

Society

Goals: Praziquantel

Strategic goal	Action	By?	Progress in 2013	Status
Eliminate the worm disease schistosomiasis in Africa	Provide tablets containing the active ingredient praziquantel free of charge to treat school children in Africa	Ongoing	More than 150 million tablets were donated from the start of the project up to the end of December 2013. Altogether more than 38 million children were treated up to the end of 2012. More than 15 million children were treated in 2012. 2012: More than 27 million tablets were provided in eight African countries. 2013: Around 50 million tablets were provided in twelve African countries	
	Carry out an awareness program to explain the causes of schistosomiasis and potential preventive measures	End of 2013	In 2013, 750,000 brochures were provided in Senegal and 250,000 brochures were printed for Malawi.	
	Incrementally increase the number of tablets donated annually by a factor of ten, up to 250 million	End of 2016	A search is ongoing for additional suppliers of the active ingredient.	
	Research a new formulation of praziquantel for children under six years old		A public-private partnership (PPP) was founded in July 2012. The milestone is to complete preclinical development in the course of 2014 and to start clinical development in the same year.	
	Optimize the praziquantel formulation	End of 2014	A film coating is being developed to help patients swallow the tablets more easily and make the tablets less sensitive to long transport times.	

Goals: Minilab

Strategic goal	Action	By?	Progress in 2013	Status
Combat counterfeit medicines by providing and further developing the mobile GPHF Minilab	Develop new test methods for seven active ingredients and add descriptions of the new test methods to the manuals	End of 2013	Seven new test methods developed and manuals updated.	
	Three training seminars on use of the GPHF Minilab; sale of 50 Minilabs	End of 2013	Four training seminars on use of the GPHF Minilab; sale of 63 Minilabs.	
	Develop new test methods for five active ingredients and add descriptions of the new test methods to the manuals	End of 2014		
	Four training seminars on use of the GPHF Minilab; sale of 50 Minilabs	End of 2014		

Legend:  Achieved  In progress  Not achieved  New goal



Global Compact

Implementation of the ten principles of
the UN Global Compact

PERIOD: JANUARY 2013 TO DECEMBER 2013



→ The Global Compact (GC) is a UN initiative founded in 2000. Signatories of the initiative commit themselves to ten principles based on key UN conventions regarding human rights, labor standards, environmental protection, and anti-corruption. At the same time, the compact obliges the signatories to actively engage themselves in propagating the principles within their own sphere of influence.

www.unglobalcompact.org

Merck KGaA, Darmstadt, Germany has been a Global Compact participant since 2005. The following Communication on Progress (CoP) presents the key measures that Merck KGaA, Darmstadt, Germany took in 2013 to implement the principles of the Global Compact

CEO's Declaration of continued support



Responsibility is not optional at Merck KGaA, Darmstadt, Germany – it is part of who we are. For more than three centuries, Merck KGaA, Darmstadt, Germany, has combined entrepreneurial success with responsible conduct and has made the fulfillment of our corporate responsibility an integral part of our identity.

To align our efforts internationally, we joined the United Nations Global Compact in 2005. We are committed to this path and stand firm in our continued support of the ten principles established by the compact, which cover human rights, labor regulations, environmental protection, and anti-corruption.

We want to leverage our knowledge and expertise to help address the major challenges of our time. For example, as a leading company in the pharmaceutical and chemical sectors, Merck KGaA, Darmstadt, Germany, is well placed to contribute meaningfully in the field of healthcare.

Access to medical care is a universal human right and we want to make sure that it becomes a reality for everyone. For that reason, we have partnered with the World Health Organization (WHO) to combat the tropical disease schistosomiasis. We are donating praziquantel tablets, which are needed to treat this dangerous and wide-spread parasitic worm disease. To date, 38 million children in 19 countries have already been treated. And we intend to do more. After all, Merck KGaA, Darmstadt, Germany, has committed to donating tablets until schistosomiasis has been eliminated in Africa.

Working to improve global access to health is one aspect of our responsibility efforts, but by no means the only one. As this progress report shows, responsibility is a basic tenet of our activities. We are living the principles of the Global Compact throughout our company – and will continue to do so.

Karl-Ludwig Kley

Chairman of the Executive Board

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Human rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Commitment, principles & goals

Our entrepreneurial approach as a conscientious, responsible company includes ethical conduct as well as a commitment to human rights and core international labor standards.

