

Fighting Against Forced and Child Labour in Supply Chains



This report is made pursuant to the reporting requirements of Canada’s Fighting Against Forced Labour in Supply Chains Act (S.C.2023, c9) (the “Act”). It provides information for the January 1, 2023, to December 31, 2023, reporting period.

Reporting Entities

This joint report is for the following subsidiaries of Merck & Co., Inc.

- Merck Canada Inc. – Business Number (BN): 887722213
- Intervet Canada Corp. – Business Number (BN): 133834499

Structure, Operations and Supply Chains

About Merck Canada Inc.

Merck Canada Inc. is a subsidiary of Merck & Co., Inc., a global healthcare company based in Rahway, New Jersey, USA. As a subsidiary, Merck Canada operates under the guidance and ownership of its parent company.

Headquartered in Kirkland, Quebec, Merck Canada is engaged in the sale and distribution of various human health pharmaceutical products. Our portfolio includes prescription medicines and vaccines. We sell and distribute our products to drug wholesalers, retailers, hospitals, government agencies, and management healthcare providers.

For more information, visit [Merck Canada](#)

About Intervet Canada Corp.

Intervet Canada Corp., also known as Merck Animal Health Canada, is a subsidiary of Merck & Co., Inc., based in Rahway, New Jersey, U.S.A.

Operating from its headquarters in Kirkland, Quebec, Intervet Canada Corp. specializes in offering a comprehensive range of products, services, and tools designed for the

prevention, treatment, and control of diseases in major farm and companion animal species.

This encompasses a range of veterinary healthcare solutions for veterinarians, farmers, pet owners, and government agencies. In Canada, Intervet Canada Corp. serves as a distributor and seller of animal health products. Its customer base consists of veterinarians, distributors, animal producers, farmers, and pet owners.

For more information, visit [Merck Animal Health Canada](#)

About Our Supply Chain.

Merck & Co., Inc. relies on a wide range of suppliers and service providers to manufacture, distribute and human health and animal health products. As subsidiaries of Merck & Co., Inc., we procure goods and services from thousands for suppliers worldwide. Examples of key types of suppliers and service providers include:

- **Active Pharmaceutical Ingredient (API) Suppliers:** These suppliers provide active components or substances that provide the therapeutic effects in drugs. They are used for formulation and production of pharmaceutical products.
- **Excipient Suppliers:** Excipients are the non-active ingredients that are used as fillers, binders, or stabilizers in the formulation of medications. Excipient suppliers provide these materials.
- **Raw Material Suppliers:** These suppliers provide essential ingredients and raw materials for drug manufacturing, such as sugars, solvents, and various chemicals.
- **Packaging Suppliers:** Packaging suppliers provide packaging materials and services. They supply items such as bottles, vials, blister packs, labels, and packaging machinery.
- **Contract Manufacturing Organizations (CMOs):** CMOs specialize in the manufacturing and production of pharmaceutical products. They provide services such as formulation, manufacturing, packaging, and labelling of products.
- **Research Organizations:** We often collaborate with research institutions, academic organizations, and contract research organizations (CROs). These partners contribute to the research and development and clinical trials of new drugs.

- **Equipment Suppliers:** Suppliers of specialized equipment used in pharmaceutical manufacturing, such as mixing systems, granulators, tablet presses, sterile filling machines, and packaging machinery.
- **Quality Control and Testing Providers:** These entities offer analytical testing, quality control, and assurance services to ensure that the products meet regulatory requirements and comply with quality standards.
- **Logistics and Distribution Providers:** We rely on logistics and distribution providers to handle the transportation, storage, and distribution of finished products to various markets and customers.

Policies

In accordance with UN Guiding Principles, we have integrated respect for human rights into our business practices, including our [Code of Conduct](#) (Our Values and Standards), our [Business Partner Code of Conduct](#), as well as relevant corporate level policies.

Our public commitment to respect human rights within our own operations and supply chain are described in our [Public Policy Statement on Human Rights](#). The corporate level policies of Merck & Co. Inc., apply to all subsidiaries, including the above-mentioned.

In relation to forced labour and child labour, as defined by the International Labour Organization and the Act...

- **Child labour** - We do not use child labour. The employment of young workers below the age of 18 shall only occur in non-hazardous work and when young workers are above a country's legal age for employment, or the age established for completing compulsory education.
- **Forced labour** - We do not use forced, bonded, or indentured labour, involuntary prison labour, or take part in human trafficking or any form of modern slavery. No worker shall pay for a job or be denied freedom of movement.

Risk of Forced Labour & Child Labour

Our operations

We believe there is minimal risk of forced labour and child labour within our own operations. We do not engage in business activities that involve child labour, vulnerable, low-skilled, or unskilled labour, or migrant workers. As outlined in the section below, we take measures to address the risk within our own operations.

The pharmaceutical industry is highly regulated and is not generally recognized as an industry that poses a significant risk of forced labour or child labour, compared to other industries, such as agriculture, fashion and apparel, mining, electronics manufacturing, travel and tourism, mining, hospitality, forestry, fishing, food processing etc.

Our supply chain

The risk of forced labour and child labour within our supply chain is predominantly associated with our use of suppliers that operate in countries that are known to present a significant risk of forced labour and child labour, such as those countries listed Walk Free Foundation's Global Slavery Index and The Children's Rights in the Workplace Index.

