

RESOLVED: Shareholders of Merck request that the Board of Directors issue a tax transparency report to shareholders, at reasonable expense and excluding confidential information, prepared in consideration of the indicators and guidelines set forth in the Global Reporting Initiative's (GRI) Tax Standard.

Supporting Statement

Merck's tax practices and failure to disclose to shareholders in a timely manner have harmed our company's reputation, resulting in an investigation in to whether Merck avoided billions of dollars in taxes on its top-selling cancer drug Keytruda by booking all the profits from the treatment outside of the United States.¹ A pro-active increase in tax transparency is required to restore Merck's reputation and to prevent potential tax liabilities.

Currently, Merck does not disclose revenues or profits in non-US markets, and foreign tax payments are not disaggregated, challenging investors' ability to evaluate the risks to Merck of taxation reforms, or whether Merck is engaged in responsible tax practices that ensure long term value creation for the company and communities where it operates. Merck's alleged shifting of Keytruda profits to the Netherlands are central to current scrutiny of its tax practices.²

Global tax reforms, negotiated by the OECD, are now being implemented by countries around the world. There are growing demands for the United Nations to play a stronger role in future international tax discussions to ensure multinationals pay tax where profits are genuinely earned. In the US, the Financial Accounting Standards Board has adopted significant new reporting requirements on tax payments which will go into effect in 2025. A European Union directive to implement a form of public country by country reporting (CbCR) has gone into effect in 2024.³ Recently passed legislation in Australia to require public CbCR following the GRI Tax Standard follows the same timeframe.⁴

This proposal would bring Merck's disclosures in line with leading companies who already report using the Tax Standard.⁵ The reporting burden is negligible as Merck already reports similar confidential CbCR information shared with OECD tax authorities.

The GRI Standards are the world's most utilized reporting standard and actively supported by global investors representing over \$10 trillion.⁶ The GRI Tax Standard was developed in response to investor concerns regarding the lack of corporate tax transparency and the impact of tax avoidance on governments' ability to fund services and support sustainable development. It is the first comprehensive, global standard for public tax disclosure and requires public reporting of a company's business activities, including revenues, profits and losses and tax payments within each jurisdiction.⁷

¹ <https://www.yahoo.com/news/merck-avoided-billions-u-tax-140729278.html>.

² <https://www.commondreams.org/news/senate-big-pharma-tax-avoidance>.

³ <https://kpmg.com/us/en/taxnewsflash/news/2024/11/tmf-eu-updated-public-cbc-reporting-forms.html>.

⁴ <https://www.pwc.com/au/tax/tax-alerts/australian-public-country-by-country-reporting-laws-passed.html>.

⁵ <https://www.globalreporting.org/news/news-center/momentum-gathering-behind-public-country-by-country-tax-reporting/>.

⁶ <https://thefactcoalition.org/new-analysis-shows-investors-representing-10t-support-greater-tax-transparency-for-large-multinationals/>.

⁷ <https://www.globalreporting.org/news/news-center/2019-12-05-first-global-standard-for-tax-transparency/>.

Profit shifting by corporations is estimated to cost the US government \$70 – 100 billion annually.⁸ Globally, OECD data suggests annual revenue losses of \$245 billion.⁹ The PRI states that tax avoidance is key driver of global inequality.¹⁰ Further reforms and greater global scrutiny of Merck's tax practices will continue to put shareholders at risk without greater transparency.

⁸ <https://thefactcoalition.org/trillions-at-stake-behind-the-numbers-at-play-in-u-s-international-corporate-tax-reform/>.

⁹ <https://www.washingtonpost.com/us-policy/2020/11/19/global-tax-evasion-data/>.

¹⁰ <https://www.globalreporting.org/news/news-center/backing-for-gri-s-tax-standard/>.