Our primary policy documents include:

- **Code of Conduct:** Our Code of Conduct is a compulsory set of rules for all Merck KGaA, Darmstadt, Germany, employees. It explains the principles for interacting with business associates, general partners, colleagues, and employees, as well as with the communities in which we operate. Thus, it supports all employees in acting ethically – not only in their interactions with one another, but also outside the company.
- **Human Rights Charter:** At the end of 2013, Merck KGaA, Darmstadt, Germany, adopted a Group-wide **human rights charter** that underscores our commitment to respecting and protecting human rights. It brings together and complements existing regulations and guidelines that pertain to human rights, such as our Code of Conduct, our Social Charter, our Environment, Health and Safety Policy, and our Charter on Access to Health in Developing Countries. The Human Rights Charter defines our company's expectations while increasing awareness of human rights within the company. It also allows us to more accurately assess Group-specific risks and to align our business operations with our Values.

Since the Human Rights Charter includes core labor standards of the International Labor Organization (ILO), the Human Rights Charter is replacing our Social Charter.

- **Procurement Policy:** Through our Group Procurement Policy, updated in 2013, we are ensuring that our procurement processes adhere to CR standards, which includes the selection, assessment and management of suppliers. This policy reflects numerous internal and external guidelines, such as our Code of Conduct, our Social Charter, our EHS policy, and ISO standard 14001. Standard operating procedures for Group Procurement have been revised to reflect this policy.
- **Our Responsible Sourcing Principles:** To complement our procurement policy, we drafted our Responsible Sourcing Principles and integrated them Group-wide into our general terms and conditions in 2013. These principles define what we require of our suppliers with regard to responsible conduct, highlighting the responsibility of our suppliers to apply our corporate responsibility standards to their upstream value chain.

As a member company of the German Federal Association for Materials Management, Purchasing and Logistics (Bundesverband der Materialwirtschaft Einkauf und Logistik e.V. – BME), Merck KGaA, Darmstadt, Germany, supports the **BME compliance initiative** against corruption, cartels and child labor.

- **Access to Health Charter:** As described in our **Charter on Access to Health in Developing Countries**, Access to Health (A2H) is a strategic priority for Merck KGaA, Darmstadt, Germany. Our A2H strategy is designed to contribute to overcoming barriers to access for underserved populations and communities in developing countries. Recognizing that access is a complex and multifaceted

challenge with no one-size-fits-all solution, our programs and initiatives are tailored to global, regional and local needs. We take a holistic needs-based approach, working in partnerships to achieve results. Our A2H work cuts across our businesses and is a component of our Corporate Responsibility strategy.

Merck KGaA, Darmstadt, Germany, is committed to the Millennium Development Goals (MDGs) and to working with partners to achieve them, as well as to ensuring that health remains an integral component of the post-2015 development framework. Through our efforts to expand access to health solutions, we are working to make Merck KGaA, Darmstadt, Germany, a health partner of choice in low and middle income countries as they continue to develop.

Our robust patient needs-based approach to addressing the complex challenge of providing access is designed around four pillars, known as the 4A's for Access to High Quality Health Solutions: Availability, Affordability, Awareness, and Accessibility.

Implementation

- **Compliance management:** We support compliance with statutory and company-internal rules and regulations through our compliance organization. The central Group function Compliance, with the Group Compliance Officer (GCO) and other specialists, is responsible for maintaining and further developing the compliance program.

In the subsidiaries abroad, local compliance officers are responsible for implementing the compliance measures. They are advised by Group Compliance and provided with training documentation, among other forms of support. The local compliance officers report to the GCO at regular intervals. The GCO in turn reports at least once a year to the Executive Board, with a focus on the status of compliance activities, compliance risks, and serious compliance violations. The Executive Board informs the supervisory bodies at least once a year about the key compliance issues. Compliance management is continuously adapted to current requirements.

- **Compliance training:** Our employees receive regular training on compliance topics via classroom and online courses. Employees at all levels of the hierarchy are familiarized with our requirements with regard to the Code of Conduct.

In 2013, around 108,000 compliance-related courses were conducted for 34,733 employees. Furthermore, 24,168 employees (thereof 12,390 employees ranked Global Grade 10+) were trained in anti-corruption (35,003 courses).

The training plan is regularly updated and adjusted in response to new developments. In addition, classroom sessions are adapted to local needs.

