

A close-up photograph of mica mineral flakes, showing their characteristic layered, flake-like structure in shades of grey and blue, set against a dark brown, textured background.

# Mica Sourcing at Merck



## Summary

Merck uses mica sourced from the Indian state Jharkhand as a key raw material for the manufacture of its effect pigments for cosmetic, industrial as well as food and pharmaceutical applications. Jharkhand is a region plagued by poverty and political uncertainty, where child labour is widespread.

Merck takes a firm stance against child labour. As a signatory to the United Nations Global Compact, we are actively fighting to end this practice. We require our suppliers to act accordingly and contractually prohibit them from utilizing child labour. In accordance with its overall supply chain strategy, Merck has implemented all necessary steps to ensure compliance with our requirements regarding the sourcing of mica.

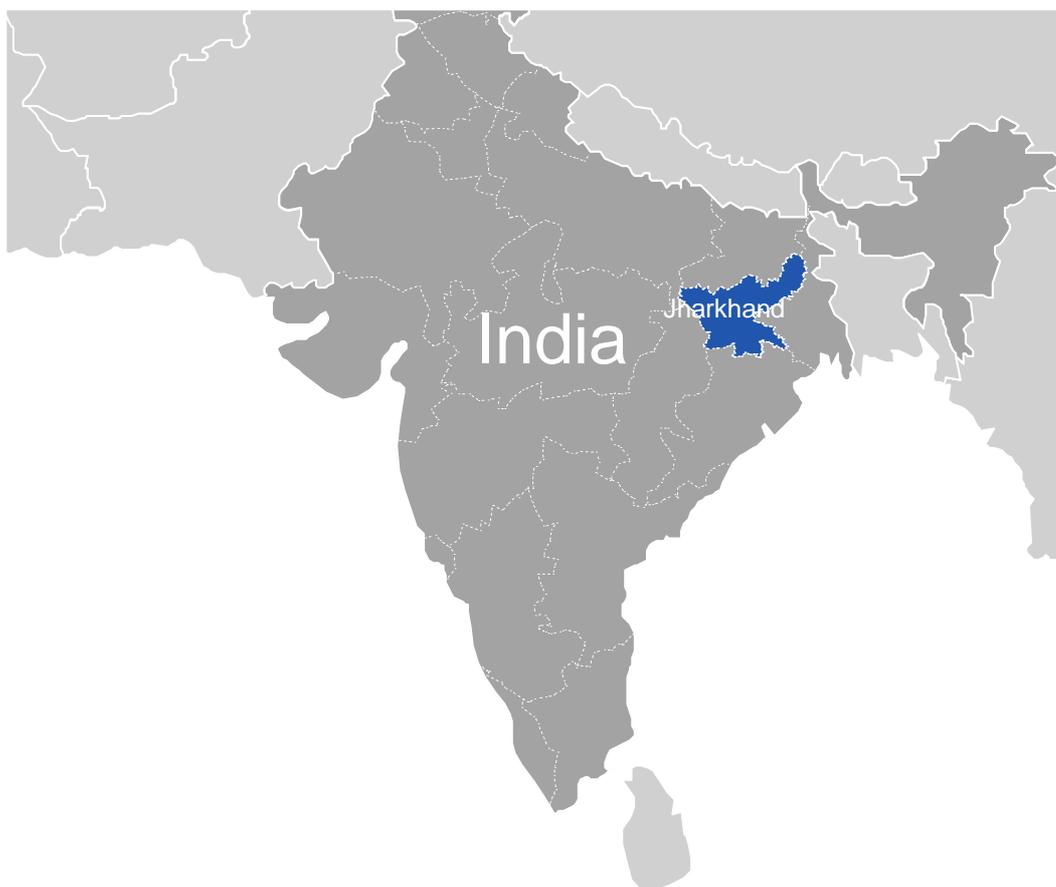
In addition, Merck is supporting health care and educational projects that improve the social situation and living conditions of families in the mining areas.



## Mica and its fields of use

Mica is a mineral that can be found all around the globe, for example in the northeast of India. This specific mica has the characteristics needed to produce high-quality pigments. That is why the effect pigments business of Merck Performance Materials uses mica sourced from India as a key raw material for manufacturing pigments used in cosmetic, industrial as well as food and pharmaceutical applications.

Jharkhand; the state where we source mica, is plagued by poverty and political uncertainty, and child labor is widespread.



Therefore, Merck has implemented extensive measures. These ensure that all mica used for the manufacture of our pigments comes from child-labor-free sources. In addition, Merck supports educational and health care projects in order to improve the social and living conditions of families in the mica mining region.

As a signatory of the United Nations Global Compact, our company strongly opposes and is actively engaged in eliminating child labor. Our Human Rights Charter underscores our commitment to respecting and protecting human rights. We demand that our suppliers act accordingly, stipulating in our contracts with them that they do not employ children.



## Compliance with social standards in the supply chain

We want to prevent children from working in our mica supply chain and to ensure that vendors comply with the principles of our Human Rights Charter. Therefore, we have further developed our supply chain so as to increase our influence on our suppliers and have implemented a variety of control mechanisms. By this, we ensure full transparency throughout the mica supply chain.

### >>> Mica exclusively sourced from mines

Merck exclusively sources mica from mines. Only in this formal working environment can compliance with social standards be ensured by the partnering mines and processors. It is not possible for us to preclude child labor for mica that has been collected in publicly accessible areas without formal working conditions.

