

California Transparency in Supply Chains Act



This statement is made pursuant to the reporting requirements of the California Transparency in Supply Chains Act of 2010. It provides information regarding our efforts to eradicate slavery and human trafficking from our product supply chain.

About Merck & Co., Inc.

Merck & Co., Inc. is a global health care company based in Rahway, New Jersey, USA., that delivers innovative health solutions through its prescription medicines, vaccines, biologic therapies and animal health products.

The Company's operations are principally managed on a products basis and include two operating segments, which are the Pharmaceutical and Animal Health segments, both of which are reportable segments.

The Pharmaceutical segment includes human health pharmaceutical and vaccine products. Human health pharmaceutical products consist of therapeutic and preventive agents, generally sold by prescription, for the treatment of human disorders.

The Company sells these human health pharmaceutical products primarily to drug wholesalers and retailers, hospitals, government agencies and managed health care providers such as health maintenance organizations, pharmacy benefit managers and other institutions.

Human health vaccine products consist of preventive pediatric, adolescent and adult vaccines. The Company sells these human health vaccines primarily to physicians, wholesalers, physician distributors and government entities.

The Animal Health segment discovers, develops, manufactures and markets a wide range of veterinary pharmaceutical and vaccine products, as well as health management solutions and services, for the prevention, treatment and control of disease in all major livestock and companion animal species.

The Company also offers an extensive suite of digitally connected identification, traceability and monitoring products. The Company sells its products to veterinarians, distributors and animal producers.

For more information, visit [Merck & Co., Inc.](#)

About Our Supply Chain

Merck & Co., Inc. relies on a wide range of suppliers and service providers to manufacture, distribute, and sell human health and animal health products to many markets around the world.

We have established business relationships with thousands of suppliers, including direct suppliers (including external manufacturing providers), capital expenditure suppliers, indirect suppliers, and research providers.

Our direct suppliers provide us with goods and services such as packaging, components, and ingredients. Capital expenditure suppliers provide goods and services such as engineering and construction.

Our indirect suppliers include those that provide services such as logistics, travel and meetings, facility management and marketing. Our research providers include laboratory supplies and services.

Policies

In accordance with UN Guiding Principles, we have integrated respect for human rights into our business practices, including our [Code of Conduct](#), our [Business Partner Code of Conduct](#), as well as relevant corporate level policies. Our public commitment to upholding human rights and eradicating modern slavery in all its forms is described in our [Public Policy Statement on Human Rights](#).

Addressing the risks of slavery and human trafficking

Our operations

During 2023, we worked to evaluate and address the risks of slavery and human trafficking within our own operations through:

Code of Conduct: Respecting and abiding by our company's core values and standards, as stated in our company Code of Conduct. We consider these to be the foundation of our company's success. They apply globally, wherever we are doing business.

Standards: Upholding and maintaining company standards on modern slavery and human trafficking. These are embedded in our Global Policy on Labour & Human Rights and reflected in our [Public Policy Statement on Human Rights](#).

Speaking Up: Fostering an environment where employees feel safe to speak up and report concerns, including any that may relate to modern slavery. We encourage employees to speak up about potential violations of our Code, policies, procedures, the law, or other misconduct.

Communication Channels: Maintaining multiple communication channels to make it easy for employees and others to ask questions or report concerns. Employees can report concerns to their Managers, Human Resources, Compliance, Legal or the Ethics & Compliance Office.

Speak Up Tool: Providing a speaking up tool. The Speak Up tool at msdethics.com is operated by an independent third-party, available 24 hours a day, 7 days a week. It allows employees to raise concerns or ask questions confidentially in their preferred language via phone or the internet.

Investigations. All allegations of misconduct are investigated in accordance with our Company's Compliance Issues Visibility Response ("CIVR") process, which promotes confidentiality, dignity and respect, objectivity, promptness, and non-retaliation.

Corrective Action. We take violations seriously. Corrective and disciplinary actions are taken against individual employees who are determined to have engaged in misconduct based on the findings of an investigation.

Training: Providing training to all employees on our company's Code of Conduct annually. Training completions are closely monitored and reported to senior management.

Accountability: Maintaining accountability. All employees are responsible for 1) adhering to our company's Code of Conduct; 2) complying with all relevant polices; and 3) raising concerns. Substantiated violations may result in disciplinary action up to and including termination.

Our supply chain

During 2023, we worked to evaluate and address the risks of slavery and human trafficking and slavery in our supply chain through:

Supplier Selection: Striving to select suppliers that are socially responsible and who share our company's commitments to ethics and legally compliant business practices. Our goal is to obtain services, goods, active ingredients, components, finished goods or other products in a way that is lawful and fair.

Expectations: Communicating our expectations of suppliers, including those related to slavery and human trafficking. We use our [Business Partner Code of Conduct \(BPCC\)](#) to communicate our expectations. It has been translated for all countries in which we operate and is posted on our company website.