- **Human Rights Risk Assessment:** In 2012, Merck KGaA, Darmstadt, Germany, conducted a Group-wide human rights risk assessment based on the **Organizational Capacity Assessment Instrument (OCAI)**. It aimed to systematically examine and evaluate the effects of our business operations on human rights and the potential risks, as well as to determine the next steps to be taken.
- **Supplier management:** Supplier Management is a core task within Procurement and comprises the entire process of supplier assessment, evaluation, development, and phasing-out. It aims at optimizing the performance of the entire supply base in order to realize added value for Merck KGaA, Darmstadt, Germany, by using a transparent, holistic and globally uniform approach. Merck KGaA, Darmstadt, Germany, expects its suppliers to comply with fundamental rules, such as rules

against corruption and child labor, and sets minimum requirements regarding work standards.

To complement our Procurement Policy, we developed our Responsible Sourcing Principles, which were incorporated Group-wide into our general terms and conditions in 2013.

In order to document our suppliers' commitment to environmental and social standards, we use supplier self-assessment questionnaires. In 2013, around 600 questionnaires were completed by new and select suppliers (on the basis of a risk analysis).

The Group standard "Sustainability Audits in Supply Chain" regulates audits aimed at evaluating working conditions at key suppliers of Merck KGaA, Darmstadt, Germany, as well as the suppliers' impact on the environment and community.

- **Promoting access to health care in developing countries:** Through our programs and our charter on Access to Health in Developing Countries, we strive to lead and collaborate with others to improve global access to medicine. The charter covers the topics of product pricing, intellectual property, research & development for neglected tropical diseases (NTDs), anti-counterfeiting as well as pharmaceutical product donations and philanthropy.

An important component of our Access to Medicine activities is our Praziquantel Donation Program. Through this initiative, we have been supporting the World Health Organization since 2007 in the fight against schistosomiasis in Africa, a widespread tropical worm disease. Since the program was launched, around 150 million tablets containing the active ingredient praziquantel have been donated, resulting in the treatment of more than 38 million children. In 2007, Merck KGaA, Darmstadt, Germany, made a commitment to donate to WHO 200 million tablets of Cesol® 600, which contain the active ingredient praziquantel. By 2017, this was intended to have treated around 27 million children for schistosomiasis in the most severely affected countries in Africa. In 2012, we announced that we will continue our efforts to fight schistosomiasis until the disease has been eliminated in Africa. To this end, Merck KGaA, Darmstadt, Germany, is increasing the number of praziquantel tablets donated in the medium term, raising the total to up to 250 million tablets annually.

In 2012, our commitment to access to medicines was ranked eighth in the [Access to Medicine Index](#), which ranks pharma companies' access to medicine activities. The next ranking will be published in 2014.

Gauging the results

- **Compliance audits:** Compliance audits are conducted as part of general assessments by Internal Auditing. The audits focus on the existence and quality of compliance guidelines, processes and structures. In addition, our sites are reviewed for violations of our Code of Conduct and Social Charter. The topic of corruption and the requirements of the Social Charter are an integral part of our standard audit program and are audited within the scope of general audits at our sites. Altogether 30 audits were conducted to check for corruption in 2013. In addition, a total of 27 sites in 27 countries were audited on Social Charter topics in 2013. No violations of the Social Charter rules were found.
- **Central SpeakUp Line for compliance violations:** All employees are called upon to report compliance violations to their supervisor, Legal, HR or other relevant departments. Via the SpeakUp Line, a central reporting system, employees can report violations by telephone or via a web-based application in their respective national language, free of charge and anonymously.

The reports received are reviewed by the Group Compliance Office (GCO) and submitted to the Compliance committee to coordinate the necessary investigation of the facts. The Compliance committee consists of senior representatives of the Internal Auditing, Compliance, Group Security, Data privacy and Human Resources departments. It monitors the processing of reported incidents and initiates, if necessary, corresponding corrective measures. Disciplinary actions are also taken, where needed, against the employee who has violated a compliance rule. These actions may range from a simple warning up to dismissal of the employee, depending on the severity of the violation. In 2012, 20 compliance-related reports were received via the SpeakUp Line. In five cases in 2012, the alleged violation of our rules of conduct was confirmed. These cases were investigated and reported, action plans were implemented and monitored by Group Compliance. Merck KGaA, Darmstadt, Germany, takes such misconduct very seriously and takes appropriate action, including dismissals in line with the applicable laws.