We recognize that supply chains of companies that extend into high-risk countries, potentially face greater risk of forced labour and child labour. We understand that the risk of forced labour and child labour in the pharmaceutical supply chain exists, albeit it may be relatively lower compared to some other industries.

We are working to address these risks and promote responsible supply chains. As outlined in the section below, we are implementing measures such as supplier codes of conduct, supplier due diligence and social audits. Collaboration with industry initiatives and organizations like the Pharmaceutical Supply Chain Initiative (PSCI) also helps in driving responsible practices across the sector.

Addressing Forced Labour & Child Labour Risks

Our operations

During 2023, we worked to address the risks of forced labour and child labour in our own operations by:-

- **Code of Conduct:** Respecting and abiding by our company's core values and standards, as stated in our company's [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 forced labour and child labour. 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 forced labour and child labour. We encourage employees to speak up about potential violations of our Code of Conduct, policies, 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 (grievances). Employees can report concerns to their manager, Human Resources, Compliance, Legal or the Office of Ethics.
- **Speak Up Tool:** Providing access to 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:** Investigating all allegations of misconduct in accordance with our Corporate Policy on Compliance Issues Visibility Response ("CIVR"), which promotes confidentiality, dignity and respect, objectivity, promptness, and non-retaliation.

- **Corrective Action:** Taking appropriate corrective and disciplinary actions against individual employees who are determined to have engaged in misconduct based on the findings of an investigation. The process is independently overseen and managed by our Office of Ethics.
- **Training:** Providing training to all employees on our company's Code of Conduct (Our Values & Standards) annually. Training completions are closely monitored and reported to senior management.
- **Accountability:** Maintaining accountability. All employees are held 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 address the risks of forced labour and child labour in our supply chain by:

- **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 forced labour and child labour. We use our [Business Partner Code of Conduct](#) 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 forced labour and child labour. As part of this activity, we categorize suppliers based on industry type, supplier location, and service / commodity. We use this information to decide upon the level of due diligence that may be necessary.

- **Due Diligence:** Performing appropriate supplier due diligence, using a risk-based approach. We use a supplier Environmental Social & Governance (ESG) questionnaire to gather information from suppliers on how they address the risks of forced labour and child labour. 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 Business Partner Code of Conduct (BPCC), including those related to forced labour and child labour, through our contracts.
 - Our standard contracts contain relevant clauses on compliance, ethical business practice, right to audit, sub-contracting, as well as termination rights. Our standard Purchase Order Terms & Conditions incorporate our requirements.
- **Auditing:** Performing Labour & Human Rights (LHR) audits, 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 on our behalf.
- **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 forced labour or child labour abuses. We expect our suppliers and other business partners to establish their own grievance mechanism.
- **Response and Remediation:** If we discover evidence of forced labour or child labour in our supply chain, we take immediate action to investigate. Where an occurrence of forced labour or child labour is proven to have taken place, we will work collaboratively with the supplier to take necessary corrective actions and provide remedy where required.
 - No instances of forced or child labour were identified in our supply chain during the reporting period. Therefore, no measures were taken during the reporting period to remediate forced labour or child labour or loss of income in our activities and supply chains.
- **Oversight & Monitoring:** Assigning relationship managers from within our Global Supplier Management Group 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 forced labour and child labour risks, 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 forced labour and other human rights abuses. Mandatory online training is provided on 1) Business Partner Code of Conduct; 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 forced labour and child labour abuses in our own operation and supply chain. We use these measures to monitor our performance and identify opportunities to help improve our programs.

- Number of reported concerns/complaints related to forced / child labour abuses.
- 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 forced labour and child labour risks within our operations and supply chain. These efforts will include:

- Investigating all reported concerns promptly.
- Conducting supplier labour and human rights due diligence to identify and address risks.
- Auditing suppliers to verify conformance with our standards for human rights.
- Holding suppliers accountable for addressing non-conformities revealed by LHR audits.
- Participating in the initiatives of PSCI's Labour & Human Rights Sub-Committee

Consultation

The preparation of this report was performed in consultation with internal stakeholders, including senior management representatives from Global Supplier Management, Legal, Ethics & Compliance and Office of Corporate Responsibility.

Approval

This report was approved by the governing bodies of each of the following entities, pursuant to subparagraph 11 (4)(b)(i) of the Act:-

- Merck Canada Inc.
- Intervet Canada Corp.

Attestation

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in this report for the entity or entities listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the

information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

<p><i>Signature</i></p>  <p>Electronically signed by: Marwan Akar Date: May 30, 2024 07:57 EDT</p> <p>Full Name: Marwan Akar</p>	<p><i>Signature</i></p>  <p>Electronically signed by: Bill Lopez Date: May 29, 2024 18:47 EDT</p> <p>Full Name: Bill Lopez</p>
<p>Title: President and Managing Director</p>	<p>Title: General Manager</p>
<p>Date: May 30, 2024</p>	<p>Date: May 29, 2024</p>
<p><i>I have the authority to bind Merck Canada Inc.</i></p>	<p><i>I have the authority to bind Intervet Canada Corp.</i></p>

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](#).