In the course of an investigation in 2008, we discovered that at the start of the supply chain, mica was sometimes collected by children, generally together with their parents. This is neither compatible with our corporate values, nor with the principles of our Human Rights Charter.

However, we consider it important to maintain our business relationships with suppliers in the region where mica comes from and thus safeguard jobs in Jharkhand. Based on the results of the investigation, Merck has changed the mica supply chain in order to ensure that sourcing is compliant with our principles and that no children are involved in the processing of mica.

### >>> Direct business relationships

Merck has established direct business relationships with its different partners in the mica supply chain, i.e. the mica mine operators and the mica processing plants. We have set up an office in the region; our employees there are in close contact with our business partners, whom we have instructed on our values, along with the social and environmental standards that we expect from them. Mine owners and processing plants accept their responsibilities and help us keep social and environmental standards, including that the mica supply chain is free of child labor. Our personnel is actively engaged in dialogues with project partners and other stakeholders such as local and governmental authorities.

By these measures, we have maximized control and influence and ensured full transparency throughout the mica supply chain: from mining the mica and further processing it in Jharkhand, to shipping the mica to Merck.

Approach: Merck is a direct contract partner of mines and processors. On-site visits by Merck employees and third-party audits are regularly conducted.



### >>> Transparent tracking system

We have established a tracking system for mica to ensure that mica supplied to Merck is exclusively sourced from mines and is not of uncontrolled origin: The mine owners record the output of a mine on a daily basis in a “production log book”. These documented mica amounts are the basis for licensing fees that the mine owners have to pay to the government. If mica from uncontrolled sources were additionally used, the mine owners would also have to pay licensing fees for these mica amounts. This would not make economic sense as the mica would then be more expensive for the mine owners than that sourced from their own mines.

Once a month, Merck crosschecks the mica amounts recorded in the log book and delivered to the processors.

### >>> Regular independent audits

Merck has developed an audit system in order to ensure that the mines and processors are complying with our requirements for environmental protection, safety, and working standards. Our local employees audit our business partners and independent third-

Frequent expert and in-house audits

Monthly audits for working standards

party audits (Environmental Resource Management (ERM) and the Indo-German Environment Partnership (IGEP)) are additionally performed. While IGEP checks the working standards monthly, ERM performs audits annually to monitor working standards, as well as environmental, safety and health

aspects. Identified deficiencies are documented in the audit reports and our suppliers have to implement corrective action. Merck’s employees in Jharkhand monitor the implementation of these measures.

In the past, we terminated our business relations with two of our suppliers because they failed to carry out the required corrective action in a satisfactory manner. We report on the audits in our [CR Report](#).



*"There is no doubt: Compliance with fundamental labor standards at our suppliers is of highest priority in any sourcing process. This includes avoiding child labor and improving the working conditions of the mining worker in India. Therefore, in recent years we have changed our mica supply chain and we are now the direct business partner right from sourcing the raw material."*

*Anand Nambiar, Managing Director, Merck Limited India*

### >>> **Reduced dependence on Indian-sourced mica**

Parallel to changing the supply chain and social activities in the mining areas in India, Merck has reduced its dependence on Indian-sourced mica.

Merck has established additional mica supply sources outside of India that fulfil its high quality, social and environmental requirements. Today, part of our mica volume is supplied by companies in the United States and Brazil. In this way, we ensure the availability of high-quality mica with growing mica consumption levels, but also in the case of supply bottlenecks. Merck is furthermore producing effect pigments based on synthetic substrates instead of natural mica.

## >>> Better living conditions in the mica mining areas

The socio-economic background involves a certain risk of families sending their younger members to work in order to generate income. One major problem is the lack of reliable educational and training opportunities for young people. Apart from changing the supply chain, Merck has therefore developed educational and health care programs together with IGEP Foundation, our partner in Jharkhand.

### >>> Education

Merck runs three schools with adjacent nursery schools in the villages Tisri, Barkitand and Saphi. More than 500 students attend these schools. The school in Tisri also provides vocational training for carpentry and tailoring. The education provided is holistic and includes civics, hygiene and health education. Additional benefits comprise free mid-day snacks, drinking water, uniforms, books and school supplies.

Merck supports a fourth school in Koderma run by one of our mica suppliers with more than 100 scholarships. Merck checks the schools regularly.



Barkitand School



Children studying at Saphi School

### >>> Health

We are improving medical care in the region, which has around 20,000 inhabitants, through a local health center in the village of Saphi that is operated by the IGEP Foundation.

This facility has two doctors and a nurse on duty every day. As part of their routine activity, they check and follow up medical conditions among the villagers. The services offered also include vaccinations, health awareness programs and education on health issues in their daily lives.

On average, about 150 patients per month are treated at the health center. The doctors and nurse also pay visits to the schools and villages in the vicinity.



Health check at Panchrukhi School



Nurse Sarita at Saphi Health Centre



*"The cooperation between IGEP and Merck in India has proven to be a very fruitful collaboration. Our joint health and educational activities contribute to the living conditions of the people in the mining areas over the long run."*

*Dr. Dietrich Keschull, IGEP*

Between 2010 and 2013, Merck and the Indian non-governmental organization [BBA](#) (Bachpan Bachao Andolan) jointly carried out a project with the goal of creating 20 child-friendly villages in Jharkhand. The project embraced the principles of democracy, good governance, gender parity and economic sustainability. In the course of the project, BBA worked with local communities and stakeholders such as government officials and teachers, and especially with the children and young people in the villages. Various activities were undertaken to create awareness of the importance of children attending school and receiving an education.

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