2013 data will be published in June 2014 in our Corporate Responsibility Report – Update 2013.

- **Supplier audits:** To assess our suppliers' adherence to social, environmental, and workplace safety standards, a total of 22 supplier audits were conducted in 2013. The suppliers audited were selected on the basis of a risk analysis. We found four suppliers with critical flaws, and 20 suppliers with major defects. We demanded that these suppliers provide us with a corrective action and preventive action plan (CAPA), which describes the course of action needed to address the issues. Auditors will be reviewing their progress. Particularly when it comes to critical flaws, we consider the option of terminating business relations if the problems are not sufficiently corrected.
- **Evaluation of our Praziquantel Donation Program:** Since the start of our Praziquantel Donation Program, over 150 million tablets have been donated. To date, more than 38 million patients in total have thus been treated, consisting primarily of school children. In 2013, around 50 million tablets were provided to the African countries of Angola, Ethiopia, the Democratic Republic of Congo, Cameroon, the Republic of the Congo, Madagascar, Mali, Nigeria, Senegal, Zimbabwe, Sudan, and Tanzania.

As part of a Bertelsmann Foundation project on corporate social engagement, we collaborated on the development of the "IOOI" method (Input, Output, Outcome, Impact), a way of gauging and assessing social engagement. We have applied this method to our donation program to combat schistosomiasis, which allows us to evaluate the progress of the project.

Labor standards

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labor;

Principle 5: the effective abolition of child labor; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Commitment, principles & goals

Our entrepreneurial approach as a conscientious, responsible company includes ethical conduct as well as a commitment to human rights and core international labor standards.

The Human Rights Charter listed under Principles 1 and 2 is the primary policy document on compliance with core labor standards within Merck KGaA, Darmstadt, Germany.

At Merck KGaA, Darmstadt, Germany, respecting our employees' dignity, treating them fairly and in compliance with laws and regulations is a matter of course. As a matter of principle, we are guided by the ILO Core Labor Standards. We adhere especially to this claim with respect to the following topics and regularly audit our sites against these requirements: Freedom of association, no forced labor, no child labor, non-discrimination and equal opportunity, wages and salaries, working hours, occupational health and safety, prevention of abuse and harassment

The Group-wide **EHS Policy** (Principles and Strategies for Health, Safety and the Environment), which came into effect back in 1995, is the governing document with regard to the topic of occupational health and safety. This policy is implemented at site level through internal EHS standards that apply Group-wide as well as through guidelines and directives on compliant behavior. The contents of our guidelines are based on the **Responsible Care Global Charter**, which was instituted by the international chemicals industry. A major goal is the reduction of workplace accidents to an annual LTIR (lost time injury rate) of 2.5 by 2015. We have already reduced this to below the target level for the third time since 2011.

We believe that workforce diversity promotes innovation and better team performance. A good balance between different cultures, nationalities, and age groups as well as between male and female employees is conducive to our entrepreneurial success. We have therefore set ourselves the goal of furthering workforce diversity and including all employees in company operations in the best possible way (workforce inclusion). Increasing the proportion of women in management positions is important to us. We have thus set the target of increasing the percentage of women in management positions (global grade 14+ according to the Global Grading System as per **Towers Watson**) to 25%-30% by 2016.

Implementation

→ **Raw materials tracking and education program:** Mica is a raw material we use for one of our pigment product groups. When examining the mica supply chain, we discovered in 2008 that at the start of the supply chain, mica is partly also collected by children, generally together with their parents. This is not compatible with our corporate values and the principles of our Human Rights Charter. Consequently, we have realigned the mica supply chain in order to prevent child labor and to ensure that the principles of our Human Rights Charter are complied with.

It was important to us to maintain our business relationships with suppliers in the regions where mica comes from and thus safeguard jobs in Jharkhand, a region in northeast India plagued by

poverty and political uncertainty. Today we procure mica exclusively from mining and not from collecting. Based on information provided by our suppliers, we have introduced a system for tracking the origin of the raw material. It is regularly checked by staff from the office we recently set up in the region. We maintain regular and close contact with our business partners in Jharkhand and have informed them in detail about our values and our expectations regarding the social and environmental standards to be complied with. In addition, we conduct and commission audits at our suppliers and upstream processing partners.

