

PUBLIC POLICY STATEMENT

CALIFORNIA TRANSPARENCY IN SUPPLY CHAINS ACT

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 company [Code of Conduct \(Our Values & Standards\)](#) and in our [Public Policy Statement on Human Rights](#).

We expect our suppliers to adhere to our [Business Partner Code of Conduct \(BPCC\)](#), which is based on our 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 requires our suppliers generally to treat their workforces with dignity and respect and specifically to not (i) use any form of forced or involuntary labor, including bonded labor, prison labor or indentured labor; or (ii) engage in or support any form of slavery or human trafficking.

VERIFICATION

As of May 2015, we require all new direct suppliers (as well as selected indirect and research suppliers in certain geographies) to complete and return a Supplier Self-Assessment Questionnaire (SAQ) for Ethics & Compliance prior to entering into a contact arrangement with us.

AUDITING

In August 2015, we instituted a risk-based formal audit program to evaluate supplier compliance with our company's standards for labor and human rights. Over the past four years, we have performed 185 independent, third-party audits of direct supplier's facilities located in countries identified as high risk for labor and human rights. Generally, these audits lasted two days and included interviews and document review. We have provided suppliers advanced notification of our audits. We intend to continue to perform supplier audits in the future.

CERTIFICATION

Beyond requiring suppliers to abide by the BPCC and complete the SAQ, we do not currently require any additional certifications.



INTERNAL ACCOUNTABILITY

At our company, all employees are responsible for 1) adhering to the values and standards set forth in our own Code of Conduct 2) complying with all relevant company policies and 3) for raising compliance concerns. Employees can raise concerns to their supervisor, Human Resources, Compliance, Legal or the Office of Ethics. They are encouraged to visit msdethics.com to report concerns. We investigate all reported allegations of misconduct. Violations of our company's Code of Conduct or policies may result in a variety of corrective actions and in some cases may result in disciplinary action up to and including termination of employment.

TRAINING

We train all employees on our company Code of Conduct (Our Values & Standards) annually, through a series of compliance training courses. We provide additional training on our Business Partner Code of Conduct (BPCC) to employees involved in procurement and supplier management activities to ensure awareness and understanding of our company's expectations for suppliers, including those that relate to labor and human rights. We also provide training on how to evaluate, escalate and mitigate potential supplier risks for labor and human rights is also provided to those that have responsibility for supplier selection and management.