

Scope 3 GHG Inventory 2020

Content

- 1. Introduction**
- 2. Overview Scope 3 GHG emissions 2020**
- 3. Scope 3 GHG emissions details**

1. Introduction

Merck reports its Greenhouse Gas (GHG) emissions according to the "Greenhouse Gas Protocol, A corporate accounting and reporting standard, Revised Edition" by the Greenhouse Gas Protocol Initiative, a partnership between the World Resources Institute and the World Business Council for Sustainable Development.

For the Scope 3 GHG Inventory of Merck, the following documents have been used:

- "Corporate Value Chain (Scope 3) Accounting and Reporting Standard", GHG Protocol, 2011
- "Technical Guidance for Calculating Scope 3 Emissions (version 1.0)", GHG Protocol, 2013
- "Guidance for Accounting & Reporting Corporate GHG Emissions in the Chemical Sector Value Chain", wbcscd chemicals, 2013
- DEFRA - UK Government GHG Conversion Factors for Company Reporting, full factor set 2020

Reporting period covered: Jan. 1, 2020 – Dec. 31, 2020



2. Overview Scope 3 GHG emissions 2020

Scope 3 category	Metric kilotons CO ₂ e
1. Purchased goods & services	- ¹⁾
2. Capital goods	- ¹⁾
3. Fuel- and energy-related activities	119
4. Upstream transportation & distribution	- ¹⁾
5. Waste generated in operations	85
6. Business travel	14
7. Employee commuting	90
8. Upstream leased assets	0 ²⁾
9. Downstream transportation & distribution	- ¹⁾
10. Processing of sold products	0 ³⁾
11. Use of sold products	- ¹⁾
12. End-of-life treatment of sold products	- ¹⁾
13. Downstream leased assets	0
14. Franchises	0
15. Investments	- ¹⁾

1) no data available

2) Already covered under Scope 1/2 emissions.

3) Merck produces a huge variety of intermediate products for various purposes. Due to their many applications and our customer structure, the associated GHG emissions cannot be tracked in a reasonable fashion.

3. Scope 3 GHG emissions details

Scope 3 category	Data available	Metric kilotons CO2e	Methodology used/Explanations
Purchased goods & services	no	-	Emissions from purchased goods and services are expected to be highly relevant to Merck. As a global pharmaceutical and chemical company, Merck uses raw materials, packaging materials, etc. from various suppliers. Merck purchases 4,000 to 5,000 different raw materials and more than 10,000 different types of packaging. Among these, no one material is purchased in noticeably higher quantities than the others, and an initial review has not revealed materials sourced in large amounts with an exceptionally high Product Carbon Footprint. These facts do not provide a good starting point for prioritization.
Capital goods	no	-	Emissions from the production of capital goods purchased by Merck are expected to be medium to highly relevant, but no figures are available at this time.
Fuel- and energy-related activities	yes; 3rd party verified	119	Category 3 includes emissions related to the production of fuel and energy purchased and consumed by the reporting company in the reporting year that are not included in scope 1 or scope 2. Data on purchased and consumed fuels (mainly natural gas) and electricity, steam/heat and cold which are basis to calculate category 3 emissions are collected via the central EHS data management system of Merck. To determine upstream emissions of purchased fuels, the fuel quantities are multiplied with cradle-to-gate emission factors (source: DEFRA, 2020, WTT - fuels). Upstream emissions as well as transportation and distribution (T&D) losses of purchased heat/steam and cold are calculated by multiplying consumption figures with respective emission factors (source: DEFRA, 2020; WTT - heat and steam (WTT - heat and steam - District heat and steam) and respectively DEFRA, 2020, WTT - heat and steam (WTT - district heat & steam distribution, 5% loss) for losses. To

