

# DISCOVERING

2010 CORPORATE RESPONSIBILITY OVERVIEW





## ABOUT THIS OVERVIEW

### **MERCK\* IS COMMITTED TO REPORTING OUR PERFORMANCE AND PROGRESS CLEARLY AND HONESTLY.**

In 2010, as we completed our integration with Schering-Plough, we refined our approach to corporate responsibility. This document provides an overview of our new corporate responsibility framework, our related philanthropic initiatives, and personal profiles that demonstrate how we are implementing corporate responsibility across the company in our four areas of focus — access to health, environmental sustainability, employee well-being, and ethics and transparency.

We continue to use several external guidelines and measurement frameworks, including the Global Reporting Initiative, the UN Global Compact, the UN Millennium Development Goals, and the Access to Medicine Index.

Our comprehensive 2010 Corporate Responsibility Report is available at [www.merckresponsibility.com](http://www.merckresponsibility.com).

*\*Merck is known as MSD outside of the United States and Canada.*

# AT MERCK, CORPORATE RESPONSIBILITY IS OUR DAILY COMMITMENT TO DISCOVERING INNOVATIVE SOLUTIONS TO THE WORLD'S BIGGEST HEALTH CHALLENGES.

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In its broadest sense, it's a simple promise that informs all of our actions as we apply our global resources, our talents, and our scientific and operational expertise to some of the most significant health, environmental, and economic challenges. This is why we see corporate responsibility as a major business objective, not solely a philanthropic initiative. Ultimately, it helps us discover better ways to deliver greater value to both shareholders and society — which we believe is the way to achieve true sustainability.



## message from the ceo

Dear Friends,

Our world is changing rapidly. We recognize that expectations for companies like Merck are now higher than ever before. We, of course, need to continue to be both innovative and profitable, but need to do so in a way that protects the environment, supports communities, respects employees, and demonstrates ethical behavior. For a global healthcare leader like Merck, we must go beyond our core offering of medicines and vaccines to help make healthcare more accessible to the many who still do not have meaningful access to it. To meet these growing expectations and Merck's own values, we must perform like never before. For us to thrive, we must transform ourselves into a stronger, more agile healthcare company that is driven by our unwavering commitment to do the right thing by all of our constituents.

Specifically, we are investing in high-growth areas, including the emerging markets where we believe Merck is well positioned to address significant unmet medical needs; we are focusing on priority disease areas including diabetes, cardiovascular, and infectious diseases; and we are innovating new ways to improve health outcomes. Our vision is of a commercially sustainable business that both increases the accessibility of our products globally and helps build local capacity for quality healthcare services for those who need them most. We are committed to addressing critical social, environmental, and economic challenges to ensure the health of our business and of the society in which we operate.

I am pleased with what we've accomplished so far, but Merck must continue to discover new ways to overcome the challenges ahead. With our legacy of scientific excellence, customer focus, innovation, and our strategic focus on corporate responsibility, we are fully committed to leading the future of healthcare and we are tireless in our pursuit of discovering better answers, better actions, and better results.

This year's corporate responsibility report highlights our achievements and plans — but it's only the beginning of our corporate responsibility journey. To succeed in the years ahead, we must listen more and do more to make a positive difference in the lives of people around the world. We invite you to join us on this journey toward a healthier future.

Sincerely,

**KEN FRAZIER**  
PRESIDENT AND CEO  
SEPTEMBER 2011



## message from the board

Dear Stakeholders,

Companies that expand their view of value beyond short-term financial gain to include the well-being of their employees, customers, and society are creating “shared value.” I couldn’t agree more with this perspective.

But what does this mean for Merck? How does Merck grow as a profitable business and continue to provide the greatest benefits to patients and communities?

The answer is clear, but challenging: focus the company’s competencies and capabilities on delivering shared value — the ability to innovate in biomedical science for the benefit of patients and grow the business, while integrating corporate responsibility in every area of the organization.

This proposition is embedded in the four pillars of our new corporate responsibility framework, which we believe will make Merck even better at what it already does well:

- expanding global access to healthcare;
- integrating environmental sustainability into every aspect of the business;
- demonstrating Merck’s concern for the diversity and well-being of its employees; and
- demonstrating the highest standards of ethics and transparency in all of its actions.

We see it through Merck’s industry leadership with innovations to address HIV/AIDS, cardiovascular disease, and vaccine-preventable diseases. We see it through the programs and partnerships that bring our medicines and vaccines to those who don’t have access but need them the most. Our work, for example, to reduce the incidence of cervical cancer around the world, and our program to eliminate river blindness reflect not only Merck’s value as a leader in innovative healthcare, but also our social responsibility values in

action. Good for business, good for society.

To make sure the framework becomes a fundamental component of Merck’s culture, the company has developed a set of key performance indicators that will allow us to measure our progress within these four focus areas.

On behalf of the Board, I look forward to helping a stronger and more formidable Merck continue to create shared value — to stay ahead of the evolving demands of global business by being competitive, ethical, innovative, and committed to the idea that, more than ever, good citizenship makes good business sense.

Sincerely,

A handwritten signature in dark ink, reading "Thomas E. Shenk".

