

CALIFORNIA TRANSPARENCY IN SUPPLY CHAINS ACT OF 2010

The California Transparency in Supply Chains Act (the “Act”) requires large retailers and manufacturers doing business in California to disclose on their websites their “efforts to eradicate slavery and human trafficking from [their] direct supply chain for tangible goods offered for sale.” The Act applies to any company doing business in the State of California that has annual worldwide gross receipts of more than \$100 million dollars (U.S.) and that identifies itself as a retail seller or manufacturer on its California tax return.

Merck prides itself on acting ethically, fairly and with integrity, including recognizing and respecting human rights. We embody that attitude in our corporate code of conduct, [Our Values and Standards](#), and in our [Public Policy Statement on Human Rights](#). We also flow those expectations to the third-parties we work with, including our Suppliers. Our expectations of Suppliers are set forth in Merck's [Business Partner Code of Conduct](#) (“BPCC”), which is based on our own code of conduct as well as The Pharmaceutical Supply Chain Initiative's (PSCI) Pharmaceutical Industry Principles and the 10 Principles of the United Nations Global Compact.

Our BPCC includes a section entitled “Labor & Human Rights” which informs our Suppliers of our expectation, among other things, that their workforce be treated fairly and not include forced or involuntary laborers or child laborers. In addition, Merck requires, in a section entitled “Health, Safety & Environment,” that workers be provided with a healthy and safe working environment. Merck will be updating its BPCC later in 2015 to include additional sections that specifically address employee disclosures, recruitment practices and housing standards – areas that can impact the risk of forced labor, slavery or human trafficking.

Merck recently enhanced its Supplier risk assessment program to put a more intense focus on monitoring labor and human rights issues in its supply chain. Set forth below is a summary of Merck's current program as well as some program enhancements that will be implemented in the future.

VERIFICATION & AUDITS

Merck is committed to fair labor practices within its supply chain. Beginning in May 2015, every new direct material Supplier – as well as new indirect and research Suppliers located in certain geographies – will be asked to complete a Supplier Self-Assessment Questionnaire (“SAQ”) for Ethics & Compliance. The SAQ is keyed to Merck's BPCC, and is designed to determine whether a Supplier treats its employees and the communities in which it operates with fairness and integrity. The results of this evaluation will be used to inform our Supplier selection process.

To this end, the Freely Chosen Employment section of the SAQ asks Suppliers to verify whether or not they have programs and/or procedures in place to ensure that employment is freely-chosen and that forced labor is never used. Specifically, Suppliers are asked to verify that they: (1) do not use bonded, indentured or involuntary labor; (2) ensure workers are free to resign from their employment at any time,

without penalty; (3) do not require workers to deposit money prior to hire or during their employment; and (4) do not withhold government issued worker identity cards or passports. The SAQ will also be used to gather information and seek similar assurances from Suppliers on other labor and human rights topics such as child labor and young workers, non-discrimination, fair treatment, wages and benefits and freedom of association. Merck does not currently use third-party verifiers.

Merck is also actively working to launch a labor and human rights audit program in 2015; Merck will take a risk-based approach to determine which Suppliers to visit in 2015. The methodology for these audits is in the process of being developed. The audits will be conducted by a third-party.

CERTIFICATIONS

Although we do not at this time require Suppliers to provide specific certifications concerning compliance with anti-slavery and human trafficking laws in countries in which they operate, Suppliers are asked to answer the questions posed by the SAQ described above and asked to sign a contract with Merck or agree to our Purchase Order terms and conditions. In addition to standard contract language requiring Suppliers to comply with all local and applicable laws, recently-enhanced language in our contract templates and Purchase Orders: (1) asks Suppliers to contractually agree to conduct themselves in accordance with our BPCC; and (2) seeks to grant Merck the contractual right to conduct audits to determine compliance with our BPCC, including in the area of labor and human rights. For Suppliers who want to deviate from Merck's template contract language, any such deviations must be approved by our Procurement leadership team.

INTERNAL ACCOUNTABILITY

Our expectations of employees with respect to their dealings with Suppliers are set forth in Merck's Corporate Policy titled "Procurement and Supplier Relations." That Policy states that the "goal of every sourcing decision is to obtain the best overall value from Suppliers that are responsible, meet our performance criteria and share [Merck's] commitment to ethics and integrity." In addition, every employee is trained on the values and standards set forth in Merck's Code of Conduct, which "condemn[s] the use of forced labor and exploitive child labor" Violations of our Code of Conduct may result in a variety of corrective actions, including disciplinary action and termination of employment.

All employees are encouraged to report concerns about potential unethical or illegal behavior and violations of Merck policies and standards, without threat of reprisal, intimidation or harassment. Every Merck employee is provided with information and training on how to report concerns, including reporting them confidentially and anonymously, using a variety of channels (e.g., Merck AdviceLine - available to all employees around the world 24 hours a day, seven days a week). Merck does not tolerate retaliation against any employee for raising a concern in good faith and all concerns are confidentially investigated to determine if any law, regulation, Merck code, policy or procedure may have been violated. If reported allegations are substantiated, appropriate corrective action is taken. Suppliers and other third parties may report concerns through the Merck AdviceLine as well, and are provided with information on how to do so in our BPCC.

TRAINING

Merck ensures that all employees receive training on Merck's values and standards. Our Global Compliance Training Series (GCTS), a set of core on-line courses supporting the Code of Conduct, must be taken by all Merck employees around the globe. It is the responsibility of each employee to complete these courses annually and each manager is responsible for ensuring his or her team completes the training. Contract employees may also be assigned a variety of different training courses, at the discretion of their Merck manager.

Merck also provided training in 2015 on its BPCC to Procurement professionals 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, grade and escalate concerns stemming from Supplier responses to our SAQ was also rolled out to the same group. That training was designed, among other things, to help Procurement professionals identify and evaluate Supplier risks for labor and human rights (including for forced labor and human trafficking).

Merck Forward-Looking Statement

This statement includes "forward-looking statements" within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. These statements are based upon the current beliefs and expectations of Merck's management and are subject to significant risks and uncertainties. If underlying assumptions prove inaccurate or risks or uncertainties materialize, actual results may differ materially from those set forth in the forward-looking statements.

Risks and uncertainties include but are not limited to, general industry conditions and competition; general economic factors, including interest rate and currency exchange rate fluctuations; the impact of pharmaceutical industry regulation and health care legislation in the United States and internationally; global trends toward health care cost containment; technological advances, new products and patents attained by competitors; challenges inherent in new product development, including obtaining regulatory approval; Merck's ability to accurately predict future market conditions; manufacturing difficulties or delays; financial instability of international economies and sovereign risk; dependence on the effectiveness of Merck patents and other protections for innovative products; and the exposure to litigation, including patent litigation, and/or regulatory actions.

Merck undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise. Additional factors that could cause results to differ materially from those described in the forward-looking statements can be found in Merck's 2014 Annual Report on Form 10-K and the company's other filings with the Securities and Exchange Commission (SEC) available at the SEC's Internet site (www.sec.gov).

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