			calculate emissions from the generation and T&D of minor quantities of purchased cold the same emission factors are used as for heat/steam as no specific factors are available. Upstream emissions from electricity purchased are determined by multiplying consumption figures with respective emission factors (source: DEFRA, 2020; sum of WTT- UK & overseas elec (WTT- overseas electricity (generation) and WTT- UK & overseas elec (WTT- overseas electricity (T&D))). Electricity T&D losses are determined based on the quantities of electricity purchased and country-specific loss factors. Basis for country-specific electric power transmission and distribution losses: IEA 2020. Emissions from the generation of purchased electricity sold to end users is not relevant for Merck because Merck does not sell purchased electricity. A number of small commercial affiliates, labs, etc. have not been incorporated into the EHS data management system of Merck. For one, integrating these sites requires a huge effort for GHG emissions that are minor in relation to the sites already included in our accounting. Secondly, very often these small sites are not able to provide the necessary data because they use rented offices and do not receive energy-related information from their landlord. We assume that the accounted emissions cover the vast majority of the emissions of Merck.
Upstream transportation & distribution	no	-	Being a global company, Merck operates in 66 countries. We therefore expect that transportation and distribution of goods purchased by Merck, as well as products manufactured by Merck, to be an emission source of moderate relevance. Nevertheless, reliable data for our transport operations is not yet available Group-wide.
Waste generated in operations	yes; 3rd party verified	85	Category 5 includes emissions from third-party disposal and treatment of waste generated in facilities owned or controlled by Merck (including disposal of both solid waste and wastewater). The calculation of emissions from waste generated in operations and disposed of by third parties is based on primary

		data from the manufacturing sites of Merck collected on an annual basis via the central EHS data management system of Merck. This data is split up into various waste types (e.g. solvent waste, soil waste) and waste disposal methods (e.g. waste-to-energy, landfill, recycling). Emission factors based on the carbon content of the waste were taken from the "Guidance for Accounting & Reporting Corporate GHG Emissions in the Chemical Sector Value Chain". The emission factor for external waste recycling/recovery and for external waste incineration with energy recovery is 0 kg CO₂e/metric ton carbon (it is assumed that recycling and energy recovery are attributed to the organization that uses the recycled material, or that uses the waste to generate energy); the emission factor for external waste incineration without energy recovery is 1 kg CO₂e/metric ton carbon; the emission factor for external landfill waste is 13 kg CO₂e/metric ton carbon. Carbon content factors are mainly taken from the "2006 IPCC Guidelines for National Greenhouse Gas Inventories" (e.g. solvent waste: 80%; construction and demolition waste: 24%; plastic waste: 75%). These data are then multiplied with each other. Emissions resulting from the transportation of waste materials are not taken into account. To calculate greenhouse gas emissions from wastewater treatment in third party municipal or industrial wastewater treatment plants, we use primary data from the manufacturing sites of Merck, which is collected on an annual basis via the central EHS data management system of Merck. Wastewater quantities are multiplied by an emission factor (0.708 kg CO₂e/m³ wastewater) from DEFRA, 2020. The waste and wastewater accounting of Merck only covers manufacturing sites. Pure warehouse sites, labs or commercial affiliates are not included in our waste reporting. Nevertheless, it is expected that the accounting covers more than 95% of the overall waste quantity of Merck. Additionally, it can be assumed that the majority of waste not taken into account is recycled (paper, cardboard, plastic, etc.).
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Business travel	yes; 3rd party verified	14	Category 6 includes emissions from the transportation of employees for business related activities in vehicles owned or operated by third parties, such as aircraft, trains, buses, and passenger cars. Air travel: Based on its flight booking and billing processes, the payment solution service provider of Merck supplies detailed data of all flights booked. Greenhouse gas emissions are calculated by atmosfair (www.atmosfair.de), a recognized non-governmental organization dealing with climate protection with a focus on travel. Methodology used: CO₂ GRI / GHG. Data covers approximately 80% to 90% of the business flights of Merck employees. When the greenhouse effect at high altitudes is taken into account, the emissions from air travel add up to 28 metric kilotons CO₂eq (Radiation Forcing Index RFI of 2.7). Rail travel: Rail travel is considered relevant in some European countries (e.g. Germany, France, Spain). In non-European countries, it is seen as rather negligible. At this time, data for rail travel is only available in Germany. This data is provided by Deutsche Bahn AG Emission factors used per type of train: long distance trains: 0 kg CO₂/passenger-km (the Deutsche Bahn AG switched to renewable energy for long distance trains); short distance service: 0.05 kg CO₂/passenger-km. Rental cars: Emissions data is provided by the global rental car providers of Merck on an annual basis. Data on other means of transportation (e.g. trams, taxis and buses) are not available. Their impact on the overall emissions of Merck is expected to be negligible.
Employee commuting	yes; 3rd party verified	90	Category 7 includes emissions from the transportation of employees between their homes and work. Within Merck, there is no detailed data available on how employees commute to work (means of transport), the distance they travel each day, and how often they commute to work per year. Therefore, the assessment of the GHG emissions is based on estimates and assumptions. For this, we use the "Guidance for Accounting & Reporting Corporate GHG Emissions in

