

Modern Slavery Act Transparency Statement

For the financial year ending 31 December 2020

This statement is made in relation to Section 54, Part 6 of the UK Modern Slavery Act 2015 and sets out the steps that Merck Sharp & Dohme (UK) Limited has taken to ensure that modern slavery and human trafficking is not taking place in our supply chains or in any part of our business.

Our Organisation

Merck Sharp & Dohme (UK) Limited is a subsidiary of Merck & Co., Inc., Kenilworth, NJ, USA, a leading healthcare company that discovers, develops, manufactures and markets a wide range of innovative pharmaceutical products to improve human health and animal health. Our company is known as Merck & Co., Inc., Kenilworth, NJ, USA, in the United States and Canada. Everywhere else we are known as MSD.

Our Business

Our business is preserving and improving human lives. We also work to improve animal health. Our product categories include diabetes, cancer, vaccines and hospital acute care. Through our prescription medicines, biologic therapies and animal health products, we work with customers and operate in more than 140 countries to deliver innovative health solutions.

Our Values

As a company whose products touch the lives and wellbeing of people around the world, we hold ourselves to a high standard. And we expect others to hold us to that same high standard.

Our Supply Chain

We purchase goods and services from thousands of suppliers around the world. Some of these are external manufacturing companies that make key ingredients or components for our products, manufacture finished products for us, package our products, and/or transport our medicines.

Organisational Policies

Merck believes in the dignity of every human being and in respecting individual rights. Our company has established global policies and processes to demonstrate this respect, including our Human Rights Policy and our [Code of Conduct \(Our Values & Standards\)](#).

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We strive to conduct business with individuals and organisations who share our commitment to ethics and integrity and who operate in a socially and environmentally responsible manner. We seek to obtain the goods and services we need in a way that is lawful, efficient and fair.

Our [Business Partner Code of Conduct \(BPCC\)](#) presents basic principles for our business partners, including those that provide us with services, raw materials, active ingredients, components, finished goods or other products. We use our BPCC to inform our business partners of our expectation, among other things, that their workforce is treated with dignity and respect and does not include any forced (or involuntary) labourers or child labourers.

The labour and human rights section of our BPCC states that business partners shall not (i) use any form of forced or involuntary labour, including bonded labour, prison labour or indentured labour; or (ii) engage in or support any form of slavery or human trafficking.

We communicate our BPCC to suppliers prior to the signing of any new or renewed contract or agreement. Our BPCC is posted on our company's webpage and is publicly available in 24 different languages, covering all countries in which Merck currently operates.

In December 2015, we reviewed and updated our BPCC (Edition II) to include additional provisions around human trafficking and slavery, including employment (recruitment) practices, employee disclosures (contracts) and housing standards.

Due Diligence

In May 2015, we established a due diligence process to evaluate the labour and human rights risks presented by our potential new i) direct material suppliers and ii) select indirect material suppliers located in countries identified as high risk for labour and human rights.

As part of our due diligence, we use a questionnaire to gather information from suppliers on a range of labour and human rights risk areas, including Freely Chosen Employment, Child Labour, Young Workers, Fair Treatment, Wages & Benefits, Working Hours, Recruitment Practices and Employee Disclosures.

The information gathered is used to determine the acceptability of suppliers' local practices for labour and human rights. The results of our due diligence activities are used by our procurement professionals to inform our supplier selection and risk management processes.

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Contracts

Before entering into a business relationship with a supplier, we ensure that appropriate contracts are in place. Through our contracts, we endeavor to obtain a written commitment from suppliers to respect and abide by the principles set forth in our BPCC, including those related to labour and human rights. We expect all our business partners to firmly adhere to these principles and operate in full compliance with all applicable laws, rules and regulations.

Auditing

In August 2015, we instituted a formal audit programme to evaluate supplier compliance with our company's standards for labour and human rights. The services of several third party audit firms were engaged to perform independent labour and human rights audits at a number of our direct material supplier's facilities.

The facilities selected to receive an audit were located in countries identified as high risk for labour and human rights. All were provided with advanced notification of our plan to audit their facility. Audits were conducted over a 2-day period and comprised of interviews, a facility tour and a review of relevant documentation. Since the start of the programme, over 250 supplier labour and human rights audits have been performed.

Our supplier audit programme for labour and human rights is still evolving. We intend to perform additional audits during the course of 2021, focusing on direct material suppliers whose facilities are located in countries identified by us as high risk for labour and human rights.

Monitoring & Reporting

For suppliers that have received a labour and human rights audit, we established a process to monitor and track the closure of the corrective actions being taken by them to address identified instances of non-compliance revealed by our audits.

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For each of these suppliers, we monitor and report on the status of their planned corrective actions to members of our Third Party Risk Steering Committee. Suppliers that fail to address identified instances of non-compliance in a responsible manner are brought to the attention of this Committee.

Oversight

To further strengthen our oversight of the risks presented by third party business relationships, we formed a new Third Party Risk Oversight Committee. Chaired by our Senior Vice President (SVP) of Global Procurement, the role of this committee is to assist senior leadership by providing independent and objective oversight, monitoring and reporting in relation to the risks presented by third parties.

Training

Every Merck employee is trained each year on the values and standards set forth in our company's Code of Conduct. All are provided with information on how to confidentially and anonymously report concerns, using a variety of channels. We provide training on our BPCC to all procurement employees that have responsibility for (1) the selection of new suppliers and (2) managing Merck's existing base of suppliers. Additional training on how to review, evaluate and mitigate concerns stemming from our supplier due diligence activities is also provided to this same group. This training is designed to help them identify, evaluate and mitigate potential risks associated with labour and human rights in our supply chain.

Raising Concerns

We encourage the reporting of concerns and continue to maintain reporting channels to enable our employees and our business partners to raise concerns, including any relating to improper labour and employment practices or the unfair treatment of workers.

Any individual or organisation that knows or suspects that an Merck business partner or anyone acting on our behalf has engaged in activities that violate Merck's BPCC is encouraged to visit [msdethics.com](https://www.msdethics.com) to report the concern. Any individual that reports a concern can remain anonymous if they choose. We investigate all reported concerns to determine what action needs to be taken.

Accountability

At Merck, all employees are responsible for adhering to the values and standards set forth in our own Code of Conduct, complying with all relevant company policies and for raising concerns if they

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are uncertain as to whether or not standards are being met. Violations may result in a variety of corrective actions and in some cases may result in disciplinary action up to and including termination of employment.

We hold our suppliers accountable for meeting their contractual obligations with Merck, including commitments that are made with respect to our BPCC and regulatory compliance. Contract noncompliance can result in termination of Merck's business relationship with the supplier and exclusion from any future business with our company.

Electronically signed by: David Peacock



Reason: Approved

Date: Oct 28, 2020 14:48 GMT

David Peacock

Managing Director

Merck Sharp & Dohme (UK) Limited

November 2020