.986 Million).

Merck comprises the following business sectors in Australia:

- In **Life Science**, we are a leading global provider of tools, chemicals, and equipment to academic labs, biotech and pharmaceutical manufacturers, and the industrial sector. With a strong focus on innovation, we are committed to delivering the products, services, and digital platforms to create a sustainable future for generations to come. In early 2022, Merck KGaA announced the reorganization of the sector to support Life Science's long-term growth strategy and to better serve our global customers' evolving needs.
- Our **Healthcare** business sector discovers, develops, manufactures and markets innovative pharmaceutical and biological prescription drugs to treat cancer, multiple sclerosis (MS), infertility, growth disorders, and certain cardiovascular and metabolic diseases. Healthcare operates across four therapeutic areas: Neurology and Immunology, Oncology, Fertility, and Cardiology Metabolism & Endocrinology. Our R&D pipeline positions us with a clear focus on strengthening our leadership positions in oncology, neurology, and immunology.

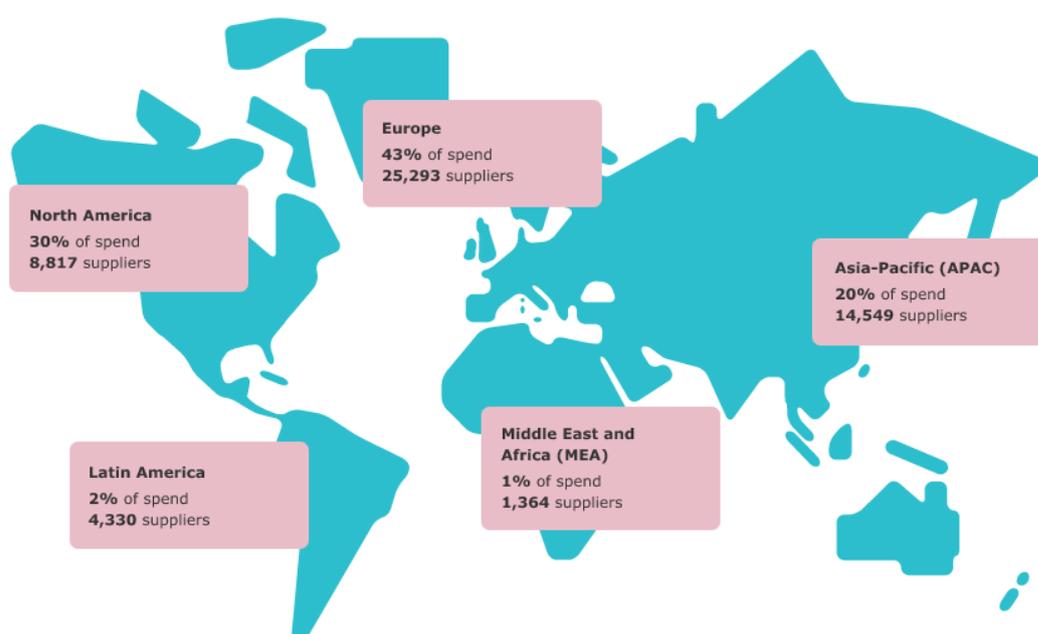
In 2022, Merck Australia derived 45% of net sales from Life Science and 55% from Healthcare.

Merck requires numerous raw materials, packaging materials, technical products, components and services (including R&D services), which we procure from



approximately 54,000 suppliers in more than 140 countries. All goods and services purchased in 2022 by the Merck Group amounted to around € 10.2 billion, compared with approximately € 8.6 billion in 2021. Of these, we purchased 30% from suppliers based in North America, 43% from suppliers based in Europe, 20% from suppliers based in the Asia-Pacific region, 1% from suppliers based in the Middle East and Africa, and 2% from suppliers based in Latin America.

### Purchase volume and suppliers per region in 2022<sup>1</sup>



We know from the human rights risk assessments we have conducted that the key risks for forced labor and modern slavery in our operations are present with

<sup>1</sup> For data processing reasons, 2% of our purchase volume (1,203 suppliers) is currently not assigned to any purchase region. This equates to 4% of our supplier spend.



vulnerable groups including contract workers and migrant workers. In our supply chain, we believe that modern slavery risks are highest in the sourcing of raw materials. Our activities to mitigate these risks are set out below.