**THOMAS E. SHENK, PH.D.**  
CHAIR, MERCK BOARD COMMITTEE  
ON PUBLIC POLICY AND  
SOCIAL RESPONSIBILITY  
SEPTEMBER 2011

During 2010, we developed a more formal and robust corporate responsibility framework with clear priorities, areas of focus and metrics to assess our progress. This approach aligns with the company's mission and values, and focuses on making significant achievements in four priority areas:



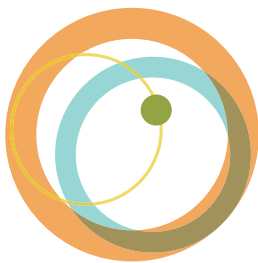
## access to health

It is unacceptable that the vast majority of people around the world are unable to benefit from advances in medicines and healthcare. To help address this global dilemma, we are committed to discovering smart, sustainable ways to expand access to healthcare. Our new Statement of Guiding Principles, which guide our worldwide approach to access to health, outline specific goals to assure progress across our business, from R&D and the supply chain to commercialization and investment in local infrastructure.



## environmental sustainability

We're making sure we respect the earth's resources with a commitment to discover environmentally sustainable ways to meet the world's health needs. We have defined a road map to guide our progress, from reducing our environmental footprint in the short term, to transforming our entire value chain over the longer term.



## employees

The talent, diversity and integrity of Merck's people drive our success. We're committed to discovering new ways to help our employees and our business thrive. This means supporting employees not just as workers, but as people — developing resources and opportunities that help employees grow professionally, helping to improve the health of our employees and their families, and encouraging them to get involved in their communities in ways that are meaningful.



## ethics and transparency

We are transparent and open not just because we believe it's right, but because it's central to how we serve the people who depend on us. We're committed to ethical behavior and transparent communications across our global business. And we're working every day to earn our stakeholders' trust by engaging audiences on all sides of the issues that matter, and by going beyond mandatory disclosure to proactively communicate key information in greater detail than ever before.



OUR GOAL IS  
TO HELP  
PATIENTS GET  
THE HEALTHCARE  
THEY NEED.





# WE HAVE AN IMPORTANT ROLE TO PLAY TO MEET THIS CHALLENGE.

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**Access to health is still not available to millions of people around the world.** As a leading healthcare provider of innovative medicines, our role in addressing this challenge involves both our efforts to discover new scientific approaches that lead to medicines and vaccines that address unmet needs — as well as the development of new business strategies, policies, and partnerships that expand our reach and help to get those discoveries to the people who need them.



# A FOCUS ON INNOVATION



**NANCY THORNBERRY** (LEFT): SENIOR VICE PRESIDENT  
AND FRANCHISE HEAD, DIABETES AND ENDOCRINOLOGY  
**ANN WEBER** (RIGHT): VICE PRESIDENT AND RAHWAY  
DISCOVERY CHEMISTRY SITE HEAD





SUPPORTED BY ACHAP, THE BOTSWANA FAMILY WELFARE ASSOCIATION YOUTH CENTER IN MOCHUDI, BOTSWANA PROVIDES HIV COUNSELING, TESTING, AND YOUTH PREVENTION SERVICES.

THROUGH MERCK ANIMAL HEALTH, WE ARE DELIVERING NEW AND IMPORTANT ANIMAL HEALTH PRODUCTS AND SOLUTIONS.

# access to health



“Would you be interested in collaborating?” That simple question in 2000 led **NANCY THORNBERRY** and **ANN WEBER** to team up on one of the most exciting drug development stories in decades. With “collaborative” best describing Merck’s R&D community, the focus is always on scientific innovation. And the result: a major advancement in diabetes treatment.

Nancy was always passionate about science. As a young girl, she loved anything having to do with animals and the outdoors, and her parents nurtured her interest by buying her chemistry sets and dissection kits. After earning degrees in chemistry and biology, she quickly landed a job as a biochemist at Merck where she set out to fulfill her dream of finding an important new medical discovery.

Ann had planned to become a medical doctor, but discovered in college a love for chemistry, which

she could use to address major biomedical problems to help many more people. So, after earning her Ph.D. in chemistry at Harvard, she joined Merck as a senior research chemist.

Despite different backgrounds, they both agreed that the environment at Merck is ideal for scientists who want to make important discoveries. “The three words that best describe Merck R&D are *science*, *innovation* and *collaboration*,” says Nancy. “This company and its scientists are passionate about all three, because that’s how you achieve success.”

But like most scientists in pharmaceutical research, the two also understand that discovering a new medicine is like finding a needle in a haystack. And even those few compounds can take decades to get to market.

That’s why this story goes back to the spring of 1999, when Nancy,

who was leading a group of about 30 biochemists and molecular biologists, became aware of some exciting new research on a potential target for treating patients with type 2 diabetes. With this new area of investigation to explore, her team was ready to seek a discovery.

Meanwhile, Ann, in a different area of Merck’s research facilities, was ready for a new challenge when Nancy approached her to join the team.

By that time, diabetes had become a global epidemic and Merck was firmly dedicated to finding solutions. “Half of diagnosed patients fail to achieve adequate blood glucose control — and more and more young people are being diagnosed,” says Nancy, noting that when not treated properly, diabetes can lead to blindness, amputations, heart disease, and nerve and kidney damage.



“With a complex disease like diabetes — and the few well-tolerated drugs that are available to get patients on the right track — we were trying to fill a large, unmet need,” Ann says. “But we had an unbelievable team. They were persistent, and they relished teamwork, which is key.”

As it turns out, Nancy and Ann’s team would find the first new oral therapy for type 2 diabetes in more than a decade — one that lowers glucose but lacks some of the side effects of older drugs, including low blood sugar (hypoglycemia) and weight gain.

Recently, the Pharmaceutical Research and Manufacturers of America (PhRMA) honored Nancy and Ann with the prestigious Discoverers 2011 Award for developing a drug that provides “exceptional benefit to humankind.” Although women have been part of teams that have won this award in the past, this was the first time in the award’s 24-year history that women alone have won.