In addition to changing our mica procurement process, we are working to improve education and health care programs in the regions where the raw material comes from. For this purpose, we are financing three schools with an affiliated daycare center, which are now regularly attended by around 430 children, as well as a training center for tailoring and carpentry. We are improving medical care by means of a local health center. A doctor and a nurse are on daily duty, regularly visiting the surrounding villages and our schools. In addition, we support an Indian non-governmental organization with a project for developing "children-friendly villages". This aims to improve the understanding of children's rights and the general conditions for children to regularly attend school.

- **EHS management:** Workplace health and safety at Merck KGaA, Darmstadt, Germany, is an integral part of our Environmental, Health & Safety (EHS) management. Bernd Reckmann, a Merck KGaA, Darmstadt, Germany, Executive Board member, bears ultimate responsibility for environmental, health, and safety matters. The Group function Environment Health Safety Security Quality (EQ) is responsible Group-wide for overseeing these topics, and the operational units at the Merck KGaA, Darmstadt, Germany, sites are in charge of implementing measures.

Employees and supervisors are further sensitized to potential accident risks and hazards through training seminars and other activities such as competitions. In addition to this, our safety culture is further reinforced by rewarding good performance at individual sites (such as the Safety Excellence Award for zero workplace accidents) and through best practice sharing at regional EHS forums. We apply our Operation Excellence Program in order to continuously improve EHS performance at the production sites.

Throughout Merck KGaA, Darmstadt, Germany, we also implement preventive occupational health and safety measures for our employees. Ergonomic evaluation of the workplace is one of the tasks of our central EHS Management organization. Other measures are managed and implemented locally. These include fitness activities, information on healthy nutrition, and early detection of diseases such as diabetes or cancer.

- **Diversity Management:** In 2011, we created the position of Chief Diversity Officer (CDO) in order to promote employee diversity. In addition to this, a Diversity Council was formed with representatives from all divisions and functions. This council further develops diversity strategies, promotes their implementation and assesses their progress. In order to foster diversity and inclusion within the company, we engage in numerous activities both Group-wide and at a local level. These include communication measures and special advanced training on topics such as leadership skills and self-marketing. Diversity and inclusion at Merck KGaA, Darmstadt, Germany, is also furthered by internal networks initiated by our employees, such as the International Community and Women at Merck KGaA, Darmstadt, Germany, each of which represents the interests of a different group.

In 2013, we developed a new competency model describing the type of conduct that supports our strategic alignment and fosters business success. The types of behavior represented in the six

competencies promote diversity and inclusion within the company; they are the basis for our recruitment, assessment, performance, and learning offerings. In 2013, we started several pilots. In 2014, the model will be applied at every stage of people management.

Gauging the results

In order to monitor and assess adherence to the Human Rights Charter both within Merck KGaA, Darmstadt, Germany, as well as at our suppliers, we conduct the audits mentioned under Principles 1 and 2; we have furthermore implemented a speak-up line for employees to report compliance violations. In addition to this, we annually gather key figures and publish them in our Corporate Responsibility Report.

- **EHS audits and data management:** Workplace health and safety is an important task of Environment, Health & Safety (EHS) management. Regular EHS audits are conducted within Merck KGaA, Darmstadt, Germany, to assess compliance with local requirements, regulatory requirements, standards, and business requirements.

Data on workplace health and safety are gathered on a monthly basis, evaluated and published on our intranet. In 2013, the lost time injury rate (LTIR – the number of workplace accidents resulting in missed work per 1 million man-hours) was 2.2. No workplace deaths were recorded. The internal Safety Excellence Award, which recognizes sites with no workplace accidents, was presented to 38 sites within Merck KGaA, Darmstadt, Germany.

- **Workforce diversity:** In 2013, 25% of the management positions at Merck KGaA, Darmstadt, Germany, were held by women, thereby reaching our strategic goal of boosting this percentage to 25% to 30%. We intend to increase this percentage even further by 2016. Fiscal 2013 was the first time that a woman was appointed as head of a Merck KGaA, Darmstadt, Germany, Group division. People from a total of 114 different nations work at Merck KGaA, Darmstadt, Germany. Only 27% of Merck KGaA, Darmstadt, Germany, employees are German citizens, and 72% work outside of Germany.
- **Audits of the mica supply chain:** An audit system, including unannounced audits by Merck KGaA, Darmstadt, Germany and third parties as well as regular visits by Merck KGaA, Darmstadt, Germany employees, has been developed to ensure that the mica-mines and processors are socially compliant. We also check that they adhere to our requirements regarding environmental protection, safety, working standards and compliance. In 2013, six audits were conducted by an external provider in addition to the regular visits. Identified deficiencies have been documented in audit reports, and corrective measures aimed at improving these deficits are being implemented.