## Policies in relation to slavery and human trafficking

As a signatory to the [UN Global Compact](#) since 2005, Merck has committed to upholding [ten principles](#) based on key UN conventions, including the elimination of all forms of forced and compulsory labor.

The Merck [Human Rights Charter](#) sets out our overarching commitment to human rights and defines the requirements for our company. The Charter brings together and complements the human rights aspects from other Merck regulations and guidelines, such as our [Code of Conduct](#), the [Environment, Health and Safety Policy](#), and the [Supplier Code of Conduct](#)<sup>2</sup>.

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

Our expectations towards **suppliers** are set out in the Merck [Supplier Code of Conduct](#). We require our suppliers to respect internationally proclaimed human rights, including the [ILO](#) Core Labor Standards, and to ensure that they are not complicit in any form of human rights abuses. The Supplier Code of Conduct requires suppliers to ensure that no form of forced, bonded or involuntary labor is used. It also strictly prohibits child labor.

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

Our Group Standard on Contractor Environment, Health and Safety Management sets out our commitment to working conditions of contractors. It requests to include labor

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



and human rights in the management processes and contractor relationship management. Knowledge exchange and feedback loops are used to enable collaborative learning and improvements on environmental, safety and labor/human rights standards. Contractors may be eliminated from the bidding list if human rights violations are noticed during the qualification and performance tracking process.

Our [compliance hotline](#) is our key grievance mechanism for employees and external stakeholders worldwide to report violations against our ethical rules and against the Human Rights Charter. All suspected violations can be reported in local language to the compliance hotline via telephone or a web-based application, free of charge and, if desired, anonymously.

## Risk management and due diligence processes

Over the years, Merck has conducted a range of dedicated human rights risk and impact assessment processes which have covered labor rights issues and also explicitly considered modern slavery risks. These processes are described in the Annex of our [Human Rights Charter](#).

### Risk Assessments

Based on the knowledge we gained from the human rights risk assessments conducted in the past, we are aware that we could improve at addressing modern slavery risks associated with the use of labor providers and contracted workforces. We have worked to improve our due diligence activities in this area since then. For this purpose, in 2022, we implemented measures to operate compliant with the German Supply Chain Due Diligence Act.

Our supplier risk assessment tool comprises human rights, child labor and supplier labor practices including modern slavery as risk criteria. We have also a company-wide due diligence process for [responsible supply chains of minerals](#) from conflict-affected and high-risk areas, according to OECD guidance. In addition to our internal efforts, we are a member of the industry initiative “Together for Sustainability” (TfS). As such, we are able to use the supplier self-assessments and audit results shared among all member companies. TfS assessments and audits cover both child labor and forced and compulsory labor.

For our own operations, we verified compliance with the principles of our [Global Social and Labor Standards Policy](#) at our local subsidiaries on a phased and risk-based approach. In 2021, no procedural violations were identified. In early 2022, we conducted an internal audit to review and further improve the management processes of our policy.



## Governance

Our manual for new managing directors covers the topic of human rights in an effort to heighten awareness at the executive level but also outlining the managing directors' responsibility regarding human rights and labor rights. The manual is primarily intended to consolidate all the legal and compliance-related responsibilities of a managing director into one document.

Our Human Rights Working Group is tasked to implement effective cross-organizational efforts to fulfil Merck's commitments to respect human rights across our operations, supply chain, business relationships and potentially impacted communities. In addition, the group discusses activities and current developments regarding business and human rights. It comprises representatives from Group Compliance, Group Procurement, Group Human Resources, Corporate Environment, Health and Safety, Corporate Security, Group Corporate Sustainability as well as from our Healthcare business and the group met twice in 2022.