“This accomplishment is not ours alone,” says Nancy. “It belongs to dozens of colleagues who worked collaboratively to bring this new

therapy to patients. The teamwork on this program was exceptional, and some of my colleagues became some of the most important friends in my life.”

“Discovering an important new medicine is the highlight of my career, and I was thrilled to share it with Nancy, who is a gifted scientist,” says Ann. “But we wouldn’t have been able to accomplish this without the dedication and teamwork of hundreds of colleagues at Merck, a place that nurtures scientific innovation.”

## FROM THE LABORATORY TO REAL LIFE

### **Eric Ray was dangerously ill with diabetes — and he didn’t know it.**

Now 150 pounds lighter, he’s a healthy fitness enthusiast. And the road ahead looks long and inviting, even without the cheeseburgers and fries he loves.

With a family history of diabetes, Eric knew he had to start paying attention to his health and cut back on the fast foods he was consuming. After suddenly feeling weak and light-headed, he finally went for tests, which confirmed he had type 2 diabetes.

“I was immediately put on insulin — just as my body was shutting down from diabetic ketoacidosis,” says Eric, who is 38 years old. “I was rushed to the hospital where I stayed for a week. I realized I had put my life in peril.”

Eric eventually began to recover. Soon he began the challenging road to health by learning how to eat properly and exercise regularly. “I learned a lot from my diabetic educator, and Merck provided information on treatment options and tips on managing my blood sugar by testing three times a day and controlling portions — so I could take care of myself properly.”

Because of Eric’s remarkable transformation, he’s reduced his need for medication. Under the guidance of his doctor and with input from Merck, he’s gone from four to five shots of insulin a day to a twice-daily combination of oral medications.

With a healthy body and a great attitude, Eric now wants to help others. “I’ll even go shopping with my friends to help them buy healthier food. I try to open their eyes to living healthy.”



**ERIC RAY** LEARNED HOW TO CONTROL HIS TYPE 2 DIABETES WITH HELP FROM A PATIENT COUNSELOR AND MERCK.



# FACILITATING ACCESS

GIVING HOPE AND HEALTH TO THE  
WOMEN AND GIRLS OF BHUTAN





## CERVICAL CANCER AFFECTS MORE WOMEN IN THE HIMALAYAN COUNTRY OF BHUTAN THAN ANY OTHER CANCER.

Based on current World Health Organization estimates, approximately 200 Bhutanese women are diagnosed with cervical cancer each year and about one-half of those women die — in a country with a total population of only 650,000 people.

To meet this challenge head on, Bhutan, which borders India and Tibet, has become the first developing nation in the world to implement a national cervical cancer vaccination program aimed at reducing the incidence of the disease.

In 2010, Merck partnered with the Bhutan government and the Australian Cervical Cancer Foundation (ACCF) to carry out the program over six years. As part of its commitment, Merck is providing GARDASIL® to the program partners at no cost in the first year and at an access price at which Merck will not profit thereafter. In addition, Merck is providing additional support for implementation of the program. After 2015, the government of Bhutan has committed to ensuring the sustainability of this program beyond the six-year partnership with Merck and ACCF.

“It has long been a priority of ours to make health programs like this available to women of our country,” says Dr. Ugen Dopphu, director, Department of Public Health, Ministry of Health, Bhutan. “We’re pleased to have the support of

Merck and the ACCF on such an important initiative.”

The program, led by Her Majesty the Royal Grandmother Ashi Kesang Choeden Wangchuck and the Bhutan Ministry of Health, will provide an opportunity for appropriate girls and young women between the ages of 12 and 18 to be vaccinated with GARDASIL®.

The country has already achieved vaccination rates of more than 90 percent in eligible females, and three-dose series completion rates of more than 97 percent.

This achievement is particularly noteworthy because it’s very difficult for patients to get to a healthcare facility to be inoculated. In fact, almost half the population of Bhutan must walk for half a day, and often several days, to reach the nearest road.

“We consider ourselves lucky to get free HPV vaccinations,” said one of the girls who received the vaccine. “We hope that our Bhutanese women and girls will be free from cervical cancer. We are very grateful to the Ministry of Health for introducing this program.”

The successful launch of the Bhutan vaccination program provides important learnings for other developing countries also seeking to reduce the burden of cervical cancer.

### HIGHLIGHTS

BECAUSE MUCH OF THE WORLD’S POPULATION IS UNABLE TO BENEFIT FROM ADVANCES IN MEDICINE, WE ARE WORKING TOWARD LONG-TERM SOLUTIONS through the implementation of our recently published Access to Health Statement of Guiding Principles. These will help us stay focused on access to health in our day-to-day business decisions. The following are a few highlights of our guiding principles and examples of the progress we’ve made toward implementing them:

**We will engage in R&D to provide medicines and vaccines that address vital global health needs.** In 2010, we completed the prioritization of our research and development pipelines. With more than 20 products in late-stage development — and an investment of more than \$8 billion in overall research and development — we are poised to address global health issues including schizophrenia, cardiovascular and respiratory diseases, and chronic hepatitis C.

**We are committed to providing patients and customers with high-quality products and a reliable supply of safe and effective medicines and vaccines.** In April 2011, we announced a joint venture with Sun Pharmaceutical Industries Ltd. in India to develop, manufacture, and commercialize new combinations and formulations of innovative medicines for patients in emerging markets.

**We will engage in community investment to address barriers to access where we believe we can make the strongest contributions.** The African Comprehensive HIV/AIDS Partnerships (ACHAP) supports Botswana’s national strategy to prevent new HIV infections and reduce related morbidity and mortality rates. In 2010, Merck renewed its commitment to ACHAP with an additional grant of \$30 million for the period 2010 to 2014 — bringing our total commitment to \$86 million over 15 years. We will also continue to donate our anti-retroviral medicines. Today, 90 percent of people in Botswana in need of treatment are receiving it, compared to only 5 percent when the program began.