			the Chemical Sector Value Chain” along with statistical data (source: “GLOBAL CONSUMER SURVEY”, Statista). The Statista survey “Modes of transportation for commuting” provides percentages for different modes of transportation used for commuting for various countries. The average number of trips per year and employee (440) as well as the average travel distance (30 km by car/taxi, 20 km by public transportation or motorbike) are taken from the “Guidance for Accounting & Reporting Corporate GHG Emissions in the Chemical Sector Value Chain”. Emission factors for modes of transport are taken from DEFRA, 2020, Business travel-land.
Upstream leased assets	Scope 1/2 emissions; third party verified	0	Category 8 includes emissions from the operation of assets that are leased by Merck and that are not already included in the reporting company’s scope 1 or scope 2 inventories. Emissions from this category are not relevant for the scope 3 reporting of Merck because leased assets (e.g. rented offices, labs or warehouses) are integrated in the annual EHS data collection processes and are part of the scope 1 and 2 GHG inventory of Merck. A number of small commercial affiliates, labs, etc. have not been incorporated into the EHS data management system of Merck. For one, integrating these sites requires a huge effort for GHG emissions that are minor in relation to the sites already included in our accounting. Secondly, very often these small sites are not able to provide the necessary data because they use rented offices and do not receive energy-related information from their landlord.
Downstream transportation & distribution	no		Emissions from downstream transportation and distribution processes are expected to be of low relevance for Merck. Reliable data for our transport operations is not yet available Group-wide.
Processing of sold products	no	-	Category 10 includes emissions from the processing of sold intermediate products by third parties (e.g. manufacturers) subsequent to sale by the reporting company.

			Merck produces a huge variety of intermediate products for various purposes. Due to the range of potential applications and our customer structure, the related GHG emissions cannot be tracked in a practical fashion. Reliable figures are difficult to obtain. Here, Merck adheres to the recommendation of the "Guidance for Accounting and Reporting Corporate GHG Emissions in the Chemical Sector Value Chain of the WBCSD", which states that "Chemical companies are not required to report Scope 3, category 10 emissions, since reliable figures are difficult to obtain, due to the diverse application and customer structure".
Use of sold products	no		Emissions from the use of sold products are expected to be of low relevance because of the product portfolio of Merck.
End-of-life treatment of sold products	no		Emissions from the end-of-life treatment of sold products are expected to be of low relevance because of the product portfolio of Merck.
Downstream leased assets	not relevant; third party verified	0	Category 13 includes emissions from the operation of assets that are owned by the reporting company (acting as lessor) and leased to other entities. This category is not relevant for Merck because Merck essentially does not lease out real estate or other fixed assets (as assessed by Merck experts).
Franchises	not relevant; third party verified	0	Category 14 includes emissions from the operation of franchises. This category is not relevant for Merck as Merck does not operate franchises, i.e. businesses operating under a license to sell or distribute another company's goods or services within a certain location. Out-licensing in the pharmaceutical sector is not regarded as franchising.
Investments	no	0	Emissions from investments are expected to be of low relevance as Merck normally has operational control when investing in (emission-intensive) sites; in this case, GHG emissions are covered via scope 1 and 2 emissions.