We further developed our existing approach to human rights due diligence in 2022. Prompted by the specific requirements of the new German Supply Chain Due Diligence Act, we strengthened the existing processes for risk identification in order to fulfil our due diligence obligations even better. Among other things, the Head of Corporate Sustainability, Quality and Trade Compliance has been appointed as Human Rights Officer to monitor compliance with human rights due diligence requirements under the German Supply Chain Due Diligence Act and the implementation of processes throughout the Group in accordance with the German Supply Chain Due Diligence Act.

## Effectiveness

In 2022, there were no indications of modern slavery in our own operations identified via the compliance hotline, through which employees and external stakeholders can report violations of human rights. However, pertaining forced labor in our Supply Chain we were informed that we offered rubber gloves for which a manufacturer (Tier 2 supplier) is accused of labor abuses including forced labor in Malaysia. The matter is being investigated further. Our supplier has already terminated business relations with the manufacturer. Consequently, Merck also no longer has any business ties to the manufacturer in the affected supply chain.

We regularly verified compliance with the principles of our Global Social and Labor Policy at our local subsidiaries. No violations were identified. At the same time, we



recognize that as a hidden issue, modern slavery requires more effort to uncover, including in our supply chain.

Through the TfS initiative, we have access to more than 1,700 valid scorecards on the assessment of our suppliers, more than 1,100 of which completed a new assessment or re-assessment in 2022. In some cases, these were initiated by us and in other cases by other TfS members.

## Training and awareness-raising

We continue with the integration of human rights-related aspects, including modern slavery, into existing training and awareness-raising formats for relevant internal functions. To train our Managing Directors and senior management, we offer an e-learning course on implementing the requirements of our Social and Labor Standards Policy in their areas of responsibility. Our onboarding training for all new EHS managers continues to cover the topic of human rights, with a particular focus on the issue of modern slavery. In addition, the Supervisory Board received training on the requirements and implementation of the new German Supply Chain Due Diligence Act (SCDDA) in 2022. Also, several virtual information events on the implementation of the German SCDDA were offered to selected target groups. Through our global sustainability network, for example, we held a webinar on human rights in the corporate context in 2022.

Furthermore, as part of our membership of TfS, we rolled out the TfS Academy training platform in 2022. The platform offers 165 courses in up to nine languages to employees of TfS member companies and their suppliers. The module on human rights due diligence, for instance, covers the topics of child labor, forced labor, human trafficking, discrimination, and harassment. We also participated in the TfSTalks, an interactive webinar series.

In addition to foregoing global initiatives, we also conducted specific activities in Merck Australia such as trainings for all employees in Merck Australia including those with responsibilities in Australia regarding the Australian Modern Slavery law.

## Looking ahead

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

At the same time, we know we have more work to do, including in combatting modern slavery. In summary, our focus areas for action include:



- Continue to conduct internal audits to ensure that our local subsidiaries comply with the principles of our [Global Social and Labor Standards Policy](#)
- Continue to provide training and enablement to our internal investigators that are reviewing alleged cases linked to the principles of our Global Social and Labor Standards Policy
- Continue to review our current supplier assessments and audit procedures to define appropriate mitigation measures, including with regard to modern slavery and human trafficking
- Continue to strengthen our internal communication and awareness-raising about human rights and modern slavery
- New E-Learning for suppliers about the new Supplier Code of Conduct, which is mandatory (including pro-active acknowledgement of the Code) for suppliers fulfilling certain criteria
- New course about Human Rights Due Diligence activities in the TfS Academy will be published in Q2 2023. We will invite our employees and suppliers to conduct this course, in addition to many more courses about human rights topics.

We are committed to ensuring that we continuously improve our approach, in line with our values and international expectations on corporate human rights and labor rights due diligence.



5 June 2023

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Josie Downey  
Managing Director  
Merck healthcare Australia  
Director of the Board  
**Merck Healthcare Pty Ltd**



## Appendix

### **List of our Australian subsidiaries that fall under the Australian Modern Slavery Act**

Merck Healthcare Pty Ltd  
Merck Pty Ltd  
Sigma-Aldrich Pty Ltd  
Sigma-Aldrich Oceania Pty Ltd