Environmental protection

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Commitment, principles & goals

Merck KGaA, Darmstadt, Germany, is committed to conserving natural resources as well as protecting the environment. Our responsibility to protect the environment derives from our Values and our corporate strategy. Adherence to our corporate values is a key component of our Code of Conduct, which was described under Principles 1 and 2.

The policy document for operational environmental protection is the **EHS Policy** described under Principles 3, 4, 5, and 6.

We aim to continually improve our performance as well as to use energy, water and materials economically and efficiently. In addition to this, we want to boost our energy efficiency in order to reduce CO₂ emissions, thus contributing to global climate change mitigation. We have set ourselves a goal of reducing direct and indirect greenhouse gas emissions (Scope 1 and 2) by 20% by 2020 (relative to the 2006 baseline). In 2013, as in 2012 and 2011, the Executive Board earmarked around EUR 10 million for measures to conserve energy and reduce greenhouse gas emissions.

For the production of environmentally sustainable products, the Performance Materials division has implemented the Green Product Policy for liquid crystal products. Through this policy, we have committed ourselves to complying with all international and country-specific laws and regulations (REACH, RoHS) and also with voluntary bans on substances as well as self-imposed restrictions of certain industries or individual customers, such as the Halogen-Free Policy.

As part of the Design for Sustainability program, the life science tools division has developed a number of tools to drive sustainability across the product development process. The program is especially aimed at reducing our customers' own environmental impact, including their carbon footprint and water use.

Implementation

Environmental protection has been implemented in our production processes through the EHS management described under Principles 3, 4, 5, and 6.

- **EDISON program for climate protection and energy efficiency:** We have consolidated our activities for climate protection and energy efficiency into the EDISON program for energy efficiency and climate protection. Under this program, energy audits are conducted at various sites and energy saving processes implemented. Through the 200 EDISON projects that were launched in 2012 and 2013, Merck KGaA, Darmstadt, Germany, aims to annually save around 52 metric kilotons of CO₂ per year in the medium term.
- **Product safety management:** Through our Group-wide Product Safety Chemicals policy, we have established global processes for defining, steering and implementing product safety, as well as the corresponding management structures. This policy covers all relevant national and international chemical regulations, including the Globally Harmonised System of Classification and Labeling of Chemicals (GHS) and its implementation in regional legislation (such as the CLP regulation in the EU and HazCom in the United States), the European Union chemicals regulation REACH, the U.S.

Toxic Substances Control Act (TSCA), and the German federal law on protection from hazardous substances (ChemG). The policy also incorporates legal standards that relate to the transport of hazardous substances, biocides, cosmetics, chemicals used in food and animal feed, etc.

The Group Product Safety Committee (GPSC) is responsible for continuously monitoring the relevant regulatory requirements; the Executive Board member responsible for product safety is a member of this committee. Corporate Regulatory Affairs, a department within Merck KGaA, Darmstadt, Germany, function Environment Health Safety Security Quality (EQ), and local units are responsible for compliance with the relevant regulatory requirements for product safety.

- **Product development:** We strive to continuously enhance the sustainability footprint of our products, developing suitable product and process innovations in order to do so. And we are working to offer our customers products that enable them to reduce the impact of their own activities as well as achieve their own sustainability goals.

With the Green³ concept, the Performance Materials division offers its customers a comprehensive package for liquid crystal products. We are developing innovative, environmentally sustainable materials for energy-efficient displays. We also help our customers create environmentally sustainable production processes and support them in producing more environmentally sustainable LC displays. For example, we have developed eco-efficient and WEEE-compliant (EU Waste Electrical and Electronic Equipment Directive) recycling processes for used LCDs. An integral part of this concept is our Green Product Policy, under which we commit ourselves to complying with all international and country-specific laws and regulations (REACH, RoHS); we also comply with voluntary bans on substances and self-imposed restrictions of certain industries or individual customers, such as the Halogen-Free Policy. At the same time, our voluntary safety policy bans the use of acutely toxic, mutagenic or otherwise hazardous substances that remain in the end product. We have expanded the Green³ concept to include cosmetic products from our Performance Materials division. We are working to sustainably procure and produce cosmetic ingredients as well as optimize the related production processes.