**A HEALTHY  
PLANET IS  
ESSENTIAL  
FOR HUMAN  
AND ANIMAL  
HEALTH.**





# AND WE ARE TAKING ACTION TO PRESERVE IT.

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**That's why we're fully committed to being responsible — and innovative** — in how we bring our products to market and how we use and replenish natural resources such as water, conserve energy, and eliminate waste. In doing so, we will be better prepared to operate in a world of limited resources, while at the same time unleashing innovation, cutting costs, and reducing our environmental footprint. Our commitment to meet this challenge is central to our mission.



**MAKING PACKAGING  
SUSTAINABLE  
FOR THE HEALTH OF  
THE PLANET . . .  
AND HIS GIRLS.**





**MIKE TUNE**, GLOBAL DIRECTOR OF R&D  
PACKAGING, ENGINEERING, AND CLINICAL  
SUPPLIES FOR MERCK CONSUMER CARE





WE ARE WORKING TO ACHIEVE SUSTAINABLE WATER MANAGEMENT WITHIN OUR OPERATIONS, SUCH AS IN THIS VACCINE MANUFACTURING FACILITY, AND MINIMIZE OUR IMPACT ON LOCAL WATER SUPPLIES.

# environmental sustainability



**MIKETUNE** is a global group packaging leader at Merck Consumer Care. He and his team work tirelessly to make packaging environmentally sustainable for the health of the planet.

Not everyone has a calling in life, but Mike Tune does. He studied packaging in college, and he's been working in the field his entire career — with a rare dedication — especially since sustainability has become so important and well understood.

As the father of four girls, ranging in age from 5 to 15, he thinks often about what he can do to make their future more secure and healthy, now more than ever since becoming the leader of a global packaging team at Merck Consumer Care that has embraced sustainability with a passion.

"Some people think of packaging negatively because they think it creates unnecessary garbage, but it plays a crucial role in our lives," Mike says. "Fifty percent of food in developing countries becomes spoiled and must be discarded because of inadequate packaging — and that's a terrible waste when people are starving," he explains.

"Drug packaging is all about preserving the medicine and extending its shelf life. The challenge is finding the right balance among people, the environment and profits."

Rather than aspiring for some kind of sustainability ideal, Merck strives for continuous improvement. Mike calls it a journey into discovering how to make lives better.

We are making significant improvements in the area of materials reduction and increased packaging efficiency. For example, a change in

Dr. Scholl's® "For Her" plastic tubes involved converting the 2-inch diameter to a more efficient 1.5-inch diameter, yielding a number of downstream efficiency gains.

"Luckily, Merck Consumer Care has a unique culture with a holistic view, where packaging now has a seat at the table from the earliest phase of product development," he says. "My team factors in consumer needs and environmental sustainability from the start."

"Years ago, packaging professionals didn't think about sustainability as much as they should have," Mike admits, "but now it's an essential part of the conversation. Technical skills are vitally important, but the packaging people at Merck also must have a broader perspective about the world we live in — and be able to communicate with people on the marketing and business side."



# OUR ENVIRONMENTAL SUSTAINABILITY STRATEGY INCLUDES 2015 AND 2020 GOALS, WHICH WILL HELP US MOVE BEYOND COMPLIANCE TOWARD TRUE ENVIRONMENTAL SUSTAINABILITY.



With consumer products, in particular, packaging plays a huge role in providing information and clarifying competitive differences. And as changes occur in society, packaging changes as well — from an aging population requiring easy-to-open, large-print packaging, to smaller families in smaller homes requiring smaller packages.

“We’re packaging advocates because our society really depends on it, but it has to be done right,” Mike says. So, like many of his Merck colleagues, he dedicates a lot of his “extra” time to it — as a member of Merck’s Sustainable Packaging Community of Practice (internal collaboration group), as an adjunct professor of sustainability at a local university, and recently as a co-chair of a science conference on sustainability.

Looking to the future, Merck’s packaging teams see plenty of challenges and opportunities ahead. “There’s a need for biopolymers — made from sustainable and biodegradable living materials as opposed to today’s oil-based plastics — that industry and academia must develop for commercial use,” Mike says. “Society also has to improve recycling infrastructures, so more and different plastics can be recycled,” he adds. “The economics and infrastructure aren’t there yet in every corner of the world, but we have to find a way to make it work.”

**Sounds like a guy with a calling, who’s in the right place at the right time.**

## HIGHLIGHTS

BECAUSE THE WORLD’S RESOURCES ARE LIMITED AND MUST BE PRESERVED FOR THE NEEDS OF FUTURE GENERATIONS, MERCK IS COMMITTED TO DISCOVERING MORE ENVIRONMENTALLY SUSTAINABLE WAYS TO CONDUCT OUR OPERATIONS.

We are making changes that will reduce the environmental footprint of every aspect of our business, from discovery and development, through manufacturing and sales, and that will drive improvement in four key areas: water, air, packaging, and waste.

As part of the company’s new global water strategy, Merck recently endorsed the UN Global Compact’s CEO Water Mandate, which reflects a commitment to make responsible water resource management a priority.

Merck scientists are applying green chemistry principles to design innovative and environmentally efficient ways to make our products, preventing the creation of many thousands of pounds of waste, reducing the hazardous materials required to make our products, and saving water.

Merck is improving the efficiency of its global fleet. In the United States, we have changed our vehicle standards from 6-cylinder to 4-cylinder engines, which will increase fuel efficiency and reduce greenhouse gas emissions. We are also adding more hybrid vehicles to our fleet.