Supply Chain Mapping: Conducting supply chain mapping to identify which of our suppliers may present a higher risk of slavery and human trafficking. As part of this activity, we categorize suppliers based on industry type, country location, and service / commodity. We use this information to decide upon the level of due diligence that may be necessary.

Due Diligence: Performing supplier due diligence, using a risk-based approach. We use a supplier Environmental Social & Governance (ESG) questionnaire to gather relevant information from suppliers on how they address the risks of slavery and human trafficking. The results and outcomes of supplier due diligence are used to inform our supplier selection and risk management processes.

Contracts: Seeking assurance from suppliers to respect the requirements set forth in our BPCC, including those related to slavery and human trafficking, through our contracts. Our standard contracts contain relevant clauses on compliance, ethical business practice, right to audit, sub-contracting, as well as termination rights.

Auditing / Verification: Performing Labour & Human Rights (LHR) audits (using a risk-based approach) at select supplier facilities to seek assurance and verification of their conformance with our company's expectations, and by working with them to address identified non-conformities revealed by audits.

We use independent social audit firms to perform announced LHR audits. The frequency at which we perform social audits of our suppliers depends on several factors, including the industry, size of the company, and the level of risk associated with the supplier

Grievance Mechanisms. Maintaining grievance mechanisms accessible to external stakeholders (including suppliers and other business partners) to allow the reporting of concerns, including any related to modern slavery. We expect our suppliers and other business partners to establish their own grievance mechanism to enable the reporting of concerns.

Response and Remediation: If we discover any evidence of slavery or human trafficking in our supply chain, we take immediate action to investigate. Where an occurrence is proven to have taken place, we will work collaboratively with the supplier to take necessary corrective actions and provide remedy where required.

Oversight & Monitoring: Assigning relationship managers from within our Global Supplier Management Group function to oversee, manage and monitor the performance of key suppliers. We continue to hold suppliers accountable for meeting their contractual obligations.

Governance: Using our Third-Party Risk Committee to help govern and oversee the management of slavery and human trafficking, as well as other human rights-related risks associated with our supply chain. This committee is chaired by our company's Senior Vice President for Global Supplier Management.

Engagement: Engaging and seeking input from relevant internal stakeholders, including Global Supplier Management Group, Ethics & Compliance Office, Legal, Global Safety & Environment and our Office of Corporate Responsibility.

Training: Providing training to procurement staff that have responsibility for supplier management to help raise awareness of slavery and human trafficking. Online training is provided on 1) our BPCC; 2) Mitigating Modern Slavery Risks in Supply Chains; and 3) Third Party Risk Management.

Assessing Effectiveness

During 2023, we reviewed the following key performance indicators to help us assess the effectiveness of our efforts in addressing the risk of slavery and human trafficking in our own operations and supply chain. We use these measures to monitor our performance and identify opportunities to help improve our programmes.

- Number of reported concerns/complaints.
- Number of supplier assessments conducted, as part of supplier due diligence.
- Number of supplier labour and human rights audits performed.
- Number of supplier labour and human rights audit findings.
- Number of supplier labour and human rights audit findings remediated.
- Number of procurement staff trained on modern slavery and human trafficking.

Collaboration

During 2023, we collaborated with [Pharmaceutical Supply Chain Initiative](#) (PSCI) Human Rights and Labour sub-group. PSCI is an industry collaboration that supports principles for responsible supply chain management for ethics, human rights, health and safety, environment, and related governance and management systems.

We are a member of [BSR's Human Rights Working Group](#) a global, cross industry network of businesses focused on human rights challenges. This working group helps companies around the world to implement the UN Guiding Principles on Business and Human Rights (UNGPs), by sharing knowledge and practical guidance.

Next Steps

We will continue working on our efforts to identify, assess and address modern slavery risks within our operations and supply chains. These efforts will include:

- Investigating all reported concerns promptly.
- Conducting supplier labour and human rights due diligence to identify and address risks.

- Auditing selected suppliers to verify conformance with our standards for human rights.
- Holding suppliers accountable for addressing non-conformities revealed by LHR audits.
- Participating in the activities/initiatives of PSCI's Labour & Human Rights Sub-Committee.

Consultation

The preparation of this statement was performed in consultation with relevant internal stakeholders directly involved with the management of risks related to modern day slavery and human trafficking, including senior management representatives from Global Supplier Management, Legal, the Ethics & Compliance Office and the Office of Corporate Responsibility.

Other Relevant Information

As a signatory of the [United Nations \(UN\) Global Compact](#), we are committed to advancing the 10 principles on human rights, labour, environment and anti-corruption and the UN Sustainable Development Goals (SDG).

We share our progress against the UN SDG targets for Good Health and Wellbeing, Gender Equality, Decent Work and Economic Growth and others in our Company's [Impact Report 2022/2023](#).