At our life science tools division the Design for Sustainability program looks to minimize the environmental and health impact at each stage of the product life cycle from manufacturing through use to disposal. At the same time, we look to maximize features that improve product performance and ease of use. We incorporate sustainability considerations early in the design process before impacts of design decisions are locked in, and we use a set of criteria for major impact areas like materials, energy and waste to measure improvements. Starting in 2014, the life science tools division will apply the Design for Sustainability process for all new products.

An overview of innovative products from Merck KGaA, Darmstadt, Germany, can be found on our [website](#).

Gauging the results

- **EHS audits:** The previously mentioned internal EHS audits are utilized to scrutinize compliance within Merck KGaA, Darmstadt, Germany, with the specific regulatory requirements, standards, and business requirements for corporate environmental protection.

In 2013, for the fifth year in a row, our group certificate for environmental management systems, which conforms to ISO 14001, was reconfirmed over the course of the annual audit.

In addition to this, our suppliers' adherence to environmental standards is scrutinized in the supplier audits described under Principles 1 and 2.

- **EHS data management:** A Group-wide EHS data management system is used to regularly collect environmentally relevant data at the individual sites and relay it to the EQ Group function. In 2013, Merck KGaA, Darmstadt, Germany, emitted a total of 524 metric tons of CO₂, which represents a reduction of 1% compared to 2006 levels.

More environmentally relevant data can be found in our Corporate Responsibility Report – Update 2013.

Anticorruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery

Commitment, principles & goals

Merck KGaA, Darmstadt, Germany, does not tolerate bribery, extortion or corruption. We are expressly committed to fighting bribery, extortion and corruption across the globe. The primary policy document for this topic is the Code of Conduct mentioned under Principles 1 and 2.

Implementation

The Code of Conduct has been applied within Merck KGaA, Darmstadt, Germany, through the compliance management and the internal compliance training described under Principles 1 and 2.

Adopted at the end of 2012, our Global Business Partner Risk Management Policy now constitutes a fundamental component of the selection process for business partners, along with their overall assessment. Our Global Business Partner Risk Management aims to ensure that business partners are selected diligently in order to minimize the danger of adverse legal, reputational, and financial effects. This process is especially concerned with fighting corrupt practices

In addition, several internal guidelines were adopted at the end of 2013, which regulate how Merck KGaA, Darmstadt, Germany, employees in Pharmaceuticals interact with medical professionals and other representatives of the healthcare sector. These guidelines focus particularly on ensuring that all payments are of legitimate cause and are never made in exchange for prescribing our products. The guidelines are supported by a modern electronic compliance management system in which interactions with medical professionals and other representatives of the healthcare sector are proposed, approved, documented, published and monitored.

Our suppliers are subject to the supplier management process that is likewise mentioned there.

Gauging the results

In order to monitor and assess adherence to the Code of Conduct both within Merck KGaA, Darmstadt, Germany, as well as at our suppliers, we conduct the audits mentioned under Principles 1 and 2; we have furthermore implemented a speak-up line for employees to report compliance violations. In 2013, 30 internal audits were carried out specifically to check for corruption.

Merck KGaA, Darmstadt, Germany – further information:

This document only contains our key 2013 figures (unless otherwise indicated) that are relevant for the progress report on the UN Global Compact. Data from previous years can be found in our [Corporate Responsibility Report 2012](#) and on our [website](#).

Merck KGaA, Darmstadt, Germany, is a leading company for innovative and top-quality high-tech products in the pharmaceutical and chemical sectors. With its four divisions Biopharmaceuticals, Consumer Health, Performance Materials, and Life Science Tools, Merck KGaA, Darmstadt, Germany, generated total revenues of € 11.1 billion in 2013. Around 38,000 Merck KGaA, Darmstadt, Germany, employees work in 66 countries to improve the quality of life for patients, to further the success of customers and to help meet global challenges. Merck KGaA, Darmstadt, Germany, is the world's oldest pharmaceutical and chemical company – since 1668, the company has stood for innovation, business success and responsible entrepreneurship. Holding an approximately 70% interest, the founding family remains the majority owner of the company to this day. Merck KGaA of Darmstadt, Germany, – the

original – holds the global rights to the name and the trademark MERCK. The exception is North America, where we are represented by the EMD brand, which stands for "Emanuel Merck Darmstadt".