BECAUSE THE  
TALENT, DIVERSITY,  
AND INTEGRITY OF  
OUR PEOPLE DRIVE  
OUR SUCCESS —



WE MAKE SURE  
THAT OUR WORK  
ENVIRONMENT  
IS A PLACE WHERE  
OUR EMPLOYEES —  
AND OUR BUSINESS —  
CAN THRIVE.

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**We understand that the more that's asked of us as a business, the more we rely on our employees** to advance our vision. So we are working hard to discover new ways to help employees succeed professionally and personally.



**MONICA CHAUDHARI**, BUSINESS  
UNIT DIRECTOR AT MSD INDIA AND  
GLOBAL BRAND LEADER

# “SUPPORTING THE COURAGE TO GROW”







OUR ABILITY TO EXCEL DEPENDS ON THE INTEGRITY, KNOWLEDGE, IMAGINATION, SKILL, DIVERSITY, AND TEAMWORK OF OUR EMPLOYEES.

# employees

Merck employees from diverse backgrounds are encouraged to work together, develop new ideas, contribute, and grow professionally. **MONICA CHAUDHARI** is one of many Merck employees who represents these ideals. The daughter of physicians, Monica, who faints at the sight of blood, has succeeded in her career with an unrelenting belief in overcoming fear and taking risks. The proof is in her unpredictable path — from India to the United States and back — and her steady rise up the corporate ladder.

In her 21 years at Merck, Monica Chaudhari's career path has been wide ranging — across functions and continents. A native of India who has studied and spent many years in the United States, Monica is now back in her homeland taking on yet another huge challenge

with her indomitable spirit — managing a team of 400 people with responsibility for a broad range of products.

Previously in her career, Monica was a global brand leader, a senior sales director, and a regional sales director in New York.

Each move was a risk out of her comfort zone, she says. "I learned from my father that when you take risks you learn more and go higher than you otherwise would have," Monica explains. "I had no experience in sales and product management and it was terrifying, but I like to just jump in and learn from as many people as I can."

"It's also important that I had mentors at every point in my career — which Merck encourages both formally and informally. I had people who believed in me and provided

lots of support and encouragement, giving me exposure to new things and an opportunity to excel," she adds. "What more could you ask for?"

Monica says the company has been very clear about diversity in its day-to-day activities, "insisting that doing the right thing is always, in the long run, what is good for the business," Monica says. "The two usually go hand-in-hand," she adds.

"When I was a regional sales manager, I learned that Merck needed to reflect the communities we served, whether it's having bilingual sales representatives or understanding different cultural attitudes about conditions like obesity. In all cases, the company wanted a diverse workforce and the broad perspectives that come with it, so we could understand our customers."



**WE STRIVE TO ATTRACT DIVERSE TALENT AND FOSTER AN ENVIRONMENT WHERE EMPLOYEES ARE AS HEALTHY AS THEY CAN BE, WHERE THEY CAN DEVELOP NEW SKILLS AND KNOWLEDGE, WHERE THEY FEEL VALUED, AND WHERE THEY ARE CHALLENGED TO TAKE MERCK TO NEW AND BETTER PLACES.**



One of the challenges for women with families is forging a work-life balance. "You've got to establish your priorities and stick with them as best as you can," says Monica, who mentors women at Merck with the potential for leadership, as well as being a mentee herself.

"It's important to set and be clear about your priorities, and be unapologetic about pursuing them," Monica says. "I'm not afraid to speak up, and thankfully Merck supports me," she adds. "Have the courage to grow; don't be satisfied to stay put. And do what you can to develop the self confidence you need. Don't allow yourself to believe that something can stop you. This means investing in yourself to be successful — through education, finding mentors to help you, and building the support you need around you. Then go for it."

"Fortunately, Merck has given me and many others the opportunity to expand our knowledge and build great careers because they understand that a diverse workforce makes us all stronger and smarter," Monica says.

**"That's why I firmly believe diversity makes business sense and it's the right thing to do ... in that order."**

## HIGHLIGHTS

### EMPLOYEE HEALTH AND PROFESSIONAL DEVELOPMENT

Merck's global commitment to employee wellness is reflected in a comprehensive set of programs ranging from fitness to disease management. This includes a new health and wellness website that contains customizable assessment tools and information on smoking cessation programs, more healthful food options in cafeterias, and fitness centers at major sites.

**MERCK'S ILEAD** website houses approximately 7,000 learning resources that employees at all levels can use to develop their leadership skills. Resources are available in a range of formats: "on demand" web-based modules, classroom programs, on-the-job development suggestions, articles, tools and video podcasts.

**DIVERSITY AND INCLUSION** is integrated in all areas of Merck; Merck provides a broad range of programs and mechanisms to support diversity and inclusion throughout the company. Initiatives range from a Diversity Playbook and Toolkit, mentoring programs and Employee Resource Groups, to child and elder care programs, web-based training on micro-inequities (subtle discriminatory messages) and a Future Talent Program for summer interns.

Merck created the **CEO'S GLOBAL DIVERSITY & INCLUSION AWARDS** to recognize and reward outstanding contributions to diversity and inclusion. In 2010, 400 employee nominations were submitted, more than twice the number received in 2009. Merck employees are encouraged to nominate their colleagues for the work they do to ensure that diversity and inclusion is part of the global workplace.







# AT MERCK, WE PLACE GREAT VALUE ON CULTIVATING TRUSTED RELATIONSHIPS.

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**As a global healthcare leader, our work requires us to cultivate strong relationships based on trust** with customers, partners, employees, and stakeholders — and confidence among the general public. This means conducting ourselves according to the highest standards of ethics and integrity, listening, and learning from our stakeholders, and communicating openly about the decisions we make and the outcomes we achieve.



