

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

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 had a balance of \$2.261 billion in unrecognized tax benefits for fiscal year 2024, meaning Merck had set aside more than \$2 billion where tax authorities may have a reasonable basis to disallow the position.

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 went into effect in 2025 and Merck notes is effective for its 2025 reporting. A European Union directive to implement a form of public country by country reporting (CbCR) went into effect in 2024.¹ And enacted legislation in Australia to require public CbCR following the GRI Tax Standard follows a similar timeframe, with first reports due as early as June 30, 2026.²

This proposal would bring Merck's disclosures in line with leading companies who already report using the Tax Standard. 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.³ 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.⁴

We urge Merck to expand its tax transparency.

¹ <https://kpmg.com/us/en/taxnewsflash/news/2024/11/tnf-eu-updated-public-cbc-reporting-forms.html>.

² <https://www.wolterskluwer.com/en-au/expert-insights/be-ready-for-the-new-public-country-by-country-reporting-regime>.

³ <https://thefactcoalition.org/new-analysis-shows-investors-representing-10t-support-greater-tax-transparency-for-large-multinationals/>.

⁴ <https://www.globalreporting.org/news/news-center/2019-12-05-first-global-standard-for-tax-transparency/>.