**DR. MICHAEL ROSENBLATT**, EXECUTIVE VICE PRESIDENT AND CHIEF MEDICAL OFFICER, WHO SERVES AS AN INTERNAL PATIENT ADVOCATE WITHIN MERCK, VISITING WITH YOUTHS IN MOCHUDI, BOTSWANA, 2010



**MERCK'S CODE OF CONDUCT**  
APPLIES ONE STANDARD OF  
CONDUCT TO ALL EMPLOYEES  
WORLDWIDE AND IS AVAILABLE  
IN 26 LANGUAGES.

# ethics and transparency



## **TRUST IS CRITICAL TO OUR MISSION OF HELPING THE WORLD BE WELL.**

This means complying with all relevant laws and regulations, and closely monitoring our actions to ensure compliance. Beyond this, it also means being transparent about how we operate, engaging audiences on all sides of important issues, and holding our people accountable for their actions and commitments.

Patients must have confidence in how we operate and conduct ourselves and in the fact that we put the needs of patients first; healthcare providers must have confidence in the safety of our products and the ethics of our behaviors; investors must have confidence in how our company is managed; our employees must have confidence in their management and the company's mission and values. From sales and marketing practices, to product safety and

political advocacy, we have put in place mechanisms to cultivate this trust.

Our Global Compliance Organization (GCO) acts as the steward for compliance across the organization, working in partnership with our business units to see that we achieve our business goals while meeting the letter and spirit of the complex regulatory framework in which we operate.

Within the GCO, our Office of Ethics plays a critical role in providing employees with the resources and information they need to make the right choices and decisions.

With these systems in place, we map out clear expectations for employees and hold them accountable for their behavior. To make sure employees understand the company's expectations, we established a Code of Conduct in 1999 and updated it for the third time in June 2011. We require all employees to complete training on

our Code. We also have mechanisms, such as an Ombudsman office and a global AdviceLine, which provide confidential mechanisms to allow employees to report concerns about business practices. These resources are also available to help counsel employees who may have questions or concerns.

Regarding our science and product development, in 2009 we appointed a chief medical officer (CMO) who reports directly to the Chief Executive Officer. The CMO represents the voice of the patient within Merck and serves as the primary voice of Merck to the global scientific and medical community.

We have also taken significant steps to improve transparency in our external interactions, committing to publicly disclose grants to patient, medical, and scientific organizations.

# BECAUSE DOCTORS AND PATIENTS LOOK TO US TO PROVIDE ACCURATE AND BALANCED INFORMATION ABOUT OUR PRODUCTS, WE ADHERE TO STRICT ETHICAL SALES AND MARKETING PRACTICES FOR ALL OF OUR BUSINESSES.

Additionally, we make sure when we make grants to U.S. organizations that provide independent, professional education initiatives for physicians — including accredited continuing medical education — that we have no influence over the content of these courses. These grants are posted on [merckresponsibility.com](http://merckresponsibility.com).

In 2009, Merck also began voluntarily disclosing payments to U.S.-based healthcare providers who speak on our behalf or our products, and by early 2012 we will begin to disclose payments made to U.S.-licensed physicians who perform certain consulting services for Merck.

Perhaps most important, we make sure that study results of our marketed products — regardless of outcome — are available in a timely manner on [ClinicalTrials.gov](http://ClinicalTrials.gov). We also register our clinical trials online, well before products are approved for the marketplace,

as a resource for patients and physicians who are looking for treatment options.

Furthermore, in all countries in which we and our partners do business, we adhere to strict ethical sales and marketing practices for all of our businesses — pharmaceuticals, vaccines, consumer health and animal health.

## IN OTHER AREAS OF OUR BUSINESS

Merck has a Standing Committee on Safety, which monitors, assesses, and advises on all of our safety protocols to make sure we are doing everything we can to ensure the safety of our employees.

We extend our transparency efforts to our environmental performance, our work to expand access to our medicines and vaccines around the world, and our progress on diversity and inclusion in the workplace. Data on these and other key performance indicators are available at [merckresponsibility.com](http://merckresponsibility.com).

We were among the first companies to follow the Center for Political Accountability's Model Code of Conduct for Corporate Political Spending. We post information on our website about our corporate political contributions and the contributions made through the Merck Employees Political Action Committee. And we disclose dues paid to U.S. trade associations used for lobbying or political activities.



# GIVING AT MERCK

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**In addition to our business actions, we believe a thoughtful and robust philanthropy program** is a key mechanism to help address social problems and an important component of our corporate responsibility approach. The Merck Company Foundation and the Merck Office of Corporate Philanthropy support nonprofit organizations and innovative programs focused on tackling some of humanity's greatest challenges — from healthcare access and educational opportunities to the well-being of our communities.

MERCK VOLUNTEERS FROM THE GLOBAL CUSTOMER STRATEGIES & CHANNELS ORGANIZATION PARTICIPATE IN CLEANING UP A ROSE GARDEN AT THE LEHIGH VALLEY WORKERS' MEMORIAL MONUMENT AND PARK IN PENNSYLVANIA IN JUNE 2010.











- ▲ ELMO AND LILY EXPLORE TOGETHER ON *SESAME STREET'S BIG BIRD LOOKS AT THE WORLD*.
- ◀ MEDICAL CARE FROM MERCK VOLUNTEERS WAS AMONG THE ASSISTANCE PROVIDED TO SUPPORT THE DISASTER RELIEF EFFORTS IN HAITI FOLLOWING A DEVASTATING EARTHQUAKE IN JANUARY 2010.

**ALLIANCE TO REDUCE DISPARITIES  
IN DIABETES UNITED STATES**

Diabetes cases are growing across the United States, but the problem is most prevalent among low-income and underserved adult populations already suffering from lack of access to quality healthcare.

The Merck Company Foundation launched the Alliance to Reduce Disparities in Diabetes to help address this gap in care with a commitment of \$15 million through 2013. The goal is to improve diabetes prevention and management services in collaboration with established national, regional, and community partners.

In Camden, New Jersey, for example, the Alliance supports the Camden Citywide Diabetes Collaborative, which has been developing innovative and accessible approaches to manage patients; improve care, coordination, and quality; and reduce healthcare costs.

Jeffrey C. Brenner, M.D., Executive Director of the Camden Coalition of Healthcare Providers, who leads the Collaborative, illustrates the

challenge: “We asked the providers to refer to us the people who come into emergency rooms. One patient in one year went 113 times, and over a five-year period, another patient went 324 times,” he said.

Harry Corn, a patient in Camden, said, “I just came out of the hospital where a nurse came to see me. So now I take my pills to keep my diabetes in check.” Better patient management is one reason why Dr. Brenner says the program is “generating millions and millions of dollars in savings.”

According to the Alliance’s National Program Director, Noreen Clark, Ph.D., projects focus on three core components: “First, help patients with diabetes, or patients at risk, to manage their conditions more effectively; second, learn how to take evidence-based approaches and translate them into a real-life healthcare setting; and third, at a national level, work with agencies in collaboration to increase our influence to bring about needed change. Without the foundation of collaboration,” she added, “nothing important can happen.”

“Merck funding has galvanized our partners,” notes Dr. Brenner in Camden, “and it’s launched us into a much higher level of collaboration.”

**ZHIMA JIE SESAME WORKSHOP  
EDUCATION AND OUTREACH  
PROGRAM CHINA**

It’s difficult enough for children in impoverished communities to learn without basic resources like desks and books. Add a devastating earthquake, and the lives and learning of children become disrupted in profound ways.

“When we first arrived at the Xiang’e School, you could truly see the sadness in the children’s eyes. These kids’ homes were devastated by earthquakes, and here were strangers trying to make it better,” says Anita Stewart, Senior Vice President of Corporate Partnerships, Sesame Workshop. “We handed the outreach materials to the teachers and then to each of the students. Their faces lit up immediately at being given their own very colorful book. They were holding it like it was gold.”

“And then when the volunteers and teachers started demonstrating the



THROUGH OUR PHILANTHROPIC PROGRAMS, WE STRIVE TO DISCOVER BETTER WAYS TO MAKE A POSITIVE IMPACT ON SOME OF THE WORLD'S GREATEST CHALLENGES.

MERCK'S GIVING APPROACH IS FOCUSED ON THREE PRIORITY AREAS:

HEALTH

We support programs that focus on innovative ways to improve healthcare quality, capacity and access, as well as those working to alleviate barriers to good health.

EDUCATION

Through our support of programs that foster educational opportunity and eliminate achievement gaps among disadvantaged people, we are helping to expand quality education in science.

COMMUNITY INVOLVEMENT

Through financial support and the energy of Merck employee volunteers, we contribute to organizations working to address issues that impact the quality of life in communities where Merck employees live and work.

games, the children came alive and were jumping up and down and raising their hands. That's normalcy. It didn't matter that I couldn't speak Chinese. Hearing their laughter transcended any language or geographic barrier."

This heartfelt recollection is the result of a unique partnership between Sesame Workshop and Merck, which has created Zhima Jie, a comprehensive new educational multimedia project in China. The program is committed to creating dynamic content that will provide Chinese children with the cognitive and social skills needed to reach their highest potential.

A key component is a community outreach project that addresses emergency response and preparedness, which is important given that the country has experienced several natural disasters in the past few years. The project includes a popular new television series, *Zhima Jie's Big Bird Looks at the World*, that centers on science and discovery, as well as a website and print materials — all of which have the potential to reach underserved areas.

GLOBAL EMPLOYEE VOLUNTEER PROGRAM (365 MERCK DAYS) HAITI

As part of Merck's global employee volunteer program, Merck employees around the world are involved in volunteer efforts that seek to enhance well-being. Nowhere is this generous spirit of helping more evident than in the response to the Haitian earthquake victims in 2010.

After the initial devastation, Merck allowed eligible employees who were licensed health professionals or allied health services providers, as well as qualified translators (Creole/French), to take one to two paid weeks of release time to participate in disaster relief efforts with approved nonprofit organizations on the ground.

Among those contributing time was Emile Jean-Baptiste, M.D., Ph.D., medical science liaison, Global Medical Affairs. Jean-Baptiste, a native of Haiti who is fluent in French and Creole, was ideally suited to provide immediate and much-needed assistance.

And Howard S. Britt, M.D., former associate director, medical services and clinical risk management, had connected with the Jewish Renaissance Foundation, a group that was among the recipients of more than \$500,000 donated by Merck for Haitian earthquake assistance.

Within 12 hours of landing in Haiti, Carol Van Arsdale, a registered nurse and Merck employee, Britt, and other volunteers arrived at All of God's Children Orphanage, some 50 miles northeast of the capital. With a steady flow of about 200 patients per day, our employees were able to put their skills to use where they were needed most, tending to patients with infections, high fevers, malaria, and amputation after-care. While it was not the emergency health-care they had expected, they knew they were helping people who needed support.

The Merck volunteers have expressed a desire to return to Haiti to help assist in what they agree will be months, even years, of recovery.

# KEY PERFORMANCE INDICATORS\*

\$46

BILLION WORLDWIDE  
SALES

277

MILLION GALLONS  
OF WATER RECYCLED  
OR REUSED BY  
MERCK FACILITIES  
DURING 2010

22%

REDUCTION  
IN LOST-TIME  
INJURY RATE

\$1.2

BILLION TOTAL  
GIVING

In 2010 we began to reevaluate how we measured our corporate responsibility efforts. With more than 80 separate measurements, we saw a need to focus and align them with our new corporate responsibility framework.

First we categorized the existing measurements according to the priority areas of our new framework: access to health, environmental sustainability, employees, and ethics and transparency. If measurements did not fit into these categories, they were evaluated for materiality and either kept as a measurement for our overall reporting efforts or discontinued.

We then presented the distilled measurements under each framework category to various stakeholders in relevant business areas to test whether each metric was a useful business assessment and whether it measured progress and improvement effectively. After several reviews, including input from senior management responsible for each area of the framework, we settled on a new set of 36 key performance indicators (KPIs) that directly align with our framework and our business priorities. These can be found at [merckresponsibility.com](http://merckresponsibility.com).

We will begin reporting next year on these measurements in our 2011 corporate responsibility report.

Meanwhile, we continue to gather many more metrics — aligned with the Global Reporting Initiative, Access to Medicines Index, United Nations Global Compact Communication on Progress and the UN Millennium Development Goals. This comprehensive list is available in our online corporate responsibility report at [merckresponsibility.com](http://merckresponsibility.com).

\*Figures above represent 2010 data.

# 2010 AWARDS AND RECOGNITION

## access to medicine index



### Access to Medicine (ATMI)

Merck ranked No. 2 in the 2010 Access to Medicine Index, which assesses and ranks pharmaceutical companies on various criteria around global access to medicines. Merck ranked No. 1 in the category of product donations and philanthropy.



### Dow Jones Sustainability

**Indexes** For the second year in a row, Merck has been placed on the Dow Jones Sustainability North America Index, which is based on a thorough analysis of corporate economic, environmental, and social performance. The North America Index captures the leading 20 percent in terms of sustainability out of the largest 600 North American companies.



### FTSE4Good

**FTSE4Good Index** Merck is a FTSE4Good constituent member. The FTSE4Good Index Series has been designed to measure the performance of companies that meet globally recognized corporate responsibility standards.



### Global 1000 Sustainable

**Performance Leaders** Merck was recognized as first on the Global 1000 Sustainable Performance Leaders ranking for 2010. The ranking is released by CRD Analytics and published by Justmeans, an organization dedicated to helping companies engage with stakeholders on issues of social responsibility. Companies are ranked using methodology that incorporates the Global Reporting Initiative's G3 Indicators.



### Chronicle of Philanthropy

In its annual survey of philanthropic giving by U.S. corporations, the *Chronicle of Philanthropy* ranked Merck third in corporate donations of cash and product among some of the country's largest corporations.



**DiversityInc** Merck ranked No. 13 in its annual list of the "Top 50 Companies for Diversity," making it the company's eighth consecutive appearance on the list.



### U.S. Environmental Protection

**Agency** Merck was recognized with the EPA's 2010 Energy Star Sustained Excellence Award for continued efforts to protect the environment through energy efficiency. Merck, an Energy Star partner since 2004, has been recognized by the EPA for five consecutive years — twice as Partner of the Year and now for the third time for Sustained Excellence.



### 2010 World Vaccines Congress

Merck received the annual Vaccine Industry Excellence (ViE) Award for the Best Vaccine Partnership/Alliance/License. The award acknowledged the company's collaboration with the Wellcome Trust in creating the MSD Wellcome Trust Hilleman Laboratories. The annual award recognizes the outstanding achievements of vaccine innovators and diverse stakeholders across the global industry, and provides a time and place to celebrate the vaccine industry's most outstanding achievements.



# OUR FIERCE COMMITMENT TO CONCRETE BUT LOFTY GOALS IS WHY WE HAVE BEEN SUCCESSFUL FOR MORE THAN A CENTURY.

No matter how complex or difficult the challenge, we strive relentlessly to anticipate needs, to deliver life-changing innovations, to increase access to medicines and healthcare — to make the difference between living and living well. In short we strive to discover better ways in all these critical areas.

By listening and working with others who share the same goals, and even those with whom we disagree, we are able to achieve better outcomes. Only when our expertise is united with the needs of patients, the experience of clinicians, and the ideas of partners, are we able to progress and prevail in achieving wellness.

Corporate responsibility is our commitment to make a difference in all these areas and more — a simple promise that is embedded in our global strategy. It drives us to meet the world's greatest health, environmental, and business challenges with our scientific expertise and diverse global talents and resources. And it allows us to deliver value not only to shareholders, but also to the broader population.

Whether through innovative research, groundbreaking partnerships, or smarter processes, we want to lead the future of healthcare. Along the way, we will be competitive, ethical, and committed to the idea that corporate responsibility makes good business sense.

Meeting tomorrow's healthcare and environmental challenges will require discovering better solutions. With our corporate responsibility framework as our guide, and in partnerships around the world, we move into the future with confidence and enthusiasm.



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#### **Printing Information**

Environmental benefits based on 8,000 copies of 100% post-consumer recycled paper, actual environmental savings versus standard paper are as follows:

- 61 trees saved
- 27,974 gallons of waste water avoided
- 19,376,952 BTUs of energy not consumed
- 1,773 pounds solid waste not generated
- 2,363 pounds net greenhouse gases prevented

Photography on page 3 from  
Brian Wilson, Princeton University  
Photography on page 32 from  
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